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**The Role of Corporate Social Responsibility and the OECD Guidelines for  
Multinational Enterprises  
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Excellences, ladies and gentlemen

It is a great honor to address you today from this podium and I'm very happy to have the opportunity to share my thoughts on corporate social responsibility with you.

There are some basic facts, which will necessarily determine my discussion on the Corporate Social Responsibility. I am coming from a fast growing international company originating from a small country in Europe, both characterized by their dynamism and ambition to grow and prosper.

Both, my country and company, are active and successful competitors in the global economy. Greater international competitiveness, however, is not a goal in itself. It ensures high economic growth, which in return ensures high quality of life and social welfare. In this context the discussion on CSR role and importance is of a great importance to us.

Slovenia

Slovenia, as you will know, is one of the smallest, but the economically most advanced country among the ten new EU members. While it is not a member of the OECD, Slovenia is a signatory state of the OECD's Guidelines for Multinational Enterprises (signed in the beginning of the year 2002).

Slovenia is a country of almost two million inhabitants, a vibrant economy that has seen growth rates between 3 and 6% in the last ten years. Our GDP per capita stands at roughly 19,000 USD and is higher than that of some of the older EU and OECD members. In spite of the global recession Slovenia achieved a 2, 5% growth rate of GDP in 2003 and is looking forward to a growth of around 3.5% in 2004.

An important strength of the Slovenian economy is a stable macroeconomic environment, characterized by stable economic growth and overall fiscal balance.

AKTIVA INVEST SLOVENIA

AKTIVA Invest is a Slovene investment holding company and is listed on the Ljubljana Stock Exchange. The focus of our investment activities is Slovenia and the rest of Central and Eastern Europe. Our key functions are planning the group corporate strategy, making key investment decisions, organizational structure and administrative frame in the companies of the group as well creating their permanent competitive advantages. Our goal is to create value and to drive sustainable economic growth.

Corporate social responsibility is an integral part of our strategic agenda because we are convinced it creates value in the long run. It is deeply rooted in our dedication to private business and free markets and in the desire to shape our future and be a role model.

CSR

We see five major issues which are of outmost importance dealing with the companies in the group in the domestic as well in foreign (host) markets:

good, transparent corporate governance, and good public governance (in places where we perceive a lack of those, we work on improving it mainly by being a role-model.)  
education  
management tools  
environment friendly research & development  
cooperation with social welfare institutions

### 1. CORPORATE GOVERNANCE

The first precondition of CSR is effective corporate governance. A company needs a vision and mission that is well-understood and continuously communicated in the company and among its stakeholders. This vision is created by shareholders and management and consistently communicated by the supervisory board to and between the management, shareholders and employees.

Through various tools we have established a benchmark for corporate governance in AKTIVA's companies and we make sure they are adhered to throughout the organization.

Our care and our insistence on good corporate governance practice for companies in Serbia and Bulgaria and other SEE countries is equal to our care and insistence for companies in the US or the Netherlands.

Good corporate governance ensures the promotion of entrepreneurial goals, leading to increased business activity and economic growth. This growth will be the greatest contribution to CSR.

### 2. EDUCATION

We invest in the continuing education of our managers and make sure that our managers invest in the education of their employees.

For ten years AKTIVA has run a proprietary MBA program in Slovenia.

For several years we cooperate with the senior executive programs of Insead, Harvard and Stanford Universities.

We need managers that understand the importance of including the business stakeholders in their plans in order to create long-term sustainability of successful business.

### 3. MANAGEMENT TOOLS

We work with the most modern management tools. These management tools help us to analyze, determine and communicate strategy and business development. For some years we are using the Balanced Scorecard developed by Prof. Kaplan of Harvard University. The balanced approach of the Scorecard includes most of the elements of good CSR as a matter of course.

As part of the BSC, it is a strategic necessity to take care of stakeholders' interests and therefore, CSR is an integral part of our agenda.

