



# **An Overview of Corporate Social Responsibility in Croatia**

Academy for Educational  
Development

Prince of Wales International  
Business Leaders Forum

MAP Consulting Inc.

PUBLISHER:

**AED**  
**Ulica kralja Držislava 3,**  
**10 000 Zagreb**

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PRINTING:

**Kratis, Zagreb**

**February 2004**

CIP - Katalogizacija u publikaciji  
Nacionalna i sveučilišna knjižnica - Zagreb

UDK 334.7.021(497.5):17  
174.4(497.5)

BAGIĆ, Aida

**An overview of corporate social  
responsibility in Croatia** : february 2004  
/ <autorice Aida Bagić, Marina Škrabalo,  
Lana Narančić ; prijevod Mario Dumančić>. -  
Zagreb : AED <i. e.> Academy for  
Educational Development, 2004.

Bibliografija.

ISBN 953-97987-4-4

I. Škrabalo, Marina 2. Narančić, Lana  
I. Poduzeća — Hrvatska — Društvena odgovornost  
II. Poslovna etika — Hrvatska

440220059



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## ACADEMY FOR EDUCATIONAL DEVELOPMENT

Founded in 1961, AED is a U.S. independent, non-profit service organization committed to addressing human development needs in the United States and abroad. AED operates over 100 projects throughout the world in areas such as health, literacy, civil society development, and environmental protection. Support for Croatia's NGOs (CroNGO), working to address the issue of NGO sector sustainability in Croatia, is a three-year program funded by the United States Agency for International Development (USAID) and implemented by the Academy for Educational Development (AED). The goal of the program is the further development of dynamic, diverse and influential Croatian non-governmental organizations that operate with support from the general public and in cooperation with other sectors of society. CroNGO provides a variety of services to NGOs and community groups around Croatia including project funding, technical assistance, training, capacity building, and information sharing. Through this program AED also works closely with the NGO sector to continue to develop an enabling environment for civil society in Croatia and to increase public perception and citizen awareness and involvement in NGOs and civic initiatives throughout the country.

Community development as well as NGO sector sustainability is an important factor for the success of the CroNGO Program. AED initiated this research on CSR in an effort to gain a better understanding of the role that business is currently playing in the communities in which it works through both its core business and community involvement practices. In addition, through investigating current business practices we hoped to be able to gauge how business is contributing to the development process within Croatia as well as better understand the interaction between business and NGOs around the country. AED views this research as a first step in an effort to highlight and promote CSR within the country and to encourage important partnerships between different sectors of society. We were pleased to have the opportunity to work in partnership on this research with both the International Business Leaders Forum who contributed their international expertise on CSR and MAP Consulting whose local knowledge and professionalism were key to the success of this report. For more information on CroNGO please visit [www.aed.hr](http://www.aed.hr)



## THE PRINCE OF WALES INTERNATIONAL BUSINESS LEADERS FORUM (IBLF)

IBLF based in London, UK, is an international, business-led not-for-profit organization founded in 1990 by HRH The Prince of Wales. IBLF was created to respond to the emerging social challenges of unsustainable economic growth and change in the global economy.

The Forum works strategically with business, civil society and the public sector in order to achieve socially, economically and environmentally sustained development. It is supported by 68 leading transnational companies and operates internationally with a focus on developing and transitional economies. The Forum has been active in Central and Eastern Europe (CEE) since the early 1990s, encouraging business to bring its skills and resources to address the challenges of transition and promote business involvement in development through a cross-sector partnership approach. Through its well-established partnership networks and affiliate organizations, over 300 national and international businesses are contributing regularly to local development programs and are making a significant difference in areas such as enterprise development, training, education, youth development, environmental management, corporate governance and NGO assistance.

By being involved in this research project with locally based AED's CroNGO program and MAP Consulting, IBLF was able to bring its international experience and knowledge in the area of CSR and development of practical partnership initiatives, as well as provide the structure for the report and offer CSR frameworks through which the broad and multi-faceted challenges of Croatia and countries in the SEE region might be addressed.

The Forum believes that the concept of corporate social responsibility (CSR) and its ability to bridge the business and wider development agenda could be a very effective tool for change and development. By analyzing the current level and extent of CSR practices in Croatia, its context, characteristics, examples of good practice and suggested framework for future action, we hope to stimulate further action in the area of CSR, on all levels, through awareness raising, knowledge building, practical action, dissemination of good practice both within Croatia itself and hopefully in the neighboring SEE countries. For more information on IBLF please visit: [www.iblf.org](http://www.iblf.org)



## MAP CONSULTING INC.

MAP Consulting is a Croatia-based international consulting company. MAP's expertise covers gender issues, civil society and social policy, primarily in the post-Yugoslav countries, Central and Eastern Europe and the former Soviet Union. MAP's commitment is to holistic organizational interventions that enhance learning and development. Each approach, tailored to specific client needs, is based on an interactive MAPping of concepts, practices and opportunities for change.

MAP's interest in CSR issues is closely related to the long-term engagement of its' founders in various social issues, including peace and antiwar activism, advancement of women, as well as social movements' influences on wider social policy issues. MAP is grateful for the learning opportunity provided by AED as an initiator of the research, and for the additional expertise generously offered by the IBLF. As a company at the beginning, we also benefited tremendously from having the privilege to listen to business leaders, both to the stories about their companies and their personal development. For more information on MAP please visit [www.map.hr](http://www.map.hr)



This research has been supported by the United States Agency for International Development (USAID).

# ■ ■ ■ An Overview of Corporate Social Responsibility in Croatia

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## Methodology

The principal methodology used for this research in summer/fall 2003 has been the qualitative and quantitative analysis of data collected from a review of existing literature and a series of 64 interviews and questionnaires with 36 companies, 18 NGOs, two governmental institutions, one cross-sector policy-making body, three business associations, three expert organizations, two media and one independent expert. Even though the focus of this research was primarily on companies, conscious effort was made to involve representatives from other key stakeholders as their position and involvement in the promotion and activities of CSR is considered very important for the development and implementation of this concept.

Within companies interviews were invariably held with company leaders – the CEO, a board member, or marketing, communications, human resources or corporate strategy department managers. In the case of most other stakeholders, high-level managers were interviewed. An analysis of each interviewed company/organization was combined with a review of publicly available background information on each selected respondent. (All key stakeholders interviewed can be found in Appendix I).

The choice of companies included in this research was guided by the following:

- the visibility of their CSR commitments, as reported by the companies themselves, the media, NGOs and independent experts;
- regional distribution (Zagreb, Istria, Zagorje, Dalmatia, Slavonia);
- representation of different industry sectors, ranging from heavy industry, food production, to sales and banking services; and
- ownership structure (national and international) companies.

As designed, the sample is not representative of the Croatian business community as a whole but primarily focuses on companies that have already been to a certain degree recognized as promoters of CSR and were able to fit into the tight schedule of this research project. In addition, the 18 NGOs interviewed were selected based on the diversity of fields of work and locations but are only a small sample of the more than 20,000 registered associations in Croatia. As some of the more visible and resourceful NGOs, however, they do represent an interesting sub-sample similar to that of the companies. All respondents offered valuable information that contributed to the analysis of the state of CSR in Croatia today.

The research also included an analysis of media coverage in a two month period from 1 June 1 to 31 July 2003, in order to gain insight into public representations of CSR in Croatia, and to assess the everyday usage of the concept as well as the visibility of various CSR practices.

The timeframe for this research was limited and, due to practical reasons, much of it took place over the summer months. As a result, we were, unfortunately, unable to access all relevant stakeholders, as planned, and we met with those who were available to meet with us during the limited timeframe allocated for the interviews. Also, due to the scope and structure of this report we were not able to highlight all of the examples of good practice learned about through this research, or provide extensive and more detailed information on various activities that are going on in this area, but rather we provide a snapshot of what exists and Croatia today. However, this should not be taken to mean that the work of some is any less valuable than that of others.

*The information contained in this report has been obtained, analyzed, and reported in good faith. Where contributors views are reported directly by the authors, inclusion does not necessarily signify endorsement of those views by the authors, nor does inclusion of example companies and products signify endorsement of those companies or products by the authors or their representative organizations.*

## Acronyms

<b>AED</b>	Academy for Educational Development	<b>ILO</b>	International Labor Organization
<b>BITC</b>	Business in the Community	<b>ISO</b>	International Organization for Standardization
<b>BSR</b>	Business for Social Responsibility	<b>ISO9000 /ISO9001</b>	ISO Certificates for Quality Management
<b>CCI</b>	Croatian Competitive Initiative	<b>ISO1400 /ISO14001</b>	ISO Certificates for Environment Management
<b>CEE</b>	Central and Eastern Europe	<b>MDG</b>	Millennium Development Goals
<b>CEO</b>	Chief Executive Officer	<b>MOMPS</b>	Ministry of Crafts, Small and Medium Enterprises
<b>CroNGO</b>	Support for Croatia's Non-Governmental Organizations	<b>NCC</b>	National Competitiveness Council
<b>CSO</b>	Civil Society Organizations	<b>NGO</b>	Non-Governmental Organization
<b>CSR</b>	Corporate Social Responsibility	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>PR</b>	Public Relations
<b>EMAS</b>	Eco-Management and Audit Scheme	<b>PWIBLF</b>	Prince of Wales International Business Leaders Forum
<b>ETI</b>	Ethical Trading Initiative	<b>SME</b>	Small and Medium Size Enterprises
<b>EU</b>	European Union	<b>SRI</b>	Socially Responsible Investing
<b>FSU</b>	Former Soviet Union	<b>UN</b>	United Nations
<b>FINA</b>	Central Financial Agency	<b>UNICEF</b>	United Nations Children Fund
<b>GMO</b>	Generic Modified Organisms	<b>UNDP</b>	United Nation Development Program
<b>GRI</b>	Global Reporting Initiative	<b>UNEP</b>	United Nation Environment Program
<b>HDK</b>	Croatian Society for Quality	<b>UNIDO</b>	United Nations Industrial Development Organization
<b>HGK</b>	Croatian Chamber of Commerce	<b>URIHO</b>	Institutions for Rehabilitation of Persons with Special Needs through Employment and Professional Development
<b>HR</b>	Human Resources	<b>USAID</b>	United States Agency for International Development
<b>HRK</b>	Croatian Kuna (currency)	<b>WB</b>	World Bank
<b>HRPSOR</b>	Croatian Business Council for Sustainable Development	<b>WBCSD</b>	World Business Council for Sustainable Development
<b>HSE</b>	Health, Safety and Environment	<b>WEF</b>	World Economic Forum
<b>HUP</b>	Croatian Employers Association		
<b>HZZ</b>	Croatian Employment Service		
<b>ICT</b>	Information Communication Technology		
<b>IFC</b>	International Finance Corporation		

## Executive Summary

In the last ten years, center stage amidst heightened concerns about world security and tensions between opposing views about the effects of globalization, there has been an unrelenting rise in the power and importance of business and its role in global environmental and social development. In Croatia too, the role of business in the country's sustainable development has become recognized, and the private sector, as well as the government and civil society, are beginning to embrace the concept of "corporate social responsibility" (CSR). It can be argued that CSR improves reputation, wins wider business acceptance, builds competitiveness and achieves sustainable long-term development of companies operating in Croatia and the South East European (SEE) region.

In June 2003, the Academy for Educational Development's (AED) CroNGO Program focused on NGO sustainability and civic action in Croatia, The Prince of Wales International Business Leaders Forum (IBLF), an international business-led not-for-profit organization seeking to promote CSR, and MAP Consulting, a Croatian social development consultancy company, came together as partners, to undertake research on CSR in Croatia. From June through September 2003 the research encompassed a review of existing literature; analysis of media coverage of CSR; and interviews with representatives of over sixty companies, governmental institutions, business associations, expert bodies, non-governmental organizations (NGOs), and media.

The **aims** of the research, one of the first of its kind in Croatia, were:

- to assess the extent and characteristics of responsible business practices in the country;
- to explore the cultural, historical, political and institutional context in which companies develop their CSR approaches and activities, and
- to gather information on existing best practices and partnership initiatives.

Its **purpose** was to raise awareness about CSR and its impact, examine both opportunities and challenges and provide a series of recommendations for the effective future activities and promotion of CSR in Croatia. It is also hoped that this report will prove to be a stimulus to business and other key stakeholders to build on existing experience and activities as well as work in partnership and develop new areas of cooperation, which will help in the further development of Croatia and the region.

The Report highlights the good work currently being undertaken by Croatian companies and looks at challenges and opportunities for next steps in order to develop and understand the concept of CSR more widely as well as stimulate practical action both within the country and regionally. The particularity of the Croatian context, as one of the youngest countries in Europe is considered when looking at its current and future CSR practices. Factors shaping the environment and approach to CSR in the country are presented to include its recent strong overall policy goal of joining the EU, complicated by its legacy of a Yugoslavian socio-economic system and the challenges of democratization and multiple transition processes interrupted by war, destruction, large scale migration, and increased inequalities.

Some **key findings** of the research discussed in the report include the following:

- While the concept of CSR and its terminology is relatively new to Croatia, the tradition of community embeddedness and familiarity with many aspects of CSR has existed for years;
- In Croatia important company factors for understanding the concept of CSR and developing approaches include: company ownership structure, size, industry sector and its leadership capacity;
- Company reputation rates high as a driver for business engagement in CSR; other key benefits for Croatian companies becoming involved in CSR are related to: improved operational efficiency; employee recruitment, motivation and retention; competitiveness; and market positioning;
- Aspects of CSR are both advocated and practiced throughout the Croatian business community though much of this is not strategically structured or reported on;
- There are many CSR related activities taking place throughout the country, most of which are still at the level of corporate giving, but there are a few examples of strategic and more sophisticated approaches also emerging which align businesses' core practice with wider responsibilities toward its many stakeholders;



- The dominant CSR practices identified in Croatia are within the areas of:
  - *Core business practices* – investments into human resource development, training and education; improvement of quality standards of products and processes; care for consumers; environmental management improvement processes and investments in eco-efficient technology and education; and
  - *Community involvement and Corporate Giving* – mainly financial and in-kind donations to NGOs and other organizations in the areas of health, sport, children, youth, socially marginalized groups, and others;
- A cross-sector partnership approach to development in Croatia is very limited, mainly due to the lack of understanding between different sectors of society and limited adequate mechanisms and skills to facilitate this interaction;
- The country's enabling environment for promotion of CSR is weak and the government has a limited understanding and willingness to engage in a cross-sector partnership approach to development.

## CONTENT OF THE REPORT:

The **first chapter** of the report introduces Corporate Social Responsibility (CSR) as a new business issue, and touches on the evolution of CSR in recent history. It provides information on the global context for the growth of this issue and presents the business case for CSR – the benefits of engaging. The chapter also introduces a framework for understanding and structuring CSR as well as looking at a range of CSR themes. It continues by reviewing tools and mechanisms utilized for implementing CSR strategically within a company and concludes by looking at current trends and debates taking place around the issue of CSR in Europe mentioning experience in Western, Central and Eastern Europe (current and future European accession countries) in using CSR as a tool for change.

After setting the scene globally and looking at CSR in wider Europe, the **second chapter** narrows the focus to look at CSR in the Croatian context. The origins of responsible business in the country are reviewed and the legislative and policy framework is briefly touched on followed by the key factors affecting CSR in Croatia. The business case for CSR specific to Croatia is outlined and key players important for promotion of CSR in the country are identified.

This Chapter highlights examples of good practice in Croatia through:

- Core business practices,
- Community involvement and Corporate Giving,
- Policy Dialogue, Advocacy and Institution Building.

Some of the key CSR themes in Croatia are outlined in this chapter related to the environment, business governance and corruption, and health. The second chapter finishes by touching upon some of the CSR tools and mechanisms particularly relevant to Croatia, such as leadership and reporting issues.

The **third chapter** looks at NGOs as very important players and partners in CSR, and at cross-sector partnerships as crucial mechanisms for further development of CSR as a tool for achieving socio-economic development of the country. After providing an overview of the types of NGOs in Croatia working on CSR related issues, the chapter highlights the value added of a partnership approach in solving both business and development challenges through offering cooperative, integrated, inclusive solutions leading to social and economic development. Finally, the Chapter turns to cross-sector partnership in Croatia outlining some of the obstacles and challenges to forming partnerships in the country as well as providing a few examples of good practice that exist in this area.

The **report concludes** by identifying the key challenges for CSR in Croatia today as well as opportunities and recommendations on how to move forward with this issue in the country.

**Main challenges** are identified as:

- limited awareness of CSR among all sectors of society;
- lack of a co-ordinated strategy to promote CSR;
- limited cross-sector dialogue and partnerships;
- few models of business involvement in communities;
- sporadic reporting on CSR activities;
- lack of integration of CSR strategies within all levels of companies;
- no strategic socially responsible investing; and
- very limited formal education on CSR in the university curriculum.

**Recommendations** for the development of CSR within the country focus on the need to:

- increase CSR awareness throughout Croatia;
- carry out trainings on partnership building for all sectors;
- improve coordination among business associations in creating a platform to share CSR best practices and lobby government to create an enabling environment for CSR;
- assist businesses in integrating and implementing CSR strategies and reporting on this activity; and
- provide technical assistance to NGOs in being more actively involved with business as well as creating easily accessible information about the NGO sector in Croatia.

Finally, a Framework for Initial Action is included identifying some of the possible next steps that each key player (i.e. business, NGOs, business associations, government, academia, and media) can take to promote CSR within the country.

The report finishes by commenting that like most social issues, the complexity of CSR suggests that there is no magical 'key' in terms of a single behavior or policy recommendation, which would transform the situation overnight. Business cannot act alone; it needs the support and cooperation of other sectors of society in order for it to be successful.

While this report does little more than scratch the surface of a complex and increasingly important issue, it is hoped that it will help to put CSR on the agenda in Croatia more than previously, reveal some surprising findings and identify some of the trends and factors contributing to CSR in the country.



## CHAPTER I

# Setting the Scene: Introduction to CSR in the Global and European Contexts

### PREVAILING VIEWS AND DEFINITIONS

In its broadest sense, CSR is about the impact of business on society and the role of business in sustainable development. It is a wide-ranging concept, the definition and perception of which varies depending on the particular context (country, industry sector, type and size of company and its ownership structure). CSR is generally about a company assuming responsibility for its activities that go beyond commercial considerations. For some it is looked at as the source of competitive advantage; for others it is an important response to the increasing demands of key stakeholders such as employees, investors, consumers and environmentalists.

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*“Corporate Citizenship is a critical part of the way we do business now and will do so in the future. Our focus has expanded from philanthropy and community involvement to a broader look at how we use our resources for sustainable growth and a better world”*

■ **Bill FORD**, Ford Motor Company,  
*Our Principles, Progress and Performance, 2002*  
*Corporate Citizenship Report, 2002*

Organizations that operate in the area of CSR define it in different ways:

- For **Business for Social Responsibility (BSR)**, CSR means “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.”<sup>1</sup>
- **International Business Leaders Forum (IBLF)**’s understanding of CSR is about promoting responsible business practices which benefit business and society and help achieve social, economic and environmentally sustainable development by maximizing the positive impact business has on society and minimizing the negative.
- **World Business Council for Sustainable Development (WBCSD)** defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life”.<sup>2</sup>

CSR lies at the juxtaposition of what is good for business and what is good for the wider society. Maximizing shareholder value is not always fully compatible with the interests, goals and needs raised by key stakeholders. CSR is increasingly understood as a means by which business tries to reach a balance between its drive for profit and the society it impacts along the way.

The concept can be described by a number of terms: sustainable development, ethical business, corporate citizenship, triple-bottom line concept. Regardless of terminology, the core principles are the same. In this report, we use the term CSR not because we prefer it over others, but simply to be consistent.

<sup>1</sup> [www.bsr.org](http://www.bsr.org)

<sup>2</sup> [www.wbcsd.ch](http://www.wbcsd.ch)

## EVOLUTION AND RECENT HISTORY

*For the first time in history most of the world's population live in democratic societies and market-based economies, with the potential for increased political participation and economic prosperity. There are widespread concerns, however, that this potential is not being met: that many people still face high levels of inequality, insecurity and uncertainty as well as new sources of conflict, environmental decline and lack of opportunity. World events since September 11 have reinforced the interconnected nature of these global challenges ... leaders from all countries, sectors and levels of society need to work together to address these challenges by supporting sustainable development and ensuring that the benefits of globalization are shared more widely.*

■ *Joint statement of a task force of World Economic Forum CEOs, developed in partnership with the IBLF, 2003*

External Events	Year	CSR Evolution
	1983/4	Business in the Community (BiTC) founded
Brundtland Report	1987	Caux Round Table; SustainAbility formed
Fall of Berlin Wall	1990	The Prince of Wales International Business Leaders Forum (IBLF) founded
Rio Summit	1991	Amnesty Business Group formed
Shell Brent Spar	1992	World Business Council on Sustainable Development (WBCSD) and Business for Social Responsibility (BSR) formed
Nike / Child Labor	1995	CSR Europe founded
Triple Bottom Line Concept	1996	ISO 14000; World Economic Forum (WEF) – Corporate Citizenship Unit
	1997	A 8000; Ethical Trading Initiative (ETI); Global Reporting Initiative (GRI); World Bank - Business Partners for Development
	1998	UK Government - CSR Minister appointed; The Copenhagen Centre formed
	1999	Global Sullivan Principles
	2000	UN Global Compact
Enron and Worldcom scandals; UNDP Summit on Sustainable Development	2001	EU Green Paper; WEF-Global Corporate Citizen Initiative; Promoting a European Framework for CSR
	2002	EU Communication Concerning Corporate Social Responsibility (White Paper)
	2003	UNDP Millennium Development Goals (MDGs); Equator Principles

There was no single moment in history from which CSR suddenly developed. It evolved slowly over time and has become a part of every-day vocabulary only in the last decade, especially in North America and Western Europe. 'Corporate Philanthropy' was one of the earliest manifestations of CSR, a term still predominant in North America. In the 1960s, the growing sophistication of consumers helped drive this concept, followed by the environmental movement of the 1970s, and growing concerns about the social impacts of business in the 1990s.

The timeline on previous page is by no means exhaustive but tries to highlight some of the key events, reports, initiatives and organizations in the last decade or so, that have contributed to the rise of CSR and its growth from the margins to the mainstream of the policy agenda. In most cases, the events did not specifically trigger the CSR initiatives but encapsulate the global context for them. (Please see the Appendices and Glossary for more information on the terms in the timeline).

## THE GLOBAL CONTEXT

As seen in the previous table, many factors and global events have led to the emergence of CSR as a new business issue and increasingly a tool for change and development. The following discussion highlights a few of the major external factors and context affecting the growth of CSR.

- **IT Revolution and convergence towards a knowledge-based economy:** Technological advances have brought unprecedented changes and opportunities in the way we communicate, live and work, but only for those who have access to them, which is still a small percentage of the world population. The challenge is to close the 'digital gap' and extend the access of IT to a wider group of people in order to create new jobs, make them an inclusive part of society and avoid instability.
- **Opening of New Markets and Regional Political Changes:** Following the fall of the Berlin Wall, approximately three billion people newly live in economies that operate on market principles. Business has become the principal driver for growth and development and its higher profile has given rise to new questions about business accountability and boundaries of responsibility. Increasingly, boundaries between companies have diminished and virtual and network organizations are being created through strategic alliances, joint-ventures, supply chains, and partnerships. Similarly, boundaries are being removed between business and organizations from other sectors of society. These changes have also brought a growing backlash against the perceived unequal benefits of globalization.
- **Emergence of a Consumer Driven Economy:** Consumers and pressure groups, especially in Europe and North America but increasingly elsewhere, are demanding more responsibility from companies. The advance of technology has empowered these groups to put more effective pressure on companies, (especially ones with high-profile brands) and hold them accountable for the [anti-social] behavior they detect, especially in their 'emerging country' operations.
- **Rise of Non-Governmental Organizations (NGOs):** NGOs are emerging in large numbers in response to the changes brought about by globalization. Many of these organizations hold business accountable for its actions and business is being criticized as too focused on profit and not taking into account the social and environmental impacts of its investment and business operations.
- **Lack of Trust in the Institutions of the Market Economy:** Recent years have witnessed an increasing lack of trust in government and the business community following high-profile corporate scandals such as Enron and WorldCom. In many countries, corruption is still widespread and a general lack of accountability exists. Stakeholder pressure has increased and business is expected to help with many complex social and economic issues

## THE BUSINESS CASE FOR CSR: BENEFITS OF ENGAGING

CSR is much more than doing good because it feels good. Increasingly, companies recognize there is a strong business case for CSR. The table below outlines some of the key benefits.

### BENEFITS TO BUSINESS

#### Reputation, Brand and Risk Management

Responsible business leads to positive public perception, brand protection and loyalty, and a higher profile. Note: *it can also mean higher scrutiny by activist groups and others.*

This argument is strongest for companies with well-known brands, particularly those in countries with strong activist communities. For example BT Mobile in the UK estimates that its CSR performance accounts for over 25% of the image and reputation driving customer satisfaction.\*

\* Better World BT's Social and Environmental Report, BT, 2003 [www.btplc.com/Betterworld/](http://www.btplc.com/Betterworld/)

#### Competitiveness and Market Positioning

While businesses must first satisfy customers' key buying criteria - such as price, quality, availability, safety and convenience - studies also show a growing desire to buy (or not buy) because of other values-based criteria, such as "sweatshop-free" and "child-labor-free" clothing, lower environmental impact, and absence of genetically-modified materials or ingredients.

The example of the Vietnam Business Link Initiative demonstrates improved competitiveness of Vietnamese footwear factories by improving labor and HSE standards in them. This Initiative was prompted by a report on the Vietnamese Footwear Industry, a key export industry in Vietnam, highlighting the bad working conditions and lack of training of factory workers. The Vietnam Business Link Initiative, endorsed by the Vietnamese Ministry of Planning and Investment, is a multi-stakeholder Initiative involving the local and international footwear industry, worker representatives, government departments, the Vietnam Chamber of Commerce, IBLF, Nike, Pentland, and Adidas-Solomon. Current activities include training of factory managers on a variety of HSE issues, workshops introducing the SA8000 labor standard certification system, and others.\*

\* Zadek, S. Sabapathy, J. Dossing, H. Swift, T. Responsible Competitiveness: Corporate Responsibility Clusters in Action", The Copenhagen Centre and Accountability 2003

#### Employee Recruitment, Motivation and Retention

Committed companies have committed employees, increased productivity, reduced turnover and decreased recruitment and training costs.

In research carried out by The Corporate Citizenship Company on behalf of the international development volunteering charity VSO in 2001, employees from Accenture and Shell who participated in voluntary work abroad reported that the experience had made their employer more attractive to them. One said: "most able young graduates ... want not only to work for a company with whose values they feel comfortable but also to have the opportunity of flexibility within employment". There is increased evidence especially from professional services companies demonstrating that new recruits are increasingly asking for evidence of CSR activities before joining a company and CSR aspects of company websites are some of the most frequented sites viewed by graduates.\*

\* The Corporate Citizenship Company, Good Companies Better Employees: How community involvement and good corporate citizenship can enhance employee morale, motivation, commitment and performance, Tuffrey, M. 2003

## Operational Efficiency

It has been repeatedly shown that CSR practices lead to cost reduction; e.g. environmental management improvements resulting in cost reduction and new products.

