

M E M O R A N D U M

ON PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

Russian Managers Association Corporate Responsibility Committee



MOSCOW, 2006



**RUSSIAN
MANAGERS
ASSOCIATION**



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FOREWORD

a. Why managers state their position

We, members of the Russian Managers Association, representing the community of top managers of leading Russian and international companies, have come together to formulate, in this Memorandum, our understanding of principles of corporate social responsibility in Russia.

This document addresses corporate social responsibility (“CSR”) agenda currently evolving around the need for educated CSR professionals, common approaches to understanding the notion itself and efforts to integrate opinions of various stakeholders involved in the public dialogue. In the broader context of internationalizing business, CSR principles and standards practiced internationally are gaining wider acceptance, and it is plain to us that we cannot ignore trends dominating the increasingly globalizing business community.

Being CSR promoters and practitioners in our companies, we believe that the professional viewpoint of the top managers community formulated herein will as well clarify our role in public development as provide a useful source of information for all participants of the public dialogue. In our opinion, the new potential unveiled by CSR is developmentally vital for business and thus deserves all-round support, improvement and promotion in wider communities.

b. Targets, tasks and framework of the document

This Memorandum does not claim to be comprehensive. Instead, it is meant to set forth the professional viewpoint of the community of top managers members of the Russian Managers Association Corporate Responsibility Committee as regards the state-of-the-art corporate social responsibility and key CSR issues. It is also intended to recite CSR principles that we share.





Here we outline the basis of our professional judgment and views that appear generally acknowledged. This position is held common among the top managers who have become CSR professionals and practice CSR in their day-to-day activities. This document has been through multi-stage expert efforts by the Russian Managers Association Corporate Responsibility Committee in 2006. That said, we see our approach reflected herein as a dynamic one and subject to change over time in response to various internal and external factors.

The message of the Memorandum will be communicated to the general public. We believe that this document will encourage top managers not only to observe CSR principles in their business activities, but also to effectively commit to specific projects promoting professional CSR views in Russia.

c. List of international and Russian references

We are aware that globally, there is no single, exact and commonly held notion of corporate social responsibility. Furthermore, its essence is subject to constant changes. To account for that, this Memorandum references a number of international and Russian CSR promoters listed in Annex 1.





DEFINITION

We understand corporate social responsibility as follows:

Corporate social responsibility is a philosophy of conduct and a concept of doing business applied by the business community, companies and individual businessmen for sustainable development and preservation of resources for future generations, based on the following principles:

- Providing quality products and services to consumers;
- Creating decent jobs, investing in development of production and human resources;
- Strict compliance with laws, whether tax, labour, environmental or otherwise;
- Integrity and reciprocity in relationships with all stakeholders;
- Doing business efficiently to create economic value added and improve national competitiveness for the benefit of shareholders and the society;
- Integrating public expectations and generally accepted ethics into business practice;
- Contributing to the evolution of civil society through partnerships and social developmental projects.





BUSINESS AND PUBLIC DEVELOPMENT

We are convinced that sustainable development of business is closely linked to public welfare and sustainable development of the society. In the modern world, output is no longer the only public concern over business and the society has its expectations as to how business is run, i.e. how natural resources are consumed, how labour is employed, how business impacts local development and so on. Being essential for public welfare, business faces ever more requirements of the society, whether formal or not, as to doing business in a socially acceptable way.

Seeing that the business community engages substantial forces and resources, the top managers' approach towards general humanitarian development issues is critical for the society to evolve. The community of top managers acknowledges the importance of its resources and is up to responsible contribution to societal development. We believe the impact that businesses of any size and origin has locally, is essential for public development.

We do business in a market-driven way, with its pursuit of profit, utility maximization, rational choice, networking and ongoing development. Yet we are not irresponsive to the society that lets us do our business. That is why we seek to address the interests and expectations of all concerned stakeholders in our development strategies, and this is one of the ways our CSR shows itself.

We understand that neglect of the society's expectations is fraught with serious risks. Issues left unsolved are likely to cause extra costs and conflicts about the ways of settling them. The top managers' community commits to address social issues under the principles of equity and integrity.

The community of top managers feels certain that business has the overall humanitarian interests of the society as a higher priority than those of any specific group. That said, we trust public institutions to perform the duty of formulating proposals that would be of value for the society at large. We seek to integrate such consolidated stances into our daily activities following the principles of transparency and expanding the dialogue with a wider range of stakeholders.





In our daily activities, we pursue long-term objectives and sustainability correlated with our business development strategies.

We believe promotion of corporate social responsibility principles to result in better mutual understanding and trust within the society and also in clearer outline of common humanitarian values, and, in the bottom line, to facilitate well-balanced public development.

