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CORPORATE RESPONSIBILITY IN THE RUSSIAN FEDERATION: RECENT TRENDS

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Executive Summary

1. This paper examines initiatives and reporting of corporate responsibility by Russian firms in comparison with other countries, based on selected indicators, such as the registration with Global Reporting Initiative. It also looks at some specific features of corporate responsibility issues in Russia and more generally in transition economies. For the purpose of this study, corporate responsibility initiatives undertaken by 41 leading Russian companies listed on the Russian Trading System were analysed using their public reports. These results are compared to previously collected data concerning 125 companies in 20 emerging market economies and 1740 companies in high-income OECD countries, examined in the 2005 OECD study.[1]

2. The analysis shows that corporate responsibility initiatives and reporting are substantially less developed among Russian companies than in enterprises in high-income OECD countries and are also less frequent than in other emerging markets:

- Compared to companies both in high-income OECD countries and emerging markets, Russian firms are under-represented in the registration with Global Reporting Initiative (GRI) and the uptake of ISO14001 certifications, the global standard for environmental management systems.

- Russian companies report substantially less on their corporate social investment, business codes of conduct, environmental issues, non-discrimination responsibility, and occupational safety than companies in high-income OECD economies. They also report less on corporate responsibility issues than their peers in Africa, Latin America or Asian emerging markets.

- The proportion of Russian companies reporting on corporate responsibility issues is close to the average observed in transition economies in Central and Eastern Europe, but the majority of companies in these countries also perform modestly on standard measures of corporate responsibility.

3. These findings are broadly in line with the observations of the Russian Managers Association showing that except a few cases, Russian companies report generally little on corporate responsibility issues, apart from some aspects related to human resource issues and internal company social and employee programmes. However, this trend does not necessarily reveal corporate responsibility concerns

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1. OECD (2005), Corporate Responsibility Practices of Emerging Market Companies: A Fact Finding Study, Working Papers on International Investment, Number 2005/3, available at www.oecd.org/investment. It was also published in the 2005 Annual Report on the OECD Guidelines for Multinational Enterprises: Corporate Responsibility in the Developing World. This study covered only 2 Russian firms.

but rather reflects the remnants from the past when state-owned enterprises were important providers of social services.

4. Chapter 1 of this paper updates the results of the OECD 2005 study and examines Russia's participation in two corporate responsibility initiatives: the Global Reporting Initiative and ISO 14001 certification. Chapter 2 examines recent trends in corporate responsibility in Russia, using in particular on information provided by the Russian Managers Association and the surveys of corporate responsibility reporting in Central and Eastern European countries conducted by the East-West Management Institute. Chapter 3 is based on original research analysing the corporate responsibility practices of 41 largest Russian companies traded on the dollar-denominated Russian Trading System, in particular their reporting on corporate social investment, business ethics, environmental policies and management systems, equal opportunities, women on corporate boards, training and health and safety. These results of the Russian sample are compared to the outcome of the 2005 OECD study covering companies in high-income OECD and emerging market countries.

1. Russia's participation in global indicators of corporate responsibility

5. The 2005 OECD study (OECD, 2005) confirmed that corporate responsibility initiatives are a global phenomenon, also present in emerging market companies. However, it also showed significant regional and sectoral differences: business in some emerging markets, in particular in South Africa have been leaders, whereas other emerging market companies appeared considerably less involved in corporate responsibility initiatives. The study also identified a number of "drivers" of corporate responsibility. In some countries, especially in South Africa, corporate responsibility initiatives appear to be essentially a "home grown" phenomenon. Companies of some other countries (e.g. Malaysia and India) adopt corporate responsibility initiatives mainly in response to specific business interests, especially to improve their market positioning and protect reputation capital. Finally, in many emerging market countries, corporate responsibility efforts are led by subsidiaries of OECD companies or initiated by host country governments.

6. For the purpose of this paper, two generic indicators analysed in the 2005 OECD study were updated to include Russian companies: the Global Reporting Initiative (GRI) and the uptake of ISO 14001 certifications.

7. The GRI asks reporting organisations to register when they use GRI indicators in their reporting. Whilst this registration does not involve any auditing of compliance, it is a useful measure of companies which are engaged with best practice in global reporting standards and tends to include leaders in corporate responsibility.[2] Of the 614 companies registered with GRI in February 2005[3] as much as 12.4% were based in emerging markets. Even after subsidiaries or companies closely associated with parent companies in the developed world are removed, 7.2% of GRI companies were based in emerging markets. However only two companies on the GRI list are indicated as Russian – British American Tobacco and North-West Timber Company, and the former is a foreign subsidiary.[4] This compares to 26 South African, 6 Brazilian, 4 Indian, and 5 Chinese companies (although the last ones are mainly Hong Kong based).

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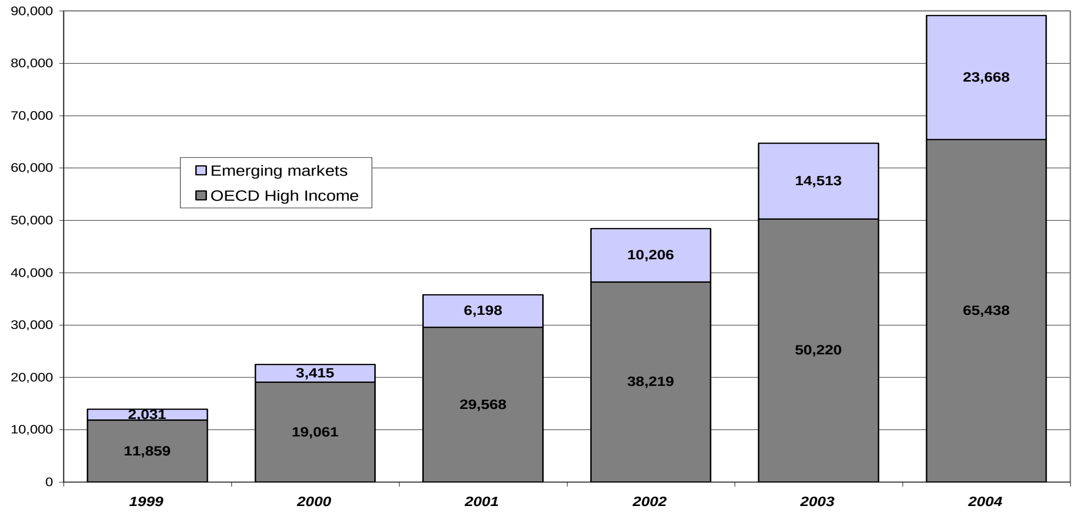
2. According to the GRI, companies are encouraged to register where they "… have referred to or followed the Sustainability Reporting Guidelines in preparing their sustainability, social, or environmental report". They are not obliged to do so as GRI is a voluntary initiative and "inclusion in the database does not certify the report's conformance to the Guidelines" (www.globalreporting.org).

3. This number excludes reporting organisations which are public agencies, non-profits, universities and similar.

4. Since the 2005 study only one additional Russian company, Lukoil, has registered with GRI. (Feb 2006).

8. Another generic indicator is ISO 14001, the global standard for environmental management systems. The past six years have seen a significant increase in the uptake of ISO 14001 certifications. Chart 1.1 shows that certifications in high-income OECD countries have increased almost six-fold over this period, whilst in emerging markets there has been an eleven-fold increase. This may be in part because emerging markets are growing from a lower base. But it also reflects the growing interdependence and globalisation trends: many emerging market companies want to have globally-recognised management systems, so they can be global players. They depend on export markets and they know that certified systems can help them enhance their market access.

Chart 1.1. Growth in ISO14001 certifications worldwide



Note: Figures for December of each year. OECD members not included among the high-income category are included under emerging markets.

Source: ISO Survey, 2005.

9. Table 1.1 shows the growth in ISO 14001 certification in selected emerging markets. The Chinese figures have grown especially sharply, especially after China's State Environmental Protection Agency started promoting ISO in 1996.[5] The Russian companies are, however, noticeably behind the others, even the much smaller South African economy.

