

Piotr Mielechow, Grzegorz Piskalski



CSR AND POLISH BUSINESS ON FOREIGN MARKETS

Preliminary research report

December 2009

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CSR AND POLISH BUSINESS ON FOREIGN MARKETS

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Preface

Why did we conduct this project and what have we learned from it?

Corporate social responsibility (CSR) in Poland is not limited to the geographic borders of Poland. As we have shown in this paper, a certain number of Polish enterprises – including the largest ones – are engaged in operations on foreign markets, either directly or through their supply chain. This is a growing trend, and we think it should be carefully observed. One of the important factors stimulating the debate over CSR throughout the world was the revealing of the negative impact multinational enterprises may have on local communities, especially in developing countries. Examples of that can be found in this paper. On the other hand, global business is becoming engaged in solving global problems, for instance through partnerships with various UN agendas. We were curious to see what Polish business and some institutional stakeholders think of this.

Although the scale of Polish foreign direct investment is rather modest, it is nevertheless an important subject. First of all, it includes the largest, state-controlled enterprises, such as PKN Orlen, Lotos, PGNiG, KGHM, which represent probably the most risky, extractive industry. They also either already have experience or openly declare the seeking of investment opportunities in so-called weak governance zones. Poland also has the strong garment industry, with companies such as LPP or NG2, which based their business model on sourcing from Asia, which as we know can also be very controversial.

So far we know very little about their impacts on localities. These companies make no effort to inform us about it (or are even willing to talk about it), nor has anybody independently verified the working conditions or environmental impacts at their facilities or at those of their subcontractors. This can be either good or bad. It can be a reputational risk or a competitive advantage (all of the above mentioned companies are listed on the Warsaw Stock Exchange). As we learned, the notion of CSR among most of the Polish companies active abroad is rather embarrassing. Very few of them declare CSR policies in Poland, so it is no surprise that they lack the necessary experience to apply it abroad. It seems that in terms of CSR they remain behind some Hungarian leaders, such as MOL or OTP Bank. But so far what is most worrying is the lack of basic information about Polish outgoing investment.

We think it should be a duty of public administration to monitor the scale of Polish outgoing investment – the precise data is impossible to obtain, we had to rely on media information, and as we learned we do not differ much from some of the state officials interested in the subject. Lack of interest in the subject also stems from the fact that until recently we are used to thinking of investment in terms of bringing it to Poland – the more the better. That’s also how the Polish Information and Foreign Investment Agency (PAIIZ) directs its activities. This agency is very important because it is where the Polish OECD National Contact Point is located, which is in charge of promoting OECD Guidelines for Multinational Enterprises, beyond a doubt the most important document with regard to responsibility and investment. As we have learned, there is no awareness of the Guidelines among the investors, our interlocutors have neither heard about the Guidelines nor about the NCP, which is just another piece of evidence that NCP does not work as it should. If the NCP was unable to deal with complaints issued from Poland, we wonder how they would be able to handle a complaint arriving from abroad – which is a clue of the complaints procedure. It should also be of interest to the Ministry of Industry, which leads the CSR process on the administration side, which supervises PAIIZ and which is in charge of stimulating Polish business activities abroad.

We decided to include in this pilot study mostly “Polish companies”. By that we understand companies controlled by Polish capital, corporations having their decision centers based in Poland. The reason for this is that we concluded that here is where we can attempt gaining an access to information, meeting the people in charge, and also – as we are a Polish stakeholder – try to effectively change the situation.

There are several reasons for writing this paper in English. From the very beginning of the existence our Organization has greatly benefitted from the knowledge gained and freely distributed by numerous civil society organizations, notably our colleagues united in the European Coalition for Corporate Justice and OECD Watch. This time we, too, wanted to share our discoveries, especially because some NGOs cover topics (extractive or garment industries, OECD Guidelines) or geographic areas (China, India, South-Eastern Asia, Latin America) which correlate with the above mentioned enterprises’ potential directions of investment. We also think it is useful to make some capacity building within CEE countries in the area of CSR, which we have begun with this project. Finally, we wanted to share our knowledge on Polish enterprises and their attitudes towards CSR with their foreign stakeholders.

We would like to thank all the people who contributed to this project. First of all Friedrich Ebert Foundation – Warsaw Office, a sponsor of this project, which has for the past couple of years enabled us to work on some pioneer topics. As an organization we owe a lot to Clemens Rode and Krzysztof Getka. We thank Eduard Marcek (PANET, Slovakia), Laszlo Radacsi (Braun&Partners, Hungary) and Tim Steinweg (SOMO, Holland), who found time to come to Poland and share their expertise with us. We thank all the panelists of the expert seminar which took place in Warsaw in September 2009. We are grateful to all the business representatives who were willing to take part in our project (notably PNiG – a PGNiG Group enterprise, and PKO BP). Finally let me also express my appreciation for Piotr Mielechow, who drafted this material and devoted a lot of his time and energy to this project.