BUSINESS AND LAW

We assume that the society's requirements to doing business are in the first place stated in the national and international law.

Therefore the top managers' community commits to comply with the requirements and regulations of the international treaties, including internationally agreed norms of business conduct, as ratified by the country of business' residence. Our community supports and furthers wider acknowledgment of international norms and rules that promote civilized conduct of business worldwide.

We respect and unflinchingly observe Russian laws and respective national laws of countries of our residence. The community of top managers expects every entrant to the Russian market to exercise due respect towards national and international laws in effect in Russia.

CSR PRIORITIES

Having summarized Russian experience to date, the top managers' community has identified the following corporate social responsibility priorities:

- **Sound business practice:** developing business for the sake of the society's welfare; mitigating social costs of business expansion; improving labour efficiency locally;



- **Personnel development:** offering competitive compensation and benefits; investing in human capital;
- **Health and safety:** introducing and maintaining health and safety standards in addition to those required by laws;
- **Environmental management and resource saving:** implementing relevant programs to mitigate any adverse environmental impact;
- **Socially responsible restructuring:** doing business and restructuring in a way acceptable to the local community;
- **Supporting local communities:** assisting local communities to enhance their managerial and developmental efficiency;
- **Encouraging charity and voluntary work:** introducing an effective operating framework for charity projects, encouraging personal involvement, supporting voluntary work.

With that in mind, our community opts for flexibility in shaping and performing our social responsibility policies. We declare it our fundamental principle for social initiatives to prove relevant and compelling.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Currently, we see business community dialoguing with the following key stakeholders (the list is not exhaustive; it is composed of the most important stakeholders).

(1) **Shareholders and investors**, to the extent they are keen for the financial returns and expansion of their business, are also keen for their business to be sustainable and its non-financial risks managed and mitigated. We advocate shareholders and investors to be treated under the principles of straightforward and





constructive dialogue in line with corporate governance requirements, which guide business conduct, with companies ensuring proper information openness and transparency.

(2) **State and local authorities** are to express the society's consolidated standpoint in their current plans and development strategies. The top managers' community shares the common goals of the national social and economic policy and supports any economic, social or cultural developmental initiatives evolving wherever business plants are located.

(3) **Personnel and unions.** We endorse that employers must consistently comply with national legislation labour-wise and fully perform their obligations under any labour contracts, whether collective or individual. It is our assumption that employers work on making their relationships with employees mutually beneficial, respect and promote social partnerships built at their enterprises and within the society in general.

(4) **Business partners.** The community of top managers maintains that business partners are to be treated under the principles of transparency, equity and impartiality, all in compliance with the ethics of business conduct. We are working towards introduction of legal and generally recognized standards of business conduct to be observed by the entire business community. The community initiates and maintains ongoing exchange of information and knowledge between businesses of various scales. The top managers' community ensures consistent CSR policy locally, regionally, nationally and internationally.

(5) **Consumers.** We share the opinion that consumers are to be offered only quality products and services. To this end, we adopt modern production technologies and do our best for being conformant to international quality standards and responsive to the society's expectations when developing new products or services. We find it indispensable to comply with consumer protection laws without fail.

(6) **Non-government organisations.** We insist that business engage in relationships with non-government organisations under the principle of good will and with focus on the advantages reachable thereby.

The top managers' community works towards a reciprocally rewarding dialogue with all stakeholders, each voicing a reasonable and well-defined standpoint and



abiding by the principle of non-interference in respect of self-determination of each other.

It is our vision that all stakeholders must acknowledge their responsibility as well to business as to any other stakeholders. Furthermore, they are not to pin their own responsibility on business or substitute it by CSR. If so, the success of stakeholders' involvement is going to largely depend on the degree to which their own areas of interest and responsibility in respect of business and society are appropriately defined.

CSR COMMUNICATION STRATEGY

The community of top managers is particularly committed to setting up a dialogue for the sake of public development.

Seeing that different stakeholders may have considerably different or, in certain cases, even conflicting social requirements to business, we find it crucial to maintain dialogue with various stakeholders to converge the interests acceptable to all involved. The top managers' community keeps aligning its activities with such interests and expectations that do not conflict with those of any other party.

In the eyes of the top managers' community, the most efficient way to deal with the society is through civil society institutions represented by local authorities and NGOs that select and articulate those expectations of the society which are important and relevant for positive social development. Local authorities and NGOs are capable of communicating efficiently the interests, views and expectations of the local community to the business.

It is natural for us that business must operate at an appropriate level of informational openness and transparency. One of the ways for a company to inform the public of its corporate social responsibility practice is to release non-financial reports. We regard non-financial reports as a good example of voluntary public CSR communication and welcome every company committing to such reporting.