Table 1.1. ISO 14001 certifications for selected emerging markets

	1999	2000	2001	2002	2003	2004
China	222	510	1 085	2 803	5 064	8 862
Brazil	165	330	350	900	1 008	1 800
India	111	257	400	605	879	1 250
South Africa	82	126	169	264	378	393
Russia	0	3	12	23	48	118

Source: ISO Survey, 2005. Number of certifications as recorded by December of each year.

5. The Chinese figures have been qualified by some observers. For example, ASRIA, in its 2003 report on SRI in Asian emerging markets, states that "verification of the quality of these standards in China is still an issue" (p. 17).

2. Recent trends in corporate responsibility in Russia

10. This chapter focuses on recent trends in Russia's corporate responsibility initiatives and compare them to developments in other transition economies. In contrast to Central and Eastern European countries in which the integration process into the European Union has provided a strong impetus to improve governance, environmental and other standards, Russia has met more difficulties to address corporate responsibility issues. First, Soviet-era government policy requiring state-owned enterprises to finance, manage and maintain a substantial range of social facilities, such as kindergartens, healthcare and holiday resorts was probably more constraining than in most other former socialist countries. Second, Russia's situation is also more complex given the dominant role of the energy sector in its economy: the economically critical exploitation of hydro-carbons could be at odds with formal state environmental policy commitments to pollution reduction and efficiency improvements.

Specific features of corporate responsibility initiatives in Russia

11. The Russian Managers Association (RMA) conducted in 2004 a study on social investment in Russia in co-operation with the United Nations Development Programme (UNDP).[6] The report concluded that "there is still lack of understanding of the integral concept, use-proven practices and usefulness" of corporate responsibility issues in Russia. The report also noted that the government is still viewed as the main target audience and driver for corporate responsibility policy in Russia, contrary to Western Europe where corporate responsibility is usually initiated by business and oriented to all potential stakeholders (see Table 2.1).

Table 2.1. Distinction between the Russian and European corporate responsibility (CR)

Comparative indicators	Western Europe	Russia
Target Stakeholders the CR Policies are oriented to (by rank)	• Employees • Customers • Community • Shareholders	• Government • Owners • Employees • Customers
Drivers of the CR Development	• Corporations • NGOs and community • State	• State (High executive bodies) • Corporations • Local authorities
NGOs Role	• Large in number and profiles • Considered to be among the principal corporate responsibility drivers that pressure/encourage business for cooperation in corporate responsibility related issues (Greenpeace, BITC, etc.) • Have high influence on public opinion and possess pressure mechanism on business (e.g. Shell and Brent Spar case)	• Relatively few in number • Considered to be facilitators rather than drivers for corporate responsibility • Relatively unknown in society and lack real influence on corporate responsibility decisions
Social Reporting (SR) Development	• SR is being initiated by business • SR is well adopted and widely used • Oriented to all/most stakeholders	• SR is at a very early stage • Rarely properly understood as concept and long-term utility • Mainly oriented to the State and shareholders (less to the society)

Source: Russian Managers Association/UNDP (2004)

6. Russian Managers Association/UNDP (2004), Report on Social Investment in Russia: The Role of Business in Social Development. For more information on the Russian Managers Association see: http://www.amr.ru/

12. The 2004 RMA/UNDP study also sought to identify the main factors encouraging or discouraging corporate disclosure of corporate responsibility issues in Russia (see Table 2.2). First, most of disincentives for corporate responsibility disclosure in Russia seem to be linked with the transition from planned to market economy and the related confusion between the in-house “social”/community/employee function and what is commonly understood by the notion of corporate responsibility. Second, it is clear that corporate responsibility initiatives of Russian companies have usually been driven by external factors, in particular preparations of initial public opening (IPO) at the international markets and envisaged M&A operations with foreign firms.

Table 2.2. Disincentives and incentives for corporate responsibility information disclosure in Russia

Disincentives	Incentives
Conflict between managers and owners/investors: the latter seeing social investment as curtailing returns	Companies wanting to inform public and investors about difficulties of running a business
Conflict between producers and consumers: the latter seeing social programmes for employees as contributing to high costs/inflation	Companies wanting a positive public image
Conflict between company and tax authorities: the latter believing that extensive social programmes imply surplus profits and instigating closer audits	Meeting transparency criteria for international listings
Conflict between company employees and lower-income groups: risks of social tensions if employees are seen as getting hidden benefits	Partnerships with international companies, investors and experts
Conflict between company, authorities and public: social investment considered as masking corrupt interactions	Expansion into foreign markets where CSR is expected

Source: Russian Managers Association/UNDP (2004)

13. The Russian Managers Association also provides a database (www.amr.ru/doc1361.html) of 220 Russian companies (mainly Russian-based but also including a few joint ventures and foreign subsidiaries), indicating their performance with respect to six indicators, i.e. staff training, occupational health and safety, environmental protection, voluntary codes of business conduct (see Table 2.3). Although the website does not provide details on the methododology and the dates of notifications, it offers some interesting insights on corporate responsibility initiatives in Russia. It shows in particular that a significant number of the companies undertake community and employee related activities (55% of 220 companies), but only a few are active as regards environmental matters, codes of business conduct or the production of a sustainability report. These findings are broadly in line with the original research conducted for this study and presented in Section 3.

Table 2.3. Russian companies’ performance (out of 220 companies)

	Number of companies	Share of companies (%)
Community development (CSI)	121	55.0
Staff training and development	81	36.8
Occupational health & safety	41	18.6
Environmental protection and eco-efficiency	22	10.0
CSR report	8	3.6
Code of business conduct	4	1.8

Source: Russian Managers Association/UNDB (2004)

Comparison with other transition economies

14. The Budapest-based East-West Management Institute (EWMI) has conducted a number of studies of corporate responsibility reporting in Central and Eastern European (CEE) countries. Every six months EWMI analyses the websites and annual reports of the ten largest listed companies in these countries. The 2005 study covered 110 companies from 11 CEE countries (Russia was not included).[7] The EMWI studies look at the extent to which companies report publicly on corporate governance, environmental policy and social policy. EWMI has noted a slow but steady improvement in the levels of corporate reporting and highlighted main factors underpinning this development:

- External factors, in particular foreign ownership (presence of strategic investors or through investment fund), remain the main drivers prompting publication of corporate responsibility data.

- National law and harmonisation with European Union Directives.

- The impact of corporate governance codes which have been adopted.

- The influence of self-regulatory organisations, including Institutes of Directors.

- Research suggesting a relationship between governance/corporate responsibility and company valuation.

- Increasing interest in business ethics.

- Growing targeted environmental and socially-responsible investment and increasing consumer awareness of governance and corporate responsibility issues.

- Increasing media attention to corporate governance and corporate responsibility issues.

15. For the purpose of this paper, the EWMI methodology was used to compare the ten largest Russian companies to companies in CEE countries. Four governance and auditing-related questions were not included as being beyond the scope of this study. A simple methodology was developed to combine the different criteria and score the results in such way that each country could gain a maximum of ten points. If each of the top ten companies in a country met the selected criteria (see Table 2.4), based on their respective website and annual report disclosure, then that country would get a maximum score of 10 points for each category.

16. The results are presented in Table 2.5 under three headings: social criteria, environmental criteria and codes of conduct/ethical codes. The performance of the Russian companies is below the general average score in all three selected criteria, but compares nevertheless favourably to a number of other CEE countries. Similarly to most other CEE countries, Russian companies' reports are especially weak in relation to the published codes of conduct/ethical codes (see also Charts 2.1 to 2.3).