Grzegorz Piskalski, Foundation CentrumCSR.PL, Director (December 2009)

List of abbreviations

CEE	Central and Eastern Europe
CSR	Corporate social responsibility
EC	European Commission
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross domestic product
Global Compact	United Nations Global Compact
Green Paper	European Commission – Green Paper: Promoting a European Framework for Corporate Social Responsibility
ISO	International Organization for Standardization
MNEs, MNCs, TNCs	Multinational enterprises, multinational corporations, transnational corporations
NBP	National Bank of Poland
NCP	National Contact Point for the OECD Guidelines for Multinational Enterprises
NGOs	Non-Governmental Organizations
Non-profits	Non-profit organizations
OECD	Organization for Economic Co-operation and Development
OECD Guidelines	Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises
PAiiZ	Polish Information and Foreign Investment Agency
PR	Public relations
SMEs	Small and Medium Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WBCSD	World Business Council for Sustainable Development

Introduction

The idea of corporate social responsibility (CSR) developed in large as a part to dishonest and unethical activities of multinational enterprises (MNEs – multinationals) or transnational corporations (TNCs) on global markets. This was related to various unlawful activities by individual corporations concentrated mainly at gaining economic profit for these corporations, while bypassing social or environmental issues. With time a favourable climate appeared, also in the circles of business itself, to self-limit and self-control, as well as disclosing social sensitivity. Because corporations invested often in less developed countries, the problems of corporate social responsibility started to relate also relationships between “global” business and local communities in different parts of the world. It is worth mentioning that for the global companies almost every investment localised in other place than the headquarters of the company has the nature of a foreign investment, although one has to remember that the category of a “border” changes its meaning in the globalised world and in the result so does the notion of foreign trade or foreign investment.

Central and Eastern European states have been included in the stream of globalised capital after 1989. Until then foreign capital was divided into capital with capitalistic nature, coming from Western Europe or North America and capital coming from the so called “Eastern Bloc” countries. Investments from capitalist states were closely limited by the state’s policy and its socialistic ideology of “closing” or “opening” during given years, while the investments coming from socialist states had an ideological nature and were related to the Kremlin’s politics.

The year 1989 opened the borders to the flow of capital to Central and Eastern European states, as well as to investments from these countries to other areas of the world. Nowadays Central Europe’s capital increasingly engages on foreign markets (according to the data of National Bank of Poland (NBP) polish outward foreign direct investment (FDI) was 42 mln EUR in 1996, to reach 3.419 mln EUR in 2007).² The 2006 World Investment Report (UNCTAD) shows the rise of FDI made by developing countries (Poland and other CEE countries belong in this group).

² NBP (a), 2009; NBP, 2008.

John Dunning described a 5-stage theory of foreign investment. He claims that the outward and inward investment of a country is related to its economic development, which results in a holistic approach to FDI called investment development path, and has been described in Table 1.

Table 1: Investment development path

Stage 1	An under-developed economically state: incoming foreign direct investment (FDI) is low and there is very little outward FDI.
Stage 2	Country attracts inward FDI (mostly due to the low labor costs), but outward FDI is still low.
Stage 3	Inward FDI is strong (and still rising) while outward FDI is starting to take off as domestic companies develop their competitive advantages and gain economic potential.
Stage 4	Inward FDI is not rising as fast as in previous stages, while rate of growth of outward FDI is strong and outward FDI becomes of great significance in the country's economy.
Stage 5	Inward and outward FDI are well-balanced and investment is not based on comparative advantages of countries but on intra-industry trade.

Source: John Dunning and Rajneesh Narula "Foreign Direct Investment and Governments", London 1996.

CEE countries place themselves between stage 2 and stage 3 (with emphasis on the latter).³ Inward FDI to Poland is still much higher than outward FDI from Poland (respectively 22 bln USD and 5 bln USD in 2007)⁴; economic development of Poland measured by GDP per capita reaches 17.500 USD, while for comparison the United States of America's (a highly developed country) GDP per capita amounts to around 46.000 USD (other CEE countries are in this respect similar to Poland).⁵

Nevertheless, Polish and other CEE countries companies are getting stronger. That encourages them to re-invest their capital and engage in business activities

3 This is also an opinion by Michał Szymczuk – an analyst in the Forecasts and Analysis Department in the Ministry of Economy – expressed during an expert seminar organized within the Project.