For example Energy Conservation at Cisco Systems controls costs and lessens environmental impacts. By using careful and innovative facility design and encouraging responsible environmental practices among employees, Cisco has reduced energy consumption by millions of kilowatt-burning hours each year. Cisco deploys state-of-the-art control systems and high-efficiency chillers in new buildings. While these environmentally friendly design elements are expensive, energy savings diminish their cost over time. Cisco Systems incorporates environmental protection into product design as part of the company's Design for Environment (DfE) program. This program also includes the design of operational processes and facilities at Cisco.\*

\*[www.cisco.com/en/US/about/ac227/ac228/ac229/rp\\_citi\\_case\\_study.html](http://www.cisco.com/en/US/about/ac227/ac228/ac229/rp_citi_case_study.html)

## Access to Capital and Investor Relations

An increasing number of funds are now managed according to the principles of socially responsible investing (SRI) – the growth of SRI means companies with strong CSR performance have increased access to capital that might not otherwise have been available. It is evident that companies that take a strategic approach to CSR are likely to be well managed overall.

Companies increasingly engage in structured debates with important stakeholder groups: the investment houses and pension funds that are actively involved in Socially Responsible Investment (SRI), indicating that environmental and social issues are becoming significant investment risk factors, and performance in these areas is increasingly seen as an indicator of the overall quality of company management.

One example of the growing perception of social and environmental risk was the coming together of a group of large institutional investors as the Carbon Disclosure Project (CDP). This project is concerned with the potential impact that perceptions about climate change could have on the value of shareholdings in corporations worldwide. The project wrote to the global top 500 companies requesting disclosure of information concerning their greenhouse gas emissions. BP amongst many other companies responded positively to their request for information. The responses to CDP 2003 will be made available on their website in May 2004.\*

\* [www.cdproject.net](http://www.cdproject.net)

# CSR FRAMEWORK: BUSINESS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

## KEY AREAS OF CSR

### SOCIAL INVESTMENT & PHILANTHROPY

- Community involvement is one of the most common areas of CSR practice for companies. Actions include donating money, time, products and services, and transferring management knowledge to civil society organizations and NGOs.
- Most corporate community involvement is philanthropic: cash and product donations to NGOs and employee volunteer programs. Community involvement programs are increasingly looked at from a strategic perspective. This means linking companies' core competencies and objectives with community priorities to provide benefits both to companies and communities.
- The methodology increasingly applied is partnership, i.e. moving from one-way philanthropy and charity giving (except in emergencies) to mutually beneficial long term involvement and capacity building - business working with NGOs and public sector organizations in order to jointly address company and community needs.

### CORE BUSINESS ACTIVITIES

- Creation of Jobs both within the company and along the supply chain; creating wealth and distributing it responsibly
- Minimizing the social costs of downsizing and restructuring
- Development of Human Resources; training, skills development, health and safety at the workplace and along the supply chain, equal opportunity and diversity
- Providing quality products and services
- Marketing, advertising, distribution: product access, use and impact, labeling, packaging
- Building local business systems and value chains
- Technology and knowledge transfer; spreading international business standards and practices especially in the areas of environment, health and safety management, human rights, ethics, quality, etc.
- Local joint-ventures and partnerships
- Establishment of physical infrastructure i.e. roads, machinery, transport, telecommunication systems, etc.
- Establishment of institutional infrastructure i.e. legal and financial systems, business standards, etc.

### POLICY DIALOGUE, ADVOCACY AND INSTITUTION BUILDING

Individual companies and business associations influence public policy and decision-making in a variety of ways. If carried out in a representative, transparent and ethical manner, such engagement can help to promote good governance, at both company and national levels and shape an appropriate enabling environment for responsible business practices.

Companies' and business associations' engagement with government and civil society can help:

- create an enabling environment for private enterprise and local and foreign investment
- promote ethical business practice
- support good governance i.e. help to improve public administration, increase accountability, tackle corruption and conflict, and support an active and open civil society
- contribute to economic, social and environmental policies and institutions beyond immediate commercial interests



Source: Adapted from Nelson, J., *Building Competitiveness and Communities*, PWIBLF in collaboration with UNDP and the World Bank, 1998



## MAJOR CSR THEMES

There is an ever-expanding list of themes addressed by CSR through the above-mentioned CSR framework, including some of the major current themes below.

- **Environment:** Responsibility towards the environment has been a priority for business for many years. Concrete business benefits of operating in an environmentally responsible way can be significant. Numerous external standards, measurements and guidelines for environmental management issues have been developed. To name a few: The International Chamber of Commerce's Business Charter for Sustainable Development, the International Organization for Standardization (ISO) 14000, the European Community's Eco-Management and Audit Scheme (EMAS), the CERES Principles, the UN Global Compact, and the Global Reporting Initiative (GRI). For more information on these standards, measurements and guidelines please see Appendix 2.
- **Business Standards and Governance:** Fundamental to any CSR agenda is the issue of good corporate governance. Corporate governance was once considered an issue mainly for countries in transition and developing markets, where the rule of law is weaker and democratic institutions less established. However, the corporate governance scandals in America and elsewhere in recent years have exposed a far more widespread problem. Poor corporate governance standards – real or perceived – are one of the biggest impediments to investment in newly market-based economies. This has a ripple effect - without adequate investment, governments are often not able to tackle the pressing social needs of their citizens. There are an increasing number of initiatives around the world designed to improve standards in corporate governance, including the issue of corruption: e.g. IBLF's business and corruption program which promotes the role that business can play in tackling corruption, documents and profiles emerging international good practice, stimulates and supports corporate-led anti-corruption initiatives around the world and develops practical manuals and materials to help companies implement anti-corruption policies.<sup>3</sup>
- **Human Rights:** In the last few years there has been an increasing recognition of the link between business and human rights. Many human rights principles relate directly or indirectly to private sector actions, e.g. use of child or prison labor, and involvement in state actions that deprive citizens of basic civil liberties. As a result, human rights has been included into global business principles through:
  - an increasing number of corporate codes of conduct developed by integrating the Universal Declaration of Human Rights into their codes and protecting the human and labor rights of workers;
  - trade sanctions imposed on nations disregarding international human rights standards;
  - shareholder resolutions calling upon corporations to ensure their actions are conducted in a way consistent with human rights standards.<sup>4</sup>

## CSR TOOLS AND MECHANISMS FOR IMPLEMENTATION

A number of tools and mechanisms are used by companies to implement CSR policies within their operations. A few of these tools are defined below.

### VALUES, PRINCIPLES, CODES OF CONDUCT

Most well-managed and successful companies publish their own values and principles from which a code of conduct is developed. This is often used as a basis for their CSR strategy and implementation.

*“Grounded in enduring principles, we can help address today’s complex challenges responsibly, striving to create value for society as we create value for our company. We believe this is the full measure of our performance and the best way to judge our success.”*

■ *Living Our Values, 2002 Citizenship Report, The Coca-Cola Company*

<sup>3</sup> [www.iblf.org/corruption](http://www.iblf.org/corruption). Also see the World Bank's Global Corporate Governance Forum <http://www.gcgf.org/>, World Bank Institute Corporate Governance program <http://www.worldbank.org/wbi/corpgov/>.

<sup>4</sup> For further information on business and human rights see [www.iblf.org/humanrights](http://www.iblf.org/humanrights) and [www.bsr.org/BSRServices/HumanRights.cfm](http://www.bsr.org/BSRServices/HumanRights.cfm)

It is important to note that values driven companies appear to be the most sustainable and successful as this approach enables flexibility, quick responses and empowerment of employees on all levels and locations.

*We believe that the only way a company can be guided in its corporate behavior is – paying due regard to society’s norms and expectations – by articulating its own values and standards. At Unilever we are guided in what we do by a statement of Corporate Purpose and a Code of Business Principles, which set out our aspirations and operating standards. We describe our purpose as ‘meeting everyday needs of people everywhere’ and applying ‘the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live’*

*Rebuilding Trust in Business “A Perspective on CSR in the 21st Century”,*  
■ **Niall FITZGERALD**, Chairman, Unilever, 2003

## MEASUREMENT AND REPORTING

Due to increasing demands for disclosure and transparency by key stakeholders, there is an increasing number of social and environmental reports available from companies around the world. Companies use these reports to communicate to employees and the public how the business has performed environmentally and socially during the year. The trend towards Triple Bottom Line reporting is also increasingly evident. This reporting includes three dimensions of a company’s sustainable performance: an economic dimension that shows how a company generates wealth; an environmental dimension that shows how a company incorporates new environmental technologies and efficiencies, while managing the impact of its products and services on the environment; and a social dimension that provides information on a company’s social investment, involvement in the community, human and labor rights issues, etc. Many leading companies have already attempted to report in this way or are preparing to do so in the near future, building on their existing ‘separate’ reports. There is also an emerging trend for Triple Bottom Line reporting to be mandatory by law for larger companies.

According to SustainAbility’s joint survey on corporate sustainability reporting, “Trust Us”, conducted in partnership with UNEP in 2002<sup>5</sup>, shortcomings are still present in terms of quality of reports relating mainly to poor issue identification, lopsided focus on environmental performance and failure to understand the wider impacts of business beyond the financial bottom line. The report also mentions that more than 140 companies now use the Global Reporting Initiative (GRI) guidelines as a basis for their sustainability reports. For more information on GRI see Appendix 2.

Finally, there have been many attempts to help companies measure their impact on society and benchmark themselves against other companies. One example is BITCs Corporate Responsibility Index that was launched recently with the aim to provide a CSR benchmark for companies to understand the larger impacts of their practices.<sup>6</sup> For more information see Appendix 2

<sup>5</sup> Sustainability/UNEP, *Trust Us, The Global Reporters 2002 Survey of Corporate Sustainability Reporting*, 2002

<sup>6</sup> [www.bitc.org.uk/programmes/key\\_initiatives/corporate\\_responsibility\\_index/index.html](http://www.bitc.org.uk/programmes/key_initiatives/corporate_responsibility_index/index.html)

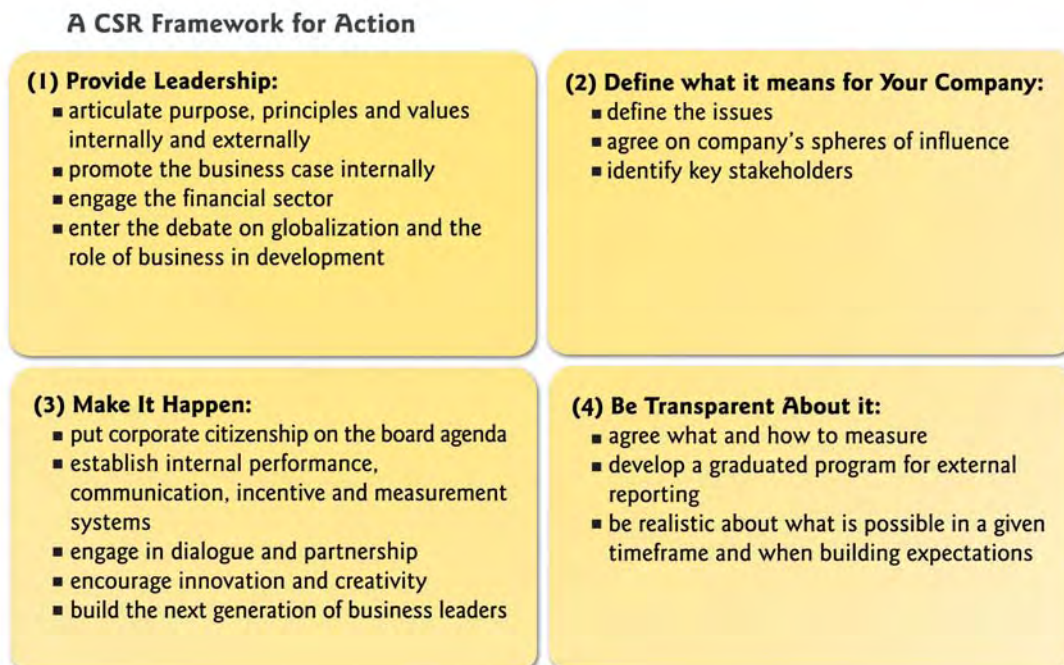
## LEADERSHIP

Company leadership (board of directors, CEOs and senior management teams) is in the spotlight as never before. This is not surprising given the speed in recent years with which the private sector and its leaders have moved from relative anonymity to high profile positions on the agendas of governance, development and national and local policy. Trends that are changing the world are also changing the roles and responsibilities of business and its leaders. New leadership realities relate to:

- achieving competitiveness not only in the company's core business but also in its social investment and policy dialogue;
- recognizing and nurturing human and intellectual capital;
- engaging in transparent and accountable two-way communication with a wider range of stakeholders;
- co-operating with non-traditional partners from different sectors;
- operating by a set of shared core values which are essential for building trust, reputation and long-term shareholder and societal value;
- understanding the market, technical, social and environmental drivers for change and responding to them in a way that meets both commercial and societal needs.<sup>7</sup>

Leadership is central to the promotion of CSR within a company and throughout the wider community. Strong and visionary leadership is required to prove that delivering shareholder value while making a positive impact on society through increased accountability and transparency is necessary for success and sustainable development.

The following table provides a template for business leaders to put CSR into action.



Source: Global Corporate Citizenship: the Leadership Challenge for CEOs and Boards, WEF, January 2002

<sup>7</sup> Nelson, J. Building Competitiveness and Communities, PWIBLF with WB and UNDP, 1998

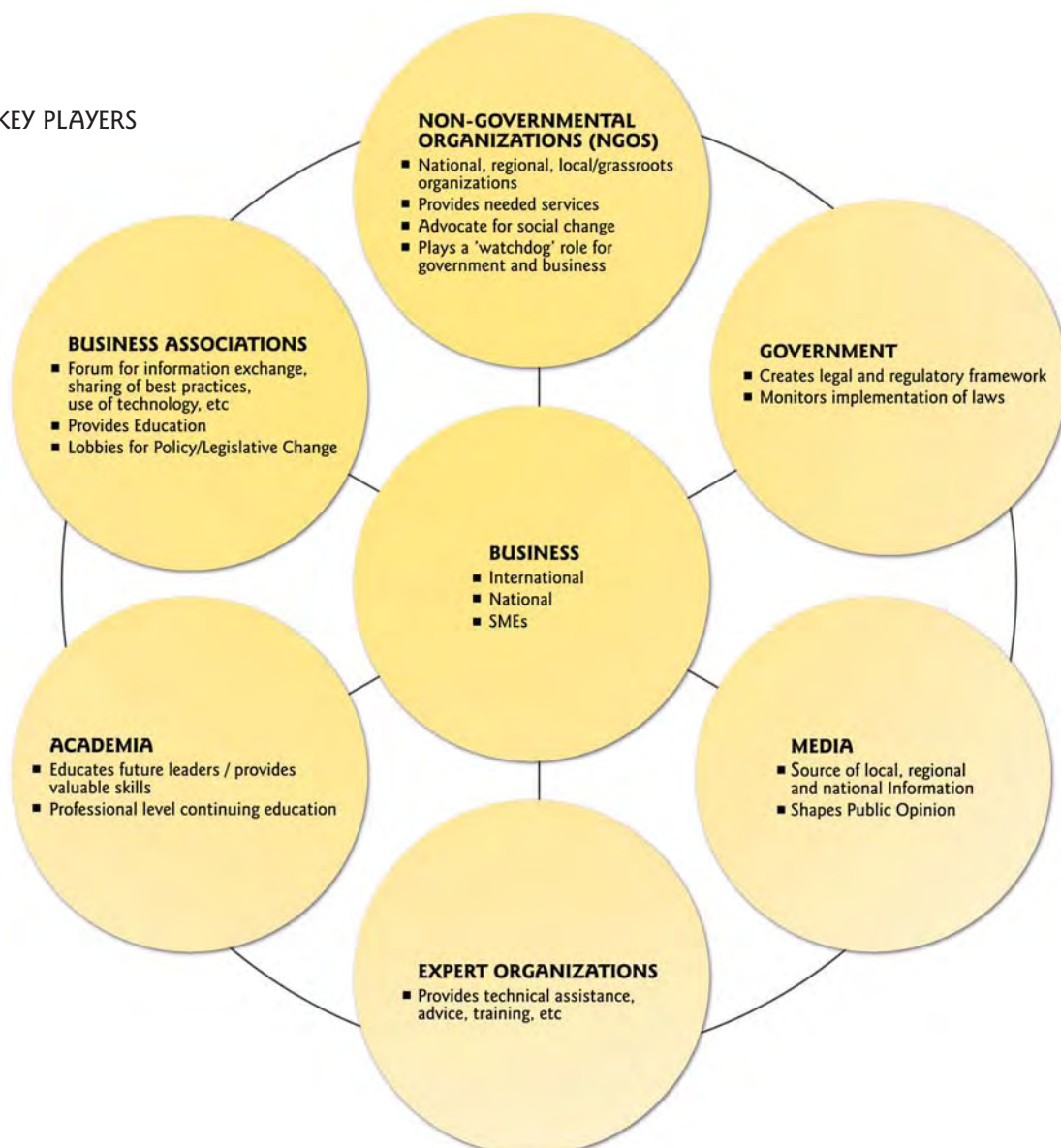
## INITIATIVES AND STANDARDS

In the last few years, there have been an increasing number of initiatives and standards designed to support, measure, assist, and enhance accountability of corporate performance on CSR issues. These initiatives request companies to voluntarily develop and implement policies and practices and commit to specific performance standards on various CSR issues. They are designed to provide guidance for companies seeking to improve and report on their social, environmental, and economic performance. Examples include: The Global Reporting Initiative (GRI), Social Accountability 8000, The International Labor Organization (ILO) Conventions on Core Labor Standards, United Nations (UN) Global Compact, Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, The Caux Round Table (CRT), and The Global Sullivan Principles. For more information, see Appendix 2.

## KEY PLAYERS AND THEIR ROLES

CSR as a concept requires transformation across the whole of society. It may initially be presented as a challenge to business, but it is as much a challenge to government, civil society, inter-governmental organizations, academia, etc. These groups are facilitating change and acting as partners to business in helping reach societal expectations and delivering public goods through joint policy dialogue, community programming, education and others. They should also expect to be as accountable and transparent as society now expects business to be. Intermediary organizations (i.e. business associations, organizations and networks that play a crucial facilitative, educational and catalytic role in addressing business, social and wider development issues) have a particularly important role to play.

### CSR KEY PLAYERS

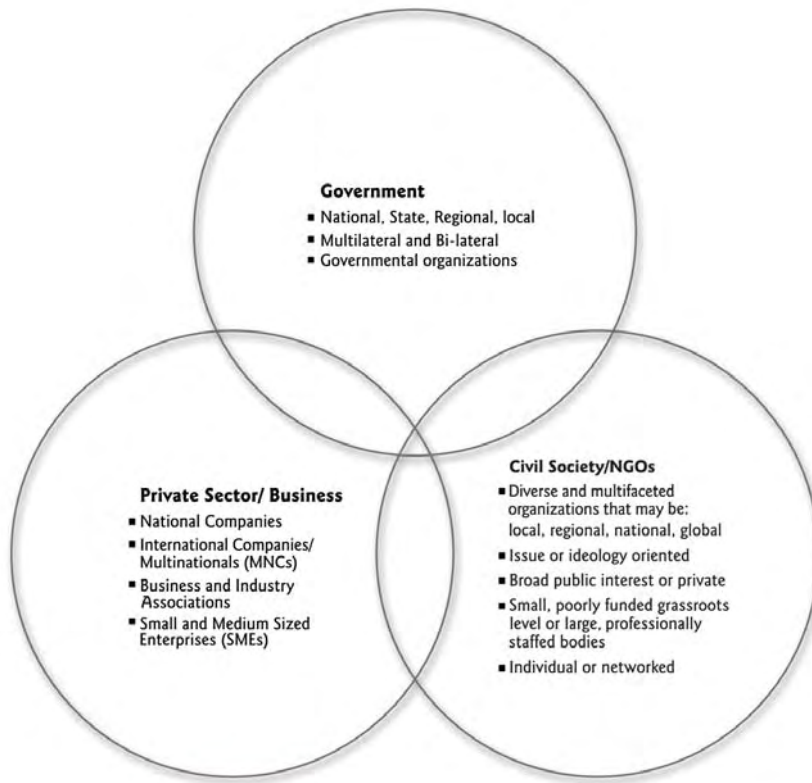


## CROSS-SECTOR PARTNERSHIPS

Partnership has become one of the “buzzwords” of our time and is used by almost everyone from politicians and business leaders to community-based activists. Partnerships are a form of stakeholder engagement based on trust, shared objectives and responsibilities and the concept is fast becoming the development approach of this millennium. In order to operate successfully, companies increasingly realize that they need to deal with a wider range of issues and respond to the impacts they make on society and the environment in which they operate. In order to deal with these issues, company managers need to consult more widely and form partnerships with other sectors of society.

Challenges of sustainable development are such that they cannot be solved by government alone. Given increasingly complex challenges and scarce resources partnerships seem to be the most credible, if not the only option for sustainable development:

- from a societal perspective, successful partnerships can be powerful catalysts for change and valuable mechanisms for delivering efficient, effective and equitable solutions to the challenges of development;
- from a business perspective, successful partnerships can enhance and leverage corporate resources, reputation, relationships and better responsiveness.



Source: Adapted from: Nelson, J, Business as Partners in Development, PWIBLF in cooperation with UNDP and The World Bank, 1996

Successful partnerships are not easy to achieve – they require new ways of thinking, innovative approaches and changes in practice for all involved. They are about forming a new mind-set based on active participation, contribution, and sharing of responsibility and are at the core of the CSR process.<sup>8</sup>

<sup>8</sup> For more information on leadership skills necessary for brokering and building effective cross-sector partnerships, please see [www.partnershipbrokersforum.net](http://www.partnershipbrokersforum.net). For more information on building leadership and partnership facilitating and brokering skills please see The Cross-Sector Partnership Postgraduate Certificate program in Appendix 2.

## CURRENT TRENDS AND DEBATES

It is evident that CSR has grown exponentially in the last decade. More companies than ever before are engaged in serious efforts to define and integrate CSR into all aspects of their business, with their experiences being bolstered by a growing body of evidence that CSR has a positive impact on business economic performance. CSR, and business accountability more broadly, have become topics of increased media attention and scrutiny, both in the business press and the mainstream media. Media attention has forced companies to examine, and in some cases revise, their policies and practices on a range of CSR issues.

As the CSR debate increasingly becomes part of the mainstream, the roles and responsibilities of the various actors in social development are becoming a key issue. With privatization and public-private partnerships, the role of business in social development is facing the questions:

- how far should companies go given the ever-growing expectations?
- where does business responsibility end?

Business is increasingly being asked to address issues that are beyond its immediate spheres of influence and are related to wider development issues. As changes and challenges in the inter-connected world are becoming even more complex so are business responses, which must stay both internationally acceptable and locally practical.

The latest example of an opportunity for business to become engaged collectively in tackling development issues are UNDP's Millennium Development Goals (MDGs) which are part of the UN Millennium Declaration focused on major challenges facing the world. The MDG's are aimed at reducing poverty, improving the quality of peoples' lives and ensuring that globalization becomes a more positive force for all people in the world.<sup>9</sup>

CSR feeds on the creativeness and dynamism of voluntary activities and initiatives of companies, as they respond to their own ethical standards, to customers and to other stakeholder groups' pressure and demands. But the question arises: is a voluntary approach - leaving it to companies to respond to markets, to innovate products and processes and to set standards – enough? Is it the best way forward? Would regulation lead to the lowest common denominator for CSR standards, taking away the incentive and creativity of business itself to progress? Is there a new way, somewhere in between regulation and voluntarism? This is currently still an open question and subject to vigorous debate among CSR enthusiasts.

## CSR IN WIDER EUROPE

The European Commission has placed CSR at the core of Europe's competitive strategy, and has issued a Green Paper (2001)<sup>10</sup> forming the basis of their CSR policy. The Green Paper outlines the Commission's definition of CSR and the steps that companies, governments, and civil society can take to refine their commitments to CSR. This Paper was followed by the Communication Concerning Corporate Social Responsibility: A Business Contribution to Sustainable Development<sup>11</sup> (unofficially called the White Paper) which outlines a European framework for CSR action. The Communication calls for the need to improve knowledge about CSR and its impact, experience exchange and monitor good practice as well as develop CSR management skills. It also declares commitment to integration of CSR into all EU policies. As a result of increasing interest from global and European businesses, a European Multi-Stakeholder Forum on CSR has been formed and the European Business Campaign 2005 on CSR has been launched ([www.businesscampaign.org](http://www.businesscampaign.org)).

Initial European experience with CSR practice demonstrates that there is a role for government to play in encouraging

<sup>9</sup> For more information on how companies and business coalitions can work with the UN system, governments and civil society to help achieve the MDGs please see "Business and the Millennium Development Goals: A Framework for Action", IBLF, 2003, ([www.developmentgoals.org](http://www.developmentgoals.org))

<sup>10</sup> EU Green Paper: Promoting a European Framework for Corporate Social Responsibility, 2001: [http://europa.eu.int/eur-lex/en/com/gpr/2001/com2001\\_0366en01.pdf](http://europa.eu.int/eur-lex/en/com/gpr/2001/com2001_0366en01.pdf)

<sup>11</sup> EU, Communication from the Commission concerning Corporate Social Responsibility: A Business Contribution to Sustainable Development, 2002: [http://europa.eu.int/comm/employment\\_social/soc-dial/csr/csr2002\\_en.pdf](http://europa.eu.int/comm/employment_social/soc-dial/csr/csr2002_en.pdf)

responsible business practices. Many European countries show that developing enabling legislative frameworks can be a key catalyst for promoting the CSR agenda. For example:

- in Belgium, in 2002, the Government passed a law promoting socially responsible production, known as the 'social label law';
- a new French Law on sustainability/triple bottom line reporting has been passed requiring companies annual reports to contain information on how they address the social, environmental and economic consequences of their activities; in the UK, the Government, through the new Operating Financial Review, also requests mandatory triple bottom line reporting from large companies;
- in 1998, the UK appointed its first Minister of CSR and, in 2002, France appointed its first Minister of Sustainable Development.

With the globalization of markets and the reintegration of Europe, standards of corporate behavior are becoming universal even when applied to transitional economies. In the transitional economies of Central and Eastern Europe (CEE), CSR played a very important role in the processes of transition, especially in addressing issues linked to the legacy of communism including the lack of a market economy as well as limited business skills, transparency, institutional inadequacies, environmental degradation, and restructuring/downsizing of state-owned companies.

CSR, while not so widely practiced in the CEE region, is now far more broadly recognized and accepted as part of the essential business vocabulary – particularly amongst companies in the EU Accession States including many large companies in these countries as well as companies involved in foreign partnerships. This acceptance can be seen through the fact that across the CEE region there are over 400 national and international companies engaged in active corporate citizenship programs with IBLF and its affiliate organizations<sup>12</sup> which are focused on practical partnerships in education, youth training, enterprise development, and environmental programs.

The challenge now is to scale up existing activities and raise awareness in order to spread the concept wider and have it become part of the mainstream. Competitiveness will prove a significant handicap for companies from the CEE region as they become exposed to greater competition in the wider European and global markets. Increasing competitiveness will require shifts in thinking on many levels - as much on the part of business as on the part of other sectors of society.

It is obvious that the skills and resources of businesses can complement and supplement the resources of central and local governments in order to meet the challenges facing society today. An approach founded on cross-sector partnership has been shown to be critical especially in addressing the following:

- education systems which lack bridges between the worlds of school and work;
- an enterprise culture that is not sufficiently embedded, and where self-employment and business start-ups that contribute so much to a dynamic economy are an option for graduates;
- changing principles of good corporate governance into action and monitoring this appropriately;
- building an emerging civil society which, while vibrant, critically watchful of the health of the democratic processes and often providing essential social safety nets, is still very fragile and in desperate need of management skills and resources.