CSR CHALLENGES

The current stage of corporate social responsibility development challenges business community in the ways we identify below.

1. As seen by the top managers' community, corporate social responsibility needs to go on in a self-regulated mode led by professional business associations or, if forced under any extraneous standards or regulations, its practical development risks being hindered.
2. CSR should be clearly distinguished from charity, a point we insist on. Charity does not cover all CSR issues, but rather represents only one component of it. We advocate legal incentives for personal involvement in charity and also encourage voluntary engagement in it which is a way of showing leadership and improving reputation.
3. A CSR policy can only be considered good, from our perspective, if it provides a tool to augment investment attractiveness and capitalization of the business.
4. There is a case, upheld by the top managers' community, to amplify CSR interpretation from merely risk management considerations to discovery of new business opportunities.
5. The vast societal impact of business compels CSR-concerned companies, as seen across our community, to be ready for an open and goal-oriented dialogue with all stakeholders, without giving up their interests and with due regard to the feedback, thus revealing CSR as a dynamic system of relations.
6. True, those who declare and publicly demonstrate their corporate social responsibility are to be commanded for that. Yet, there is still much to be done in promoting and disseminating best CSR practices. It is therefore essential for CSR practice to be diverse and innovative, which we welcome, rather than confined to any single methodology.
7. Any claims of leadership in Russian business as we know it today cannot be legitimate unless there is a good long-term corporate social responsibility policy behind them.





FURTHER STEPS

Ambitious to further develop corporate social responsibility, we reaffirm our commitment to introduce, in conjunction with the stakeholders, and maintain systems for public recognition and encouragement of socially responsible voluntary activities of companies.

We mark it necessary to keep joining efforts with all companies concerned on the below counts:

1. Engaging top managers into exchanging front line CSR knowledge and experience;
2. Promoting non-financial reporting with an eye to the relevant international practice;
3. Defining managerial competences in corporate social responsibility, sponsoring CSR training programs.

Hopefully, this Memorandum will encourage a meaningful public discussion and help us advance in promoting positive corporate social responsibility practice in Russia.





ANNEX 1.

REFERENCE LIST OF RUSSIAN AND INTERNATIONAL CORPORATE SOCIAL RESPONSIBILITY STANDARDS AND INITIATIVES

Russian CSR initiatives and standards

Initiatives/Standards	Organisation
Corporate Responsibility Committee	Russian Managers Association
Corporate Social Responsibility Series in 2002-2006 (over 10 publications)	
Depository of Social Programs, Corporate Social Reports and Social Partnership Models	
Social Charter of Russian Business	Russian Union of Industrialists and Entrepreneurs (Employers)
Committee for Social Policy and National Projects	
«Public Recognition» National Award for Socially Responsible Business	Delovaya Rossiya (Business Russia)
Committee on Corporate Ethics and Social Responsibility of Business	Public Organisation for Small and Medium Enterprises «OPORA ROSSII»
Commission for Promoting Charity, Philanthropy and Volunteer Activity	Public Chamber of the Russian Federation

International CSR initiatives and standards

Initiatives/Standards	Organisation
Universal Declaration of Human Rights	United Nations (UN)
United Nations Environment Programme	
Core Conventions on Labour Standards (Conventions No. 29, 87, 98, 100, 105, 111, 138, 182)	International Labour Organisation (ILO)
Conventions No. 107 and 169 on Indigenous Peoples	
Declaration on Fundamental Principles and Rights at Work	

Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy	International Labour Organisation (ILO)
Guidelines on Occupational Safety and Health Management Systems	
Corporate Social Responsibility. An IOE Approach	International Organisation of Employers
The Role of Business within Society. Position Paper	
Green Paper on Promoting a European Framework for Corporate Social Responsibility	European Union (EU)
Eco-Management and Audit Scheme (EMAS)	
Ethical Conduct Resolutions	
European Convention on Human Rights	
Eco-Label Scheme	
Guidelines for Multinational Enterprises	Organisation for Economic Cooperation and Development (OECD)
Convention on Combating Bribery of Foreign Public Officials in International Business Transactions	
Business Charter for Sustainable Development	International Chamber of Commerce (ICC)
Business in Society; Making a Positive and Responsible Contribution	
Rules of Conduct to Combat Extortion and Bribery	
Principles for Business	CAUX Roundtable
Exploring Pathways to a Sustainable Enterprise: Sustainable Development Planner	Global Environmental Management Initiative (GEMI)
Sustainability Tool	
Designing a CSR Structure	Business For Social Responsibility
Consumer Charter for Global Business	Consumers International
Global Reporting Initiative (GRI) Sustainability Reporting Guidelines	Global Reporting Initiative
AccountAbility 1000 (standard series)	Institute of Social and Ethical AccountAbility
ISO 14000 Management System Standards	International Standards Organisation
Social Accountability 8000	Social Accountability International
The Business Principles for Countering Bribery	Social Accountability International and Transparency International
Sunshine Standards for Corporate Reporting to Stakeholders	The Stakeholder Alliance





ANNEX 2.