7. The eleven countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Bulgaria, Croatia and Romania. Data is available from www.pfsprogram.org

Table 2.4. Criteria used in comparative study

Category	Criteria
Ethics	Does the company disclose and report on its internal Code of Business Conduct/ Code of Ethics?
Environment	Does the company state whether it complies with industry-specific, national and/or international regulations regarding environmental standards?
	Does the company disclose the names of individuals (management and/or board members) or the department responsible for environmental management and compliance?
	Does the Company report on energy and water use?
	Does the company report on its environmental performance, including efficient use of resources, emissions and waste?
	Does the company integrate environmental aspects into its supply chain management policy?
Social	Does the company disclose compliance with industry-specific, national and/or international regulations regarding human rights and/or labour standards?
	Does the company report any community patronage/ sponsorship programs?
	Does the company disclose its employee development or employee benefits policies?
	Does the company list its health and safety policy?
	Does the company disclose its employment policy?

Source: East-West Management Institute / www.pfsprogram.org , September 2005

Table 2.5. Corporate responsibility reporting in top 10 companies in 12 CEE countries (2005)

Country	Social	Environment	Ethical
Slovenia	5.6	4.6	1.5
Hungary	4.2	2.9	4.5
Poland	4.1	2.3	6.0
Czech Rep.	3.9	2.4	1.5
Russia *	**2.6**	**1.5**	**0.0**
Croatia *	2.4	1.4	1.5
Lithuania	2.4	1.8	0.0
Slovakia	1.7	1.3	2.5
Romania *	1.6	1.1	0.0
Latvia	1.5	1.3	0.0
Estonia	1.0	1.1	0.0
Bulgaria *	0.8	0.6	0.0
Average	**2.7**	**1.9**	**1.5**
EU members average	3.1	2.2	2.5
non-EU members average *	1.9	1.2	1.9

Source: East-West Management Institute / www.pfsprogram.org , September 2005

Chart 2.1. Social reporting by 12 CEE countries (2005)

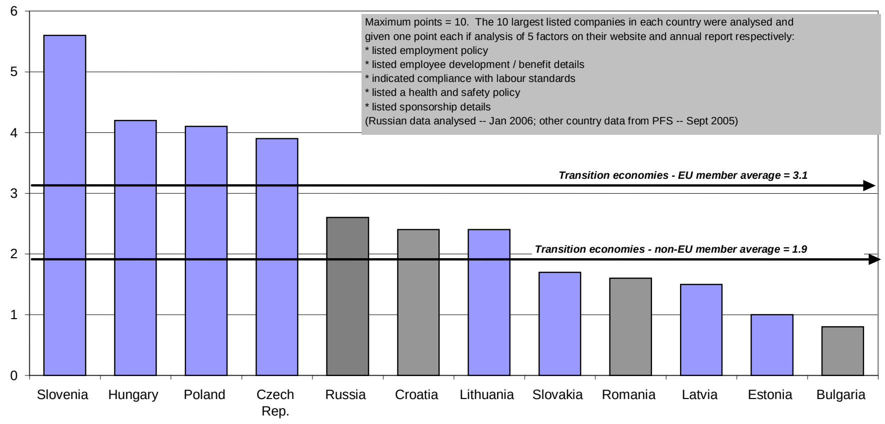


Chart 2.2. Environmental reporting by 12 CEE countries (2005)

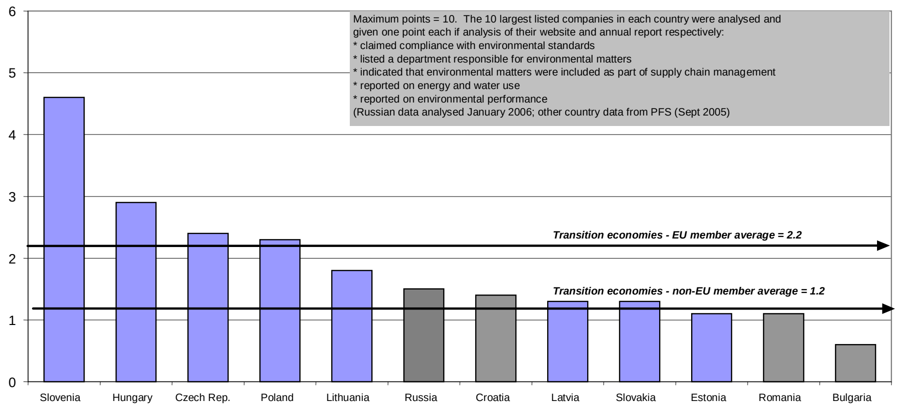
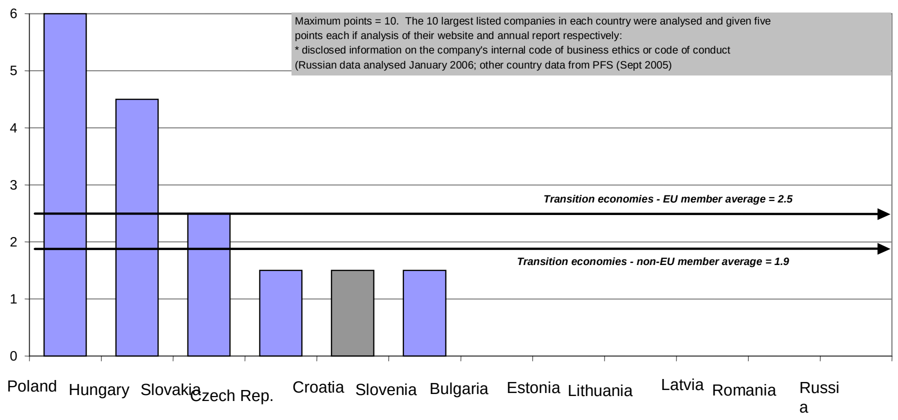


Chart 2.3. Business Code reporting by 12 CEE countries (2005)



3. Public reporting on corporate responsibility in Russia compared to other emerging markets, and high-income OECD countries

17. This chapter uses the results of the 2005 OECD study on the corporate responsibility orientation of 127 leading publicly-listed companies in 20 emerging markets and 1 740 listed companies in high-income OECD countries, using the World Bank definitions of income category (see Table 3.1). Data for OECD countries were adapted from closest comparable aggregates of Ethical Investment Research Service (EIRiS) and information on emerging market companies (which included only two Russian companies) was undertaken in February-March 2005 (for further methodology details, see OECD, 2005). For the purpose of this analysis, additional research has been conducted in January-February 2006, looking at the 41 leading Russian companies listed on the Russian Trading System. Annex (Tables A.1 and A.2) gives details of the number of companies analysed by country and their breakdown by sectors.

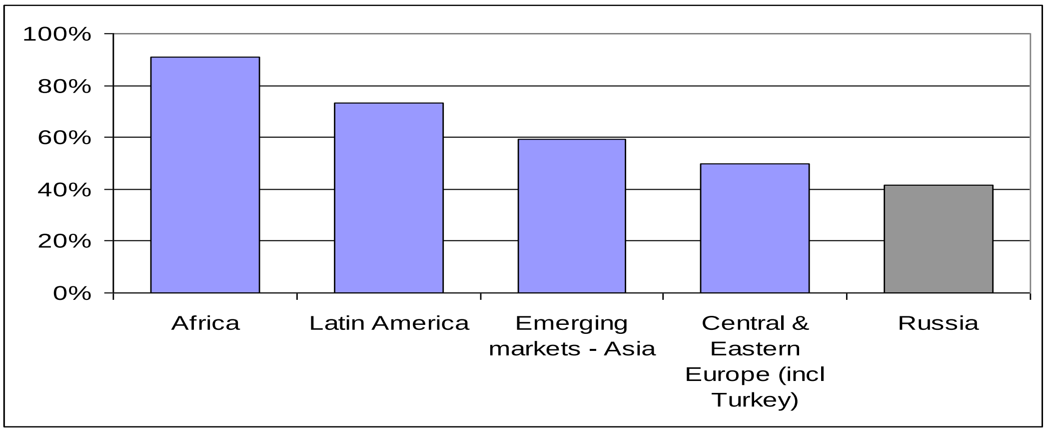
Table 3.1. Distribution of the analysed countries

Definitions	
High-income OECD (1 740 companies from 21 countries)	OECD member countries classified by the World Bank as high income: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, USA.
Emerging markets (127 companies from 20 countries)	Countries classified by the World Bank as Low or Middle Income countries. Only those countries with companies listed on global market indices are analysed, i.e.: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Morocco, Mexico, Pakistan, Peru, Philippines, Poland, South Africa, Thailand, Turkey.
Russia (41 companies)	The largest 41 companies in the Russian Federation listed on RTS exchange. Russian companies analysed in January 2006.

