



OECD 22-5-2007 Helsinki

# Responsible business - Practical Experience

**Mr. Martin Granholm**

**Member, Executive Board, ICC**

**Chair, Board of Directors, VR Group Ltd**

**Former Senior Vice President, UPM-Kymmene**

**Russia's politics and economy**

**Role of Governments**

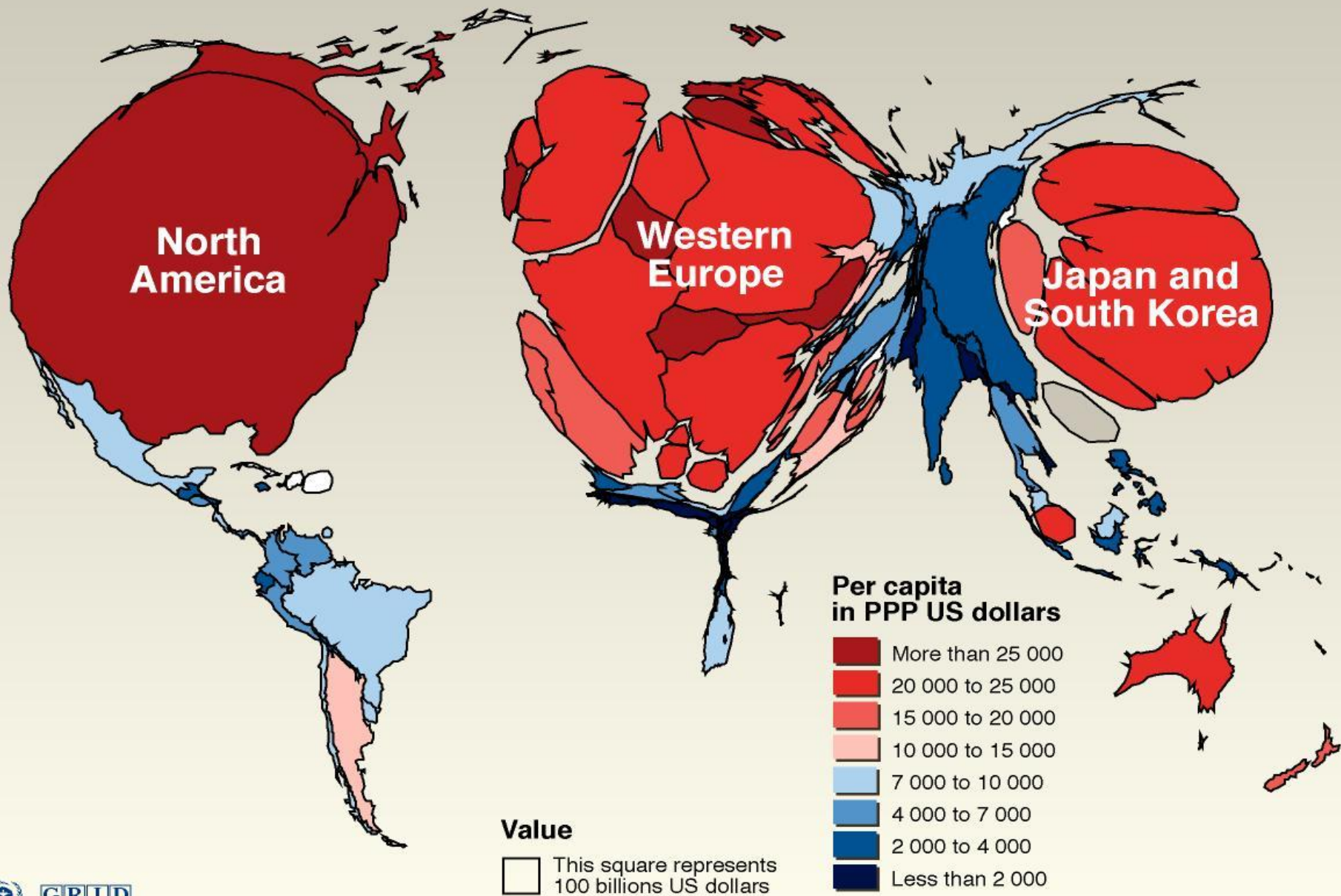
**Doing business with Russia**

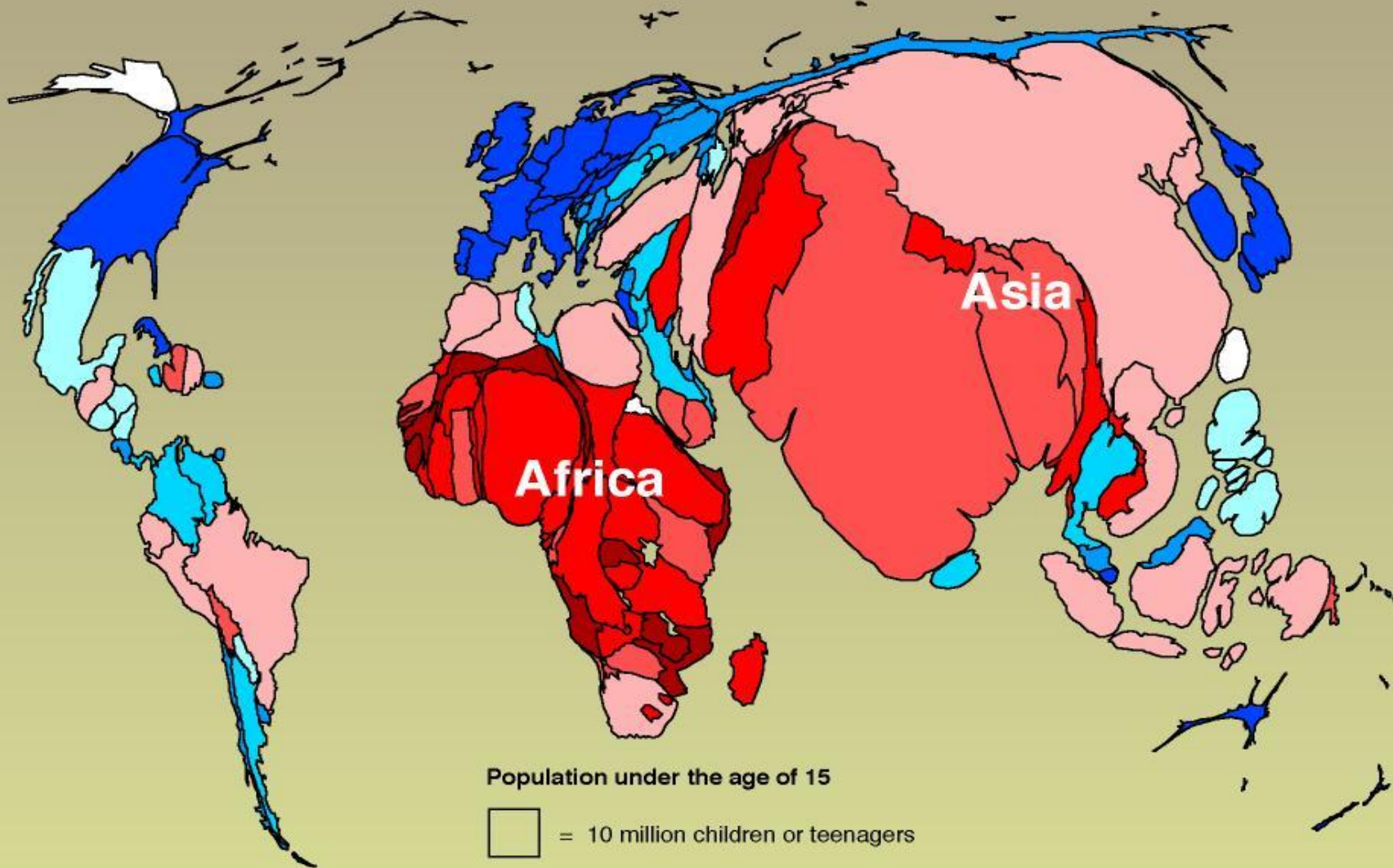
**Responsible business in practice**

**Corporate Governance**



# Gross Domestic Product









# Russia's politics and economy

## Introduction of Environment for Responsible Business

- ▶ **Growth of economy – energy, raw materials**
- ▶ **Towards investment driven policy**
- ▶ **Political stability – so far, so good ...**
  