The challenges have been great, the road to EU accession difficult and there is still a long way to go. But the mainstreaming of socially responsible business behavior and a cross-sector partnership approach to addressing social and economic issues has made significant headway in the CEE region and positively contributed to its transition process. We hope it will continue to do so as well as spread to other parts of Europe.

The following chapter demonstrates the origins of CSR in Croatia looking at its context, characteristics, business case, and key players. The chapter also includes many wide ranging examples of good practice demonstrating that CSR is already part of many Croatian companies business practice and a business and development issue that is here to stay and hopefully evolve into a tool for change, competitiveness and further development.

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<sup>12</sup> Bulgarian Business Leaders Forum, Czech Business Leaders Forum, Hungarian Business Leaders Forum, Polish Projects Office - please see Appendix 2

## CHAPTER II

# CSR in the Croatian Context

*“CSR is defined by having a responsible relationship with all sectors of society ...and a business philosophy which guides a company’s operations with a drive for success, efficiency and effectiveness. Real values that enhance sustainable development and the triple bottom line.”*

■ **Vladimir FERDELJI**, CEO Elektro Kontakt

### THE ORIGINS OF CSR IN CROATIA

Socially responsible business practice in Croatia stems from many different factors, some specific to Croatia, others more international; some historical in nature, others contemporary. Space and scope of this report precludes an adequate exploration of all of these and we attempt to address some of the most pertinent ones in the following.

Many of the companies interviewed for this assessment, find the concept and practice of CSR relatively new, but have a much longer-term familiarity with, and commitment to, 'ethical business', 'care for the local community', and 'production quality'. The notion of environmental protection represents maybe the clearest example of how existing Croatian concerns were impacted by wider global CSR trends. As Dragutin Špiljak, the CEO of **Vetropack Straža**, a glass manufacturing company currently in Swiss ownership, stated: "I would not say that the Swiss introduced environmental and community concern into our company. The plans for the construction of the glass recycling plant go back to the mid-1980s, we just lacked investment..." Therefore, in many cases, international investment provided the possibility to implement already existing plans to improve standards.

In addition, the uniquely Yugoslav 'self-management' system, originating in the early 1970s, combined a high degree of 'freedom' and many elements of market-driven economy used by companies in combination with a clear social purpose. During socialism, individual and corporate donations and sponsorships by firms for sports clubs, cultural events, the disabled, and children were common. However, at that time, civil society was much less developed than today, resulting in fewer and less diverse recipients.

The socialist period also left a legacy of high levels of protection of labor rights and core labor standards. The elaborate institutional framework for 'workers-self-management', despite its rhetorical function and noted inefficiencies, did introduce the value and practice of participation into corporate managerial processes. Indeed, the current endorsement of teamwork and stakeholder consultations in the Croatian business community seems to be a combination of contemporary Western approaches to quality management and corporate governance with this older legacy.

### THE IMPACT OF TRANSITION

Since the fall of the Berlin Wall, the transition from socialism to capitalism, free markets, and political pluralism, has been complex and contradictory throughout Central and Eastern Europe (CEE) and the Former Soviet Union (FSU). The shocks of transition led to unprecedented deteriorations in livelihoods, health, and welfare.<sup>1</sup> In Croatia, and throughout former Yugoslavia, the transition was also affected by war, destruction, the rise of ethnic nationalism, and large-scale forced migration. It is only since 1995 that there has been a degree of territorial 'normalcy' in Croatia, and the consolidation of democracy was not completed until the election of a center-left, internationally open, coalition government in January 2000.

<sup>1</sup> cf UNICEF, 1994



In terms of national wealth, Croatia has almost recovered to its pre-war position, with *per capita* GDP now standing at 4,625 USD, reaching almost 30% of the current EU average. High levels of growth have been combined with low inflation. However, inequalities have become increasingly large. The top third income earners in Croatia account for three quarters of the gross national income, with the rest somewhat evenly distributed between the remaining two thirds. This unusual social structure and the erosion of the middle class in income terms is primarily due to the inadequately regulated and controlled process of economic transition and the particularly flawed privatization process during the early and mid-1990s.

According to the Central Financial Agency, FINA, there were more than 100,000 registered businesses in Croatia in 2002. Out of 62,385 companies on which FINA has available data, the six most profitable companies accounted for 25% of total profits (Croatian Telecom HT, the pharmaceutical company Pliva, the oil company INA, the tobacco company TDR, the mobile phone company VIPNet, and the brewery Zagrebačka pivovara). Figures from the European Bank for Reconstruction and Development (EBRD) for mid-2002 show that the Croatian private sector accounts for only 60% of GDP compared with 75% in Albania, 70% in Bulgaria and 65% in Romania.

There is a mixed picture of socio-economic development, compounded by inequalities and uneven development before the war and exacerbated by the war itself that has affected the development of CSR in Croatia. As in many countries in transition, there is still the very strong influence of the government on all social and economic processes, which results in 'favouritism' and 'clientelism' and has a stifling effect on the country's overall development.

## LEGISLATIVE AND POLICY FRAMEWORK

Over and above the economic aspects of transition, there is a need for an enabling legislative and policy environment within which CSR can operate and flourish. Though there has been considerable progress in this regard in Croatia (the current environment has no barriers to the pursuit of CSR), there is an absence of adequate measures to stimulate CSR. Hence, there is a considerable gap between proclaimed development strategies and actual laws, with a large number of strategic plans not being adequately implemented.<sup>2</sup>

The legal and policy framework can be divided into two main areas including (1) regulations and guidance regarding companies' core business activities and (2) regulations regarding companies contribution to the public good as well as their involvement in the policy-making process itself. Taxation regarding corporate giving provides a good illustration of this. Taxation incentives, enacted in a 1993 Law, were initially confined to the arts and culture, and expanded to sports organizations in 1997. This was combined with active discouragement of companies contributing to the humanitarian and post-war reconstruction efforts of the non-governmental sector, including human rights' protection and democratization. Similarly, there were limited incentives for environmental protection.<sup>3</sup>

Only in January 2001, through the new Corporate Profit Tax Law and Personal Income Tax Law were companies and individuals, allowed to deduct donations to non-profit organizations for tax purposes of up to 2% of total revenue over the calendar year. With special permission from the Ministry of Finance, non-taxable donations can even be higher, bringing Croatia in line with taxation regulations in other CEE transition countries regarding corporate giving.<sup>4</sup>

In many of the interviews, companies expressed concern that the Government and politicians are very much 'the absent partner' in CSR in Croatia in terms of regulations, policy consultations, and facilitation. Sustainable development and CSR are increasingly discussed, but with little attention given to the policies providing an enabling environment. Businesses exist in an environment, which is both over-regulated in some aspects and under-regulated in others, with insufficient dialogue and consultation regarding either.

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<sup>2</sup> cf. Starc et al, 2002

<sup>3</sup> Bežovan, 2002

<sup>4</sup> *ibid*

## KEY FACTORS AFFECTING CSR IN CROATIA

*“It is important to us that we are not only seen as a factory where people make their living, but also as a carrier of economic and social development in this area”.*

■ **Dragutin ŠPILJAK**, CEO Vetropack Straža

From the research, it was determined that there are four key, inter-linked factors affecting companies understanding of CSR and approaches taken to address CSR in Croatia. These are summarized below.

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**Ownership structure** A company’s ownership structure has been determined to influence its managerial and technological processes as well as its commitment to human resources and investment in the community.

- Private ownership tends to accelerate the introduction of innovative and more effective managerial systems due to a greater market orientation and simpler decision-making procedures.
- Partial foreign ownership has, in the majority of examined cases, had a positive impact on a companies’ investment into socially responsible core business practices. The combination of foreign and domestic ownership and management has also in several cases produced synergies for innovation.
- In companies where employees are part of the ownership structure, there appears to be more commitment to human resources management programs, collective bargaining, job restructuring schemes and investments into the immediate community.

A company’s ownership structure seems to be important in terms of its relationship with the broader community. Some predominantly or exclusively Croatian owned companies demonstrate an interest in supporting local suppliers rather than importing cheaper raw materials. Some domestic companies with a regional profile see their major contribution to CSR in lobbying for stronger protection of domestic producers, against their narrow, short-term, business interest of having access to cheaper raw materials abroad. In this sense, the quote from one interviewee “You have to fight globalism”, is particularly illustrative.

**Leadership Capacity** The interviews with companies as well as the media presentation of CSR clearly indicate the importance of leadership for the development of CSR in Croatia. In the Croatian context leadership is demonstrated by the trust employees have in their leaders, many of whom stayed committed to the company’s survival during the critical transition and war period of the 1990s. Once a strong trust is established between employees and their managers, leaders are in a position to introduce progressive changes in management processes and compliance with improved standards.

Personal engagement, interest, and charisma, remain crucial for promoting, as well as communicating, a company’s socially responsible behavior. Throughout the Croatian business community, the names of a dozen individual leaders are repeatedly mentioned in the context of key promoters and leaders of CSR in the country.

**Company Size** In Croatia, larger companies tend to have the most visible and widespread CSR practices.

Feedback from Small and Medium Size Enterprises (SMEs) and NGOs indicates that SMEs are investing in their local communities on a regular basis. SMEs, however, tend to lack knowledge of best practice and capital to invest into quality management, especially in the area of environmental protection. In this respect, the new initiative of

the Ministry of Crafts and Small and Medium Enterprises to subsidize ISO certification for SMEs and a growing focus on SMEs on the part of the Croatian Center for Cleaner Production may prove to be significant in altering the trend of large companies' dominance in developing multi-dimensional approaches to CSR.

**Industry Sector** All three predominant areas of CSR identified in Croatia — human resources development, community investment/corporate giving and environmental protection — are spread throughout the different industry sectors. However, they tend to be more effectively and frequently used for public promotion by service industries, particularly banks. Collective bargaining, waste management and eco-efficient technology are more often mentioned as important aspects of CSR by companies engaged in industrial production.

## THE BUSINESS CASE FOR CSR IN CROATIA

While today CSR cannot be considered as a dominant trend in doing business in Croatia, nor does it significantly influence the public perception of the private sector's social role, this research demonstrated that CSR is both advocated and practiced throughout the Croatian business community. However, while CSR is more widely recognized, it is still not considered a tool by businesses to tackle some of the complex challenges they are encountering such as concerns for economic viability, competitiveness and countering the widespread negative perception of the business sector in terms of economic crime and corruption.

While there appears to be a lack of recognition of some of the benefits businesses can achieve by adopting strategic CSR policies, the businesses interviewed for this assessment identified the following five areas as the key benefits of engaging in responsible business practices in Croatia.

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### CSR BENEFITS FROM THE PERSPECTIVE OF CROATIAN BUSINESSES

Reputation and Risk Management	Being regarded as a company that takes care of the community and national development is particularly important in the Croatian context characterized by the high social costs of transition and war and widespread negative perception of the private sector as ruthless and corrupt. Several Croatian companies have been particularly successful in creating a recognizable image of a socially sensitive company.
Operational Efficiency	Reducing costs while improving the quality of managerial processes and products is broadly recognized as a key business benefit from investments into environmental protection.
Employee Recruitment, Motivation and Retention	Inability of the education system to meet the demands of the business sector is the main motive behind companies' investment into the professional development of their employees, especially regarding managerial skills, computers, foreign languages and specific technical skills.
Access to Capital and Investor Relations	While socially responsible investing is lacking in Croatia, introduction of ISO standards is directly linked with a companies' export orientation and attraction of foreign investors and business partners into the country.
Competitiveness and Market Positioning	While consumer pressure is relatively weak in Croatia, there is a growing interest in supporting domestic production and opting for GMO free products. Numerous Croatian companies have participated in the campaign "Kupujmo hrvatsko" ( <i>Buy Croatian</i> ), organized by the Croatian Chamber of Commerce, which is directly linked with their own business interests. With the new Law on Consumer Protection, Croatian companies are expected to increase their attention of consumers' rights to quality products and services.

## CSR KEY PLAYERS IN CROATIA

In addition to business, aspects of CSR in Croatia are being promoted through a number of business associations, government Ministries, expert organizations, cross-sector initiatives, NGOs, and media outlets. Cooperation and coordination of these efforts in the future could result in higher levels of understanding and thus impact promotion and adherence to CSR by companies, the government and the general public in the country.

### BUSINESS ASSOCIATIONS

**Croatian Business Council for Sustainable Development (HRPSOR):** Business interest group that promotes application of approaches and tools for sustainable development primarily in the area of the environment. In cooperation with Privredni Vjesnik publishes an annual special issue on Sustainable Development in Croatia.

**Croatian Chamber of Commerce (HGK):** Mandatory membership for all businesses, based on a network of county chambers each with its own decision-making structures. Has recently provided feedback for laws on waste management and consumer protection. Annual awards for successful companies, the "Zlatna kuna", and certificates of recognition for authentic products. Planning awards related to CSR in the next year.

**Croatian Association of Employers (HUP):** Voluntary membership of HUP and simple organizational base allows for greater responsiveness in the law-making process. Exclusive representative of employers on the national Economic-Social Council, the main mechanism for tripartite dialogue.

**American Chamber of Commerce (AmCham):** Acts as an additional vehicle for networking, advocacy, information on new legal initiatives, promotion of international business standards and exchange of best practices among more than 190 international and domestic companies active in Croatia. AmCham's bulletin regularly reports on sustainable development issues.

### EXPERT ORGANIZATIONS

**Croatian Cleaner Production Center:** Registered in February 2000, the main activities include education, consultations, information dissemination, public promotion and organization of new projects for cleaner production. The Center has cooperated with more than 47 companies, various municipal authorities, NGOs, Ministries and business associations and is focusing on environmental accounting, the integration of cleaner production into the University curricula, and support to SMEs in cleaner production and preparation for ISO 14001 certification.

**Croatian Society for Quality (HDK):** Voluntary membership base of over 65 organizations representing both business and public sectors. Since 2001 the HDK has published the web quarterly e-quality and organized annual national conferences on quality.

**Croatian Competitive Initiative (CCI):** Funded by USAID and implemented by Nathan Associates Inc. and J.E. Austin Associates, CCI facilitates several multi-stakeholder strategic competitiveness initiatives. In cooperation with HUP, CCI has supported the creation of the wood industry and tourism clusters that have devised their own competitiveness strategies.

### MEDIA

CSR appears primarily in specialized business media such as the HGK newsletter, Privredni Vjesnik and Poslovni Tjednik. Media coverage related to CSR in general tends to be on donations and sponsorships, however some companies are beginning to promote their CSR practices through advertising. During a media review from June 1 – July 31, 2003, 95 items related to some aspect of CSR were identified. Media, particularly radio, is also a source of mass mobilization around certain social/humanitarian efforts.

### GOVERNMENT

**Ministry of Environment and Physical Planning:** Devises and oversees implementation of strategies and laws related to the environment. A few initiatives toward stimulation of CSR including company annual awards for environmental protection, and since 2003, a special category for 'socially responsible' companies. In 2003 HEP received the award and Zagrebačka banka and Dalmacijacement received special certificates.

**Ministry of the Economy:** Engaged in several partnership projects related to cleaner production in cooperation with UNEP/UNIDO, the Croatian Cleaner Production Center and international donors. Also engaged in HGK's initiative 'Buy Croatian', promoting the consumption of domestic products.

**Ministry of Crafts, Small and Medium Enterprises (MOMSP):** In January 2003, MOMSP started a new program of financial incentives for crafts, cooperatives, SMEs and institutions with up to 250 employees interested in introducing ISO standards including the ISO 9001/2000 quality management system, HRN EN ISO 14001 environmental management system and others.

**Government Office for NGOs:** Founded in 1998 with the principal role of facilitating the Government's cooperation with NGOs and ensuring a transparent central Government grant-making process. The Office has been instrumental in ensuring positive legislative change for civil society including tax incentives for corporate giving. The new National Foundation for Civil Society Development, being formed by the Office for NGOs, will allow for the establishment of a public foundation with a politically independent grant process. The new foundation plans to place special emphasis on cross-sector partnerships.

### CROSS SECTOR INITIATIVES

**National Competitiveness Council (NCC):** Launched by the Croatian government in February 2002 as a response to top business leaders' request for a multi-stakeholder forum where the challenges to competitiveness of the Croatian economy could be strategically approached. The Council has grown into a functioning forum for exchange of perspectives among leading figures from politics, business, trade unions and academia. Areas of focus for the Council include human resource development, innovation and technology development, regional development and the creation of clusters, SME development, the rule of law, leadership and shifts in mindsets, and the reduction of costs and expenditures.

### NON-GOVERNMENTAL ORGANIZATIONS

Over 20,000 registered NGOs around Croatia from large national policy advocacy and social change organization to small community-based grassroots organizations working on service provision or local level development. Two key groups of NGOs associated with CSR include:

- (1) promoters of cross-sector partnerships and corporate giving including training and NGO support organizations and those brokering community-based inter-sectoral cooperation to promote local level development; and
- (2) watchdogs of corporate social and environmental performance, in Croatia few NGOs currently have the capacity to effectively monitor and pressure business, those that have been effective are in the area of environmental protection, women's rights, and consumers' rights.

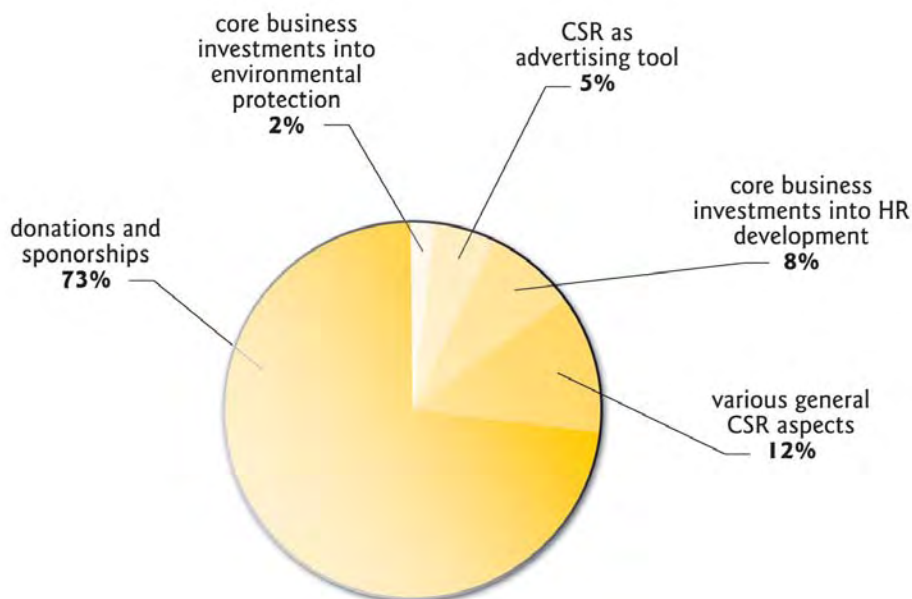
## CROATIAN MEDIA AND CSR

Media in general performs the important function of a 'watchdog' regarding all sectors of society and as the representative of Renault emphasized, "In the end, public opinion is ultimately formed by the media." Through a media review conducted from June 1 – July 31, 2003, it was determined that corporate social responsibility addressed as a main topic in the media, primarily appears in specialized business media such as the Croatian Chamber of Commerce's information newsletter, Privredni Vjesnik and Poslovni Tjednik.

Analysis of the materials collected through media monitoring showed that sponsorships and donations have the largest media coverage (69 out of 95 articles), as could be expected because of their marketing value and media interest in related public events. Far less represented are texts on CSR in general (11 out of 95 articles), HR development (8 out of 95 articles) and direct investments into environmental protection (2 out of 95 articles). The latter group of texts on CSR core business practices and overall strategies appear more frequently in specialized business journals and supplements.

An interesting and still unusual form of presenting CSR practices in the media are paid advertisements by Zagrebačka banka and Ericsson Nikola Tesla (5 out of 95 articles), where CSR is directly used as a marketing and branding opportunity.

**Media Coverage of CSR in the  
Croatian Printed Media  
(95 Articles, June 1- July 31 2003)**



An additional role of the media is its capacity to mobilize various stakeholders around common goals, especially visible in cases of mass humanitarian actions. There is hardly any print or electronic media in Croatia that has not been involved in such actions. It is worth singling out the example of Obiteljski radio (Family radio), that calls itself the "Radio with a Soul" ("Obiteljski Radio- Radio s Dušom") and the over 300 humanitarian actions that it has initiated during the seven years since its founding. In addition, it has supported various actions initiated by others. As emphasized in their monograph published on the Radio's 5<sup>th</sup> anniversary: "In addition to their marketing importance for the Radio itself, the actions are embracing generally accepted ethical principles stemming from the 'family foundations' of our program, that is from mutual solidarity and benefits for all parties involved."

# Key Areas of CSR in Croatia

## COMMUNITY INVESTMENT & PHILANTHROPY

Companies invest in their communities in a number of ways. Funding or providing in-kind products for community projects seems to be the most widely spread trend among Croatian companies. However, a few companies have moved beyond just funding and are providing other resources, skills and time to assisting in the social development of the community in which they are working. Community embeddedness is one of the major features most companies in Croatia emphasized as an integral part of their business operations. Company motivation for community involvement includes:

- for national companies' long standing presence and tradition;
- for international companies a "license to operate".

Approaches to community involvement include:

- Ad hoc corporate giving which allows for flexibility and responsiveness to a particular need – was particularly relevant and used given Croatia's post-war, multiple transition processes context.
- Structured corporate giving systems i.e. annual competitions

Companies have a tendency to make a clear distinction between market-driven sponsorships and 'heart-driven' donations that are not necessarily part of the marketing strategy. In general, sponsorships are entered into by companies for marketing purposes while donations are a company's response to assisting the community and are not necessarily part of their marketing strategy. However, donations are used in different situations to improve the image of a company in the community; for example banks or companies opening a new branch office and simultaneously offering a donation to the local community.

There is currently a lack of integrated strategy for community involvement. This is due to a lack of recognition, vision and understanding, on the business side, of this aspect of CSR as a 'business opportunity' issue and, on the civil society/community side, vision and knowledge of business and a lack of management capacity to harness business support in a mutually beneficial way.

## POLICY DIALOGUE, ADVOCACY AND INSTITUTION BUILDING

Policy dialogue relates to business engaging with government and civil society through dialogue and consultations to help shape and advocate for policy change. Intermediary organizations i.e. business associations and organizations that facilitate interaction on different issues between different sectors of society play an important role in this. Media also plays an important role as an industry sector (responsible journalism and reporting) and as advocacy mechanism for an active and open civil society. In Croatia policy dialogue between sectors still does not happen on a regular basis although there are some examples particularly through cross-sector initiatives and mechanisms such as HRPSOR, HUP, HGK, the National Competitiveness Council, as well as through some initiatives begun by NGOs.



## CORE BUSINESS ACTIVITIES

In the Croatian context the following company practices towards their workplace and marketplace including their approach to employees, consumers and suppliers were identified as most relevant:

■ **Employment and Wealth Creation:**

providing direct and indirect jobs (through value chains for people in the surrounding community), which is particularly important in a country with 18% official unemployment, high degrees of regional variations and undergoing the complex process of industrial restructuring. The fair distribution of wealth and profit, competitive salaries, and regularity of payment are also seen as responsible business behavior towards employees.

■ **Training and Human Resources Development:**

including recruitment, performance evaluations, continuous training and education of the workforce. International and larger national companies have very attractive professional and management skills development programs both 'in-house' and outside the company in partnership with business schools. Sports and cultural associations within a company as well as family days / open days are aimed at improving the team environment, health, well-being, and personal development of employees. Employee satisfaction and internal organisational climate surveys, annual bonuses for outstanding performances are also part of some larger companies HR policies.

■ **Equal Opportunity and Diversity:**

Croatia has a high level of female participation in the workforce and a high level of technical skills and qualifications amongst women. The legal framework also supports

women in the workforce. However, a number of the larger companies are beginning to take a more systematic approach to this issue. Some companies are also looking at employing or engaging marginalized and special needs groups.

■ **Supply/Value Chain Development:**

including positive impact from bigger to smaller companies, investment into improvement of supplier's capacity, products, services, know-how, market outreach. A number of larger Croatian companies invest into their supply chains around the country.

■ **Knowledge and Technology Transfer:**

usually from international to national companies who are distributors in Croatia.

■ **Cause-Related Marketing:**

while not widespread in Croatia has been undertaken by some food chain stores.

■ **Business Standards and Governance:**

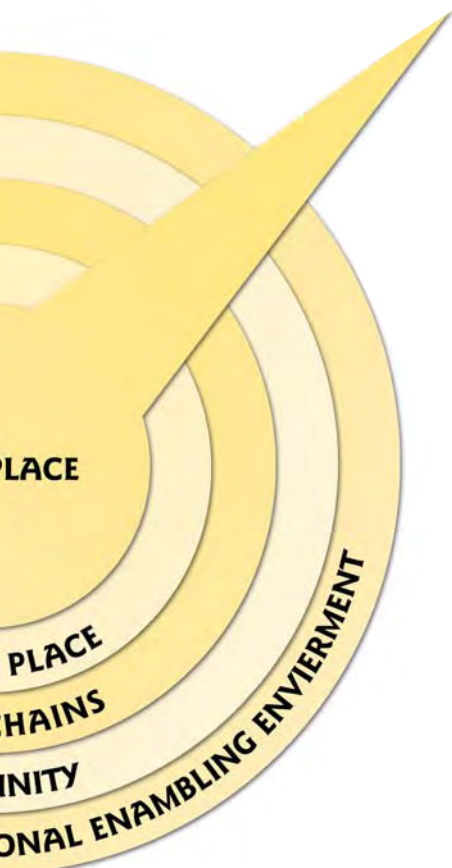
including doing business according to good business customs, timely payment, accountability, trust, building networks and international linkages. This issue is increasing in relevance and is being addressed by some of the business associations.

■ **Relations with Consumers:**

in September 2003 the first ever Croatian Law on Consumer Protection was passed.

■ **Product Integrity:**

this is an important issue in Croatia and currently the issue of GM food imports is in the spotlight with companies being monitored by pressure groups.



Framework Adapted from:

**Nelson, J.**, *Building Competitiveness and Communities, PWIBLF in collaboration with UNDP and the World Bank, 1998*

## KEY AREAS OF CSR IN CROATIA

*“CSR is a company’s contribution to the good of the wider community, since companies can only develop in an environment that develops.”*

■ **Tomislav THÜR**, General Secretary, Atlantic Group

Through this assessment, a few dominant CSR trends and areas were identified in Croatia which are all closely related to the prevailing traditions of community embeddedness, sustainable development, quality management as well as impacts of globalization and the country’s particular transitory socio-economic and political position.

- Core Business Practices (especially investments into Human Resources development, training and education; improvement of quality standards of products and processes; care for consumers – all of which are seen as important elements of competitiveness);
- Community Development (investment into the community mainly through donations to civil society organisations (CSO) and NGOs in the area of health, sport, children and youth, socially marginalized groups, and others);
- Environment (investment into technology and improvement of environmental management processes).

The diagram on the previous page provides an overview of CSR practices in Croatia by using the CSR Framework from Chapter I which identifies three broad areas through which responsible business practices are carried out: (1) Core Business Activities including workplace and marketplace issues, (2) Community Involvement and (3) Policy Dialogue, Advocacy and Institution Building.

*“CSR is defined by a company focusing on the community and the environment, which is visible in its long-term business strategy and daily activity, on all levels from management through its employees to suppliers and in its relations with government, NGOs, other companies, media, and the public.”*

■ **Katarina ĆEBULC**, Spokes-Woman Dubrovačka banka



## EXAMPLES OF GOOD PRACTICE

Through the series of interviews and literature/web review, a number of different CSR related practices were identified around the country. These are highlighted below in the three areas of Core Business, Community Involvement and Policy Dialogue.