4 NBP, 2008.

5 International Monetary Fund statistics for 2008, available at www.imf.org.

not only on the domestic market, but to seek development opportunities abroad. Examples of such companies are (i.e.) Polski Koncern Naftowy Orlen (PKN Orlen), PZU, Polskie Górnictwo Naftowe i Gazownictwo (PGNiG), OTP Bank, MOL, CEZ, Polska Kasa Oszczędności Bank Polski (PKO BP), NG2, LPP, Bioton and others (energy, garment, finance). The potential for growth is significant. For instance: Spain's (often compared to Poland) outward FDI in 2006 was around 100 bln USD.⁶

The result of opening the economies was not only the flow of capital, but also the flow of ideas. One of them was the model of managing enterprises in the market economy, another – the model of corporate social responsibility. The first was implemented at the beginning of the system transformation and related to the management of all types of business activity within the scale of micro enterprises, usually run by natural persons and in big enterprises having their history in socialist economy. Another idea, which appeared a bit later in Poland, was the concept of responsible business introduced to the dictionary of management and economy notions within the activities of transnational corporations (TNC/MNC) and European policy at the turn of the XX and XXI centuries. It has to be remembered that mainly TNCs and MNCs were in the global dimension the “carriers” of the idea of responsible business and the practices of responsible business in order to transfer it to the language of everyday behaviour in the localities in which they had invested.

Research on the social and environmental impact of Western multinationals on global markets is abundant. Whereas the publications and analysis regarding this issue related to Central and Eastern European (CEE) business are lacking. Our research partly answers this lack. The aim of the project was to analyze the existing model of CSR among Polish corporations and companies which located their capital in foreign markets.

6 UNCTAD Country Fact Sheets: Spain, 2009. http://www.unctad.org/sections/dite_dir/docs/wir09_fs_es_en.pdf.

Methodology

We analyzed if, and if so, to what extent CEE (mainly Polish) companies active on foreign markets, acknowledge the principles of corporate social responsibility and put them into effect. In the research we investigated several Polish and a few other CEE companies that not only engage in direct investment in other countries ("greenfield" investments, mergers and acquisitions). We were also interested in the companies which through their operations have an impact on foreign markets by other means (by outsourcing production or by buying significant amounts of product from other firms – the so-called supply chain).

We also acknowledged the importance of international rules and standards of corporate social responsibility, especially OECD Guidelines for Multinational Enterprises (MNEs) – a set of voluntary principles of CSR designed for MNEs. The Guidelines are one of the best tools helping to develop a CSR strategy with respect to foreign operations. In our opinion it is important that Polish business has the know-how to implement the Guidelines, and that should be promoted by the government (it is a requirement for the states adhering to the Guidelines).

Methodology of the research consisted of the following steps:

1. Identification of target group of Polish companies that were scrutinized on the basis of their stance towards CSR and human rights on foreign markets in which they operate. The target group was expanded by adding Czech CEZ and Hungarian OTP Bank and MOL;
2. Desktop research on selected companies (in terms of recognition and communication of CSR, knowledge of standards and recognition of human rights): websites, articles in the press, external research and analysis;
3. Interviews with companies representatives in charge of CSR (alternatively Public Relations), information gathered from the questionnaire which was sent to the companies;
4. Information gathered at the expert meeting organized as a part of the project:
 - 23 participants (NGOs, administrations, trade unions, academics, journalists, business representatives, also foreign).

The main aim of the paper is to present the existing model of Corporate Social Responsibility among Polish companies active in foreign markets.

It assumes that Polish companies are similar to other TNC/MNC in their activity and they should create a model of CSR in localities in which they invested.

This report does not claim nor intend to provide a definite and fully representative description of CSR of Polish companies engaged in other countries. The aim of this research is to provide a basic overview of the situation in this matter. Therefore, the principal requirement for this paper is to present meaningful results which will be met by describing the activities on foreign markets of the biggest Polish companies. Other than that, the firms were chosen at the discretion of the author, although the decisive factor will be the level of coverage on a given firm in the mass media, which to some extent indicates the importance of a company and its investment.

The paper consists of four parts: the first analyzes the model of CSR, the second presents the internal and external benefits of the CSR model, the third describes Polish foreign investment and the fourth analyzes the model of CSR in CEE countries' companies with respect to their foreign market operations.

1.

Corporate social responsibility

Due to the fact that some readers may not be necessarily familiar with the concept of CSR as such (we also got this feeling after talking to some of the companies included in our research), we found it useful to include a chapter which briefly describes the concept, and gives a background to further description of CSR in relevance to multinational activities.