- ▶ **North-West Russia Business Barometer 2007**
  - Over 1000 Russian business executives
  - President Putin's policy – improved business environment
  - Growth – Moscow, St. Petersburg and other regions
  - Improved environment for foreign investors
  
- ▶ **Political and economical stability - corporate responsibility**





# Integration of Russia into the Global Economy



- ▶ **Importance of integration of economy into global economy**
  - Towards investment driven economy
  - Improved conditions for foreign investors in Russia
  - Improved conditions for Russian investors abroad
- ▶ **Important next steps – WTO and OECD membership**
  - Pros and cons of membership
  - Selected strategic areas vs. free and fair competition
- ▶ **News worries among foreign investors**
  - Strong role of Government – protectionism vs. competition
  - Russia's commitment to become WTO – OECD member
  - Country and security risk – sensitive political issues
  - Russian business culture vs. modern market economy

*The Coca-Cola Company*

**VOLVO**

**Canon**

**DIAGEO**

**SONY**

**Pfizer**

**P&G**

**Bata**

**Kodak**



MONSANTO  
imagine



**NOKIA**  
Connecting People



**VIVENDI**  
**UNIVERSAL**





# How to support successful trade and responsible business

- ▶ **Sound economic, legal environment, clear policy orientations**
- ▶ **Transparent, predictable regulatory framework**
- ▶ **Effective enforcement and uniform implementation**
  - Primary responsibility of Russian Government,
  - Responsibility of regional and local authorities
  - Companies access to justice – fair treatment
- ▶ **Business-friendly climate for investors**
  - Level playing field
  - True adequate consultation with business
- ▶ **No gaps which companies have to fulfil with corporate responsibility and risk management**



# Doing responsible business with Russia – case Finland

- ▶ Finnish-Russian trade
  - Strong business interests
  - Cultural differences
  - Multinationals and SMEs - differences
  
- ▶ Business ethics of SMEs doing business in Russia
  - 3 aspects: Finnish culture, corporate policy, host environment
  - Problems: Money-laundering, smuggling, corruption, misuse of state officials' position
  - Challenges: corporate resources, capacity to handle problems
  - Reliance on personal relations integral part of Russian culture
  
- ▶ SMEs need formal and informal help and support





# Voluntary codes and responsible business

## Business to support sustainable development

### ▶ Voluntary Business Initiatives

- Survey on Corporate Culture in Finland 2006
  - 2/3 of Finnish companies comply with voluntary business codes
  - 85% ready to commit even more widely than today
  - OECD, Global Compact, ICC Business Charter etc.

### ▶ Codes useful for benchmarking – real behaviour counts

- Codes of conducts, compliance programs
- Voluntary action not enough if legal framework not supporting

### ▶ Case Russia – corruption, misuse of official position

- Voluntary initiatives- risk management tools
- Importance of Governmental action
- Government must fulfil OECD – UN anti-corruption obligations

### ▶ Responsible business – beyond low national requirements

### ▶ Business fulfilling gaps of national legal framework

### ▶ Corporate responsibility – short term solution

### ▶ Governmental measures – long term solution to fix problems





# Russian business Corporate governance

## ▶ Russian as foreign investors

- Under-represented in using ISO, UN, OECD, ILO etc. tools
- International business codes should be adopted
- Modern corporate governance and management needed
- State own companies – Government as shareholder

## ▶ Good corporate governance

- ✓ Enforce existing laws and support self-regulations
- ✓ Clear governance and booking procedures
- ✓ Business-friendly legislation
- ✓ Critical role of corporate executive board as supervisor
- ✓ Executives short and long term management

## ▶ Challenges of different time perspectives