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### CORE BUSINESS ACTIVITIES

Core business activities identified as good practice in Croatia tend to focus on Training and Human Resources Development, Equal Opportunity and Diversity, Responsible Restructuring and Downsizing, Supply/Value Chain Development, Transfer of Knowledge and Technology, Cause Related Marketing, Advertising, and Relations with Consumers.

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### TRAINING AND HUMAN RESOURCES DEVELOPMENT

Most international and large national companies tend to have developed 'in-house' as well as outside training and professional development opportunities for their employees. SMEs, on the other hand, tend to rely primarily on self-education or on attending educational events organized by larger associations within their area of work.

International companies with operations in Croatia, e.g. **Siemens, DHL, Coca-Cola, Unilever, Microsoft,** and **Ericsson Nikola Tesla**, offer access to professional and management skill development through 'in-house' programs and opportunities throughout the company's global operations. Most large international and some Croatian companies also offer support in language and computer skills development.

The training possibilities offered by larger companies are sometimes developed in close cooperation with business schools and others are developed within the company itself. For example, during the last few years more than 100 employees in **Podravka**, one of Croatia's largest food producers, completed a program developed in cooperation with IECD-Bled (Slovenia), an international management school. Simultaneously, Podravka's Department for Business Development initiated a special project "Podravka with a heart" aimed at young employees, to support them in strategic thinking of both the company's future and their own professional development.

One of the leading companies in terms of human resources and professional development systems is **PLIVA** which, before there were business schools in Croatia, acted as a kind of 'business management skills incubator', training and developing skills for managers who went on to work elsewhere. The training programs at the Educational Center PLIVA (ECP) include development seminars in the area of key competencies, management skills, the pharmaceutical business, computer skills and foreign languages. **Zagrebačka banka** was the first company in the Croatian banking sector to introduce its own training center in 1992. This center has played a pivotal role in enabling and supporting the development of the bank's specialists and all levels of management as well as taking an active role in organizational change management. In addition, **Zagrebačka Banka's** program EDUKA and **Lura's** program for the development of young managers – SMART – regularly include sustainable development and CSR issues in their coursework.

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### EMPLOYEE SATISFACTION SURVEYS

Larger companies such as **Chromos, PLIVA** and **Coca-Cola Beverages Hrvatska** conduct regular assessments of their internal organizational climate in order to further improve their production process and levels of employee satisfaction. Performance monitoring in some companies such as **PBZ American Express** is also measured and rewarded by annual cash rewards for the employees with the best performance against the agreed targets. **ISKON Internet** is an example of a company that uses two-way performance evaluation as a way of empowering employees to take more responsibility for their own professional development and shaping of the organizational climate.

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## EQUAL OPPORTUNITY AND DIVERSITY

Issues of equal opportunity, in the workplace are beginning to be considered by a number of companies in Croatia. In part through the increasing relevance of EU standards, a new Law on Sexual Equality has recently been passed by Parliament. Historically however, Croatia has high levels of female participation in the workforce and a high level of technical skills and qualifications amongst women.

The rights of working mothers and pregnant women are guaranteed by law, so there are seldom additional attempts by employers to help them meet both family and career needs. A few examples of employers that have put some policies in place include **Ericsson Nikola Tesla**, which allows parents to bring their children to the workplace if there are no other solutions. Although this opportunity is not used too often, it contributes considerably to the overall satisfaction of employees.<sup>1</sup> There are also other companies that try to accommodate the needs of parents, especially mothers, by offering additional vacation days and flexible working hours. To our knowledge, there are no companies that provide childcare for their employees, although there are a few that have recently announced plans to open childcare centers in the near future including **VIPnet**, **HT Mobile** and **Agrokor**.

**SMS**, a Croatian olive oil and food company based in Split with a strong commitment to regional socio-economic development, has taken the importance of employment a step further than many other companies. SMS pays special attention to offering employment opportunities to social groups that are marginalized on the labor market, including women over the age of 45, former drug addicts, inexperienced youth and social cases. SMS, along with some other companies such as the **Atlantic Group**, also use the opportunities offered by the Croatian Employment Service (HZZ), which provides subsidies for employing recent graduates, people with disabilities, war veterans, and middle-aged workers at high risk of chronic unemployment.

**Duro Đaković Specijalna vozila d.d.**, a producer of different types of vehicles, provides a unique example of a company which consciously selected a supplier based on human interest. The company selected URIHO, the Institutions for Rehabilitation of Persons with Special Needs through Employment and Professional Development, as the main supplier for the upholstery of the company's vehicles. As explained by Dinko Radicević, Head of the Commercial Department, "Even though their offer was 50 Kn more expensive than others, the quality was the same so the management unanimously decided that we would choose URIHO as our supplier. It did not even require any special discussion among us, it was a spontaneous, human decision."

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## RESPONSIBLE RESTRUCTURING AND DOWNSIZING

While the main approach to downsizing in Croatia have been financial packages to redundant workers, there have been more innovative approaches taken to downsizing by a few companies recently including assisting employees find new jobs or create their own businesses. **Erste Bank** in the process of merging with **Riječka Banka**, played a role akin to that of an employment agency by helping redundant workers to find new employment. In another example, the Swiss owners of the cement factory Koromačno (now called **Holcim Croatia**) helped workers who became redundant after privatization to establish their own businesses and maintain a source of income while at the same time remaining connected with the company as its suppliers.

**Ericsson Nikola Tesla** during their restructuring and downsizing process offered a competitive redundancy package as well as business incubator space and advisory support for redundant employees. The company financed these former employees re-qualification and additional certifications in cooperation with the Employment Agency to improve their possibilities for receiving alternative employment or for establishing their own companies, many of which are now part of the Ericsson value chain.

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## SUPPLY/VALUE CHAIN DEVELOPMENT

There are several examples of CSR practices related to additional investments in suppliers' capacity, such as knowledge, skills and market outreach. For example, **SMS** and **Plenković**, a food and wine producer respectively, educate farmers in organic agriculture; **PZ Auto** trains car dealers in customer care; and **Agrokor**, in partnership with the

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<sup>1</sup> Večernji list, 19 February 2003

Ministry of Agriculture and Forestry, has begun a pilot organic chicken breeding project, involving an organic production NGO BIOPA from Osijek and a family farm that receives regular technical assistance from the partners.

**Lura**, Croatia's largest producer of dairy products cooperates with more than 28,000 individual milk producers and cooperatives throughout the country. The company includes producers in post-war affected areas where regular payment and provision of free conservation equipment is vital for families in isolated, depopulated locations, such as region of Lika, that have no other source of income and minimum direct access to regional markets. Lura field staff provide free education, advice, equipment and loans. The company's investment into domestic milk production can be viewed both as a vital corporate interest to ensure sufficient and adequate quality of resources, as well as a strategic choice to support domestic production, even if costs may be initially higher. In 2002, for the first time, Lura purchased milk only from the domestic market, which the company considers a big success considering that the total domestic market deficit is about 30% in Croatia.

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#### TRANSFER OF KNOWLEDGE AND TECHNOLOGY

**Microsoft Croatia** is perhaps the most articulate example of treating knowledge and technology transfers to its distributors, local Croatian companies, as a vital component of creating a local ICT market. This fits into the company's global corporate citizenship strategy around the world and is clearly explained in their Corporate Citizenship report:

*"This affiliation helps our partners increase revenues, lower costs, bring new products to market faster, and improve their recognition in the marketplace by linking their own products with the Microsoft brand. According to International Data Corporation (IDC) data and Microsoft revenue figures, for every \$1 Microsoft earned in 2001, our partners generated \$8 revenue... Microsoft can only succeed in this if our partners are successful, too. To ensure this, we must provide the tools, training, and resources partners need, and keep communication flowing consistently in both directions. Microsoft is developing innovative new programs to help our partners succeed, and we're making major end-to-end investments inside the company to create a framework that will enable our partner ecosystem to remain strong and vibrant."*

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#### CAUSE RELATED MARKETING

Cause-related marketing, launched for the first time in the world by American Express twenty years ago, refers to a company linking a percentage of its sales to a certain social cause. In doing this, the company raises its profile as a 'company that cares' while at the same time raising funds to be donated to the identified cause.

A recent example of cause-related marketing in Croatia took place between October 2002 – January 2003 when Croatian supermarket chain, **Konzum** and the company **Procter & Gamble** joined forces to raise funds for those in need. The campaign "Give Them a Smile" was directed toward strengthening Konzum's and P&G's image as socially responsible companies. A percentage of sales of the eight most popular P&G products in Konzum stores in three Croatian cities — Zagreb, Rijeka and Split — were set aside with the purpose of providing support to three defined causes — a Hospital for Children with Special Needs "Goljak" in Zagreb, an Orphanage "Ivana Brlić Mažuranić" in Rijeka and the Center for Deaf Children and Children with Cerebral Damage "Slava Raškaj" in Split. This action received significant media coverage by newspapers, radio and Internet and Konzum and P&G made a 78,000 Euro return on their initial investment of 2,000 Euro. This approach was considered so successful by all involved that Konzum and P & G will look to repeat it again in the future.

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#### ADVERTISING

Advertising is used by companies to convince consumers to buy specific products based on quality, cost and brand name. Advertising usually focuses on the product itself however recently a few Croatian companies have begun to openly advertise their CSR activity using it directly as a marketing and branding opportunity. Some companies have begun to recognise that by informing current and potential customers about its activities in the area of CSR, a company can educate and influence their consumer's decisions to select a particular product and service from a socially responsible company over other companies. For example, **Zagrebačka banka** is including its sustainable development policy and special certificate for CSR it received from the Ministry of Environmental Protection and Physical Planning in 2003 in its advertising campaigns as well as information on its environmental projects and

main humanitarian activities. **Ericsson Nikola Tesla**, in its advertising is introducing the term “corporate citizenship”, with an emphasis on the company’s community involvement: “As a good citizen we are aware of our social responsibility and thereby we leave our mark in the community.” **Coca-Cola Beverages Hrvatska** (CCBH) through its advertising in *Privredni Vjesnik* discusses different CSR actions the company has taken and introduces 2005 as the year of CSR in Europe. **Lura** advertises the company’s work in environmental protection and local community development. Through this type of advertising, companies are moving beyond their products to highlight their policies and approaches as a way to inform consumers about companies’ responsiveness and the new role business plays. This also contributes to the superiority of the company’s brands and their competitive edge.

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## RELATIONS WITH CONSUMERS

Based on the interviews conducted, companies’ literature and the media review, it is apparent that additional services and products provided to customers free of charge represent a widespread marketing practice across industry sectors in Croatia. Many of these services and products including free door-to-door delivery of goods, significant discounts on additional services, free childcare facilities, cultural events, health counselling programs and technical assistance for people with disabilities, are meant to have direct positive impacts on customers’ finances, health and quality of social and cultural life.

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While there is currently some responsibility by companies toward the consumer mainly resulting from a company’s own initiative, the enactment of Croatia’s first ever Law on Consumer Protection, on 8 September 2003, represents a turning point in companies’ obligations to consumers. Despite the fact that the Law includes numerous provisions requiring modifications in business operations on the part of producers as well as merchants, a survey conducted by the association “Potrošač” (‘Consumer’) in September 2003 at the Zagreb fair showed that 97% of interviewed business representatives had heard of the law but had not read it. Therefore, for a while at least, mere adherence to the law will be acknowledged, both by companies themselves as well as by consumer associations, as a sign of socially responsible behavior. This is illustrated by Ilija Rakman, President of the Association “Potrošač” who praised **Brodomekuri** from Split for being one of the few companies that organized education for all employees on the provisions of the new law, under the slogan “Let’s Respect the Consumer, Let’s Protect Ourselves”. The way in which consumer associations will define socially responsible practices will be visible once the first awards for the best and the worst consumer care proscribed by the Law, are announced in 2004.

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## PRODUCT SAFETY AND INTEGRITY

The quality and integrity of products is important to both companies and consumers and directly relates to a company’s ability to be competitive in the marketplace. An example of a recent debate related to product integrity in Croatia is the importing and production of genetically modified organisms (GMOs). This debate yielded significant media interest and became contested politically as well. It is one of the rare examples of systematic monitoring of a CSR-related issue on the part of environmental NGOs in Croatia. In June 2003, the NGO Zelena Akcija (Green Action) issued the first version of its “green” (companies with a certificate of GMO-free production), “white” (companies affirming GMO free production, without certificates) and “black” (companies that did not reply and those that use GMOs) lists of companies engaged in basic food production. Companies have proved responsive to this initiative and during the first six months over 115 of a total of 260 companies targeted affirmed their GMO-free food production and sales policies, out of which over 45 have provided certificates (including suppliers’ certificates).

In October 2003 the list was updated, suggesting that the monitoring initiative will last. The explanation provided in relation to the “white” list companies sheds light on some specific obstacles regarding CSR and its monitoring in terms of marketplace issues. Zelena Akcija reports that, in their responses, smaller companies explained that they did not require their suppliers to provide any certificates on GMO use as this might increase their costs. Furthermore, some producers have reported that they usually receive only oral confirmation of GMO free supplies, as suppliers refuse to provide certificates because there is no legal requirement for this in Croatia at present.

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## COMMUNITY INVOLVEMENT AND CORPORATE GIVING

Community embeddedness is one of the major features most companies emphasize as an integral part of their business operations. Companies invest in their communities in a number of ways. Funding or providing in-kind products for community projects seems to be the most widely spread trend among Croatian companies. However, a few companies have moved beyond just funding and are providing other resources, skills and time to assist in the social development of the community in which they are working. For example Varaždinska banka in cooperation with Association "Our Children" has been celebrating World Savings Day for years with bank employees visiting kindergartens to educate the children about the importance of savings.

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### HOLCIM CROATIA'S COMMUNITY INVESTMENT IN ISTRIA – A CLOSER LOOK

Holcim Croatia is a unique example of a company that strategically uses community partnerships. These partnerships are a key tool for translating the company's worldwide strategic commitment to the quality of life of the local communities where it operates into a myriad of creative, concrete initiatives and investments into the community of Koromačno, the location of Holcim's cement factory and the wider region of Istra. Through ongoing consultations and joint project planning with local authorities, schools and NGOs, Holcim Croatia has stepped out of the sole role of corporate donor, and has become an agent in community mobilization and development. The company's dynamic inter-departmental communications team, bringing together employees who are personally committed to various aspects of community life, is capable of spotting opportunities for sustainable and innovative investments into local civil initiatives and enrichment of local cultural and social life as seen in some of the following examples.

Instead of just providing financial resources to the near-by nature reserve and donkey reservation Liburna, Holcim staff worked with this reserve to develop a sustainable marketing plan, including education visits for primary schools from the entire region, involving over 6,000 children. "After we helped them with the pricing of tickets and production of the promotion materials, Holcim purchased the first series of tickets for the children of our workers and the local school. Now they have a successful self-financing activity in place, with schools from all over Istria sending their students to the reservation," explained Alan Šišinački, Assistant to CEO.

As a build-on to its systematic corporate donation program, based on annual public calls for proposals from Istrian NGOs, in July 2003, Holcim Croatia organized a day-long NGO Fair - the 'Fair of Good Ideas' - in the town-hall of Raša, where all Holcim grantees could meet, participate in a fundraising workshop and explore new opportunities for cooperation. Similarly, as part of its Open Day in September 2003, Holcim organized an NGO fair, where more than 1 500 visitors learned about the activities of Holcim's NGO partners.

In addition to cost-effective investments into the quality of social, cultural and educational life, Holcim Croatia has also engaged in partnerships to improve community infrastructure, such as the planned reconstruction of the Labin-Koromačno water supply system, the transformation of the old cinema building into a community-sports center in Koromačno and the financing of the only bus line between Labin and Koromačno, with free tickets for all Holcim workers, as well as all local pensioners and students.

The support provided by Holcim to the community benefits both the company and the community. Examples of Holcim's innovative approach to community partnerships are numerous, demonstrating how a company can act as a responsible and proactive agent in community development, without being reduced to only the role of a provider of financial resources.

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## OVERVIEW OF CORPORATE GIVING

While almost all companies interviewed are engaged in corporate giving to some degree and some companies emphasized that giving is part of their overall business strategy (e.g. Mercator-Hrvatska with medical equipment donations), this research has identified four companies that have structured corporate grants systems in place including **Zagrebačka Banka**, **Lura**, **Holcim Hrvatska** and **Ford/Auto2000**. In addition to an annual grant competition, UniCredito Bank, the Italian owner of Zagrebačka banka, has established the Unidea UniCredit Foundation which has just begun the first gift matching program among Group staff members including those in Croatia. Through this program, Unidea Foundation will match the amount of individual donations made by Zagrebačka banka employees to NGOs and other non-profit entities whose work is in line with the social and humanitarian aims of the Foundation.

Many of the companies that do not have structured giving systems argued that such a systematic approach would limit their flexibility and responsiveness to community needs. The majority of companies interviewed saw corporate giving as driven by the potential benefits to the immediate social environment, often the only clear criterion for making decisions about donations. Considering the breadth of corporate giving in the country, it is apparent that on the whole companies tend not to take full advantage of promotional opportunities presented by their investments into community initiatives and often make a clear distinction between marketing-driven sponsorships and heart-driven donations. Through the interviews however, it appears that the dearth of systematic approaches to corporate giving in the country is actually related to the fact that few companies in Croatia have articulated their strategy for community involvement in a way that integrates both social and business interests.

Company giving tends to target institutions i.e. schools, children's homes, hospitals, theatres, and Ministries (e.g. Education and Health) as well as NGOs, and individuals. No systematic data on the extent of corporate giving in Croatia currently exists. While very difficult to estimate, based on the interviews, media review and knowledge of corporate donors, the annual corporate giving in Croatia can be estimated to be close to between 25 m. and 30 m. HRK (between 3.6 m and 4.4 m USD). It is also difficult to estimate the real total amount of gift and in-kind donations, since the value of gifts ranging from soft toys to expensive specialized medical equipment is not always revealed. Interviews with companies of all sizes, as well as a parallel analysis of the private sector's support to over 60 community based organizations, indicates that a large proportion of corporate giving, particularly on the part of SMEs and some industry sectors, takes place without any media coverage at all. Hence, it can be assumed that the total amount of money and products that companies invest in local communities in Croatia is far larger than that which is publicly visible.

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## UNICEF SURVEY RESULTS OF CROATIAN COMPANIES CORPORATE GIVING HABITS

Recent research conducted by UNICEF in Croatia offers valuable disaggregated data for donations, sponsorships and partnerships as forms of corporate giving.<sup>6</sup> The agency PULS surveyed a sample of 100 companies, including 32 large companies and 68 medium size companies, to explore these companies' aspirations regarding their public image, and their corporate giving habits to the non-profit sector.

The analysis showed that almost all (99%) surveyed companies have engaged in some form of corporate giving, including donations (94%), sponsorships (73%) and partnerships (29%). While donations seem to be the most frequent form of corporate giving both for large and medium size companies (97% of large companies and 93% of medium size companies), sponsorships are more frequent among large companies (84%, in comparison to 64% of medium sized companies). The greatest discrepancy can be found regarding partnerships, with 53% of large companies engaging in this practice compared to 18% of medium sized companies.

The survey results show no significant differences regarding whether and how companies donate money in terms of their principal activities (trade, industry, services), apart from the greater frequency of partnerships reported by the service sector (53% compared to an average 29% for all surveyed companies).

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<sup>6</sup> UNICEF, 2003

Regarding the decision-making process on corporate giving, the UNICEF survey showed that in more than 80% of the cases, senior management decides on how funds are donated (the CEO in 53% of cases, the President of the board in 32%), followed by 12% of companies where owners decide and only 10% where decisions on donations, sponsorships and partnerships are made by the marketing department alone.

In terms of corporate giving policies, 42% of surveyed companies (56% large and 36% medium) engage in donations, sponsorships and partnerships on a regular basis. Among them, 59% have a defined budget for corporate giving for year 2003, which in 60% of the cases is structured according to type, events, institutions or organizations.

As the main motivating factor for both sponsorships and donations, the majority of companies state humanitarian reasons i.e. their wish to “help” (85% in relation to donations and 58% in relation to sponsorships). Companies’ interest in public promotion and positive public image is an equally strong motivating factor in the case of sponsorships (59%) and significantly less relevant when it comes to donations (10%). The breakdown of sponsorships, donations, and requests revealed in the survey, in terms of specific themes and issues, is provided in the Table below.

**Sponsorships, Donations and Requests (UNICEF, 2003)**

<b>SPONSORSHIPS Last 12 months</b>	<b>%</b>	<b>DONATIONS Last 12 months</b>	<b>%</b>	<b>REQUESTS Last 12 months</b>	<b>%</b>
Sports	77	Healthcare/hospital renovation	40	Sports	71
Culture and Arts	48	Children	36	Culture and Arts	44
Children	20	Sports	31	Children	39
Healthcare/hospital renovation	15	Culture and arts	22	Healthcare/hospital renovation	24
Education	13	Poor, socially vulnerable	16	Education	13
Environmental Protection	8	Education	14	Post-war reconstruction and care for war victims	4
Scientific projects and institutions	7	Religious organizations	8	Religious organizations	4
Poor and socially vulnerable	7	Post-war reconstruction and care for war victims	4	Scientific projects and institutions	4
Entertainment	2	Scientific projects and institutions	4	Environmental protection	3
Demining	2	Environmental protection	1	Human rights protection	2
Not known/No response	3	Human rights protection	1	Not known/No response	5
		Other	17		

Finally, regarding partnerships, of the 29 companies that reported partnerships with non-profit organizations, only four partnerships existed during the 12-month period before this survey was conducted (January 2003). Among past partners, companies listed schools, national theatres, national sports and cultural institutions (Croatian Olympic Committee, Dubrovnik Summer Games) and three NGOs.

## BUSINESS SUPPORT TO LOCAL LEVEL INITIATIVES

The CroNGO Small Grants Program, funded by USAID and implemented by AED, is focused on supporting NGOs and citizen initiatives to address community needs throughout Croatia. This program funds a variety of different types of projects including support for children and youth; assistance to people with special needs; reconstruction of community spaces; economic development projects; cultural revival projects, and others. Community contribution is a significant aspect of these projects, and the CroNGO team collects data on different types of community support provided, including support from the private sector. The information gathered from a total of 62 CroNGO small grantees from September 2002 – September 2003, indicates that there is a widespread trend of small-scale giving from businesses to community-based organizations throughout Croatia. It is apparent that provision of donations is not inhibited by a businesses size; on the contrary, in this case micro-enterprises make up a majority of the sponsors. Of a total of 117 different businesses that provided support to the 62 local NGOs/initiatives, 85, or 72.6% were SMEs, including 64 companies with less than 10 employees.

Activities targeting children and youth, people with disabilities, community culture and education, the elderly and the poor seem to gain the most interest among businesses. It can be assumed that this might reflect local businesses' sense of responsibility for the most vulnerable community members (disabled, the elderly and the poor) and awareness of the need to invest into their community's future (children and youth and new learning opportunities for the entire community). Out of a total of 119 instances of support provided by companies to the 62 NGOs/initiatives, material support was provided in 89 cases (74,7%), followed by financial support provided in 29 cases (24,3%) and in 10 out of 119 cases (8,4%) businesses provided voluntary work to community initiatives.

In addition to donation of goods such as food, drinks, books, promotion paper, etc, material support has also included provision of free space for activities, transport, equipment and machinery, as well as free insurance. Voluntary contributions included activities as diverse as computer education, car repair, construction work, electricity installations, cleansing of sewage systems, and planting trees.

This preliminary analysis indicates that reviews of grant reports are a rich source of otherwise invisible information about widespread community-based small-scale corporate giving practices. The reports, required by international donors, government institutions as well as some corporate donors, could be more systematically used as a complementary source of information on corporate giving by the government, NGOs and foundations that are interested in promoting CSR and community partnerships in Croatia.

## A SURVEY OF NGOS AND CORPORATE GIVING

As part of this research, 18 NGOs were interviewed, with 11 NGOs providing extensive details of their annual budgets and sources of funding, including private sector funds. Combined these 11 NGOs have an annual budget of some 17.4 m. HRK (2,7 m. USD), with a total of 100 employees and 680 volunteers.

SOURCE	AMOUNT HRK	%
Internal Source	981,283.68	5.6
Government	1,664,404.13	9.6
Local Government.	781,538.84	4.5
Foreign Donors	12,833,652.26	73.8
Businesses	1,051,705.16	6
Individual Donations	80,533.68	0.5
<b>TOTAL</b>	<b>17,392.367.74</b>	<b>100%</b>

Of these 11 NGOs, in three cases the amount raised through the private sector was more than 1.5% of the



organization's annual income – Center for Mobility (45%) Krila (10%) and Hrabri telefon (15%). The latter, a telephone service for abused and neglected children has a free telephone line from **HT**, and **Hypo Alpe-Adria banka** and **Lura** both provide honoraria for staff, usually one of the most difficult budget lines for NGOs to fill. A number of other companies provide materials or in-kind donations, and **Oriflame**, through a fundraising campaign amongst its clients, also raised 130,000 HRK. Hrabri Telefon staff interviewed as part of this research attribute this success to both the fact that the organization and its service has become a kind of leading 'brand' name in terms of children's services, and their own proactive attitude towards the business sector. They indicated, however, that only about one in 15 requests for assistance is answered positively.

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#### NGO POLICIES ON CORPORATE GIVING

Considering that there are few NGOs that consistently receive company donations, it is not surprising that very few NGOs have articulated policies on corporate giving and relations with the business sector. An example of one organization that does have a corporate giving policy is SOS Children's Village Croatia that participates in developing policies on corporate giving established within the SOS-Kinderdorf International, of which the Croatian NGO is a part. The organization has made it a policy not to take money from companies producing tobacco, alcohol and weapons and known to use child labor down their value chain. When deciding upon general sponsorship programs or more long-term partnerships, the companies' CSR profiles are regularly taken into account. "We need to make sure that our brand is not taken advantage of and associated with businesses that may be harmful to the social and natural environment", explained SOS Children's Village Croatia PR Officer.

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#### POLICY DIALOGUE, ADVOCACY AND INSTITUTION BUILDING

Policy dialogue specifically relates to business engagement with government and civil society organizations to help shape policy and create an enabling environment for competitive business practices. Business associations are currently the key mechanisms through which these dialogues are initiated. While this is still not the norm in Croatia, there are a few examples highlighted below (see Key Players and Policy Dialogue for further information).

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#### LAW ON TELECOMMUNICATIONS

A rare positive example of moving from governmental decisions to inclusive governance, highlighted by **ISKON Internet**, was the well structured drafting process of the Law on Telecommunications, led by the Deputy Minister of the Ministry of Traffic and Communications, herself an experienced business leader. Throughout this process the Deputy Minister engaged international and domestic experts from all sectors and interested parties, including various different competitors.

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#### SUCCESSFUL ADVOCACY FOR A MUNICIPAL POLICY CONDUCIVE TO THE ENVIRONMENT

In 2000 HRPSOR organized a campaign to change the billing practices for municipal waste in the City of Zagreb. In many Croatian towns, charges for collection and disposal of municipal waste for companies and households are determined by the size of the occupancy area measured in square meters. Such a calculation contradicts the objective of waste reduction and discourages the efforts of companies with good waste management practices. Company evidence clearly indicated that municipal waste management was the most expensive for those with highest waste reduction rates as they additionally invested in equipment, labor, staff training and separate collecting of useful waste. HRPSOR member-company leaders supported the campaign through letters to the authorities and a round table was organised jointly with the Croatian Chamber of Commerce and the Association of Environmental Journalists, including representatives of the environmental NGO Zelena akcija (Green Action). The campaign resulted in the change of the billing scheme of the municipal enterprise Čistoća, which now offers the option of basing its fee on the number of waste-containers that are being taken to the disposal-site of the City. This change has resulted in significant savings on the part of companies that have internal systems for reducing their waste production. For example, Končar Energetski Transformatori in a thank you note to the HRPSOR Director stated that as a result of the new billing scheme, the company has reduced its costs in this area by 62%.