Reporting publicly on corporate responsibility in general

18. According to available data, over two-thirds of non-Russian emerging market companies either produce a sustainability report or have a specific section on their website or in their annual report covering some aspect of corporate responsibility. Whilst precisely comparable data for high-income OECD countries are not available, this high figure suggests that emerging market companies do not see corporate responsibility as the preserve of the developed economies. Some emerging market companies report to a greater extent than others: for example, all but one of the 16 South African companies analysed had a specific corporate responsibility website. Even at the lower end, 50% of Central and Eastern European companies analysed did so too. Russian companies are clear laggards, with only a minority (41%) reporting publicly on corporate responsibility (see Chart 3.1).

Chart 3.1. Companies with public corporate responsibility reporting



Source: OECD 2005 study for OECD and non-Russia merging markets; original database for 41 Russian companies.

Corporate Social Investment (CSI)

19. Corporate social investment is the term often used to describe a company's investment in a range of community activities. It includes, but goes beyond, the concept of corporate philanthropy. Differentiation is usually made between partial and extensive corporate social investment (CSI) (see Box 1).

Box 1. Corporate Social Investment

Partial	Some evidence of donations to charitable causes or a community project.
Extensive	Extensive – evidence of involvement in a wide range of projects, involving significant sums of money. In developing countries this typically includes involvement in educational and healthcare projects.

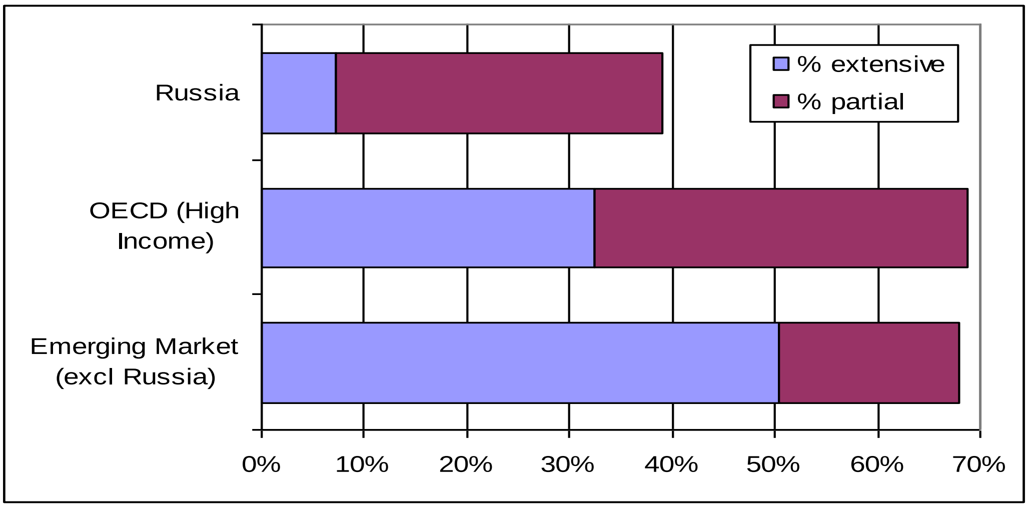
20. As Chart 3.2 shows, non-Russian emerging market companies are almost as likely as high-income OECD countries to report on their corporate social investment and they are more likely to have extensive CSI programmes in place. However, Russian companies are significantly less likely to report on their CSI activities:

- 68.8% of OECD companies reported CSI activities, compared to 68.0% of emerging market companies. Within emerging market companies, those from Africa and Latin America were the leading regions.

- The comparative figure for Russian companies is 39.0%.

- 36.4% of OECD companies reported CSI activities which can be regarded as "extensive" compared to 50.4% for emerging market companies but only 7.3% of Russian companies.

Chart 3.2. Extent of reported Corporate Social Investment (CSI)



Source: See Chart 3.1.

Business ethics

21. The last few years have seen considerable changes in many countries in the area of business ethics. Although similar pressures have also arisen in emerging markets, only a quarter (25.6%) of companies in these countries put an extensive ethics policy in place. There are, however, significant regional differences.

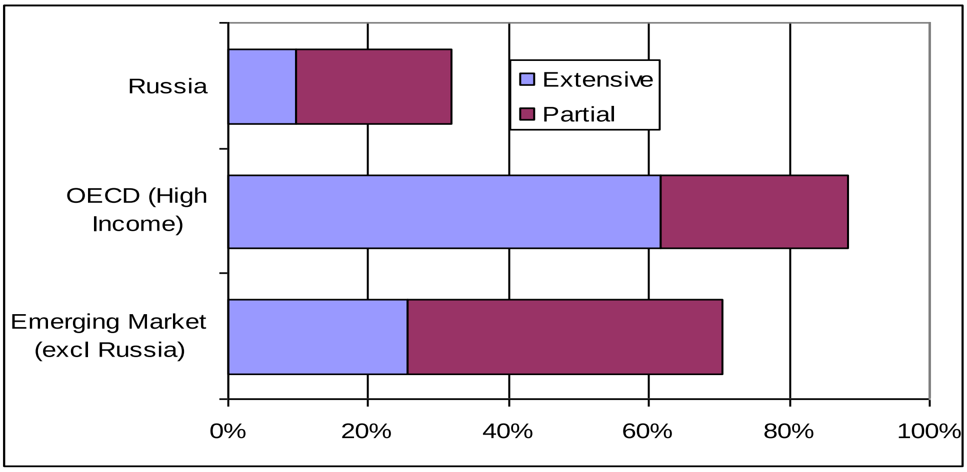
Box 2. Business ethics and Ethics management systems

Business ethics policy	*Partial*: a code of ethics, or a published code of ethics but one with minimal details of minimal coverage; such as a generic commitment to comply with laws and regulations, or a code with only partial applicability (for example applying only to board members but not employees), or a code with only two or three substantial provisions. *Extensive*: a published code of ethics, applicable to all employees and containing a range of provisions on issues such as bribery, facilitation of payments, gifts, conflicts of interest, unfair competition and so on.
Ethics management systems	*Partial*: company reports on its ethics management and claims that one or more of the following exist: employee training, “whistleblowing” procedures/hotlines, compliance monitoring or regular review of the code. *Extensive*: company reports on ethics management and claims, that at least three of the following exist, and providing credible supporting material or examples: employee training, “whistleblowing” procedures/hotlines, compliance monitoring or regular review of the code.

22. Latin American and South African companies have recently done more to develop codes of ethical practice compared to Asian emerging market companies. Within Asia, there are nevertheless exceptions: for example, the Indian software company Wipro, publishes an "Integrity Manual" and a "Code

of Business Conduct and Ethics", which include detailed provisions covering bribery, gifts, facilitation payments, political donations and outline the systems used to manage compliance. But only 31.8% of the Russian companies analysed had any reference to a code of conduct and less than 10% could be regarded as having an 'extensive' code (see Chart 3.3).

Chart 3.3. Extent of published codes of business ethics



Source: See Chart 3.1.

23. An effective ethics policy needs appropriate management systems to ensure compliance. As Chart 3.4 indicates, substantial policies are not always matched by strong management systems.