1.1 What is corporate social responsibility?

The concept of Corporate Social Responsibility (CSR) is much narrower than ethics (dealing with general relations between men) and economic ethics (dealing with all the economic relations between people). It is focused on the relations of corporate entities with their surroundings – so-called stakeholders (local communities, the government, workers, consumers and others, as well as the natural environment). The most important issues with regard to CSR are climate change, poverty, social inequality and human rights protection.⁷ Academics, governments, the media and other stakeholders have long ago acknowledged the very strong ability of business to shape its surroundings, for better or worse (more on that in the next chapter) and have tried to promote certain behavior by corporations to ensure the achievement of certain goals. There are several dates, publications and events that are especially important to shaping the concept of CSR, though it is difficult to judge which of them has been more, and which less, important. To name a few:

- 1891 – Rerum Novarum Encyclical by Leo XIII (“On Capital and Labor”) which dealt with the rights of the working class, it promoted the right to collective bargaining, proper (but freely negotiated) wages;⁸

7 Gasiński, Piskalski, 2008.

8 Leo XIII, 1891.

- 1926 – The Fundamentals of Business Ethics by Everett Lord, by many considered the first book on business ethics;
- 1953 – The Social Responsibilities of a Businessman by Howard Bowen – considered the first book on CSR;
- 1976 – adoption of OECD Guidelines for Multinational Enterprises – a set of voluntary principles of conduct for corporations operating in or from adhering countries (now the number is 40). The Guidelines are an important matter for this paper and they will be discussed later;
- 1977 – issuing of the Sullivan Principles (Leon Sullivan was a member of the management at General Motors) which were aimed at diminishing racial discrimination in American companies operating in South Africa;⁹
- 1984 – Bhopal disaster (Union Carbide Corporation plant leakage of toxic gas resulting in the deaths of approx. 20.000 people) and its consequences;
- 1989 – Exxon Valdez oil spill which resulted in severe damage to the environment and local community, the following attitude of Exxon towards the disaster and litigation that are crucial for the understanding of the idea of CSR;
- 1995 – coordinated protest of German government and Greenpeace against Royal Dutch Shell plans of dumping contaminants in Brent Spar;
- 2000 – launch of United Nations Global Compact (Kofi Annan’s initiative) – a set of 10 voluntary rules that encourage business to respect and promote the idea of CSR, mostly with regard to human rights.¹⁰
- 2001 – publication of Green Paper of European Commission – defining CSR and providing guidelines for companies (voluntary) in implementing a successful and meaningful CSR strategy.

As an area of study in business management, CSR emerged possibly in the 1950s in the USA. In 1953 perhaps the earliest book on CSR – The Social Responsibilities of a Businessman by Howard Bowen (1953) – was published. Early proponents of CSR were also business leaders from oil and energy companies such as Frank Abrams from Exxon, who in an article in the Harvard Business Review called for managers to become “good citizens” (by contributing to the solution of social problems).¹¹ According to Banjeree (2007) until the 1990s in the debate over CSR prevailed the approach to describe the means by which corporations could meet social obligations and at the same time remain focused on the primary goal of profit maximization. In the 1990s there was a shift to an approach which

9 <http://muweb.marshall.edu/revleonsullivan/>.

10 The list is in part based on Bernatt (2009).

11 Banjeree, 2007, p. 5

attempted to incorporate social and environmental initiatives on the general strategic level of corporate activity.¹²

Today corporate social responsibility is an elaborate concept. Environmental disasters, scandals and the advancing of social science dealing with business ethics has resulted in developing and popularizing the idea CSR. Results from Edelman Goodpurpose study (2008) show for example that 87% of consumers feel it is their duty to contribute to a better society and environment, 83% of consumers are willing to change consumption habits in order to improve social and environmental conditions in the world.¹³

There are also various definitions of CSR. Those, which provide interesting insight into the matter are listed below:

- “The firm’s consideration of, and response to, issues beyond the narrow economic technical and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks.” (Davis, 1973: pp. 312);
- Encompassing the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.” (Carroll, 1979: pp. 500);
- “The continuing commitment by business to contribute to sustainable economic development while improving the quality of life of the workforce and their families as well as the community and society at large.” (World Business Council for Sustainable Development, 1998);¹⁴
- “Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. (...) This responsibility is expressed towards all the stakeholders affected by business and which in turn can influence its success.” (Green Paper of European Commission, 2001);¹⁵
- “The ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance.” (Johnson and Scholes, 2002: pp. 247);¹⁶
- “The essential characteristic of social responsibility is the willingness of an organization to incorporate social and environmental considerations in its decision-making and be accountable for the impacts of its decisions

12 Banjeree, 2007, p. 5.

13 *Edelman Goodpurpose*, 2008.