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## CROATIAN CHAMBER OF COMMERCE (HGK) CODE ON BUSINESS ETHICS AND CSR

In May 2003, the Zagreb Chamber of Commerce, in partnership with researcher Domagoj Račić from the Institute of Economics in Zagreb, began preparing a draft Code of Business Ethics with the goal of providing guidelines for the creation of specific sectoral and corporate codes of business ethics and social responsibility. The concepts and provisions of the Code have been informed by an overview of international literature on business ethics and CSR including emerging monitoring and standardization tools, domestic literature on business ethics and actual business practices specific to the Croatian legislative framework and general business culture.

While inputs from businesses and county chambers have been moderate, their comments indicate strong support for the initiative and its provisions which are currently being harmonized with the legal framework of the Chamber, in particular the Chamber's Court of Honor. Actual adherence to the Code is the most challenging aspect of this initiative and largely contingent on businesses' identification with its contents and motivation to put it into practice, both of which might not happen if the Code is perceived as an imposed set of rules. For that reason, the voluntary adoption by individual members of the Chamber is viewed as a more appropriate mode of its introduction. At the same time, if sanctions cannot be brought against those companies that have not adopted the Code but break it at the expense of the Code signatories, the signatories may end up less motivated to follow the Code provisions themselves. As one corporate representative suggested, the sanctions might include a public, official call for boycott, issued by the Chamber, of any company that is gravely breaking the Code, i.e. neglecting the basic principles of business ethics and CSR.

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## KEY CSR THEMES IN CROATIA

In the previous section we looked at CSR areas through companies' Core Business Activities, Community Investment, and Policy Dialogue. We have also illustrated companies' CSR practices through some examples of good practice in Croatia. Being a very broad and multi-faceted business issue, CSR embraces numerous themes that could be addressed through different spheres of companies influence. They are ever-expanding and below we mention a few that came up prominently throughout this research related to Environment, Business Governance and Corruption, and Health.

### ENVIRONMENT

The issue of environmental management is probably the CSR theme best understood by the Croatian private sector, seeing it as an opportunity to meet both their economic interests and expectations regarding social responsibility. All the large companies interviewed, regardless of their industry sector, reported some form of investment into environmentally responsible management, be it through their Core Business Activities (e.g. eco-efficient production cost-effective waste management, environmental accounting or the reduction of pollution), Community Investment (e.g. environmental education in the schools) and/or through Policy Dialogue (e.g. lobbying to change environmental legislation). The existence of several fora and technical assistance projects relating to environmental sustainability, primarily HRPSOR and the Croatian Center for Cleaner Production, is both an indicator of and a mechanism for increasing the variety and breadth of actual practices by individual companies.

A number of the companies interviewed have set up environmental management teams ("eco-teams") with the task of foreseeing and enhancing the company's overall performance in this respect, including Croatian confectionary factory, **KRAS**, **Ericsson NT**, **Zagrebačka Banka**, **PLIVA**, **Lura**, and **Agrokor**. The oil company **INA** has a special department for environmental protection. It is important to note that at present environmental management teams represent the most frequently established cross-departmental managerial structure related to CSR in Croatia. While it is logical that companies involved in production would be more inclined to closely monitor their environmental management processes, the example of **Zagrebačka banka** shows that even so-called 'clean' companies may have an interest in creating such systems.

#### **TDR: Investing in the Environment**

An example of forward-looking investment into cleaner production is that of Croatian Tobaccos, a company within the TDR consortium, that has succeeded in complete substitution of methyl bromide, damaging to the ozone layer, with an alternative cleaning process of growing tobacco seedlings in float beds. The pilot project was completed in 2001 with support from UNIDO and a grant of 280,000 USD. Hence, TDR has become one of the most advanced and highest quality tobacco producers in the world, meeting the standards of the UN Montreal Protocol on Ozone Layer Protection two years earlier than the official deadline for prohibition of methyl bromide in Croatia. According to the TDR Director of Development, the investment into cleaner production represents an integral part of the company's effort to create a Croatian tobacco brand, recognizable for its high quality.

The most frequent form of CSR reporting in Croatia is environmental reports. A number of companies produce these reports including **INA**, **HEP**, **Lura**, **PLIVA** (as part of its sustainable growth report), **Coca-Cola Beverages Hrvatska**, and **KRAS**. In addition, many Croatian companies are perceived as leaders in the area of good environmental management in the South East European region. For example, **PLIVA** received the Corporate Environmental Protection Award from the European Bank for Reconstruction and Development (EBRD) in 2001, in recognition of its continuous efforts in environmental protection and its practice of sustainable development in all its operations, as well as commitment to other aspects of CSR.

Regarding eco-efficient administrative practices, the examples of **Zagrebačka Banka** and **Wüstenrot Savings**, a German savings and loan association, may be an inspiration for other service delivery companies and equally important for the public and non-profit sector. As part of its sustainable development policy, **Zagrebačka Banka** has introduced technical rooms.<sup>7</sup> **Wüstenrot** has introduced an ICT-based document management system that has radically reduced its paper load.

While this research has not managed to explore the environmental management practices of SMEs, it can be assumed that they significantly lag behind the larger companies, which have had greater access to expertise and funds related to the introduction of more eco-efficient production processes. *For information on partnership projects in the area of environmental improvement and management please see Chapter III Cross-sector Partnerships.*

## BUSINESS GOVERNANCE AND CORRUPTION

Corporate governance in Croatia reflects several important aspects of recent history of Croatian business and its legacy, including: a history of social ownership and self-management; multiple transition processes i.e. from socialism to a market economy, from war to peace, restructuring and the on-going legacy of privatisation; and recent economic distress and close political involvement in the economy. There is currently a growing interest in corporate governance driven by privatisation as improvement in the area of governance is seen as a way to improve access to capital, competitiveness and penetration into the international markets.

Bribery and corruption are still present issues, but during the last several years, according to Transparency International, Croatia considerably improved its' rating on the Corruption Index. According to HUP, however, while the level of corruption and bribery decreased, it has also moved from the higher level of the state apparatus to the local level of counties and municipalities.<sup>8</sup> In interviews with companies there were seldom direct references to corruption, other than numerous references to the monopoly position of several large companies with significant state ownership. However, it may be worth noting an exceptionally explicit statement by the CEO of an international company who emphasised that the company's strict anticorruption policies 'make his life in Croatia substantially easier' since he cannot be held responsible for missed business opportunities that required some type of unaccounted financial transfers for the persons involved. In addition, payments from customers often need to be closely tracked to ensure they are made as is the case with **Termika Novi Marof**, where the Director has introduced daily monitoring of payments on a graph that is periodically used as an early warning system for sending out staff to visit customers who are late with payments.

### Violations of Business Ethics in Croatia

According to the secretary of the Court of Honor of the Croatian Chamber of Commerce (HGK), the most frequent violations of business ethics reported to the Court include disregarding customers' complaints and ignoring legal obligations, neglect of transferred and contractual obligations, advertising and dissemination of untrue information at the expense of competitors, disrespect for professional standards and rules, violations of the HGK regulations and ethical codes of professional associations active within HGK and legal provisions related to trade.

The Court of Honor of the Croatian Chamber of Crafts and Trades focused on similar violations with an additional emphasis on false representation of product quality, sale of others' products as one's own and irregular billing and payment procedures. Both chambers provide support to parties in conflict to arrange arbitration, while public disclosure and peer pressure act as the main sanctions.

Public tenders in Croatia are marked by a lack of transparency, an over-bureaucratised process, and related corruption. HUP, in co-operation with the agency Briefing d.o.o. has recently begun a monitoring and advocacy initiative which

<sup>7</sup> Rooms with multifunctional machines that print, scan and fax saving both energy and paper.

<sup>8</sup> Vecernji list 3 September 2003

aims to make the process of public tenders more fair and transparent. They have established an independent Coordination for the Control of Public Tender Process, open to all interested companies. This process is a part of a new commercial service “Equal Chances for All”, providing subscribers with updates on public tenders in Croatia and the South East Europe region, while at the same time enhancing transparency and access to information on public tenders. Companies are encouraged to contribute with their comments on violations to the current Law on Public Tenders as well as complaints of inadequate regulations that are part of this existing law. The comments and complaints submitted will be analysed and presented to the Government. At present complaints can be sent by email and a complaints form is also planned for the Internet, accompanied by periodic polls. In addition, as part of its manager’s education program PUMA, HUP is currently planning to organize a seminar for bidders on public tender procedures and legal provisions.

There seems to be a disconnect between advocacy for greater transparency of public tenders, the growing public debate on corruption, particularly the pending law on Conflict of Interest, and the absence of any real explicit mention of internal anti-corruption policies adhered to by the companies interviewed for this assessment. The fact that the Croatian Chamber of Commerce has drafted a Code of Business Ethics including specific provisions on companies’ transparency to all other stakeholders and prevention of corruption represents a valuable opportunity to frame the issues around corruption within the CSR debate.

## HEALTH ISSUES

Companies in Croatia comply to the Law on Safety in the Workplace and are addressing health related issues by fulfilling company’s obligations in this area. However many companies go further and offer various health-related benefits and programs to their employees (and in some instances to wider stakeholder groups). This can involve a number of different aspects including, but not limited to, free medical examinations, private health insurance, seminars and internal programs related to a particular health issue.

### **Ericsson Nikola Tesla: Health in the Workplace**

Workplace health issues in Ericsson Nikola Tesla are related mainly to bone-and-muscle and eyesight problems resulting from extensive work on computers. These problems are not included in the Law on Safety in the Workplace so the company has taken its own initiative in addressing them. With the aim of improving the health conditions of Ericsson NT employees and to educate them on the importance of health care issues, the company’s Occupational Health and Safety Department in cooperation with the Human Resources and Corporate Communications Departments, has developed a comprehensive program for its employees including (1) medical examinations for providing diagnosis, (2) a lecture series to provide employees with a better understanding of the problem (3) communication through the company newsletters with regular updated information and (4) “Doctors in the Workplace” providing direct communication between doctors and employees. The results of the program demonstrate that there is a decrease in the number of bone-and-muscle and eyesight problems being encountered by Ericsson NT employees since it has been initiated and an increase in the number of employees interested in health and safety issues along with an increase number of visits to the company’s webpage on health care and safety in the workplace. All this contributed to the improved health and well-being of the employees and decrease of absenteeism from work.

**PLIVA** has taken a comprehensive approach to addressing health related issues in Croatia. In 2001, PLIVA launched two health related web portals aimed at medical professionals and one aimed at the general public, both part of the company’s global project.<sup>9</sup> These web portals provide a series of fora for the presentation and exchange of reliable medical information, featuring specialist and public debates on a variety of health issues, including pages on female,

<sup>9</sup> [www.plivamed.net](http://www.plivamed.net), [www.plivazdravlje.hr](http://www.plivazdravlje.hr), [www.plivahealth.com](http://www.plivahealth.com)

male and elderly health, numerous illnesses, individual medical advice and regular sexual education pages that promote equal treatment of sexual minorities. The web portals, with 8,000 and 2,000 daily hits respectively, have been nominated by the Government of Croatia for an e-health award at the World Summit on the Information Society (WSIS) to take place in Geneva. In addition, **PLIVA** has developed software for cell phone users, which allows people to register for regular reminder messages on when to take prescribed medication. The company also organizes public lectures, campaigns, seminars, and publishes information booklets on various health issues for local communities.

### **Simbex: Provision of Health Care Services and Awareness Raising**

Simbex is a small business selling imported medical equipment for incontinence and decubitus as well as children's diapers. At the same time, Simbex's strategic investment into customer care and provision of free health care services goes far beyond immediate marketing interests. Through its chain of six counseling centers around Croatia and education booklets, funded through Simbex's foundation, people with incontinence problems can get professional advice and training in the use of equipment, as well as prevention exercises. Every new customer is first enrolled in the testing and adaptation program that lasts for a month and may end up with professional advice not to use Simbex's product.

According to owner and CEO of SimBex, Dragica Sužnjević, creating a foundation seemed to be a natural step for this company. She emphasized that incontinence is an important social problem that causes serious psychological difficulties for people affected by it, but is still not addressed appropriately in Croatia. With a genuine concern for people affected by this problem, the company's support has less to do with a marketing opportunity and was initiated more from a desire to raise awareness to the issue in Croatia where it is estimated that 17% of the population suffers from incontinence, well above the European average.

Since its founding in 1992, SimBex has invested approximately 2,5 m HRK (360.000 USD) into the education of personnel in health and social care institutions (especially in homes for elderly people), groups of patients and individual users of their products. Among the many actions organized or supported by SimBex, it is worth singling out a program recently begun on sexual education for youth, an important incontinence prevention measure as frequent urinary infection in youth, as result of sexual activity, may cause incontinence later in life.

There are additionally several examples of companies adapting their products to people with special needs. **ISKON Internet** provider is currently preparing to launch a new version of its web portal, among the most popular in Croatia that will be adapted to people with sight difficulties. Both **PLIVA** and **Chromos Paints and Varnishes** sell their products in boxes with special signs for the blind, not currently required by Croatian law. The supermarket chain, **Mercator** is, for the moment, one of the few companies to facilitate wheelchair-friendly shopping, even though wheelchair accessibility of frequently used public and privately owned buildings is required by the Croatian Law on Construction 59:1999. This is a reminder of the fact that, in the Croatian context, even if a law in place to protect the consumer, adherence to these laws still does not necessarily occur.

## CSR TOOLS AND MECHANISMS

As mentioned in Chapter I, there are numerous CSR tools and mechanisms including company values, vision, leadership, codes of conduct, and reporting. Below are some examples of the mechanisms currently being used in Croatia.

### *Companies Visions and Purpose*

*“We are creating the future of communication and making a better life.”*

■ HT, **Davor TOMASKOVIC**, Director of Corporate Strategy

*“To contribute to the welfare of Croatia through the active role of the company in building a modern and prosperous Croatia*

■ Eriesson Nikola Tesla, **Snjezana BAHTIJARA**, Director Corporate Communications

*“Our purpose in Unilever is to meet the everyday needs of people everywhere – to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life”*

■ **Unilever Purpose Statement**

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## CODES OF BUSINESS ETHICS

International, as well as many large national companies in Croatia, have clearly defined their vision, mission, and codes of business practice and communicate these both internally and externally. These statements are increasingly including companies' commitment to good citizenship or CSR as can be seen through **Siemens'** Corporate Principles which state: “We embrace corporate responsibility to advance society: our ideas, technologies and activities to help create a better world. We are committed to universal values, good corporate citizenship and a healthy environment. Integrity guides our conduct toward our employees, business partners and stakeholders.”

It can be argued that in many instances, the aspect of business that drives its strategy, activities, behavior and relationships on all levels, communicated in the way we see today, was introduced to national companies in recent years with the opening of the market and influx of international companies, business practices and competition. Increasingly business associations and industry groups are interested in the creation of codes of ethics, as mentioned earlier in this chapter. This can be expected to soon turn into a trend in the Croatian business community, especially due to positive examples of leading international corporations quoted in Croatian business journals and Croatian business leaders benefiting from the introduction of such codes over the past decade.

## THE IMPORTANCE OF LEADERSHIP

As mentioned in Chapter I, leadership is a crucial element of CSR and it sets the tone and the way CSR is understood and managed throughout a company. Many prominent Croatian business leaders are increasingly aware that new leadership skills are paramount in order to respond to the speed of change brought about by multiple transitions and the development challenges they are faced with in the Croatian business environment. This need for leadership is exemplified by the explanation below by Ivan Milčić, CEO **Končar Energetski Transformatori**, of his approach to managing his company.

*“We have increased our capacity four times with practically no investment, apart from that into people and management. I have personally put effort into learning from the US and Japanese examples and exploring ways of overcoming crisis through lean thinking, that is ensuring the best possible use of available resources. Our people participate creatively in continuous quality improvement. They are stimulated to be innovative in their jobs, which is impossible unless they feel that they can learn from mistakes and be rewarded for their improved performance. Each of our 290*

*workers is fully informed on the corporate performance, benchmarks, costs and our environmental policy. Every year, I have individual meetings with at least 50% of all workers.”*

Business leaders have also begun to recognize the need for strong leadership that acknowledges the importance of acting responsibly towards all their stakeholders. For example, **Podravka's** CEO, Darko Marinac, commented that CSR is part of “a smart way of running business and keeping it competitive” and in Podravka’s case “part of its culture and legacy.” Similarly, Zeljko Covic, President of **PLIVA's** Management Board noted in Pliva’s Sustainable Growth Report 2002, “In all of our actions around the world, our objectives are always the same. We want to align the goals of our company with the interests of the communities we are part of, and in doing so develop open and constructive relationships with them. This is in our opinion, the key to the long-term success that we will achieve by being fully aware of our responsibility towards the community and the environment.”

Business leaders are increasingly viewing the values and leadership of CSR as an integral part of the success of their business. Though not systematically implemented or measured aspects of CSR are beginning to permeate through Croatian corporate operations. A few companies, such as **PLIVA** and **Zagrebačka Banka**, have also recently formed Sustainable Development Committees through which they manage CSR related issues within the company and are working closely with company leadership in this area.

*“For Coca-Cola Beverages Hrvatska, as well as for Coca-Cola Hellenic Bottling Company to which we belong, and The Coca-Cola Company whose licensed bottler we are, our commitment to corporate social responsibility is an integral part of our business practice, focusing on our social contribution in the marketplace, the workplace, in relation to the environment, and the wider community.”*

■ **Bruno FILIPI**, General Manager,  
Coca-Cola Beverages Hrvatska (CCBH Social Report 2003)

## MONITORING AND REPORTING ISSUES

As already noted, most of the practices that can be considered as demonstrating socially responsible behavior by companies seems to pass by unnoticed, even by the companies themselves. Companies’ differ greatly in their ability to communicate the ‘good things’ they are doing and most do not seem to be systematically communicating this information on a regular basis. **PLIVA**, one of the few companies highlighting its CSR work, offers on its website comprehensive reporting on various aspects of CSR. References to social responsibility can be found throughout their Annual Reviews and in a separate downloadable booklet “Sustainable Growth”. **Zagrebačka banka** produces an Annual Report in which their commitment to CSR is spelt out. The company has also printed special brochures on their environmental projects as well as on their Charter on Sustainable Development including a stated declaration of their support for sustainable development.

A number of companies, including but not limited to, **INA**, **HEP**, **Lura**, **PLIVA** (as part of its sustainable growth report), **Coca-Cola Beverages Hrvatska**, and **KRAS** produce Environmental Reports and some also refer to CSR practices in their annual reports. To date, only one company, **Coca-Cola Beverages Hrvatska**, has conducted an internal social audit following the Global Reporting Initiative guidelines, leading to the publication of a social report, the first of its kind in Croatia.



### **Coca Cola Beverages Hrvatska (CCBH) Social Report**

*“We see social reporting as a necessary but not sufficient indication of [our commitment to CSR], as we continue to learn and to improve our performance and our strategic commitments in this area which is relatively new in the business world, and, in particular, in countries in transition.”*

■ **Bruno FILIPI**, General Manager, Coca-Cola Beverages Hrvatska (CCBH)

Coca-Cola Hrvatska’s social report is the first comprehensive social report produced at the country level anywhere in Central, Eastern and Southern Europe in accordance with the internationally acknowledged framework and guidelines of the Global Reporting Initiative (GRI). The report outlines all aspects of the company’s performance (other than environmental, which is presented in a separate CCBH Environment Report, 2002) including: main economic impacts; investments made to ensure the company’s competitiveness and development; relations with a range of stakeholders including: employees, customers, the wider community; health and safety at the workplace as well as human rights performance. The report shows CCBH’s continued quest for quality demonstrated by meeting ISO 9000 I, 2000 Quality Management System and The Coca-Cola Quality System standards as well as working towards obtaining ISO 14000 certification on all aspects of environmental management by the first quarter of 2004. The report also presents some of the company’s shortcomings as well as its successes in its attempts to meet the social, economic and environmental needs of its stakeholders. Through this report, CCBH shows that they have done a lot to contribute to sustainable development in the community in which they operate, but that there is still a long way to go in terms of maximizing the positive and minimizing the negative impact of the company’s activities. This report, demonstrates the actual and potential activities that companies such as CCBH do to make a difference in the community and contribute to its development.

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Often, annual reports by international companies in Croatia will include chapters on socially responsible practices, primarily relating to community involvement and corporate giving. For example, **Renault’s** last report includes a chapter on corporate governance. To date, no company in Croatia has produced a full sustainability report incorporating social and environmental reporting. **Holcim** is, however, considering the production of a social report, and other companies may well follow in the near future.

## **KEY PLAYERS AND POLICY DIALOGUE**

As mentioned briefly earlier in of this chapter, the development of cross-sector policy dialogue is still at a relatively early stage in Croatia as some of the preconditions – equal treatment of all stakeholders and provision of efficient consultancy mechanisms – have not yet been fully developed. Additionally, the NGO sector tends to lack capacity for extensive engagement in the nitty-gritty aspects of policy-making, while the business sector is still wary of reaching out to advocacy oriented NGOs for direct consultations. At the same time, the need to strengthen the multi-stakeholder policy dialogue related to CSR issues is recognized both as a challenge and an important opportunity among several business and NGO representatives interviewed, as exemplified in the quotes below:

*“Growing public concern for potential risks and consequences that the new investments might cause to the environment indicates the lack of appropriate mechanisms for dealing with such issues. It is in the interest of business to act as an active participant in this debate thus contributing to developing the culture of a productive social dialogue. The ability to interact with stakeholders, decision-makers and civil society organizations on the local level is a challenge to be transformed into a new value for a company.”*

■ **Višnja JELIĆ-MÜCK**, Director, HRPSOR

*“Following best practice, already established among the European environmental NGOs, Zelena akcija first seeks opportunities for cooperation with companies, where we understand cooperation as open and timely dialogue on how to resolve environmental problems, as opposed to engaging into conflict for the very sake of having a conflict. One of the very few such occasions has been our consultancy process with the company Hrvatske Sume (Croatian Forests), which has truly sought our suggestions on how to improve their environmental performance. Mostly companies contact us only out of courtesy, while the Government is either waiting until the very last moment to present a law or the consultations are overbureaucratized and slow, as was the case with the Law on the Fund for Environmental Protection. It is still our belief that for NGOs, the only way to achieve any influence is by means of public campaigning and strong political pressures, with little opportunity for constructive dialogue in the format of the multistakeholder policy dialogue.»*

■ **Toni VIDAN**, Program Manager, Zelena Akcija

From the interviews with companies and NGOs, the absence of a level playing field is evident, with a small number of large companies appearing to have preferential treatment and greater access to the policy-making process due to their close links to the state and the political elites, through their ownership and management structures.

There have also been numerous complaints from business representatives about the government’s lack of willingness to organize inclusive policy-making processes. For instance, the Croatian Chamber of Commerce is often given draft laws to comment on with sometimes only a week notice, precluding the Chamber’s members from preparing feedback based on thorough analysis. Additionally, HRPSOR has emphasized the Government’s limited understanding of the fact that CSR is best promoted by incentives and acknowledgment of socially and environmentally responsible business practices. Instead, the current approach tends to be over-bureaucratized and micro-managed, with lack of effective monitoring mechanisms, feasibility studies or incentives for investments into environmental protection.

Earlier in this report we mentioned a few positive examples of policy dialogue. There are also several examples of the negative consequences encountered when business interests were not consulted during the drafting of laws, some of which later prove to be unworkable, inefficient or contradictory to other laws. Examples provided during this assessment include the 5% tax on Internet providers, and a decree on the importation of cars, which is an attempt to restrict illegal imports and actually creates additional costs for multinational car companies and their suppliers.

In different industry areas, and environmental protection in particular, the business community is especially concerned about the negative consequences of simply copying restrictive foreign regulations that could negatively impact on companies’ competitiveness. The approach, welcomed by the business sector, is greater consideration by government of policy proposals based on expertise from particular industries, such as the one by **Vetropack Straža** and other companies on creating a decentralized and more autonomous system of waste collection.

While engagement in policy dialogue is occurring to some degree, there is a need for government to be more systematically open and responsive to this process. It is also important for business and civil society to work more closely together to jointly advocate for positive policy change.



## CHAPTER III

# NGOs and Cross-Sector Partnerships in Croatia

### CROATIAN NGOS AND CSR

Of Croatia's over 20,000 registered NGOs, when it comes to CSR these organizations can be grouped into the following two main categories (1) NGOs that attempt to establish partnerships with the business sector for promoting social or community development and (2) NGOs that perform watchdog functions through monitoring companies, or lobbying for legislative change aimed at regulating businesses.

#### PROMOTERS OF COMMUNITY-FOCUSED CROSS-SECTOR PARTNERSHIP

The most active organizations promoting the notion of CSR through partnership with NGOs currently include primarily training organizations and NGO support organizations such as: SLAP, SMART, NIT, EOS, ODRAZ, Ri-Center, Association MI, and the Center for Peace, Nonviolence and Human Rights-Osijek. All of these organizations provide training on relations with the business sector and are increasingly engaged in education and brokering of community-based cross-sector cooperation to promote local development.

SLAP from Osijek has recently published a comprehensive Guide to Cross-Sector Cooperation that presents the concepts of social responsibility for each of the public, private and non-profit sectors and examples of best practice in cross-sector cooperation.

SMART from Rijeka has published three manuals that include guidelines for NGOs on how to approach companies, and on the role of business sector volunteering.

Association MI from Split also focuses on volunteerism and has facilitated contacts between community initiatives and companies in Split, especially through its annual award ceremony for the best volunteers and outstanding corporate sponsors of community projects.

There are additionally a number of NGOs with a strong focus on sustainable development that have taken steps towards initiating cross-sector cooperation around specific projects or have worked to build alliances with business representatives or companies.

ODRAZ (Sustainable Development of Communities in Croatia) is a Zagreb-based NGO with a focus on the revitalization of the Croatian islands through cross-sector cooperation, including local community organizations, entrepreneurs, and tourist associations, placed within the framework of the National Program for the Revitalization of Islands, supervised by the Ministry of Public Works, Reconstruction and Construction.

Eco-Social Forum Croatia is a new NGO, jointly founded by several Croatian companies, including Intercon, SMS and Elektrokontakt, as well as NGOs with the mission of promoting the European model of an eco-social market economy.

As a member of Eco-Social Forum Europe, this new NGO is an emerging promoter of CSR in Croatia, with the potential of fostering cross-sector synergies, advocating for more inclusive and transparent policy dialogue and promoting a systemic approach to eco-efficiency, leading to a sustainable Croatian economy, compatible to that of the EU.

Several organic food production enterprises exist in Croatia, such as BIOPA, ZRNO, Eko Dalmacija, and RUTA, some of which are registered as NGOs and others as cooperatives. These organizations have an important role in creating links between large companies, the environmentalist movement and community-based organizations. At the same time, many of the groups are creating business partnerships with leading food producers, such as Agrokor (BIOPA) or SMS (Eko Dalmacija) while also participating in national advocacy campaigns, such as the mass mobilization against GMO production and imports.

This growing group of NGOs committed to multi-stakeholder partnerships and community development, can be considered an important potential link between social movements, community development issues and businesses.