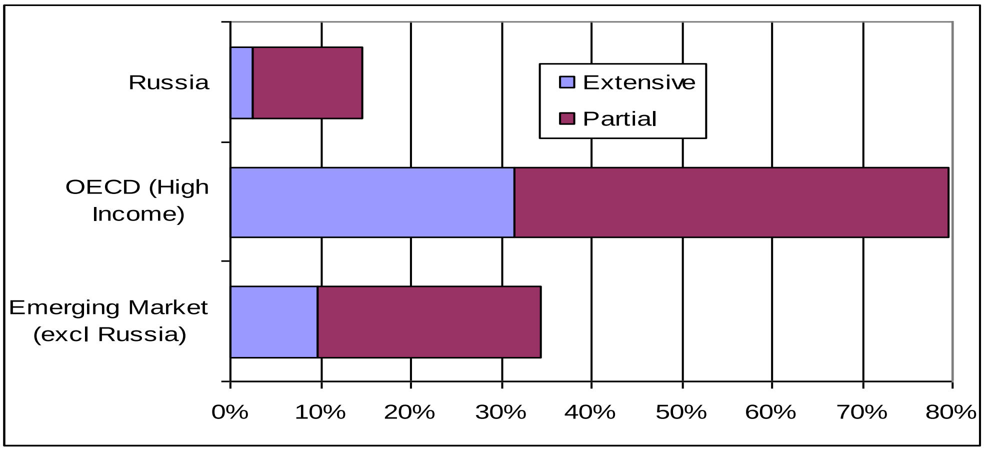
- When taking into account companies overall reporting on ethics management system, 79% of OECD companies could report something, but only 36% of emerging market companies could do so. In Russia, the proportion is less than 15%.

- Whilst almost 62% of OECD companies had *extensive ethics policies*, only 32% could be regarded as having *extensive ethics management systems*. The proportion is even smaller in emerging market companies and negligible in Russia.

24. It is perhaps not surprising that many emerging market companies avoid the issue of business ethics, as regulation rarely requires this. However, emerging market regulators and companies are increasingly aware that business ethics is often a reliable proxy both for good corporate governance and for a management accountable to shareholders. It also appears that foreign investors are prepared to pay a premium for emerging market companies with strong corporate governance systems. It can therefore be expected that there will be an increasing focus on business ethics as emerging market regulators further tighten up their corporate governance codes or look for ways to encourage companies to embed better governance within their structures.

25. When focussing on the oil & gas sector (one of the most vulnerable in relation to business ethics), the research showed policies and systems of substance in only 2 of the 11 emerging market companies and in only 1 of 11 of those in Russia. In short, emerging market companies perform considerably worse than their OECD counterparts in respect of ethics management, including in especially vulnerable sectors. Russian companies perform especially poorly.

Chart 3.4. Extent of ethics management systems



Source: See Chart 3.1.

Environment

26. About 53% of emerging market companies publish details of their environmental policies (51.2%) and environmental management systems (52.8%). This is not substantially lower than the average for high-income OECD countries of about 59%.[8] Russian companies appear to be significantly weaker on environmental matters than both high-income OECD countries and emerging market peers.

Box 3. Environmental policy and management

Environmental policy	A range of essential and desirable indicators are looked for, namely: *Essential indicators*: reference to key environmental issues facing the sector; allocated responsibility for the policy; commitments to using targets; to monitoring/audit; and to public reporting *Desirable indicators:* association with globally applicable standards (such as UNEP); commitment to involving stakeholders; addressing product or service impact; and to strategic moves towards sustainability.
Environment management (EMS)	ISO certification is looked for, or a meaningful equivalent covering; having a policy; impact identification; setting targets in all likely areas; documented structures and procedures; auditing; internal reporting and review. The proportion of the company covered by the system affects its rating.

27. Too few companies in each of the individual emerging markets were analysed to allow country-specific generalisations. But in those countries where a larger number of companies were assessed, a clear distinction emerges between China and Russia and other analysed countries (see Table 3.2).

8. The figures are not entirely comparable: this study and the 2005 OECD relied on public information sources, while the OECD data also benefits from information provided by companies in response to a survey. This may inflate the OECD figures slightly, especially in relation to environmental management systems.

Chart 3.5. Companies with any evidence of environmental policies/ EMS (in %)

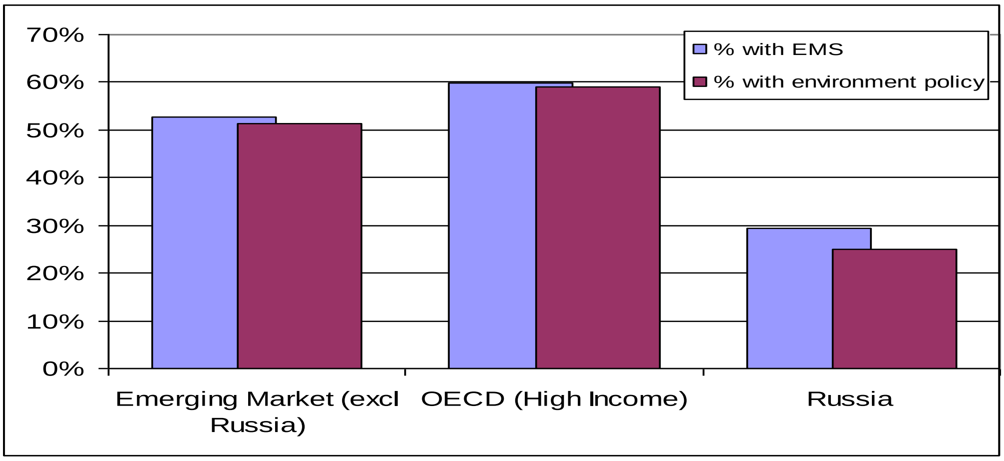


Table 3.2. Companies with environmental policies and EMS in larger emerging markets

Country	Number of companies assessed	Companies with published environmental policy (in %)	Companies with EMS (in %)
South Africa	16	87.5	68.8
Brazil	11	81.8	90.9
India	10	80.0	80.0
China	19	31.6	36.8
Russia	41	25.0	29.3

Note: 'Substantial' policies mean not less than all essential and 1 desirable indicator OR not less than 4 essential and 2 desirable indicators (see box above). 'Substantial' EMS means not less than a third of the company covered by ISO14001 certified systems (or an equivalent combination of key indicators).

28. It is also important to know what percentage of companies with a 'substantial' environmental impact, also have a 'substantial' policy and management system in place. In general, a majority of high impact companies do not have substantial policies and systems in place. Among the larger emerging markets, the situation appears more developed in India, Brazil and South Africa, but not in China or Russia. Only one of the 16 high-impact Chinese companies and 4 of the 30 high-impact Russian companies analysed had both a substantial environmental policy and a substantial environmental management (see Chart 3.6).

Chart 3.6. High impact companies with substantial policies/EMS in place

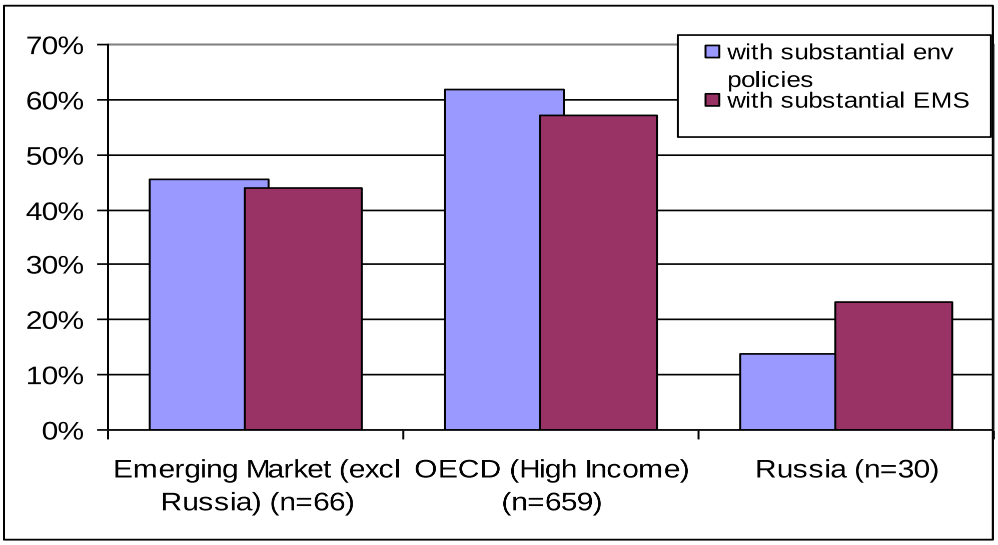


Table 3.3. High impact companies with "substantial" environmental policies and EMS (larger emerging markets)

	Total number of companies analysed	Number of high impact companies	High-impact and with "substantial" environmental policy	High-impact and with "substantial" EMS
Brazil	11	8	5	5
China	19	16	2	1
India	10	6	5	5
Russia	41	30	4	7
South Africa	16	7	6	5

Note: In Chart 3.6 and Table 3.3 "substantial" policies means not less than all essential and 1 desirable indicator OR not less than 4 essential and 2 desirable indicators (see Box 3 above). "Substantial EMS" means not less than a third of the company covered by ISO14001 certified systems (or an equivalent combination of key indicators).