14 WBCSD, 1998.

15 European Commission, 2001.

16 Banjeree, 2007.

and activities on society and environment. This implies both transparent and ethical behavior that contributes to sustainable development, takes into account the interests of stakeholders, is in compliance with applicable law and consistent with international norms of behavior, and is integrated throughout the organization and practiced in its relationships.” (ISO 26000 Working Draft; please note that “corporate” or “business” is not mentioned in this definition as the ISO 26000 committee is trying to widen the concept CSR to become just SR and be applicable to all types of organizations).¹⁷

All the definitions share a common view that business should exceed certain minimum obligations required by law – an organization which abides by the law is not necessarily socially responsible – it is crucial that it does meet social expectations that are not codified by the law. Also, the definitions state that CSR is discretionary and is not forced upon business by legal sanctions. The older definitions do not portray CSR as a corporate strategy but perhaps more as set of activities and readiness to react to particular needs and events. The European Commission, WBCSD and ISO 26000 committee especially perceive the concept of CSR more as a general strategy, that could (and should) even impose itself on various occasions over the traditional profit maximization goal of a company. That is probably a predominant view of CSR today.

The model of social responsibility is not only the general idea in the theory of management or social sciences – it is nowadays often used by people in every-day living. With time the concept evolved and resulted in the building of concrete rules and norms. There are several standards (GRI, OECD Guidelines for MNE’s, SA 8000, AA1000, Global Compact, ISO 26000), multiple internal codes of conduct of many companies that implement CSR, national legislation on the issue (i.e. Denmark, where reporting on issues related to CSR is obligatory for the largest firms), socially responsible stock market indexes (FTSE4Good, FTSE KLD400 Social Index, Nasdaq OMX CRD Global Sustainability 50, Dow Jones SI, and even the newly-developed RESPECT Index at the Warsaw Stock Exchange).

We can conclude that a company is socially responsible when apart from fulfilling its basic task of profit making it:

- abides by the law,
- its activities are transparent,

¹⁷ ISO 26000, 2009, p. 7.

- it communicates with stakeholders (and is willing to take into account their suggestions),
- it is accountable for its actions and it promotes positive social and environmental solutions.

It has to be emphasized that implementation of CSR strategies is voluntary for companies. Even in the case of obligatory reporting on social and environmental impacts of the company in the case of Denmark or Sweden, a corporation is not obliged to have positive impacts, it just has to inform about them. Nevertheless, business is often willing (at least “on paper”) to engage in CSR – that is one of the main reasons for the popularity and rise in significance of CSR. So why do many companies support socially responsible behavior, which often creates additional costs (higher wages, lost profits in unethical and irresponsible businesses, higher compensations, spending on various environmental and social solutions)?

Milton Friedman’s view that social responsibility is “preaching pure and unadulterated socialism” and that a manager’s “primary responsibility is to individuals who own the corporations” for whom he has to secure profits, is a subject for a separate discussion, but even if we assume that Friedman is right, there still is place for CSR.¹⁸ Apart from the fact that many managers and shareholders can in fact have positive attitudes towards their company being responsible, because they feel certain moral and ethic obligations, business engages in CSR because it can be beneficial for the business itself in terms of revenues, profits, stability, brand value, etc. Scientific knowledge in this regard has not been unequivocal so far. However, the balance seems to be shifting towards the positive linkage between CSR and strictly economic performance of companies.¹⁹

18 Friedman, 1970.

19 The link between CSR and financial performance has been tested extensively in literature of the subject so far. The evidence seems to point to a positive relation between social responsibility and financial performance of a company. Among others: it has been proved by RiskMetrics Group that in the period 2007-2008 Global Compact participant companies have outperformed major stock market index; a comprehensive study from 2007 “Demystifying Responsible Investment Performance” (also incorporating previous academic research) by the United Nations Environment Programme and Mercer has reported that of 20 previous studies on the subject, 10 have proved positive linkage between CSR and profits, 7 have shown neutral results and 3 demonstrated negative relation; Webley, More (2003) demonstrated (on the sample of 350 British) companies) that firms which simply had a commitment to do business ethically outperformed financially (18% higher profit/turnover ratio) other firms; Frooman (1997) demonstrated that irresponsible behaviour had significant negative impact on shareholder wealth; Blowfield, Murray (2008) provide more ambiguous conclusions. For a good review of the literature see Orlitzky, Schmidt, Rynes (2003) and Margolis, Elfenbein, Walsh (2007).

One can understand that this can be evidence for a possible parting of CSR from ethics, which was introduced earlier in this paper. However, this does not mean that economically induced CSR is unethical – it is just not induced by moral obligations or duty. Perhaps it can be perceived as closer to an utilitarian concept. Nevertheless, the economic rationale behind CSR can be a problem regarding the activity of business with respect to social responsibility. Two main issues in this context are the public relations (PR) activities of a company and emphasis on philanthropy instead of other, more important, CSR dimensions.