## WATCHDOGS OF CORPORATE SOCIAL AND ENVIRONMENTAL PERFORMANCE

Few NGOs in Croatia have the capacity to effectively monitor and pressure businesses regarding their environmental or social performances. There have however been a few initiatives by NGOs that have had some effect particularly in the area of environmental protection, women's rights, and consumers' rights.

Croatian environmental organizations, twenty-three of which are organized in the advocacy network Zeleni Forum (Green Forum) founded in 1997, are the most vocal and active segment of civil society serving as a watchdog of corporate behavior at the local, regional and national levels. There are numerous examples of ad-hoc campaigns and protests organized by Zelena Akcija (Green Action) and other regional environmentalist groups (such as Zelena Istra, PAN, Sunce, Plavi planet, Osjecki Zeleni, Eko Kvarner) usually driven by citizens' complaints reported to local branches of the national network of Green SOS Telephones. There have also been several national and regional campaigns, with a strong focus on longer-term monitoring of environmental policies and changes in legislation and high-level political decisions.

"SOS for the Adriatic", a highly visible national campaign organized by Zeleni Forum is aimed at canceling the project Druzba-Adria, on the grounds that it will dramatically increase oil transportation by tankers in the Adriatic. In parallel to campaigning to cancel the Druzba-Adria project, this group also campaigned for improvement of prevention measures for oil spills and other maritime accidents. Throughout 2003, this environmental forum collected over 50,000 signatures, organized a series of direct actions and public protests, and lobbied the government to halt the project, resulting in the current stall after the Government ordered an environmental feasibility study prior to making a final decision. This is one of the few environmental campaigns recognized as politically relevant both by the government and the business sector.

Since 1998, B.a.b.e., a women's human rights group, has been monitoring media representation of gender issues. In an effort to raise awareness to the harmful and discriminatory sexist practices in Croatian advertising campaigns, this NGO has used numerous public appearances, a self-produced radio show, publications and a film, as well as protests organized in cooperation with the Women's Network of Croatia.

Consumer associations have also become active and highly visible over recent years, primarily around advocacy for a law on consumer protection. Consumer organizations 'HRID', 'Potrosac', and 'HZUP' have direct interactions with

consumers, through their SOS hotline and websites, and publish reports on the most frequent violations of consumer rights, with ongoing campaigns targeting public services companies Hrvatska Elektro Privreda (HEP), Hrvatski Telecom (HT) and others.

A Croatian branch of the global initiative “Food Not Bombs”, is an example of creative civil society organizing with a radical sustainable development agenda and a focus on CSR. Through this initiative discarded but still edible food from supermarkets, small producers and factories is collected along with preparation of vegetarian meals served for free in the form of a public kitchen. This is accompanied by advocacy for socially just globalization and rational use of natural resources. The initiative is active in several Croatian cities and has been regularly supported by market sellers and small bakeries, while large companies have been less cooperative.

## BUILDING CROSS-SECTOR PARTNERSHIPS

*“What we can not manage alone we shall do with others. That is the essence of the very old ‘community’ idea. Podravka’s experience in this respect varies, because for a quality dialogue and partnership, all parties should give their full contribution.”*

■ **Darko MARINAC**, President of the Board, Podravka, “Long Term Vision Excludes the “or-or” Approach”, Sustainable Development, Privredni Vjesnik, 2003

As mentioned in Chapter I, establishing and sustaining a mutually beneficial partnership is rarely easy, especially with non-traditional allies. Limited knowledge and/or distrust still exist between different groups and different sectors of society. There are also many practical obstacles to overcome in building partnerships between organizations and sectors, which have different characteristics, structures, methodologies and languages.

Some of the most common and stereotypical perceptions held by different sectors of society about other sectors can be seen in the table below:

<b>PUBLIC SECTOR/ GOVERNMENT</b>	<b>BUSINESS</b>	<b>CIVIL SOCIETY/NGOs</b>
Bureaucratic	Time-constrained	Lacking professionalism
Buck-passing	Short-termist	Point-scoring
Election focused	Hard-nosed	Unrealistic
Rigidly Structured	Shareholder-focused	Narrowly focused
Elitist	Profit driven	Lacking accountability
Inflexible	Remote	Uninformed

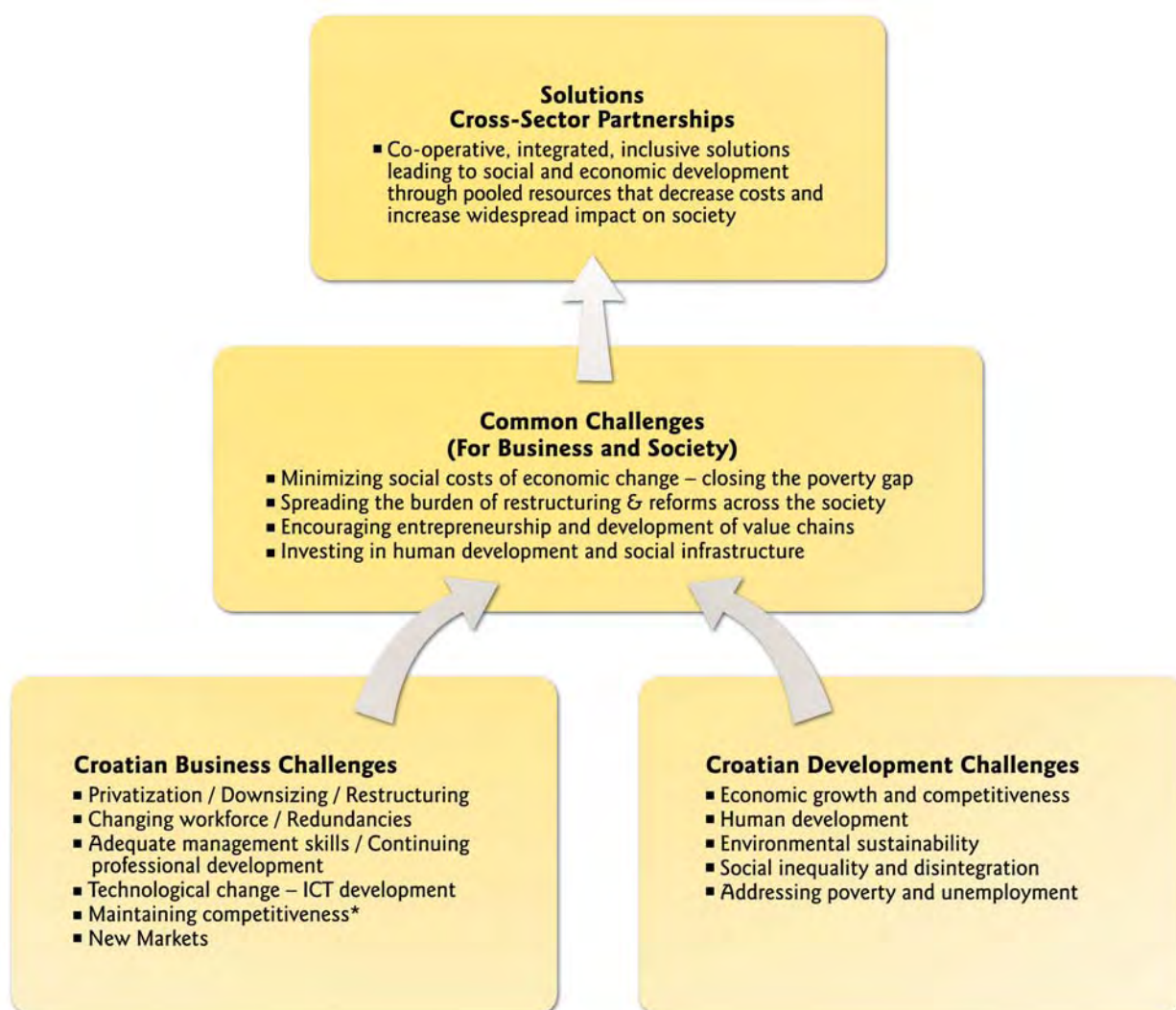
**Source: IBLF**

The challenge remains to overcome the perceptions and obstacles in order to gain the benefits of partnership, which are many. Highlighted on the next page are some of the benefits of cross-sector partnership based on collaboration between business, government and civil society organizations.

- pool limited local resources for a better chance of producing a solution to a local problem or challenge, harnessing the specific skills and competencies of each sector in a legitimate and transparent way;
- encourage a greater sense of understanding on how different sectors of society work and acknowledge the values and contribution of different actors;
- destroy stereotypical responses about others in the community, providing fresh insights and new opportunities that can benefit everyone;
- produce a 'domino effect' where success in one area can stimulate success in another;
- rekindle a sense of community spirit and working together on a complementary agenda;
- replace conflict with cooperation, which in the longer term is likely to cost less in terms of time and resources;
- meet the challenge of inclusion, which lies at the heart of the development and democracy building agendas.

(Simpson, 1999)

Cross-sector partnerships are the core of CSR and are crucial to meeting the complex and interdependent development challenges facing any society today. The diagram below illustrates how cross-sector partnerships can facilitate creation of sustainable solutions to some of the common challenges Croatia is currently facing.



(\*increased efficiency, productivity, innovativeness, consumer responsiveness, quality of products and services)

As seen through the diagram, companies and society in Croatia face a number of common challenges – closing the poverty gap, addressing societal restructuring and reforms, increasing entrepreneurship, and improving human development and social infrastructure – which, if dealt with through cooperation and joint action, are able to have a wider, more substantial and inclusive impact than if these issues are addressed by each sector individually. Each sector brings with it unique expertise, knowledge, skills and level of influence which, if combined, are able to more comprehensively address and resolve the problem increasing the benefit received by all.

It is interesting to note that competitiveness, a much talked about concept in Croatia at the moment, is highlighted as a key challenge facing both business and society. This reflects the fact that competitiveness is not just about economics but also includes a country’s social infrastructure and human potential – based on factors such as education, skills, knowledge, attitudes, entrepreneurship, creativity and health.<sup>1</sup> A country’s competitiveness, then, increases as its economic, social and human capacities develop. Because of the diversity of factors involved in competitiveness, cross-sector partnerships offer an effective mechanism through which to increase this capacity as business, NGOs and government each bring a diverse set of knowledge and skills, which, if utilized together, can have a significant overall impact.

## CROSS-SECTOR PARTNERSHIPS IN CROATIA

As mentioned in Chapter II, according to the UNICEF Survey carried out in early 2003 of 100 companies in Croatia, 29 companies reported having had some type of partnership with non-profit organizations with only four partnerships occurring during the 12 months prior to when the research was conducted. Among partners, companies listed schools, national theatres, national sports and cultural institutions (Croatian Olympic Committee, Dubrovnik Summer Games) and three NGOs.

Currently, partnerships tend to be the most limited form of interaction between sectors, which is in large part due to the lack of understanding between sectors and adequate mechanisms that would enable and facilitate their cooperation. Partly because of the scope of this research, the limited time available and access to the public sector and government ministries, we focus on cross-sector partnership here between business and NGOs.



From the interviews conducted, it can be concluded that companies have mixed perceptions of NGOs in Croatia. Some companies see the development of civil society as a precursor for economic growth, and others see only limited impact being achieved by a large number of small NGOs. While some companies view NGOs as “too political, with not enough credibility”, it was very rare for companies to perceive them as a threat through their advocacy, monitoring and watchdog role. One important factor mentioned in the interviews was a concern about the organizational capacity of NGOs to fulfill their missions.

<sup>1</sup> Nelson, 1996

There is a common perception held by businesses that NGOs only approach companies for money rather than strategic partnerships. Of those companies that had received requests for partnership from an NGO, many noted a limited understanding on the side of the NGO regarding the amount of time a business can dedicate outside of its core business activity.

It is also important to recognize that companies, when making long-term commitments of resources for social development issues (time, staff, finances, material support) are inclined, not surprisingly, to invest in something that will improve their own long-term business interest. For example, engagement of many Croatian companies with educational institutions in supporting and co-designing education programs which will, in the future, provide these companies with a skilled and knowledgeable professional labor force.

NGO representatives, from their perspective, expressed frustrations about businesses not understanding them and only acting responsibly when pushed to do so by outside pressure or laws. NGOs are not convinced of businesses interest or willingness to partner with them or proactively seek cooperation or input from them. As explained by the Zelena Akcija (Green Action) Program Coordinator, there have been very few cases of companies inviting NGOs to join forces in resolving issues related to a company's core business practice.

Many respondents from both sectors noted the importance of improving dialogue and understanding between the sectors and the need for regular information sharing. Given the limited knowledge and understanding between sectors in Croatia, it is not surprising that it was difficult to identify examples of existing successful partnerships. Rare forms of true partnership in the country can be seen through the models of Holcim's community engagement activity discussed in Chapter II or SMS's work in developing the surrounding communities in Dalmatia through improving employment opportunities and investing in long term development projects. Aspects of these, as well as other important initiatives toward building partnerships are included on the next page demonstrating the potential and possibilities for developing a multi-sectoral partnership approach to social development in Croatia.



## EXAMPLES OF CROSS-SECTOR PARTNERSHIP IN CROATIA

### COMPANIES AND COMMUNITIES WORKING TOGETHER TO IMPROVE THE ENVIRONMENT

The **Holcim Croatia** cement factory in Koromačno is a definite forerunner in Croatia in the use of alternative resources and fuel, treated as waste by dozens of different industries and the local community. Holcim Koromačno is the only factory in Croatia with technology for recycling old tires and using them as an alternative to coal in the cement production process. While at present the recycling plant works up to 80% of its full capacity, burning 20 t of tires a day, the company has had to take a proactive and creative approach in collecting the tires, as there is no system in place provided by the government and public enterprises. Hence, Holcim Croatia has created partnerships with local schools and environmental groups to educate the public and collect old tires, under the slogan “Don’t Throw Tires into the Woods”. This complex partnership project, with action research and advocacy components, was jointly developed in 2001 with the NGO Zelena Istra.

Similarly, **Vetropack Straža** in Hum na Sutli is the only factory with a glass recycling plant in Croatia, which manages to work to about 50% of its capacity, due to the lack of systematic public collection of glass. As Mr. Špiljak, the CEO, pointed out, glass is the only fully recyclable material in the world, which has long been understood as both an economic and an environmental opportunity in Switzerland where 93% of glass is recycled, compared to only 15% in Croatia. In order to access these resources, Vetropack Straža has, like Holcim Croatia, created partnerships with local schools and civil initiatives that collect glass under the slogan “Glass is not Garbage”

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Additional examples of initiatives by companies, government or NGOs which include some aspect of partnership – i.e. entailing some degree of joint design and organization of an activity which brings benefit to a community or society - are presented below.

- In October 2003, the President of the **Agrokor** Consortium Ivica Todorčić signed a Contract with the Faculty of Economics on Business Cooperation and Strategic Partnership. This contract, in the value of 3,2 million Kn, is for research and strategic projects including those on the food industry and professional development for young employees. Agrokor’s president presented this partnership as a way of linking science and economy, deemed a necessary prerequisite for sustainability, success of the Croatian economy and competitiveness as well as an initiative to shift from the company’s past practice of engaging foreign consultants to using experienced Croatians instead.
- **SMS** from Split continually cooperates with the therapeutic community for drug addicts “Reto centar”, in near-by Klis, including donations, as well as provision of temporary and full-time employment opportunities for current community members and graduates.
- **Wuestenrot Savings** cooperative, partnered with the Association of White Pole Homer, an NGO working with people with sight impairments on a recent humanitarian campaign. Wuestenrot Savings linked Homer’s HipHop program for the social inclusion of children with impaired sight to the company’s action ‘Children for Children’. Because of the success of this action, the company is considering the possibility of continuing to collaborate with Homer in the future.<sup>2</sup>
- **Renault**, as part of its action ‘The Green Heart of Renault’, partnered with Hrvatske šume (the state owned forestry company) and the local governments on different islands affected by summer fires, to initiate a tree-planting program. Through this initiative, they planted one tree in a fire-affected area for every car sold. The success of this action surprised the management of Renault and motivated them to go further in their care for the environment. Following the action, they have continued their partnerships with the local governments on the island of Korčula and Rab to assist in removing rubbish before tourist season by transporting old cars and parts of cars to Zagreb for recycling.
- The City of Varaždin Solidarity Foundation was founded with the purpose of offering support to citizens in the area of health, social care, education and scientific work. The foundation is supported by a variety of local businesses, including **Varaždinska banka**, as well as the City budget, hence representing a sustainable approach to mobilizing resources for community development through public – private partnership.<sup>3</sup>
- The NGO SLAP’s project of a resource center for entrepreneurs in Belišće, in cooperation with the City of Belišće, Belišće d.d. and Thyssenkrupp as a foreign investor, is a unique example of an NGO taking the lead in developing a support structure for local entrepreneurs in an effort to improve economic development possibilities, in cooperation with businesses and local government.
- In 2003, the NGO Dolphin’s Dream’s developed a program to clean the Adriatic Sea in 16 places along the coast in cooperation with (1) other NGOs including the Croatian Scuba Association and different scuba clubs and environmental associations, (2) the government including the Croatian Tourist Association and local governments along the coast and (3) businesses including Renault, Jadrolinja, Croatia Airlines, Jamnica (from the Agrokor Consortium), and MegaTrend. The ultimate goal of this cooperation, upheld by all partners, was to promote sustainable development and environmental protection as well as increase environmental awareness around the country.<sup>4</sup>

<sup>2</sup> Novi list, Rijeka issue, June 24, 2003, page 20

<sup>3</sup> Vjesnik, July 21, 2003, page 18

<sup>4</sup> Guide to Cross-Sector Cooperation, SLAP 2003



## CHAPTER IV

# Conclusions: Challenges, Opportunities, Recommendations and Action

### CHALLENGES FOR THE PROMOTION OF CSR IN CROATIA

This research has demonstrated that there is a significant amount of CSR activity already taking place in Croatia. Much of this activity, however, is not strategic, structured or reported. Outlined below are a number of important challenges facing the further development of CSR initiatives in the country. The tackling of these issues are crucial if CSR is to progress from the current stage of development toward a more strategic approach that targets both Croatia's social and economic/business development.

#### Awareness of CSR and its Aspects

Limited understanding and awareness about CSR and its different aspects exists among businesses, government, NGOs and the general public.

- Many **businesses** do not understand the long-term benefits offered by CSR approaches and many SMEs do not feel that they have the resources or knowledge available to engage in different strategies.
- Most **NGOs** associate CSR mainly with the idea of businesses providing financial support and few civil society organizations exist with the capacity to monitor business behavior and hold it accountable for its actions.
- To date, the **government** has not seen the value of engaging in dialogue and establishing an environment in which CSR can flourish.
- Finally, the **general public** has not been educated about the value of CSR and is not yet consciously looking beyond price and quality as identifying factors when purchasing.

#### Coordinated Strategy to Promote CSR

There is currently only a limited number of CSR 'promoters and practitioners' in the country including a few business associations, expert organizations, and NGOs along with some government ministries and media outlets. There is currently no defined coordinated approach or strategy among these organizations and institutions for promoting CSR.

#### Cross-Sector Dialogue

As noted in this report, cross-sector policy dialogue on issues related to CSR and sustainable development is underdeveloped in the country. It is possible that limited cross-sector dialogue between NGOs, business, public sector and professional organizations may be a contributing factor to Croatia's lack of innovation and competitiveness and as so is an obstacle for further development.

This limited dialogue appears to be a result of the perceptions each sector has of the others and lack of existing mechanisms for engagement.

- The **private sector** tends to still perceive civil society organizations primarily as beneficiaries of their support, and not as counterparts in policy-making and partnership initiatives.
- **Civil society** in general is much more developed and experienced in addressing social development issues and protection of human rights than in economic development. NGOs tend to perceive business more as donors than as partners for development. In addition NGOs do not engage sufficiently in public debates related to complex and controversial issues such as balancing business with social and environmental concerns.
- **Government** does not actively pursue input into the policy process from relevant parties and is not always open to engaging in debates.

Cross-Sector Partnerships	<p>While a few cross-sector partnerships have been developed, in general there is limited knowledge and trust by all sectors in the other sectors of society as well as limited experience in building successful cross sector partnerships.</p> <p>Some companies indicated that they would be open to learning more about NGOs in Croatia. However, the NGO sector is large and there is no clear centralized information source making it difficult for companies to easily obtain information about the sector. Additionally, many NGO representatives do not know much about the business sector and tend to see business mainly as a funding source. As a result of this limited knowledge on both sides very few NGO-business partnerships have been developed in the country. This lack of partnership can be seen as a result of the following:</p> <ul style="list-style-type: none"> <li>■ NGOs usually do not approach companies with specific and clear proposals for partnership projects, and if they do, it is not clear that companies would be ready or have the capacity and understanding to handle these proposals. Many companies are also not sure about the organizational capacity of NGOs to carry out complex projects.</li> <li>■ NGOs primarily rely on private contacts in approaching the business sector, and they have limited capacity to clearly and succinctly communicate their objectives, impact and plans.</li> <li>■ Government has not yet created an enabling environment that ensures that all stakeholders are able to take part in issue-based multi-sectoral problem solving.</li> </ul>
Models for Sustainable and Successful Business Involvement in the Community	<p>There are a few examples of businesses beginning to be seen as more than just a financial resource and there have been several ad hoc community involvement efforts by businesses. However, there are few truly developed models of business involvement in community development in Croatia.</p> <p>Additionally, Croatian companies do not have structured volunteer programs for their employees to become actively engaged in the communities in which they work. These types of structured programs have been shown to offer tremendous benefits to both the community receiving the volunteers and the company in terms of staff loyalty, commitment and dedication.</p>
Reporting on CSR Activities	<p>Many CSR related activities take place with no acknowledgement or awareness, even sometimes on the part of the company itself. As mentioned in Chapter II, a few companies are beginning to report on CSR activities in different ways. Many companies now produce environmental reports and Coca-Cola Beverages Hrvatska has just produced the first social report. Some companies mention their CSR activities in their annual reports. However, this type of reporting is not yet the norm in Croatia and to date, no company has produced a full sustainability report incorporating both social and environmental reporting.</p>
Integrated Strategies for CSR Implementation	<p>Most companies in Croatia which are engaging in CSR still seem not to have a strategy or system to integrate CSR implementation at all levels of the management structure and all aspects of their operations. In other words, CSR related activities are, for the most part, not carried out and measured in any significant, systemic way.</p>
Socially Responsible Investing (SRI)	<p>Socially responsible investing is difficult in Croatia as the markets are still relatively immature offering limited choice. There are initial efforts being made in this direction such as companies highlighting their inclusion of CSR-related criteria in their loan appraisals or purchase decisions, for example Zagrebačka Banka's focus on environmental protection, as well as educational texts on SRI in business journals. These are, however, only initial steps for putting socially responsible investing on the agenda.</p>
Educating Future Business Leaders	<p>To our knowledge, while there are courses on business ethics and work and safety in university curriculum, there are currently no courses on other aspects of CSR indicating that awareness and interest in this relatively new business issue is still limited. This is</p>

slowly beginning to change as seen through the new CROMA Business Academy Executive Management Program<sup>1</sup>, which includes elements of CSR and business ethics not as a separate subject but as a part of the subjects related to Core Business Management Functions.

There are also signs that the first Post-graduate course on Environmental Management in Croatia is to be offered from February 2004, by the University of Zagreb. It will be taught in English, at University facilities in Dubrovnik. For the first time input and ideas from the business community as well as those of municipal government bodies were incorporated in the course design.

## OPPORTUNITIES AND RECOMMENDATIONS

While there are a number of challenges to developing CSR, as outlined above, there are also numerous possibilities to overcome these challenges and build on the opportunities for development of CSR in Croatia.

The Croatian context imposes a highly regulated legal system, a low level of trust in the rule of law and various forms of economic crime and corruption between the public and private sectors. Despite these difficulties, however, there are still numerous CSR efforts being made by the Croatian private sector as highlighted throughout this report. This provides proof that CSR is not only possible in Croatia, but that it is occurring on both the national and the local level. In order to ensure its broader reach and impact on the overall private sector, it needs to be more systematically monitored and more widely visible among the general population in the country.

The following **recommendations** would assist in achieving the first steps necessary to integrate CSR more strategically into Croatia's social and economic development agenda:

### ■ CSR Awareness Raising

The most important prerequisite of the future development of CSR is continuous education of all stakeholders about the concept and what it means. While some education does exist through company and NGO trainings, this needs to be more systematically carried out for all key stakeholders as well as the general public.

### ■ Training on Cross-Sector Partnerships

Skills in building cross-sector partnerships are needed by all key sectors, as the private sector often does not recognize NGOs as potential partners, while NGOs make insufficient use of partnerships as a way of enhancing the socially responsible behavior of the private sector. The government also needs to continue to learn about the importance of cross-sector partnerships and work to promote and engage in these partnerships. Finally, the media, with their influence on public opinion, plays a special role not only in education, but also in the creation of partnerships. Media representatives need to be educated about the value of CSR, how to effectively report on it, as well as the importance of partnerships.

### ■ Business Associations Promoting Best Practices and Lobbying Government

Business associations, such as HRPSOR, HUP, HGK, and the National Competitiveness Council can play an important role in promoting CSR by creating an efficient platform and framework for sharing best practices in the area. These associations could also lobby for the government to undertake a catalytic role for improving and recognizing CSR practices as well as creating an enabling legal environment in which they can flourish. Finally, business associations can lobby government to create effective mechanisms for dialogues and consultations on issues relating to economic and social development.

### ■ Businesses Developing, Integrating and Implementing CSR Strategies

Businesses of all sizes would benefit from receiving specific training on leadership and the value of CSR for their operations and competitiveness as well as technical assistance on integrating and implementing CSR strategies that are relevant for them. Companies should pursue partnerships with both government and civil society more actively and be open to partnerships that will positively impact all involved. Businesses that are engaging in CSR activity should more proactively promote what they are doing on a regular basis to increase understanding and

<sup>1</sup> [www.croma.hr/CBA](http://www.croma.hr/CBA)

awareness of its value in assisting in creating Croatian CSR models. These companies should additionally more systematically report on their activities in social and environmental reports as well as other public promotional documents.

■ **NGOs More Actively Engaged with Business**

NGOs need to be more involved in discussions of CSR in Croatia in order to have a more comprehensive understanding and ability to work on cross-sector partnerships and play a 'watchdog' role of business. This process could be helped by provision of technical assistance to NGOs in how to present issues, arguments, criticisms, and proposals for cooperation to the corporate and other sectors as well as specific training for NGOs on how to work with business. In addition, having more comprehensive and easily accessible information about NGOs available in order for businesses to learn about the sector and specific NGO sub-sectors would assist the process of developing potential partnerships leading to more successful and sustainable engagement.

Like most social issues, the complexity of CSR suggests that there is no magical 'key' in terms of a single behavior or policy recommendation, which would transform the situation overnight. Rather, there are issues of process, including multi-stakeholder dialogue, and of content, in terms of standards and practices; as well as issues of reporting, which need to be addressed in the future in Croatia if CSR is going to develop. Business cannot act alone, it needs the support and cooperation of other sectors of society in order for it to be successful and it should not dominate debates on this issue, rather engage as an equal partner.

In addition, the development of CSR should be understood as an integral part of the Croatian economy's preparation for European integration. As mentioned in Chapter I, the EC has put CSR at the core of its competitive strategy and is firmly committed to the integration of CSR into all EU policies.

*During the Irish EU Presidency, we will move the CSR agenda forward as one of the means of achieving the goal for European economic and social reform, set by the European Council at Lisbon, in March 2000. We will encourage the adoption of Corporate Social Responsibility policies and practices across the enlarged Europe to strengthen the competitive advantage of the European economy.*

■ **Bertie AHERN TD**  
Prime Minister, Ireland

*It Simply Works Better: Campaign Report of European CSR Excellence 2003-2004,  
Making Stakeholder Engagement Work, 2003*

It is usual for an initial assessment, such as this, to recommend further research and in this case as well there is need for further in-depth research to learn more about CSR in Croatia and to promote its widespread adoption, in the interest of all stakeholders. Specific research on public opinion, cross-sector partnerships, as well as an assessment specifically targeting the issue of SMEs handling of CSR and government approach and involvement with the issue would be particularly relevant.