Non-discrimination / Equal opportunity

29. Non-discrimination is widely accepted not only on grounds of equity, but also as a sound business practice, provided for in international conventions, codes and standards (such as ILO standards). There are significant cultural dimensions and companies are heavily influenced by the prevailing attitudes and laws in the countries within which they operate. Gender equality is the most globally relevant aspect of equal opportunities, but this concept embraces much more, including racial, age, disability and other forms of employment-related discrimination. A number of proxy indicators were looked for to distinguish companies which have published information which suggests they have policies and systems in place, either "extensive" or "partial" (see Box 4).

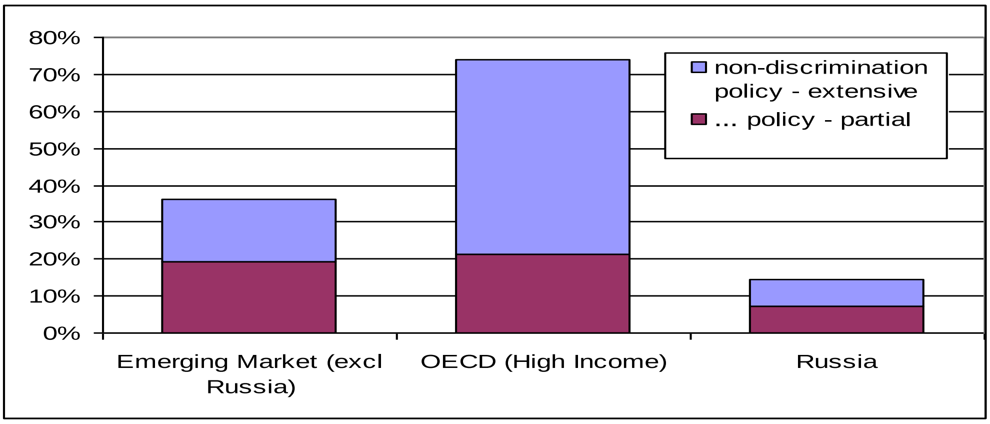
Box 4. Non-discrimination policy and systems	
Non-discrimination policy	*Partial*: a published policy which generally refers to equal opportunity, or which refers to non-discrimination on the grounds of gender and race. *Extensive*: a published policy which is more elaborated regarding equal opportunities, such as one going beyond race and gender and including aspects such as disability or age referred to in ILO standards, or a policy which explicitly covers company's global operations.
Non-discrimination systems	*Extensive:* a system which includes more than one of the following: o publishing some information on workforce composition (by gender or race etc) o indicating that over 10% of managers are women, or a significant percentage from ethnic minorities o publishing details of flexible or family-friendly working arrangements, such as childcare, flexitime, or family benefits beyond statutory requirements o a senior person or section within the company responsible for equal opportunities. *Partial:* any one of the first three elements listed above

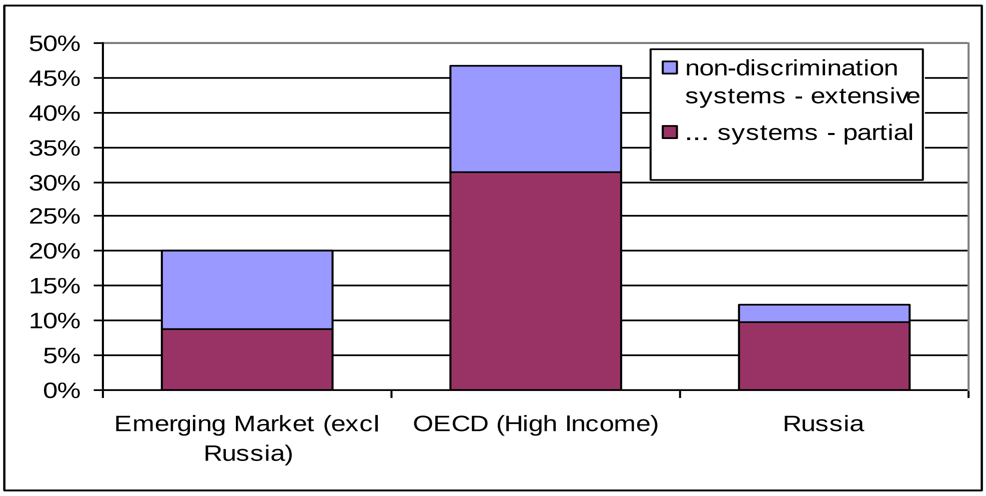
30. To a significant extent the emerging market figures are flattered by the South African companies which are, arguably, a special case. Following the ending of apartheid, legislation now exists in that country which goes beyond equal opportunities and encourages companies to take active steps to improve the representation of black people (and to some extent women too) in management, as well as in share ownership, and in the procurement process. This approach even forms part of the South Africa's corporate governance code.

31. According to the collected data, emerging market companies show relatively lower formal awareness of equal opportunity issues, though there are some regional differences: 40% of Latin American and 18.7% of Asian emerging market companies analysed had an equal opportunities policy, but mostly only a 'partial' one. Of the Russian companies analysed only 14.6% had a policy of any sort.

32. A far lower percentage of Asian emerging market (6.8%), Latin American (13.3%) and 12.2% of Russian companies show evidence of monitoring their employment demographics, as a proxy for the extent to which they have systems in place. This mainly involves publishing a breakdown of male and female employees.

Chart 3.7. Companies' policies / systems regarding non-discrimination (in per cent)

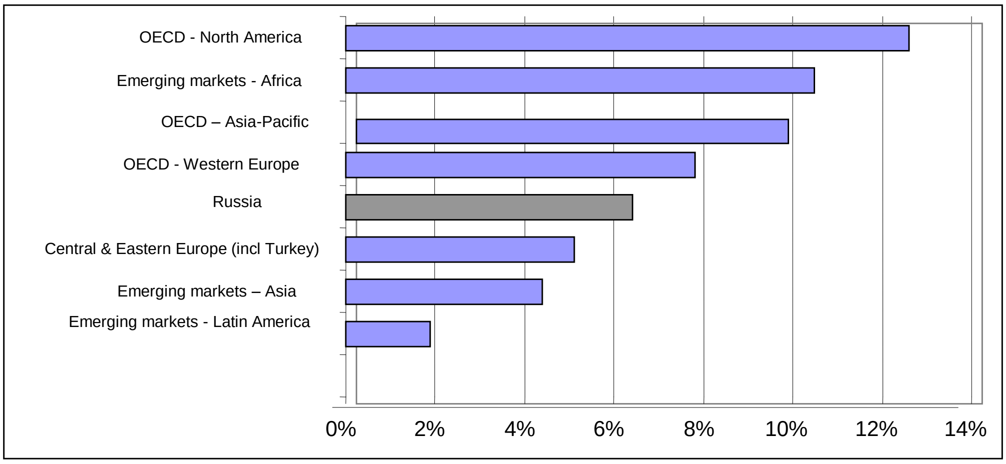




Women on company boards

33. Information on the percentage of women present in company boards, whether in executive or non-executive positions, also says much about attitudes towards discrimination. Available studies of developed markets indicate that Scandinavian countries, as well as the United States, have the highest percentages of women on the board, for instance over 21% in the case of Norway. The data from the emerging market companies show low levels of women's participation in the governance of companies in Latin America (1.9%) and Asian (4.4%) emerging markets. Russian companies are within the range of Western European countries, with levels similar to France and the United Kingdom.