Public Relations (PR) today is often perceived, especially in the context of CSR, as its substitute, especially when there is little CSR to be communicated to the public.²⁰ PR's objective is to create a certain perception of the company – one that may not reflect reality. It may be cheaper than “real CSR”, and allows the achievement of up to 2/3 of the goals that managers state as significant and achievable through CSR (revenues, profits, PR, external pressure, brand value, workers, other markets), according to the Economist Intelligence Unit Report. An example of such PR in environmental matters is known as “green-washing”, defined by CorpWatch as “the phenomenon of socially and environmentally destructive corporations attempting to preserve and expand their markets by posing as friends of the environment and leaders in the struggle to eradicate poverty” (more on “green-washing” at www.greenpeace.org; www.greenwashingindex.com; www.corpwatch.org).²¹ In other matters it perhaps can be named “social-washing”. Both the former and the latter mean rather impudent campaigns praising a given corporation's record in CSR that comprises of claims having no confirmation in reality, awards from organizations with no reputation and even fabricated data.

A sound CSR policy differs from mere PR in four key aspects:

- CSR presents long-term commitment and strategy, while PR is based more on events and actions;
- There should be a person in charge within a company with high authority and support from management, while a PR oriented company will often rely on a PR department or an external PR agency;

²⁰ *Edelman Goodpurpose* 2009 study shows for example that 71% of consumers think that companies spend too much money on advertising and marketing activities.

²¹ CorpWatch, 2001.

- In PR the ratio between the cost of publicizing a campaign and actual benefits is wrong, it often leads to a situation where beneficiary is just a supplement to the event;
- CSR is related to the ways in which a company makes profit, while PR rather shows a company's spending.²²

Another problematic issue related to CSR is philanthropy, which is closely related to PR, because it allows companies to communicate positive aspects of their behavior. However, philanthropy, as can be seen in Figure 1, is usually considered "highly desired and prized but actually less important than other categories of social responsibility, in a sense, philanthropy is icing on the cake"²³. The four categories of CSR that are in harmony with the predominant scientific understanding of the concept were proposed by Archie Carroll in the form of the CSR Pyramid.²⁴

Figure 1: The Pyramid of CSR



The pyramid shows four levels of responsibilities taken into account by a company with a proper CSR approach. First and foremost are the two basic principles: economic and legal responsibilities – it is a business's goal to make profit and abide by law, otherwise it is very likely to collapse. Another important issue is ethics – business is expected to do what is right, fair and with minimum harm to stakeholders. The final 'step' in the pyramid is philanthropy. CSR consists also of philanthropic contributions, but it is by no means limited to them. Unfortunately, many would argue that for some corporations philanthropy is a sufficient ingredient of CSR. This is due to lack of knowledge and competence with regard

²² Gasiński, Piskalski, 2008.

²³ Carroll, 1991.

²⁴ Carroll, 1991.

to social responsibility or, in some cases, it can be a part of the corporate strategy to cover a deficiency of responsibility in the three other categories of CSR by spending on philanthropic and PR activities.

Consumers in Poland “may be at an early stage of understanding the meaning of ‘corporate social responsibility’ as currently used, particularly in the rest of EU.”²⁵ In the World Bank research Polish consumers were asked about three main characteristics of a socially responsible company, relations at work were mentioned by 47%, providing jobs by 42%, payment for overtime work – 42%, while for instance using environmentally friendly technologies were mentioned only by 10% of the respondents and providing information about problems that may be associated with the use of a product – only 1%.²⁶ This shows that in Poland it is most of all expected from a company to provide satisfactory working conditions, and actual opportunities to work in the first place. When asked about the main factors for choosing a product: 39% stated that it is the company (or product) brand, while 12% opted for knowledge about environmental impact and only 1% wanted to know about manufacturers social responsibility (3% were interested in approach to workers).²⁷ On the basis of the abovementioned data we can conclude that the idea of corporate social responsibility in Poland is still a new concept and it is not entirely understood, publicized and implemented mostly by business.

To sum up, this chapter very shortly reflects on the state of the art regarding CSR as a theoretical concept. The model of social responsibility has been developed through history, business environment created standards of CSR and started to make them as official rules among companies. On the other hand these rules became popular among companies when they defined themselves as socially responsible corporations.

1.2 OECD Guidelines for Multinational Enterprises

As mentioned earlier, transnational and supranational corporations are to a large extent “dictators” of the ideas related to the social responsibility of business in the environment of economy and politics. Taking into account various types of practices implemented by TNCs and MNCs in the investment countries,

25 World Bank, 2005.

26 *ibid.*

27 *ibid.*

not always in accordance with ethical behaviour, or having an eye only on economic profit, while depriving local communities – the investment countries – of rights or customary ways, the model of social responsibility of business began to be institutionalised in the form of instruments or standards. Some of them were presented in the previous chapter, while in the current chapter OECD Guidelines for Multinational Enterprises constructed by the international community concentrated around the Organization for Economic Cooperation and Development will be presented.