### 4. ENVIRONMENT FRIENDLY RESEARCH & DEVELOPMENT

The main drivers for growth are new products and services. As part of the BSC, we put a great emphasis on R&D. As I would like to illustrate with our experience in the introduction of an environmentally friendly and health oriented new product for the food industry, there are many hurdles to overcome.

CASE: One of our companies has developed an environmentally friendly anti-oxidant based on rosemary for the food industry. The company's extraction process is particularly effective and we can produce products with 60% active ingredients vs. 20% of other producers. Still, natural antioxidants are more expensive than the commonly used synthetic ones. Although synthetic antioxidants are proven to be carcinogenic, the price difference makes our product unattractive to international food companies.

We believe that the emphasis of the excellent environmental qualities of our product will no doubt make it successful in the long run.

On the way there, we would be happy to receive encouragement from consumers that would demand food with natural ingredients and motivate food companies to buy healthier ingredients. Heightened acceptance and recognition of CSR as a way to increase customer satisfaction should make the use of environmentally friendly and health oriented ingredients in the food industry more attractive. The "Health of Nations" should give a boost to these efforts.

#### 5. COOPERATION WITH SOCIAL WELFARE INSTITUTIONS

After discussions with officials from the ministry for social affairs we started to cooperate with social welfare institutions. We help them making more of their resources by helping them to apply our management tools and a business-like approach to their projects. In such manner we help to establish and run a home for single mothers in difficulties. This is the first modern investment in social services, which, in our case, is based on a Scandinavian model.

To achieve more of this, we urge governments to continue privatizing their industries. The more private initiative can prevail, the more CSR can develop. Around 45% of Slovenia's GDP is still generated by state-owned or state-controlled companies.

Government owned companies cannot behave socially responsible. They leave their employees, and astoundingly often even their management, in the illusion that government will take care of them. We all know that this is not possible in the long run but that is another conference.

They do too little to enable people to form well informed opinions, to re-train and develop the self-confidence to take care of their lives.

If large corporate proponents in the US demonstrate socially responsible behavior, they are able to soften and mitigate the effects that poor public policy towards social responsibility has. The citizenship initiatives of Coca Cola could likely have a more profound effect on peoples lives than the refusal of the US government to sign the Kyoto accord, the ban of land-mines treaty and other documents that one would regard as beneficial to mankind. Private initiative will always win over publicly administered rules.

#### Conclusions and recommendations:

Efforts to implement CSR guidelines have an effect. Programs have to be easily understandable, concise, and easily accessible. Their main role must be to heighten awareness of the problems and inform about possibilities to approach, manage and sometimes even solve them. More promotion of the guidelines is needed.

To further improve the awareness and acceptance of the Guidelines, we suggest that the reference to Multinationals in its name be dropped.

The guidelines are applicable to everybody, and not only to multinationals but especially small and medium sized enterprises should be encouraged to use them, both in their home countries and abroad.

The OECD and other organizations, in particular consumer groups, should promote an understanding of CSR among consumers and the general public. Partnerships with organizations representing stakeholders will be important and they have to be based on a clear understanding of what CSR entails and what it can deliver. It must be clear that CSR is not the new solution to any and all social ills of the world.

Such partnerships must equally heighten awareness among consumers about CSR and their implications. Companies would be encouraged to advertise their CSR credentials so that more companies will introduce CSR initiatives.

The OECD and other organizations like the UN with Global Compact must use their powers of persuasion to promote CSR as a public good among governments. Governments have a lot to learn and can save a great deal of money by entering partnerships with private CSR initiatives.

Organizations and governments should resist tendencies to making CSR compulsory.

In our view, the efforts to making binding the UN Human Rights Norms for Business that were recently discussed in Geneva, will result in them becoming a disincentive to CSR.

The tendency of legislators who are trying to create a rule for every turn of life should be resisted. By making CSR mandatory, something that is a good investment towards the value creating potential of the company will be regarded as a cost, an expense that needs to be minimized.

Incentivize it and be a role model yourself; and we can all achieve much more.