Chart 3.8. Women on company boards (in per cent)

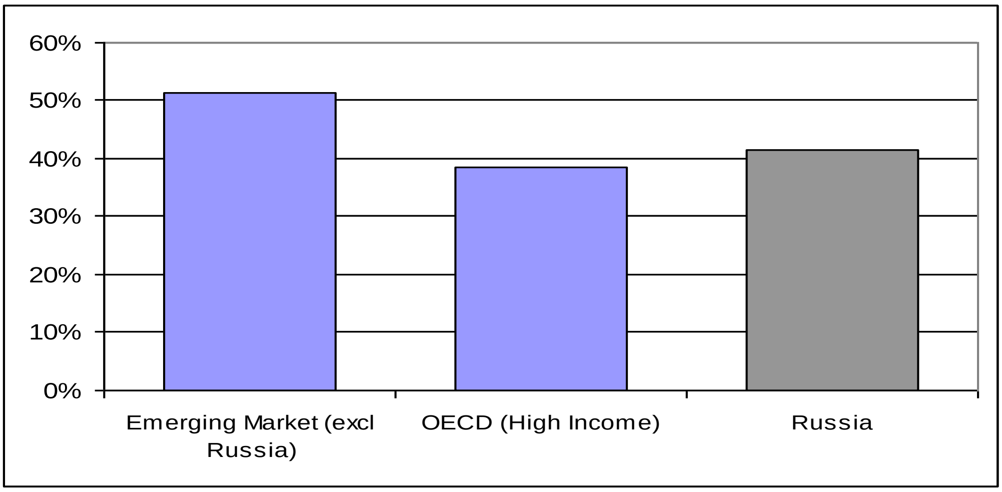


Training

34. Leading companies are likely to pay attention to the ongoing training of employees, with attraction and retention of skilled staff seen as essential to corporate success. As Chart 3.9 shows, emerging market companies were more likely to report on training (51%) than their high income OECD counterparts (39%). However, there are significant variations within regions. The 2005 OECD study found that "over 70% of companies from Latin America, Africa and Western Europe provide some public details (although not necessarily a great deal) of the employee training they provide, with Central and Eastern Europe not far behind (62.5%)". This is not to say that other firms do not conduct training, but merely that they do not report on it. It may be that high income OECD companies report on training to a lesser extent because in high-income countries training is seen as the responsibility of the state.

35. Overall, 41% of Russian companies report on training, similar to the OECD level but significantly lower than the emerging market companies overall or than companies in the remainder of Central and Eastern Europe.

Chart 3.9. Companies reporting on employee training (in per cent)



Occupational Health & Safety

36. A recent study by Hamalainen *et al* (2005) shows that all the key emerging markets have high fatality and accident rates in comparison to established market economies. This probably results from a combination of reasons: sectoral composition (with higher-risk sectors such as resources and construction being significant in emerging markets), weak enforcement of legislation, and low penalties/litigation for victims' families.

Box 5. Occupational Health & Safety (OHS)

Partial — At least one of the following is publicly reported by the company:

- senior responsibility assigned for OHS
- One or more significant H7S awards
- Details of H&S training
- Key OHS indicators (such as accident rates)

More extensive — Two or more of these are publicly reported.

Table 3.4. Industrial accidents – fatality and accident rates (selected countries)

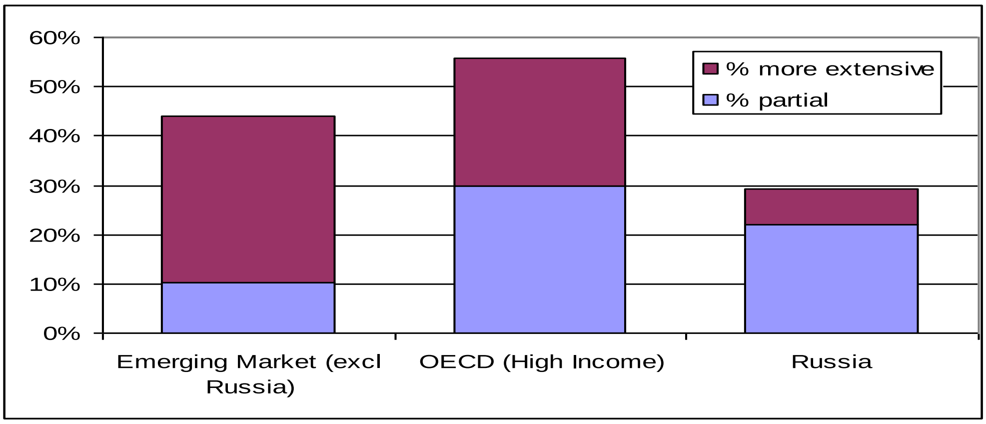
Country	Fatality rate (per 100,000 employees)	Accident rate (per 100,000 employees)
South Africa	29.0	22 140
Brazil	16.6	12 679
India	11.5	8 763
Russia	11.0	8 368
China	10.5	8 028
Established Market Economies (average)	4.2	3 240

Source: Hamalainen et al. 2005.

37. Russia lags behind emerging markets and high-income OECD when it comes to reporting on occupational health and safety (see Chart 3.10). Notwithstanding a high incidence of industrial accidents only 29% of Russian companies analysed provided any details on health and safety, and only three companies (7%) reported in a way that could be classified as "extensive". By contrast, in other emerging markets, although only a minority (44%) of companies reported, those that did were likely to provide more "extensive" details.

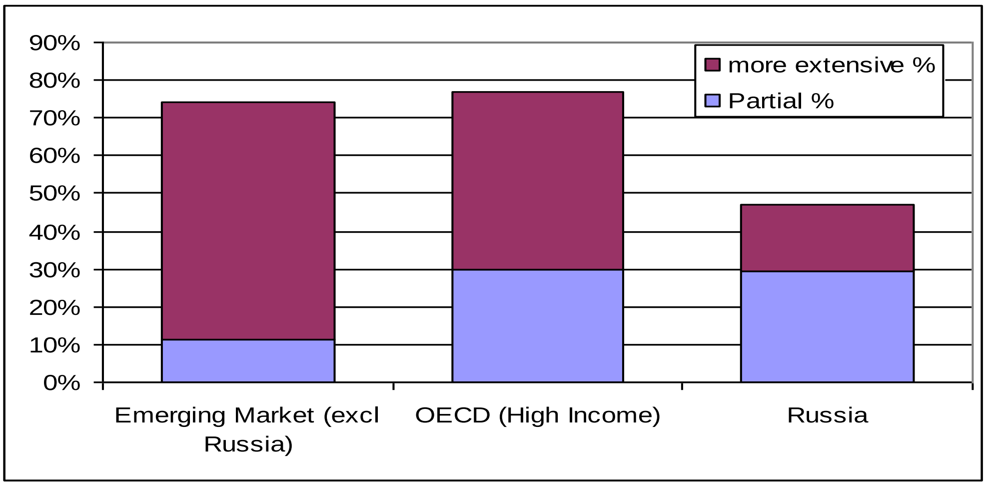
38. Some sectors are more exposed than others in relation health and safety. In the analysed emerging market companies, 35 firms (or 28%) are concerned in the following sectors, i.e. construction, forestry & paper, mining, oil & gas, and steel & other metals. Among these higher-risk companies, 11.4% provide 'partial' information, and almost two-thirds (62.9%) publicly report at the 'more extensive' level. However one-quarter (24.3%) do not mention the issue at all on their websites or in their annual reports. The most extreme situation is in China: six out of 7 Chinese companies in these sectors make no mention at all of health and safety, despite highly publicised problems in some of these sectors.