GLOSSARY

1. Corporate social responsibility is a philosophy of conduct and a concept of doing business applied by the business community, companies and individual businessmen for sustainable development and preservation of resources for future generations, based on the following principles:

- Providing quality products and services to consumers;
- Creating decent jobs, investing in development of production and human resources;
- Strict compliance with laws, whether tax, labour, environmental or otherwise;
- Integrity and reciprocity in relationships with all stakeholders;
- Doing business efficiently to create economic value added and improve national competitiveness for the benefit of shareholders and the society;
- Integrating public expectations and generally accepted ethics into business practice;
- Contributing to the evolution of civil society through partnerships and social developmental projects.

2. Social policy means priorities and principles for the development of social welfare, established by way of a tripartite agreement between the government, business, non-government organisations and trade associations.

3. Socially responsible company means a company performing in line with social responsibility principles and running a complex of social programs in its prioritized activities.

4. Corporate social responsibility mission means a company's official statement regarding its social policy.

5. Stakeholders mean, with respect to a company, individuals, entities or communities concerned, directly or indirectly, with its activities. Those may include owners, personnel, clients, suppliers and business partners as well as local communities, state authorities, non-government organisations, trade associations, activists, competitors and mass media.

6. Social programs mean, with respect to a company, its voluntary social, economic and environmental activity which is systemic, linked to its mission and business development strategy, and addresses demands of its stakeholders.

7. Focus of social programs:

- **Sound business practice:** developing business for the sake of the society's welfare; mitigating social costs of business expansion; improving labour efficiency locally;
- **Personnel development:** offering competitive compensation and benefits; investing in human capital;
- **Health and safety:** introducing and maintaining health and safety standards in addition to those required by laws;
- **Environmental management** and resource saving: implementing relevant programs to mitigate any adverse environmental impact;
- **Socially responsible restructuring:** doing business and restructuring in a way acceptable to the local community;
- **Supporting local communities:** assisting local communities to enhance their managerial and developmental efficiency;
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8. Corporate social programs' management means a continuous process in a company going through the following stages:

- a. Setting priorities for the company's social policy;
- b. Arranging a framework for social program management;
- c. Running social responsibility training programs;
- d. Performing the company's social programs;
- e. Evaluating results of the company's social programs and communicating them to the stakeholders.

9. Non-financial report (CSR report) means a public communication tool for informing shareholders, personnel, partners and the society in general on how, and how fast, the company reaches its goals regarding economic sustainability, public welfare and environmental stability stated in its mission or strategic development plans.





Russian Managers Association Committees

are expert and analytic discussion panels of the Russian Managers Association members who meet on a regular basis. The committees set the agendas on various topics and identify key issues that the Association members wish to address.

Each committee can avail itself of such tools as researches, ratings, or proceedings of the Association's public events. Committee members decide on the relevance of proposed projects, consultations or meetings with officials or experts on issues within the committee's scope.

The committees meet regularly and their agendas are pre-defined by the participants on their own. Such meetings are held in a discussion mode whereby every partaker can voice his/her views or make a speech on the matter considered.

Such operating mode facilitates analysis of, and finding an appropriate strategy for, the current situation in the area covered by a committee, with mechanisms of the Russian Managers Association at hand to this end.

Corporate Responsibility Committee



CHAIRPERSON

Olga Yu. Golodets

Deputy General Director for HR and Social Policy,
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WHAT IS CORPORATE RESPONSIBILITY COMMITTEE

The Committee is Russia's leading corporate responsibility expert panel. Its main objective is to shape the agenda of Russian CEOs, facilitate exchange of advanced experience and promote a consolidated corporate social responsibility stance of the business community.

PRIMARY TASKS

- Specifying the role business and government play in development of the civil society.
- Providing methodical support for CSR and non-financial reporting projects.
- Building a database of initiatives and projects requiring joint efforts of business, society and government.
- Improving the prestige of blue-collar occupations

2006 MAJOR PROJECTS

- Presentation of the National Report «Business and Social Development in Russia: Problems and Prospects».
- Presentation of social reports by Russian companies at the ILO/IEO (Geneva)
- Presentation of the Russian Managers Association's Memorandum on Principles of Corporate Social Responsibility.
- Preparing a report «Improving the Prestige of Blue-collar Occupations: a Key to Sustainable Development of Russian Economy».

**Please address any queries
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