Developed in 1976 (revised in 2000), today one of the best recognized international standards of CSR, “the Guidelines constitute a set of voluntary recommendations to multinational enterprises in all the major areas of business ethics.”²⁸ The key word is probably “voluntary” – companies are not in any way bound by the Guidelines, which are just a set rules and principles that a firm should abide by if it intends to show commitment to the idea of CSR and ethical business. The Guidelines are of high importance for this research, because they place emphasis on recognition of CSR rules and principles with respect to foreign market operations. As John Ruggie reports: “Finally, the OECD Guidelines are currently the most widely applicable set of government-endorsed standards related to corporate responsibility and human rights. Most recently updated in 2000, their current human rights provisions not only lack specificity, but in key respects have fallen behind the voluntary standards of many companies and business organizations.”²⁹

The Guidelines are set out in 10 chapters focusing on specific aspects of the economic operations of MNCs: Concepts and Principles – information on the scope of the Guidelines, obligations on the part of governments; General Policies – a set of general principles that companies should apply in their operations, in all countries; Disclosure – rules on information provision by the firms; Employment and Industrial Relations – a chapter dealing mostly with companies desirable stance towards workers; Environment – provision of adequate information and reduction of detrimental effects on the environment; Combating Bribery; Consumer Interests – companies should abide by legal standards for consumer health and safety, provide necessary and adequate information on products; Science and Technology – companies should help in the development of local communities and states by transferring technology and knowledge; Competition

28 www.oecd.org/about/0,3347,en_2649_34889_1_1_1_1_1,00.html.

29 Ruggie 2008, p. 26.

– firms should refrain from restraining competition; Taxation – requirement to abide by the law in a given country, which, in the opinion of the authors of this research, is not a strong condition, because large companies can force tax exemptions.³⁰

Also from the OECD website: “Adhering governments (all 30 OECD countries plus eleven non-member countries (Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Peru, Romania and Slovenia) have committed to promote them among multinational enterprises operating in or from their territories.”³¹ The adhering states are bound by inter-governmental agreement to promote the OECD Guidelines among firms operating in and from their countries. They are also bound to respond to complaints arising from alleged violations of the Guidelines, also in other countries. Therefore, a company is not obliged to abide by the Guidelines, but the government of an adhering country has to promote the Guidelines (building capacity, providing necessary information, translation, updates, etc.) and if the company is in conflict with the Guidelines and the complaint has been issued (by a third party), the government has to respond (investigating a case, issuing statements, and in case of a proven breach of the Guidelines – encouraging the company to adjust its tactics).

The crucial factor in sound implementation of the OECD Guidelines are the National Contact Points (NCPs) – entities within each country responsible for the promotion of the Guidelines and evaluation of complaints. NCPs are based within a relevant government department; some are separate structures consisting of government officials, trade unions and sometimes NGOs. NCPs are the ones responsible for how the system of OECD Guidelines for MNEs functions and up to date opinions on their work have been mostly negative. The previously mentioned report by Ruggie states that NCPs “have too often failed to meet this potential (to promote the Guidelines).”³² The OECD Watch³³, in a 2008 report, offered a similar opinion and so has the Trade Unions Advisory Committee to the OECD (TUAC).³⁴

30 For further information see OECD, 2008.

31 Ibid.

32 Ruggie, 2008, p. 26.

33 OECD Watch is a network of civil society organizations working to promote corporate accountability. One of the main goals of the network is to test the effectiveness of the OECD Guidelines for MNEs.

34 TUAC, 2001; OECD Watch, 2008.

Why do the NCPs not perform well in promoting the OECD Guidelines? According to the abovementioned reports, there are several reasons for this. First, the NCPs are dependent on the governments, because they most often are placed within departments of it. John Ruggie stated that “this raises questions about the conflict of interest.”³⁵ OECD Watch’s general perception is that this has led to narrow implementation of the Guidelines, unequal treatment of the parties – an overall better treatment of business in NCPs (this is not hard to imagine for instance when a case involves an investigating NCP and a company in supposed breach of the Guidelines from one country and the complainant from another country). A second reason for the low performance of NCPs is the lack of an effective oversight mechanism. NCPs are not required to report to parliaments, an ombudsman nor any other stakeholders. Ruggie stated that generally NCPs as a non-judicial mechanism do not meet the basic requirements of being: legitimate (clear, transparent and independent of any parties interfering with the fair conducting of investigations); accessible (publicized and providing assistance to those facing barriers to access it); predictable (clear and known procedures with a distinct time-frame and clear possible outcomes); equitable (all aggrieved parties must be treated fairly and equally in the process); rights-compatible (ensuring that the outcomes are compatible with internationally recognized human rights); transparent.³⁶

Furthermore, according to the OECD Watch report, NCPs fail to implement a clear promotion and communication strategy with regard to the OECD Guidelines. One result of this may be a very low level of awareness and understanding of the Guidelines among the companies, let alone purposeful implementation of its contents (of course firms still might and do respect general principles of CSR on their own accord or adhere to other standards of CSR).