Chart 3.10. Companies reporting on health & safety (OHS) (in per cent)



39. However, as Chart 3.11 shows, the overall record of emerging market companies in respect of reporting on OHS is comparable (and arguably stronger) than that of high-income OECD companies in the same sectors. But Russian companies are significantly weaker in this regard.

Chart 3.11. Higher-risk companies reporting on health & safety (OHS) (in per cent)



4. Concluding remarks

40. Recent research showed that in overall there is not a vast difference in the approach to corporate responsibility between companies in high-income OECD countries and their emerging market peers. However, as documented in this study, Russian companies are a striking exception to this trend. Based on publicly available information on 41 leading companies on the dollar-denominated Russian Trading System (RTS), Russian companies appear to perform poorly on almost every indicator used. A few companies such as Lukoil and Rosneft, which published recently their first detailed sustainability report addressing the full spectrum of corporate responsibility issues, are still exceptions. Arguably these reports were developed under external pressures in view to satisfy the transparency requirements of external

investors. These pressures are likely to grow as an increasing number of Russian companies seek listings and business abroad.[9]

41. OECD co-operation with the Russian Federation can contributes to increased convergence of the country's public policies, including in the area of corporate responsibility practices, towards international standards such as those embodied in the OECD Declaration on International Investment and its Guidelines for Multinational Enterprises.

9 This trend has been confirmed by recent study of East-West Management Institute/USAID Partners for Financial Stability Program (2006), Survey of Reporting on Corporate Social responsibility by the Largest Listed Companies in 11 Central and Eastern European Countries – First-time Comparison with Peers in BRIC and Ukraine; Warsaw, September 2006. Available at: http://www.pfsprogram.org

APPENDIX

Table A.1. Number of companies analysed

Number of companies	*Country*	*Total*	Number of companies	*Country*	*Total*
OECD (High Income)	Australia	112	Emerging Markets	Argentina	3
	Austria	8		Brazil	11
	Belgium	16		Chile	5
	Canada	70		China	19
	Denmark	13		Colombia	2
	Finland	9		Czech Rep.	3
	France	59		Egypt	3
	Germany	49		Hungary	3
	Greece	12		India	10
	Ireland	8		Indonesia	3
	Italy	44		Malaysia	12
	Japan	441		Mexico	6
	Netherlands	21		Morocco	3
	New Zealand	22		Pakistan	3
	Norway	8		Peru	3
	Portugal	8		Philippines	3
	Spain	30		Poland	3
	Sweden	24		South Africa	16
	Switzerland	29		Thailand	9
	United Kingdom	138		Turkey	5
	USA	619			
OECD (High Income) Total		**1740**	**Emerging Market Total**		**125**

Russia Total	**41**

Grand Total	**1906**

OECD Western Europe	Companies from OECD-Western Europe, except from Iceland and Luxembourg
OECD Asia-Pacific	Companies from Australia, Japan, Korea and New Zealand
OECD North America	Companies from United States and Canada
Emerging markets – Africa	Companies from Egypt, Morocco and South Africa
Emerging markets – Asia	Companies from China, India, Indonesia, Malaysia, Pakistan, Philippines and Thailand
Emerging markets – Latin America	Companies from Argentina, Brazil, Chile, Colombia, Mexico and Peru
Central and Eastern European countries	Companies from the Czech Republic, Hungary, Poland and Turkey

Table A.2. Analysed companies by sector

Sectors	***Emerging Market (excl Russia)***	***OECD (High Income)***	***Russia***
Aerospace & Defence	1	19	2
Automobiles & Parts	1	46	2
Banks	22	161	1
Beverages	2	27	2
Chemicals	3	69	1
Construction & Building Materials	6	69	
Diversified Industrials	5	21	
Electricity	9	56	4
Electronic & Electrical Equipment		63	
Engineering & Machinery	1	52	
Food & Drug Retailers		27	1
Food Producers & Processors	2	51	1
Forestry & Paper	2	19	
General Retailers	2	77	
Health		60	
Household Goods & Textiles		49	
Information Technology Hardware	1	71	
Insurance	1	51	
Leisure & Hotels	1	41	
Life Assurance	2	25	
Media & Entertainment	3	88	
Mining	9	22	2
Oil & Gas	11	66	11
Personal Care & Household Products	1	20	
Pharmaceuticals & Biotechnology		69	
Real Estate		47	
Software & Computer Services	2	62	1
Speciality & Other Finance	3	80	
Steel & Other Metals	7	31	4
Support Services	1	56	
Telecommunication Services	19	42	8
Tobacco	2	9	
Transport	6	59	1
Utilities - Other		35	
Grand Total	**125**	**1740**	**41**

Table A.3. Companies with public corporate responsibility reporting

	No	*Yes*	*% Yes*
Africa (n=22)	2	20	90.9%
Latin America (n=30)	8	22	73.3%
Asia (emerging mkts) (n=59)	24	35	59.3%
Central & Eastern Europe (incl Turkey) (n=14)	7	7	50.0%
Russia (n=41)	24	17	41.5%

Table A.4. Extent of Corporate Social Investment (CSI)

	Extensive	*Nothing*	*Partial*	*No data*	*Total*
Emerging markets - Africa	18	3	1		22
Emerging markets - Latin America	18	3	9		30
OECD - Western Europe	202	90	184		476
Central & Eastern Europe (incl Turkey)	5	6	3		14
Emerging markets – Asia	22	28	9		59
OECD - North America	220	228	241		689
OECD – Asia-Pacific	141	224	208	2	575
Russia	3	25	13		41

Table A.5. Ethics codes / policy

	Extensive	*Partial*	*Nothing*	*No data*
Emerging Market (excl Russia)	32	56	37	0
OECD (High Income)	1072	463	204	1
Russia	4	9	28	0

Table A.6. Ethics management

	Extensive	*Partial*	*Nothing*	*No data*
Emerging Market (excl Russia)	12	31	82	0
OECD (High Income)	549	834	356	1
Russia	1	5	35	0

Table A.7. Environmental policy and management systems

	Number of companies	**Environmental policy**	**EMS**
Emerging Market (excl Russia)	125	64	66
OECD (High Income)	1740	1025	1041
Russia	41	10	12

Table A.8. Companies with highest environmental impact

	Number of high impact companies	*Substantial environmental policy*	*Substantial EMS*
Emerging Market (excl Russia)	66	30	29
OECD (High Income)	659	407	377
Russia	30	4	7

Table A.9 and A.10. Non-discorporate responsibility/discrimination/equal opportunity

EO policy	*Extensive*	*Partial*	*Nothing*	*No data*
Emerging Market (excl Russia)	21	24	80	0
OECD (High Income)	909	374	456	1
Russia	3	3	35	0

EO systems	*Extensive*	*Partial*	*Nothing*	*No data*
Emerging Market (excl Russia)	14	11	100	0
OECD (High Income)	270	544	924	2
Russia	1	4	36	0

Table A.11. Women on corporate boards (in per cent)

OECD – North America	12.6
Emerging markets – Africa	10.5
OECD – Asia-Pacific	9.9
OECD – Western Europe	7.8
Russia	6.4
Central & Eastern Europe (incl. Turkey)	5.1
Emerging markets – Asia	4.4
Emerging markets – Latin America	1.9

Table A.12. Companies disclosing training details

	Nothing	*Something*	*No data*
Emerging Market (excl Russia)	61	64	0
OECD (High Income)	1067	671	2
Russia	24	17	0

Table A.13. Occupational Health & Safety

	Nothing	*Partial*	*Extensive*	*No data*
Emerging Market (excl Russia)	70	13	42	0
OECD (High Income)	770	519	449	2
Russia	29	9	3	0

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