This report has done little more than scratch the surface of a complex and increasingly important issue, putting CSR on the agenda in Croatia more than previously, revealing some surprising findings, and trying to explore trends and factors. It has hardly touched on the political complexities of this issue in a democratizing society in transition to a regulated market economy. Only in understanding this context can the contradictions and possible conflicts of interest in terms of CSR amongst different stakeholders be addressed in Croatia. Issues of cross-sector partnership and dialogue need to be at the forefront of debates about the public interest and the balance between corporate responsibility and opportunity. If this report succeeds in raising awareness, increasing the interest in CSR and stimulating debate and practical action, it will have served its purpose.

## Suggested Framework for Action – Next Steps

**Purpose: To promote CSR as a tool for change, competitiveness and socio-economic development**

Aims / Key players	Increased Understanding and Awareness about CSR	Building up Knowledge and Making an Impact	Focused Practical Programs and Activities*	Promotion of a Cross-Sector Partnership Approach to Development
<p><b>Business</b></p> <p>Demonstrate leadership at the board level and communicate CSR and its benefits at all levels within the company</p> <p>Organise management seminars about CSR as a new and important business issue within the company</p> <p>Develop and implement a communication strategy to promote the issue internally and externally</p> <p>Organise introductory seminars to NGOs and other about basic business functions, etc</p> <p>Improve reporting on current business activities in the area of CSR and the impact it's making. Use External Verification for increased credibility</p>	<p>Develop an integrated CSR strategy, implementation and measurement at all levels of management</p> <p>Develop structured employee volunteer programs</p> <p>Build knowledge about SRI and the criteria for investment which will affect access to capital</p>	<p>Collective Business Action around a particular common issue/challenge* co-ordinated by a designated 'task group' or intermediary e.g. business association</p> <p>* e.g.            - Enterprise and Youth Development            - Tourism            - Business-Education Partnership            - Social Inclusion</p>	<p>Participate in capacity building workshops and seminars on how to work in partnership</p> <p>Participate in cross-sector workshops and seminars around a particular mutually identified issue</p> <p>Be open to partnerships with NGOs on clearly defined projects that have widespread social impact</p> <p>Proactively include appropriate NGOs into relevant policy discussions</p>	<p>Participate in capacity building workshops and seminars on how to work in partnership</p> <p>Participate in cross-sector workshops and seminars around a particular mutually identified issue</p> <p>Approach companies with clear proposals that involve them as partners and have widespread social impact</p> <p>Recognize a company's core business and develop partnership projects that in some way complement these activities</p>
<p><b>Civil Society/ NGOs</b></p>	<p>Create centralized and more accessible information source on NGOs for business and other sectors</p> <p>Develop skills to provide independent verification of companies' social and environmental reporting</p>	<p>Work with business on developing successful Croatian business models for business involvement in the community</p> <p>Help companies develop employee volunteer and community involvement programs</p>	<p>Work with business on developing successful Croatian business models for business involvement in the community</p>	<p>Participate in capacity building workshops and seminars on how to work in partnership</p> <p>Participate in cross-sector workshops and seminars around a particular mutually identified issue</p> <p>Approach companies with clear proposals that involve them as partners and have widespread social impact</p> <p>Recognize a company's core business and develop partnership projects that in some way complement these activities</p>

<p><b>Government</b></p>	<p>Improve knowledge about CSR as an important tool for change and development which implies a shift across the whole society</p> <p>Provide incentives for companies to engage in CSR activities</p> <p>Designate a particular person/team to deal with CSR issues and its promotion</p>	<p>Help co-organise seminars and events with business and NGOs in order to promote the benefits of CSR</p>	<p>Work as a partner with business and NGOs in supporting development of practical initiatives around a particular issue(as per above)</p>	<p>Create mechanisms for better interaction with other sectors of society including more effective councils and being more accessible and transparent</p>
<p><b>Business Associations; Current and Potential CSR Promoters</b></p>	<p>Disseminate information and good practice examples</p> <p>Organise seminars on specific CSR related issues</p> <p>Provide platforms for business and other sectors to share good practice examples, learn from each other</p>	<p>Coordinated complementary activities and events</p>	<p>Help with the Collective Business Action program design and coordination as well as facilitation of interaction among businesses and between businesses and other sectors of society</p>	<p>Coordinate and facilitate capacity building workshops and seminars on (1) how to work in partnership and (2) around a particular mutually identified issue to assist in building partnerships</p>
<p><b>Other (Academia, Media, etc)</b></p>	<p>Lobby to include CSR courses into the curriculum at relevant Croatian Universities and Business Schools</p> <p>Provide more coverage of CSR related activities throughout the country</p>			<p>Participate in capacity building workshops and seminars on how to work in partnership</p>

## Glossary

**Brundtland Report** – “Our Common Future”, a report of the World Commission on Environment and Development weaves together social, economic, cultural and environmental issues and global solutions. Chaired by Norwegian Prime Minister Gro Harlem Brundtland, this report popularised the term “sustainable development”.

**Digital Gap** – This refers to the gap that exists between those who have access to ICT and therefore to information and better development and those who do not.

**Enabling Framework/Environment** - Regulations, legislation, fiscal incentives, voluntary guidelines and codes of conduct, public opinion, institutional structures, financing mechanisms, research, training and capacity-building, etc.

**Nike Child/Labor Rights** – Accusations aimed at Nike (1999) regarding using child labor and abuse of labor rights in Nike’s factories (‘sweatshops’) in developing countries led to the company’s revision of business practices in this area and improvements as a result of this pressure.

**Rio Summit** - UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1991. During this summit agreements were reached on Agenda 21, the Convention on Biological Diversity, the Framework Convention on Climate Change, the Rio Declaration, and non-binding Forest Principles.

**Shell Brent Spar** – Shell Oil Company’s decision in the early 1990s to sink the Brent Spar, a concrete and steel, crude oil storage tank and loading buoy, at the end of her useful life led to a serious reaction from Greenpeace and boycotts of Shell products by people all over Europe.

**Stakeholders** - Individuals, community or organisations that affect, or are affected by the operations of a company e.g. employees, customers, suppliers, shareholder, local community, etc.

**Stakeholders Dialogue** - An interactive process of meeting stakeholder expectations through an agreed framework.

**Socially Responsible Investing (SRI)** - Investment through which social, environmental or ethical considerations are taken into account in the selection, retention and realization phases. SRI combines investors financial objectives with a commitment to social concerns such as social justice, human rights, economic development, peace or a healthy environment.

**Triple Bottom Line** - A concept whereby overall performance of a company is measured by basing it on its combined contribution to economic, environmental and social prosperity and development.

**UNDP Summit on Sustainable Development** – The UN Conference held in Johannesburg, South Africa in 2002 provided an important platform for the international community to rally for sustainable development. Areas of focus included: capacity building for sustainable development; reducing the vulnerability of people to climate change and other environmental stress through the Global Environment Facility and the Montreal Protocol; promoting access to sustainable management of land, water and biological resources through the Thematic Trust on Environment; and promoting access to sustainable energy services essential to support growth through the Thematic Trust Fund on Energy.



## APPENDIX I

### Brief Profiles of Key Players Interviewed

#### COMPANIES

**AGROKOR** - Agrokor group was formed after the most recent war in Croatia from a number of different Croatian subsidiaries involved in: trade of agricultural products and production of mineral water and fruit juices, ice cream, pastry, fruit and vegetables, fish, table salt, oil, margarine and mayonnaise, together with retail chains including 350 shops. The history of a company goes back to 1976 when Ivica Todorčić, the owner, founded a private firm for the production of flowers and flower seedlings. *Person interviewed: Ljerka Puljić, Senior Executive Vice President for Strategic Groups* ([www.agrokor.hr](http://www.agrokor.hr))

**AMERICAN EXPRESS** - American Express has been present in Croatia since 1965 when hotel Esplanade in Zagreb opened the first distribution point. In 1973 AmEx became an Atlas franchise and the first card series was released. Today Privredna banka American Express is the largest credit card organization in Croatia. *Person interviewed: Silvija Mileta, HR Specialist* ([www.americanexpress.hr](http://www.americanexpress.hr))

**ATLANTIC GROUP** - Atlantic Group is a food distributor in Croatia distributing brands like Wrigley, Orbit, Mars, Snickers, Twix, Milky Way, Duracell, Durex, Montana, and Johnson&Johnson. The company was founded in 1991 continuing the long tradition of entrepreneurship in the Tedeschi family that goes back to 1876 when Santo Tedeschi founded a textile and garments trading company. *Person interviewed: Tomislav Thür, General Secretary* ([www.atlantic.hr](http://www.atlantic.hr))

**AUTO2000** - Auto2000 has been the general importer and distributor of Ford Motor Company in Croatia since 1998. *Person interviewed: Maja Juras, PR Manager* ([www.auto2000.hr](http://www.auto2000.hr))

**COCA – COLA BEVERAGES HRVATSKA** Coca-Cola has been locally produced in Croatia since 1968 when it was bottled

by SOUR Slovin in Zagreb. Today, Coca-Cola beverages are produced and sold by Coca-Cola Beverages Hrvatska d.d. (CCHB), which is owned by Coca-Cola Hellenic Bottling Company. Zagreb-based CCHB owns and operates two bottling plants, located in Zagreb and Solin, and seven sales and distribution centers around the country. *Person interviewed: Majda Tafra-Vlahović, Communication Director* (<http://www.coca-colahbc.com/country/files/en/croatia/index.html>)

**CROATIA AIRLINES** - Croatia Airlines was founded in 1989 by the Croatian government. The company is the only Croatian airline company operating throughout Europe. *Person interviewed: Dubravka Turkalj, Strategic Planning Director* ([www.croatiaairlines.hr](http://www.croatiaairlines.hr))

**CHROMOS PAINTS AND VARNISHES** Chromos has been producing paints and varnishes for houses and industries for over 80 years. *Person interviewed: Božidar Ljubić, QA Manager* ([www.chromos-bil.hr](http://www.chromos-bil.hr))

**DHL** - DHL has been working in Croatia since 1993. The company is repositioning from a courier /delivery company into a logistics company. *Person interviewed: Nenad Severin, Business Unit Manager* ([www.dhl.hr](http://www.dhl.hr))

**DUBROVAČKA BANKA** - Dubrovačka banka was founded in 1955 and continues a long banking tradition in Southern Croatia. Today it is part of Nova Banka Group. *Person interviewed: Katarina Čebule, Spokes-Woman* ([www.dubank.hr](http://www.dubank.hr))

**ĐURO ĐAKOVIĆ** - Đuro Đaković was founded in 1921 in Slavonski Brod as the first factory for railway vehicles, machines and bridges in this part of Europe. The company has expanded its range of products, from steel structures and wagons up to complete power and industrial plants. All parts of the company besides two main business groups Energy and Industry and Vehicles and Machines are privatized.

*Person interviewed: Dinko Radičević, Head of Commercial Department*, ([www.duro-dakovic.com](http://www.duro-dakovic.com))

**ELEKTROKONTAKT** - Elektrokonatakt is an electrical engineering company in Croatia producing domestic appliances and wiring supplies. It has been a part of the E.G.O., Elektro-Geratebau Group since 1992. *Person interviewed: Vladimir Ferdelji, CEO* ([www.ekz.hinet.hr](http://www.ekz.hinet.hr))

**ERICSSON NIKOLA TESLA** - The joint stock company Ericsson Nikola Tesla was founded in May 1995 when, in the course of privatization, the Ericsson Corporation became the major shareholder. Ericsson NT continues the operations laid by the Croatian company, which for almost fifty years had been the largest specialized supplier of telecommunications systems and solutions in Central and Eastern Europe. *Persons interviewed: Snježana Bahtijari, Corporate Communication Director; Dubravka Bačun, Company Environmental Manager; Gorana Lipnjak, Occupational Health and Safety; Verica Mihajlić, Communication* ([www.ericsson.hr](http://www.ericsson.hr))

**HOLCIM HRVATSKA, CEMENT FACTORY KOROMAČNO** - Holcim Hrvatska is a leading producer and supplier of products and services for the construction industry, mainly cement and concrete, located in Istria. The company was founded 75 years ago by Italians and in 1943 was given to Yugoslavia. In 1992 the company was privatized and transformed into a joint-stock company. It is now a member of the international Holcim Group, one of the world's leading suppliers of cement. *Person interviewed: Urs Fankhauser, CEO Alan Šišinački, Assistant to CEO Julija Škoro, PR Officer* ([www.holcim.com/hr](http://www.holcim.com/hr))

**HRVATSKI TELEKOM – HT** - HT - Hrvatski Telekom separated from Hrvatske pošte, a state owned company in

1998 and today is the only telecommunications service operator in Croatia. The company is in the majority ownership of Deutsche Telekom AG. HT provides an entire range of telecommunications services in Croatia, these being: fixed telephone, mobile telephone, data transfer, and Internet and international communications. *Person interviewed: Davor Tamašković, Director Corporate Strategy* ([www.ht.hr](http://www.ht.hr))

**HERAKLEA** - Heraklea is the first Croatian Mystery Shopping Agency providing companies with help on improving the quality of service for customers. *Person interviewed: Kristina Horbec, Director* ([www.heraklea.hr](http://www.heraklea.hr))

**INA** - INA is an oil and gas company operating since 1963 in oil and gas production and refining and marketing of oil products. Its subsidiaries are engaged in natural gas transportation and providing oilfield services. INA is a medium-sized European oil company and a significant regional player which is currently owned by the Republic of Croatia but there are plans for privatization of the company. *Person interviewed: Nikica Grubišić, Corporate Development, Research and Investment Director* ([www.ina.hr](http://www.ina.hr))

**ISKON INTERNET** - Iskon Internet is the largest private Internet service provider in Croatia founded in 1998. *Person interviewed: Damir Sabol, Member of Supervisory Board* ([www.iskon.hr](http://www.iskon.hr))

**KONCAR – POWER TRANSFORMERS** Koncar Electrical Industries was founded in 1921 and was part of Siemens until 1946 when the company became Rade Koncar and in 1991 Koncar Electrical Industries. Today it has 25 subsidiary companies and 5 associated companies in Croatia and companies and representative offices abroad. Koncar Power Transformers, owned by Siemens AG and Koncar – Electrical Industries, were interviewed for this research. *Person interviewed: Ivan Milčić, CEO* ([www.koncar.hr](http://www.koncar.hr))

**KRAS** - Kras is the largest confectionery producer in South-East Europe which began in 1911 when the factory Union produced the first chocolate in the region. The company has had numerous ownership structures and today, small shareholders are the major owners.

*Person interviewed: Marko Ćobec, Member of Board; Vlasta Konjevoda Host, HR Director* ([www.kras.hr](http://www.kras.hr))

**LURA** - In 1999 three milk companies Dukat, Sirela, and Zadar Dairy merged with the Lura Group to form Lura, the largest milk company in Croatia with 28.000 suppliers around the country. *Person interviewed: Nina Anđel, Member of Board* ([www.lura.hr](http://www.lura.hr))

**MERCATOR** - Mercator is a Slovenian retail chain that entered the Croatian market in 2000. Today, there are Mercator supermarkets in all the major towns in the country. *Person interviewed: Milada Mesarić, PR manager* (<http://www.mercator.si>)

**MICROSOFT CROATIA** - Microsoft Croatia has been working in Croatia since 1997 as a wholesaler. The company is focused on training and services to distributors. *Person interviewed: Sandra Vujčić, Office Manager* ([www.microsoft.com/croatia](http://www.microsoft.com/croatia))

**NOMEN EST OMEN** - Nomen est Omen is a subsidiary of the International Group Nomen that is dealing with strategy and creation of brand names. The most relevant references are Clio (Renault), Tigra (Opel), Yaris (Toyota), Tempore (P&G – Laura Biagotti), Xalio (Phillips). *Person interviewed: Nela Milijić, Director, Zagreb* ([www.nomencro.freeyellow.com](http://www.nomencro.freeyellow.com))

**PLIVA** - PLIVA is one of the largest pharmaceutical companies in Central and Eastern Europe, with a global presence and headquarters in Zagreb. Founded in 1921, in 1993 it became a joint stock company, and in 1996 PLIVA's shares were listed on the London Stock Exchange. *Person interviewed: Marija Mandić, Corporate Communication Director; Krunoslav Kovačević, Director Sustainable Development Committee; Roberta Brusić, PR and HR Manager* ([www.pliva.hr](http://www.pliva.hr))

**PODRAVKA** - Podravka is one of the largest food companies in Central and Eastern Europe. The company was founded in 1934 and in 1993 during privatization became a joint stock company. The company produces soups, pre-made meals, mineral water and food complements, among which there is the popular Vegeta, a mixture of spices. *Person interviewed: Darko Marinac, CEO* ([www.podravka.hr](http://www.podravka.hr))

**PZ. AUTO** - PZ. Auto is an importer and wholesaler of Volkswagen, Audi, Seat, Skoda and Porsche. Since 2000, it has been a 50:50 joint stock company owned by the Croatian company PZ Auto and Austrian Porsche Holdings. The company has been operating in Croatia since 1996. *Person interviewed: Franz Lohninger, CEO* ([www.audi.com.hr](http://www.audi.com.hr))

**RENAULT** - Renault Hrvatska has been the distributor of Renault automobiles in Croatia, BiH, Serbia, Albania and Macedonia since 1995. *Person interviewed: Jean-Michel Sicre, CEO* ([www.renault.hr](http://www.renault.hr))

**SIEMENS** - Siemens has been operating in Croatia since 1992 in the fields of telecommunications, medicine, power and transport. *Person interviewed: Ana Milin, Corporate Development; Dinka Karakašić, Corporate Communication* ([www.siemens.hr](http://www.siemens.hr))

**SIMBEX** - SimBex was founded in 1992 with the aim of helping people with incontinence problems and the elderly. The company produces and distributes different incontinence equipment and diapers. *Person interviewed: Dragica Sužnjević, CEO* ([www.simbex.hr](http://www.simbex.hr))

**SMS** - SMS was established in 1989 when Srđan Mladinić began to transport fish for large fish companies. Today SMS is a popular Dalmatian brand producing Mediterranean products such as fish, olive oil, and fruits and vegetables (olives, kiwi, dried fig and mandarins). *Person interviewed: Srđan Mladinić, CEO* ([www.sms.hr](http://www.sms.hr))

**TERMIKA NOVI MAROF** - For twenty years Termika has been producing insulating materials for houses and buildings, made of stone wool. Today the company is part of the Heraklith-Termo Group. *Person interviewed: Ivan Zagorec, CEO* ([www.termika.hr](http://www.termika.hr))

**TVORNICA DUHANA ROVINJ (TDR)** TDR Tobacco factory was founded in 1872 in Istria and has passed through different ownership over the years (Austro-Hungarian, Austrian and Italian). Today the company is owned by many small shareholders. *Person interviewed: Tomislav Perović, Corporate Development Director; Sabina Škrtić, HR Director* ([www.tdr.hr](http://www.tdr.hr))

**UNILEVER** - Unilever has been working

in Croatia since 1997, with its regional office in Budapest. Unilever Croatia is involved in distribution of Unilever products including Knorr and Hellmann's. *Person interviewed: Milivoj Librenjak, Country Manager* ([www.awt.hr/hrv/proizvodi\\_unilever](http://www.awt.hr/hrv/proizvodi_unilever))

**VETROPACK STRAŽA** - Vetropack Straža, with production located in the town of Hum na Sutli on the Croatian-Slovenian border, has been part of the Vetropack Group since 1996. The company includes a broad range of glass packaging products for wine, sprits, beer, fruit juices, mineral water, soft drinks, food and milk products, as well as the Vetropack service standard in the areas of packaging development, logistics and technical support. *Person interviewed: Dragutin Špiljak, CEO, Zujezdana Korbar, Assistant to CEO* ([www.vetropack.com/en/gruppe\\_kroatien.shtml](http://www.vetropack.com/en/gruppe_kroatien.shtml))

**WÜSTENROT SAVINGS-AND-LOAN ASSOCIATION** - Wüstenrot Savings-and-Loan Association, a German association and the founder of the idea of savings in Europe, is part of an international network with an 80 year tradition. In Croatia it was established in 1998 by HVB Bank Croatia. *Person interviewed: Zdravko Anđel, Member of Board* ([www.wuestenrot.hr](http://www.wuestenrot.hr))

**ZAGREBAČKA BANKA** - Zagrebačka banka was founded in 1913 and today is a leading retail and commercial bank in Croatia. It is a member of UniCredito Group Italiano. *Person interviewed: Hrvoje Poljak, Director Corporate Communications; Vesna Ledić Oppenheim, Executive Director Corporate Communications Sandra Cvetko, Corporate Communications: Sponsorship and Donation* ([www.zaba.hr](http://www.zaba.hr))

## OTHER COMPANIES MENTIONED (Not interviewed)

**BRODOMERKUR** - Brodomerkur is a trade company specialized in trading of technical goods. ([www.brodomerkur.hr](http://www.brodomerkur.hr))

**DALMACIJACEMENT** - Dalmacijacement is a part of the RMC Group and one of the largest cement factories in Croatia. ([www.dalmacijacement.hr](http://www.dalmacijacement.hr))

**HRVATSKA ELEKTROPRIVREDA (HEP)** Hrvatska elektroprivreda is the only electricity producer and distributor in Croatia. ([www.hep.hr](http://www.hep.hr))

**HYP0 – ALPE – ADRIA BANK** - The Bank was established in 1996, followed by subsidiaries Hypo Alpe-Adria Consultants d.o.o., Hypo Alpe-Adria-Securities and Hypo Alpe-Adria Invest d.d. ([www.hypo-alpe-adria.hr](http://www.hypo-alpe-adria.hr))

**ORIFLAME** - Oriflame is a distributor for the Swedish cosmetic company Oriflame. ([www.oriflame.hr](http://www.oriflame.hr))

**VARAŽDINSKA BANKA** - Varaždinska banka is a part of the Zagrebačka banka Group operating in Northern Croatia. ([www.banka.hr](http://www.banka.hr))

**VIPnet** - VIPnet is the first GSM operator in the country in the ownership of mobilkom Austria (99%) and Večernji list (1%). ([www.vipnet.hr](http://www.vipnet.hr))

## MEDIA

**OBITELJSKI RADIO** - Obiteljski radio is a commercial radio station in Zagreb and Zagreb county. The radio is privately owned and consists of 20% information, 20% marketing, and 60% music and entertainment programming. *Person interviewed: Franjo Greguric, Director, Dražena Slade Šilović, PR Manager* ([www.obiteljski-radio.hr](http://www.obiteljski-radio.hr))

**PRIVREDNI VJESNIK** - Privredni vjesnik is the oldest Croatian business-financial weekly with a fifty-year tradition of providing Croatian business news. *Person interviewed: Ante Gavranović, Editor-In-Chief* ([www.privredni-vjesnik.hr](http://www.privredni-vjesnik.hr))

## GOVERNMENT

**MINISTRY OF ENVIRONMENTAL PROTECTION AND PHYSICAL PLANNING - MEPPP** was established in 2000 with the aim of coordinating economic growth with a cleaner environment and well managed space through two entities — the Fund for Environmental Protection and Energetic Efficiency and the Agency for Environmental Protection. *Person interviewed: Roland Gajšek, Expert Advisor* ([www.mzopu.hr](http://www.mzopu.hr))

**GOVERNMENT OFFICE FOR NON-GOVERNMENTAL ORGANIZATIONS** The Government Office for NGOs was founded in 1998 with the principal role of facilitating the Government's cooperation with the NGO's and ensuring a transparent central Government grantmaking pro-

cess. *Person interviewed: Cujetana Plavša-Matić, Head* ([www.uzuvrh.hr](http://www.uzuvrh.hr))

## BUSINESS ASSOCIATIONS

**AMERICAN CHAMBER OF COMMERCE** The American Chamber of Commerce in Croatia is a voluntary membership organization, acting as a vehicle for exchange of best practices between international and domestic companies active in the country. *Person interviewed: Stanka Andraković, Executive Director* ([www.amcham.hr](http://www.amcham.hr))

## CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

**(HRPSOR)** - The Croatian Business Council for Sustainable Development – HRPSOR promotes private sector sustainable development. The Association was founded in 1997 by leading Croatian businesses who came together to share their know-how, experience, capability and responsibility. The 27 members share a commitment to sustainable development aimed at balancing economic growth, social welfare and environmental safety. HRPSOR is part of the World Business Council for Sustainable Development's Global Network. *Croatian HRPSOR members include: APO, Coca-Cola Beverages Croatia, Croatia Airlines, Dalmacija-cement RMC Group, Association for the Improvement of Quality of Life, Dvokut Ecro, Ecoina, Elektro-kontakt, Ericsson Nikola Tesla, Gisddata, Holcim Croatia, Hotel Opera, Hrvatske vode–Croatian Water Resources Management, Ind-Eko, Jadran Galenski laboratorij, Lura, Messer Croatia Plin, Plava laguna, Pliva, Podravka, Privredni vjesnik, Razvitak, Slovenian Institute for Quality and Measurement, Vetropack Straža, Zagrebačka banka, Zagrebačka pivovara, Zagrebački Velesajam.* *Person interviewed: Višnja Jelić-Mück, Director* ([www.hrpsor.hr](http://www.hrpsor.hr))

## CROATIAN CHAMBER OF COMMERCE

**(HGK)** - The Croatian Chamber of Commerce is a national, mandatory association of all businesses in Croatia. The Chamber was founded 151 years ago and currently includes 12 departments, 33 professional associations and 12 affiliations. The major departments are: International Relations Department, Banking and Finance Department, Industry and Technology Department, Agriculture, Food Industry and Forestry Department,

Trade Department, Tourism Department. The chamber links 20 local chambers around the country. *Person interviewed: Zlatan Froehlich, President, Nives Barbalčić-Bolarić, Expert Associate* ([www.hgk.hr](http://www.hgk.hr))

## OTHER BUSINESS ASSOCIATIONS MENTIONED (Not interviewed)

**CROATIAN ASSOCIATION OF EMPLOYERS (HUP)** - The Croatian Association of Employers is an independent association of Croatian employers and entrepreneurs. ([www.hup.hr](http://www.hup.hr))

## CROSS SECTOR INITIATIVES

**NATIONAL COMPETITIVENESS COUNCIL** - In February 2002, through the initiative of the business sector and with technical assistance from USAID's Competitiveness Project, the government of the Republic of Croatia named 21 members of the National Competitiveness Council. This unique body includes representatives of four different interest groups - business, government, trade unions, and science and education focused on improving the competitiveness of Croatian businesses. The first Annual Report on Croatian Competitiveness was published in September 2003. *Person interviewed: Mira Lenardić, General Secretary* ([www.konkurentnost.hr/nvk](http://www.konkurentnost.hr/nvk))

## EXPERT ORGANIZATIONS

**CROATIAN CENTER FOR CLEANER PRODUCTION** - The Croatian Center for Cleaner Production has been functioning as part of the UNIDO/UNEP Program of National Cleaner Production Centers in Croatia since 1997. The Center was registered as a Croatian NGO in February 2000. The main activities of this expert resource center include education, consultations, dissemination of information, public promotion and organization of new projects of cleaner production. *Person interviewed: Marijan Host, Director* ([www.cro-cpc.hr](http://www.cro-cpc.hr))

**CROATIAN COMPETITIVENESS INITIATIVE** - The Croatian Competitiveness Initiative was founded with support from USAID in 2002. The role

of this Initiative is to provide expertise and organize additional activities in order to help establish clusters in the wood and tourism industries consisting of companies that are part of the whole production cycle. This project is being implemented by Nathan Associates Inc. and J.E. Austin, US consultants specialized in these activities. *Person interviewed: Tomislav Vintar, Business Consultant, J.E. Austin* ([www.jeaustin.com.hr/](http://www.jeaustin.com.hr/))

**CROATIAN SOCIETY FOR QUALITY (HDK)** - The Croatian Society for Quality's activities date back to 1965 when the Committee on Quality and Technical Control in Industries was formed followed by the foundation of the Croatian Society for Quality Control in 1971. The Society's activities were revised in 1993 and since 2001 HDK has published its web quarterly *e-quality* and organized annual national conferences on quality. *Person interviewed: Božidar Ljubić, President* ([www.kvaliteta.inet.hr](http://www.kvaliteta.inet.hr))

**ECONOMICS INSTITUTE** - Since its founding in 1939, the Institute has conducted economic research the results of which have been available to state institutions, national and international organizations, business experts and the academic community. Over forty researchers are currently leading around 30 research projects, including research in macroeconomics, microeconomics and spatial economics, particularly macroeconomic analysis, public finance, business cycles, international economy, microeconomic analysis, organization, innovative management, marketing as well as regional development and spatial economics. *Interviewed person: Domagoj Račić, assistant.* ([www.eizg.hr](http://www.eizg.hr))

## NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

**ASSOCIATION MI** - Association MI, an NGO based in Split was founded in 1996 by a team of professionals engaged in psycho-social work with displaced persons and refugees. Today the association continues to work with refugee issues but also has developed a number of other relevant programs including support services for other NGOs and citizen initiatives though

their Volunteer Center, work on volunteerism, cross-sector partnerships, sustainable communities, suicide prevention programs, and work with the elderly. *Person Interviewed: Nives Ivelja, President* ([www.udruga-mi.hr](http://www.udruga-mi.hr))

**BLUE TELEPHONE** - Blue Telephone was founded in 1991 to help children, youth and others that have been neglected, abused or abandoned. In addition to the telephone help line, the NGO has a counseling center through which counseling sessions, trainings, workshops and other services for youth, parents, and families are held. *Provided written response to a questionnaire.* ([www.plavi-telefon.hr](http://www.plavi-telefon.hr))

**BRAVE TELEPHONE** - Brave Telephone was founded 1997 in Zagreb to help abused and neglected children and their parents and guardians by telephone. The program involves children in therapy and also raises public awareness to the problem. *Questionnaire respondent: Marjan Alčevski, Administrative Coordinator* ([www.hrbritelefon.hr](http://www.hrbritelefon.hr))

**CENTER FOR CIVIL INITIATIVES (CCI)** - The Center for Civil Initiatives was founded in 1998 with the aim of encouraging citizens to become involved in local community development. The organization, based in Zagreb, works mainly in Karlovačka and Sisacko-moslovačka county, both areas of special state concern. *Person interviewed: Drago Vručinić, Local Philanthropy Coordinator* ([www.cci.hr](http://www.cci.hr))

**CENTER FOR PEACE, NON-VIOLENCE AND HUMAN RIGHTS** - The Center for Peace, Non-Violence and Human Rights in Osijek was founded in 1992 and is one of the largest peace building organizations in the country. The NGO's work focuses on peace building, human rights protection, community development, and support of other NGOs in the region. *Questionnaire respondent: Branka Kaselj, Executive Director* ([www.centar-za-mir.hr](http://www.centar-za-mir.hr))

**CROATIAN GUIDE DOG AND MOBILITY ASSOCIATION** - The Croatian Guide Dog and Mobility Association, the first of its kind in Croatia, was founded in 1990 in Zagreb. The association focuses on mobility and orientation of blind people, using the white stick tech-

nique. The association also trains guide dogs and provides training to the blind on how to walk with dogs. The organization is working to sensitize the public toward important issues for the blind. *Person interviewed: Mira Katalenić, President* ([www.psvodici.hr](http://www.psvodici.hr))

**DALMATIAN SOLIDARITY COMMITTEE (DOS)** - The Dalmatian Solidarity Committee was founded in Split as a citizen association in 1992 to promote protection of human and civil rights. The NGO provides legal services and support to individuals and groups in Dalmatia. Through its activity DOS contributes to the development of democracy and the strengthening of a legal state. *Questionnaire respondent: Maja Maria Mateljan, Executive Director* ([www.tel.hr/dalmatinski-odbor-solidarnosti](http://www.tel.hr/dalmatinski-odbor-solidarnosti))

**DOLPHIN DREAM SOCIETY** - The Dolphin Dream Society was founded in 2001 in Zagreb with the goal of achieving environmental protection and sustainable development through eco projects, action and training to raise eco awareness. The NGO is focused on connecting continental and Adriatic Croatia. *Questionnaire respondent: Goran Stojanović, President* ([www.dolphindream.org](http://www.dolphindream.org))

**GONG** - GONG is a non-partisan citizens' organization founded in 1997 to encourage citizens to actively participate in the political process. GONG conducts non-partisan monitoring of elections, educates citizens about their rights and duties, encourages mutual communication between citizens and their elected representatives, promotes transparency of work within public services, manages public advocacy campaigns, and encourages and helps citizens in self-organizing initiatives. *Person interviewed: Aleksandra Kuratko, President* ([www.gong.hr](http://www.gong.hr))

**GREEN ACTION** - Green Action, registered in 1990, is based in Zagreb, and is actively involved in environmental issues of local, national and international significance. The goal of the organization is to promote environmentally sound and sustainable development. *Person interviewed: Toni Vidan, Program Manager* ([www.zelena-akcija.hr](http://www.zelena-akcija.hr))

**KRILA** - Krila has been working in Zagreb since 1995 offering therapeutic riding to people with physical disabili-

ties. The NGO's beneficiaries include over 70 people of all ages with a wide variety and degree of physical disabilities. *Provided written response to a questionnaire.* ([www.krila.hr](http://www.krila.hr))

**RI-CENTAR** - RI-Centar has served as an NGO support center for organizations in the Rijeka area since 2000. The NGO houses an NGO Incubator and promotes volunteerism and cross-sector cooperation between NGOs, business and government. RI-Centar is currently working to promote CSR in Rijeka and has recently published a leaflet on the issue. *Questionnaire respondent: Gordana Ivanković, Executive Director* ([www.ri-centar.hr](http://www.ri-centar.hr))

**ROMA FOR ROMA CROATIA** - Association Roma for Roma Croatia was founded in 1998 in Zagreb with the mission of integrating Roma into society through education for Roma children and youth in parts of Zagreb and Međimurska county. *Questionnaire respondent: Ksenija Rissi, Project Manager* (Tel: 01/ 61 44 806)

**WOMEN'S CIVIC COMMUNITY ROVINJ** - Home for Abused Children and Adult Persons - The Women's Civic Community Rovinj organizes numerous humanitarian actions for various vulnerable groups. Their main project is shelter for adults (since recently primarily women) and children victims of domestic violence. *Person interviewed: Nevenka Mesić, President*

**SLAP Association for Creative Development** - "SLAP" in Osijek was founded in 2000 to develop inter-sectoral cooperation through forming teams of representatives from public, business and civil sectors that will work to create models of cross-sectoral collaboration focused on solving concrete community problems at the local level. *Questionnaire respondent: Sonja Vuković, President* ([slap@mail.inet.hr](mailto:slap@mail.inet.hr))

**SMART** - The Association for Civil Society Development- SMART - is a non-governmental training organization located in Rijeka with the main goal of strengthening and supporting the development of the non-profit sector in Croatia. SMART, founded in 1999, organizes training, provides technical assistance and consultations to NGOs, and unregistered citizen initiatives and carries out

research on civil society in the Istria and Primorje region. *Questionnaire respondent: Gordana Forčić, Slađana Novota, Zvezdana Schulz Vugrin, Executive Team Members* ([www.smart.hr](http://www.smart.hr))

**SOS CHILDREN'S VILLAGE CROATIA** SOS Children's Village cares for children without parents or parental care and provides children with education as well as love and security in a family environment. The association was founded in Croatia in 1992 as a member of Kinderdorf International. *Person interviewed: Višnja Tuškan Krupić, PR and Financial Manager* ([www.sos-dsh.hr](http://www.sos-dsh.hr))

**ZaMirNET** - ZaMirNET is an informational and educational Internet content provider founded in Zagreb in 1992. Through its website, ZaMirNET provides relevant civil society information in Croatia and the wider region. Through partnerships with the communities, the NGO mobilizes knowledge, skills, technology and human resources for community development projects. *Person interviewed: Danijela Babić, Executive Director* ([www.zamirnet.hr](http://www.zamirnet.hr))

## OTHER NGOS MENTIONED (Not interviewed)

**BE ACTIVE BE EMANCIPATED (B.a.B.e.)** - B.a.B.e. was established in 1994 as a advocacy and lobbying organization for women's human rights. ([www.babe.hr](http://www.babe.hr))

**BIOPA** - Biopa is an association focused on the production of organic food located in (Osijek, 031/204 949)

**ECO-SOCIAL FORUM** - Eco-social forum Croatia was jointly founded in 2003 by several Croatian companies and NGOs and is chaired by Professor Josip Baotić, with the mission of promoting the European model of *ecosocial market economy*. ([www.hinet.hr/intercon](http://www.hinet.hr/intercon))

**HOMER** - Homer, located in Rijeka, works to improve the lives of visually impaired persons. ([www.homer.hr](http://www.homer.hr))

**ODRAZ** - Odratz, founded in 2000, works on issues of sustainable development in the community. ([www.odraz.hr](http://www.odraz.hr))

**POTROŠAČ** - Potrošač works on the protection of consumers' rights. ([www.potrosac.org](http://www.potrosac.org))

## APPENDIX 2

# CSR Organisations and Useful Sources of Information

### **AMNESTY BUSINESS GROUP -**

Established in 1991, the Amnesty International UK Business Group is comprised of people with expertise in the socially responsible investment industry, law, social auditing and reporting, academia and ethical investment. ([www.oneworld.org/amnesty/business/index.shtml](http://www.oneworld.org/amnesty/business/index.shtml))

### **BUSINESS FOR SOCIAL RESPONSIBILITY (BSR) –**

An international business network set up in 1992 to provide business members with innovative products and services that assist companies in being commercially successful in ways that demonstrate respect for ethical values, people, communities and the environment. ([www.bsr.org](http://www.bsr.org))

### **BUSINESS IN THE COMMUNITY (BITC) –**

An independent UK charity founded in 1987 with the mission of inspiring, challenging, engaging and supporting business in continually improving its positive impact on society. BITC currently has 700 member companies. ([www.bitc.org](http://www.bitc.org))

### **THE CAUX ROUND TABLE (CRT) -**

Promotes principled business leadership and the belief that business has a crucial role in identifying and promoting sustainable and equitable solutions to key global issues affecting the physical, social and economic environments. In 1994, the CRT produced the "Principles for Business," a document that seeks to express a worldwide standard for ethical and responsible corporate behaviour worldwide. ([www.cauxroundtable.org](http://www.cauxroundtable.org))

### **THE CONFERENCE BOARD –**

An independent business membership and research network aimed at improving business and enhancing the contribution of business to society through conducting research, convening conferences, making forecasts, assessing

trends, publishing information and analysis, and bring executives together to learn from one another. ([www.conference-board.org](http://www.conference-board.org))

### **THE COPENHAGEN CENTRE -**

Established in 1998 by Danish Government as an international 'think tank' organisation to encourage voluntary partnerships between government and business to promote social cohesion. ([www.copenhagencentre.org](http://www.copenhagencentre.org))

### **THE CORPORATE CITIZENSHIP COMPANY –**

This organization offers research, consultancy and publications to help businesses succeed as good citizens of the changing global society. ([www.corporate-citizenship.co.uk](http://www.corporate-citizenship.co.uk))

### **CSR Europe –**

European business network launched in 1996 as a result of the European Declaration of Business against Social Exclusion, initiated by former President of the EC, Jacques Delors and 20 business leaders. CSR Europe's mission is to help companies achieve profitability, sustainable growth and human progress by placing corporate social responsibility in the main-stream of business practice. ([www.csreurope.org](http://www.csreurope.org)) see also ([www.csrcam-paign.org](http://www.csrcam-paign.org))

### **ETHICAL CORPORATION MAGAZINE –**

a UK based independent business information provider and events producer on Corporate Responsibility for business professionals featuring comment analysis, executive training workshops and conferences on global corporate citizenship management. ([www.ethicalcorp.com](http://www.ethicalcorp.com))

### **LONDON BENCHMARKING GROUP**

This group consists of more than fifty leading international corporations who have come together to manage, measure and report on their involvement in the community. Since 1994, this Group's

model has been helping member companies effectively assess and target their community programs.

([www.lbg-online.net/](http://www.lbg-online.net/))

### **THE PHILIPPINES BUSINESS FOR SOCIAL PROGRESS (PBSB) –**

A private, non-profit foundation dedicated to promoting business sector commitment to social development. This organization, established in December 1970 by 50 of the country's prominent business leaders, has since grown to become the nation's largest and most influential business led social development foundation. ([www.pbsp.org.ph](http://www.pbsp.org.ph))

### **THE PRINCE OF WALES INTERNATIONAL BUSINESS LEADERS FORUM (IBLF) -**

an international business-led membership organisation founded in 1990 to promote responsible business practices that benefit business and society and which help achieve social, economic and environmentally sustainable development, particularly in new and emerging economies. ([www.iblf.org](http://www.iblf.org))

■ **Bulgarian Business Leaders Forum (BBLF)** ([www.bbfbg](http://www.bbfbg))

■ **Czech Business Leaders Forum (CzBLF)** ([www.blfbz](http://www.blfbz))

■ **Hungarian Business Leaders Forum (HBLF)** ([www.mblf.hu](http://www.mblf.hu))

■ **Polish Projects Office** ([www.iblf.pl](http://www.iblf.pl))

### **SOCIAL VENTURE NETWORK (SVN)**

– A non-profit network committed to building a just and sustainable world through business, founded in USA by some of the nation's most visionary leaders in socially responsible entrepreneurship and investment. SVN promotes new models and leadership for socially and environmentally sustainable business in the 21st century. ([www.svn.org](http://www.svn.org))

**SUSTAINABILITY** – Founded in 1987, SustainAbility is the longest established international consultancy specializing in business strategy and sustainable development – environmental improvement, social equity and economic development. ([www.sustainability.com](http://www.sustainability.com))

#### **WORLD BANK'S BUSINESS PARTNERS FOR DEVELOPMENT (WB BPD)**

– An informal global network of representatives from business, government and civil society that aims to promote good examples of tri-sector partnerships that demonstrate socially responsible economic development around the world. ([www.bpdweb.org](http://www.bpdweb.org))

#### **WORLD BUSINESS COUNCIL ON SUSTAINABLE DEVELOPMENT (WBCSD)**

– An international business network established in 1995 with the aim of developing closer co-operation between business, government and other sectors of society concerned with the environment and sustainable development. ([www.wbcSD.ch](http://www.wbcSD.ch))

#### **WORLD ECONOMIC FORUM, CORPORATE CITIZENSHIP INITIATIVE**

– In an effort to facilitate good corporate citizenship amongst its members, the World Economic Forum, an independent organization committed to improving the state of the world, has established the Global Corporate Citizenship Initiative. The Initiative was launched in Geneva, Switzerland on 24 July 2001. Participation consists of more than 40 Forum member companies committed to corporate citizenship, as well as representatives from other organizations and initiatives with specific knowledge in the area. ([www.weforum.org/corporatecitizenship](http://www.weforum.org/corporatecitizenship))

### **ACADEMIA**

#### **CAMBRIDGE CROSS-SECTOR PARTNERSHIP POSTGRADUATE CERTIFICATE**

– Established in 2001 by the Cambridge Programme for Industry, at the University of Cambridge, in partnership with the IBLF and The Copenhagen Centre. Its mission is to provide intellectual challenge and practical training for people who are leading

their organisations in the development of cross-sector partnerships. The nine-month, part-time course is fully accredited by the University of Cambridge and involves a combination of two short residential study periods, connected by individual and group study using an Internet based learning facility and the implementation of partnership projects. The participants are experienced partnership practitioners selected from international agencies, companies, governments, and civil society organisations and from a wide range of cultures, experiences and traditions, in order to ensure diverse and challenging interaction and learning. ([www.cpi.cam.ac.uk](http://www.cpi.cam.ac.uk))

#### **CENTER FOR CORPORATE CITIZENSHIP AT BOSTON COLLEGE**

– The Center for Corporate Citizenship serves as a resource on corporate citizenship, providing research, executive education, consultation and conferences on citizenship topics. ([www.bc.edu/centers/ccci/index.html](http://www.bc.edu/centers/ccci/index.html))

#### **EUROPEAN ACADEMY OF BUSINESS IN SOCIETY**

– Launched in July 2002, this Academy focuses on research and presenting empirical evidence on the business case for Corporate Social Responsibility. It is also working to integrate CSR into the mainstream of business education, assisting deans and professors at business schools and universities promote new teaching models and fostering an ongoing dialogue and partnership between business leaders, business school leaders and other stakeholders.

([www.csrcampaign.org/initiatives/European-Academy\\_page96.aspx](http://www.csrcampaign.org/initiatives/European-Academy_page96.aspx))

#### **UNIVERSITY OF CALIFORNIA, BERKLEY, HAAS SCHOOL OF BUSINESS, CENTER FOR RESPONSIBLE BUSINESS**

– The Center for Responsible Business was launched in January 2003 with a vision of creating a more sustainable, ethical and socially responsible society by establishing the Haas School of Business as the preeminent educational institution for research, teaching, experiential learning, and community outreach in areas of corporate social responsibility.

([www.haas.berkeley.edu/responsiblebusiness/](http://www.haas.berkeley.edu/responsiblebusiness/))

### **CSR INITIATIVES AND STANDARDS**

#### **ACCOUNTABILITY (AA1000)**

– Launched in 1999, AA1000 is an accountability standard designed to complement the Global Reporting Initiative's (GRI) Reporting Guidelines and to improve accountability and performance by learning through stakeholder engagement. It helps users to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in overall organizational performance. The AA1000 Series builds on the AA1000 Framework, adding a series of specialized modules beginning with the AA1000S Assurance Standard, the first assurance standard for social and sustainability reporting.

([www.accountability.org.uk](http://www.accountability.org.uk))

#### **CERES (COALITION FOR ENVIRONMENTALLY RESPONSIBLE ECONOMIES) PRINCIPLES**

– Developed by a non-profit coalition of investors, public pensions funds foundations, labour unions and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide. By endorsing the CERES Principles, companies not only formalize their dedication to environmental awareness and accountability, but also actively commit to an ongoing process of continuous improvement, dialogue and comprehensive, systematic public reporting. ([www.ceres.org](http://www.ceres.org))

#### **EQUATOR PRINCIPLES**

– A framework for banks to manage environmental and social issues in project financing.

([www.equator-principles.com](http://www.equator-principles.com))

#### **ETHICAL TRADING INITIATIVE (ETI)**

– A UK code developed through partnership between retail and consumer goods companies, NGOs, Trade Unions and the UK Government. Members, including multinational and transnational companies are committed to business ethics and corporate responsibility, promotion of worker rights and human rights in general. In employment, ethical business includes working towards the ending of child labor, forced labor, and sweatshops, looking at health and safety, labor conditions and labor rights. ([www.eti.org.uk](http://www.eti.org.uk))

**EUROPEAN COMMUNITY'S ECO-MANAGEMENT AND AUDIT SCHEME (EMAS) ISO 19000** – A management tool for companies and other organisations to evaluate, report and improve their environmental performance. The scheme has been available for participation by companies since 1995 and was originally restricted to companies in industrial sectors. Since 2001 EMAS has been open to all economic sectors including public and private services. (<http://europa.eu.int/comm/environment/emas/>)

**THE GLOBAL REPORTING INITIATIVE (GRI)** - Established in 1997, this is a reporting standard rather than a performance standard, designed in order to provide globally applicable guidelines for preparing enterprise-level sustainability reports including both social and environmental indicators. The GRI is convened by CERES (Coalition for Environmentally Responsible Economies) and incorporates the active participation of corporations, non-governmental organizations, international organizations, United Nations agencies, consultants, accountancy organizations, business associations, universities, and other stakeholders from around the world. The GRI first released its Sustainability Reporting Guidelines in 1999 and is now a permanent, independent, international body with a multi-stakeholder governance structure. Its core mission is maintenance, enhancement, and dissemination of the Guidelines through a process of ongoing consultation and stakeholder engagement. The GRI has begun to add sector-specific supplements, beginning with financial services and tour operators. ([www.globalreporting.org](http://www.globalreporting.org))

**GLOBAL SULLIVAN PRINCIPLES** - Introduced in 1999, they expand upon the original Sullivan Principles, which were developed by the late Reverend Leon H. Sullivan in 1977 as a voluntary code of conduct for companies doing business in apartheid South Africa. According to Rev. Sullivan, "The objectives of the Global Sullivan Principles are to support economic, social and political justice by companies where they do business; to support human rights and to encourage equal opportunity at all levels of employment, including racial and gender diversity on decision-making committees and boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples; thereby,

helping to improve the quality of life for communities, workers and children with dignity and equality." ([www.globalsullivanprinciples.org](http://www.globalsullivanprinciples.org))

**INTERNATIONAL CHAMBER OF COMMERCE'S BUSINESS CHARTER FOR SUSTAINABLE DEVELOPMENT** – Contains 16 principles of environmental responsibility and provides a structure for environmental management. (<http://www.iccwbo.org/home/environment/charter.asp>)

**THE INTERNATIONAL LABOR ORGANISATION (ILO) CONVENTIONS ON CORE LABOR STANDARDS** – These standards include: freedom of association, right to collective bargaining, prohibition on forced labor, minimum wage, freedom from discrimination, right to equal pay for equal work and a wide range of conventions that relate to health and safety, employment of disabled people, child labour etc. ([www.ilo.org/public/english/standards/norm/whatare/fundam](http://www.ilo.org/public/english/standards/norm/whatare/fundam))

**INTL STANDARDS ORGANISATION'S (ISO) 14000 STANDARDS SERIES** - Launched in 1996, relating to CSR particularly in quality, health and safety and environment (ISO 9000 and ISO 14000 series). These standards are most widely spread and adopted by companies. ISO 14001 relates to environmental aspects of company's management including environmental policy, assessment of environmental aspects, assessment of legal and voluntary obligations, management systems, internal audits and reports. Some argue that the standard needs to move from encouraging improvement of environmental management to the improvement of environmental performance. (<http://www.iso.ch/iso/en/iso9000-14000/iso14000/iso14000index.html>)

**ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) GUIDELINES FOR MULTINATIONAL ENTERPRISES** - First published in 1976 and updated in June 2000; these are recommendations addressed by governments to multinational enterprises; they are voluntary principles and standards which are not legally enforceable. Governments adhering to the Guidelines encourage companies to observe the guidelines wherever they operate. (<http://www.oecd.org>)

**SOCIAL ACCOUNTABILITY (SA) 8000** – A standard related to the improvement of working conditions. The standard

is maintained by Social Accountability International and covers standards and monitoring programs for child labor, forced labor, disciplinary practices, non-discrimination, wages and benefits, working hours, health and safety, freedom of association and collective bargaining, and management systems. The requirements of this standard apply regardless of geographic location, industry sector, or company size. ([www.sa-intl.org](http://www.sa-intl.org))

**SOCIALLY RESPONSIBLE INVESTMENT (SRI)** = CSR in financial markets with Indexes

- **Dow Jones Sustainability Index** – An index of sustainability-driven companies provided by Dow Jones in association with Sustainable Asset Management (SAM). ([www.sustainability-index.com](http://www.sustainability-index.com))
- **FTSE4Good** – An index of ethically responsible companies launched by FTSE in association with the Ethical Investment Research Service (EIRIS) and UNICED. ([www.ftse4good.com](http://www.ftse4good.com))

**UNITED NATIONS (UN) GLOBAL COMPACT** - launched in September 2000 – UN Secretary-General Kofi Annan called on world business leaders to voluntarily "embrace and enact" a set of nine principles in their individual corporate practices and to support complementary public policy initiatives. The standard includes specific practices that endorsing companies would commit to enact, as well as a section describing the benefits to business for embracing each principle. (<http://www.unglobalcompact.org>) *For more info on UN Global Compact and examples of companies' engagement with it please see: McIntosh, M., Thomas, R., Leipziger, D. and Coleman, G. (2003), Living Corporate Citizenship: Strategic routes to socially responsible business", London, FT*

**UNDP'S MILLENNIUM DEVELOPMENT GOALS (MDGS)** – Part of the UN Millennium Declaration focused on 8 major challenges facing the world together with the ideas for business to become engaged collectively in tackling these development issues. The MDG's are aimed at eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability and develop a global partnership for development. ([www.developmentgoals.org](http://www.developmentgoals.org))



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# Croatia - Country Overview

Since 2000, Croatia, one of the republics of the former Yugoslavia located in South East Europe, has been one of the fastest growing economies in Central Europe. In addition, democratic institutions have been strengthened and the country has broken with its inward orientation of the past. It has joined the World Trade Organization (WTO), acceded to membership in the Central and European Free Trade Agreement (CEFTA), and successfully negotiated a Stabilization and Association Agreement with the European Commission. In February 2003, Croatia applied formally for membership in the European Union.

The republic of Croatia covers an area of 56,538 km<sup>2</sup>. According to the latest census Croatia has a population of 4,4 million. More than 78 percent of the population is ethnic Croat with main ethnic minorities including Serbs, Bosniaks, Hungarian, Slovenes, Czechs, Roma, Albanians, and Montenegrins. Roman Catholicism is the prevailing religion and the official language of the country is Croatian. In the northern regions of Croatia, the way of life is typically Central European, whereas the South is Mediterranean.

Croatia is an upper middle-income country with GDP 22.4 bn USD. Approximately 70 percent of GDP is created in the services sector (with tourism generating the most income and employment), 20 percent in manufacturing, and 10 percent in agriculture. The Croatian manufacturing sector is still dominated by traditional export goods including shipping, clothing and chemicals, all highly labor-intensive, low value-added products. Therefore, in spite of the country's recent economic growth, high unemployment and other challenges remain prevalent issues to be addressed for continued development of the country.



## Source:

Croatian Bureau of Statistics,  
Croatian National Bank, Ministry of Finance, Croatian National Tourist Board,  
[www.worldbank.hr](http://www.worldbank.hr),  
[www.undp.hr](http://www.undp.hr)

## Acknowledgements

This research project has been a genuine collaborative effort between AED, IBLF and MAP Consulting, in which these three different organizations brought their complementary skills, energies, experiences, and understandings to the work.

The report has been compiled by Marina Skrabalo and Aida Bagic of MAP Consulting, and Lana Narancic of IBLF. The entire project has been steered ably by Kim Perlow of AED. The research assistance of Jasmina Simic, an AED intern, editorial assistance and provision of valuable comments of Susan Simpson and Dave Prescott of IBLF, and Paul Stubbs of MAP, are gratefully acknowledged, as well as the work of Press-clipping d.o.o. on the media survey. In addition, we would like to acknowledge Marijo Dumančić for his translation of the text from English into Croatian.

Above all we would like to thank all the respondents – companies, NGO, media and government representatives – who willingly and generously gave their time to us and enthusiastically discussed their work and approaches in the area of CSR.

Finally, we would like to thank USAID for their support of this research and report.