To sum up, OECD Guidelines are one of the most popular and best known standards in the field of CSR. They are also institutionalized in many countries and implemented by different types of institutions.

35 Ruggie, 2008, p. 26.

36 Ibid.

2.

Economic rationale behind CSR

As was pointed out in the previous chapter, CSR can be a strategy leading to improvement in traditional economic aspects of businesses. Benefits from CSR are usually divided into internal and external. It has to be emphasized that research into these matters is generally in the early stage and it is not conclusive. Nevertheless, it is possible that in the nearest future the causal link between CSR and profit maximization will be much more extensively proved and CSR will no longer represent only a “concern that needs to be addressed.”³⁷

2.1 Internal benefits

Every organisation consists of a specified team of people and processes happening within it, such as management, communication or leadership, and it functions in the external environment, in an atmosphere of competitiveness, as well as cooperation with others. It assumes that the corporate social responsibility model results in internal and external benefits which are valid on global markets. Scientific literature emphasizes that companies, through a CSR model, could improve their operations and profit making and become components of sustainable indices in the same way they do on domestic markets.

Most importantly, internal benefits are comprised of aspects that relate to the improvement of cost-efficiency and competitive advantages most likely to be seen in the long term, such as better human resource management (and relations with employees) and learning and innovation (resulting especially in better management of resources).

Human resources management is about relations with employees. Since provision of safe, ‘friendly’ working conditions and fair, responsible treatment

³⁷ Midttun, 2009, p. 65.

of the workforce is a pivotal part of CSR, a socially responsible company will more easily attract workers and successfully keep them in the long-term (less spending on recruitment). Employees will also have more commitment to carry out assignments and pursue the company's goals. Previous studies have shown that CSR is likely to induce a competitive advantage stemming from attracting and keeping a quality workforce.³⁸

Learning and innovation is another potential source of comparative advantage stemming from the implementation of a CSR strategy in a company. A business striving to be socially responsible will spend time and resources on 'social' and environmental solutions. This is usually perceived as a cost problem resulting from legal and social expectations or purely an opportunity to build a positive image for a company.³⁹ However, CSR oriented activities (and the actual efforts to implement them) can lead to diffusion of innovation through, among other things, better management, better flow of information, better access to capital, less formal management, better communication with stakeholders and consumers allowing for improved responsiveness to their needs, cost efficiency (especially with respect to environmental issues, since companies are pressed to use less resources and produce less waste), innovations in other areas of corporate activity, often not related with initial social and environmental objectives. Although research on business innovation is still only developing, there are studies that support a positive link between CSR and innovation: MacGregor and Fontrodona (2008), Hockerts and Morsing (2008), Dyllick (1999), Assongu (2007). The most interesting is the first of the abovementioned works in which the authors, through a 15-month study of 60 SMEs (Small and Medium Enterprises) in Europe, proposed a hypothesis that CSR and innovation form a virtuous circle in which one element reinforces the other.

The benefits mentioned above concerned the company as an organization and the processes existing inside it. On the other hand, it could be stated that there are financial benefits to the model of CSR in the company. With regard to Polish SMEs there is interesting research conducted by the Institute for Private Enterprise and Democracy (2007) which evaluated the economic benefits from applying CSR principles in Polish companies. The research consisted of an econometric analysis and comparison of two groups of firms: 150 identified as CSR oriented and 150 'other' (GUS). Selected indicators for CSR and 'other' firms amounted to

38 Greening, Turban, 2000; Brammer, Millington, Rayton, 2005.

39 Dyllick, 1999.

respectively: revenues from sales per worker – 368.5 PLN and 443.7 PLN; profit per worker – 29.3 PLN and 24 PLN; profit per durable property – 92.4% and 24.3%; investment per worker – 22.100 PLN and 21.500 PLN; durable property per worker – 138.900 PLN and 156.500 PLN; financial liquidity – 2.13% and 1.16%; monthly wage per worker – 2.834 PLN and 2.276 PLN; VAT tax (turnover) per worker – 16.500 PLN and 14.400 PLN.⁴⁰

The results of the research were the following: CSR companies had higher financial liquidity, which means that they could meet current obligations with more ease. They are much more efficient at using human capital (profit per worker) and durable property, which can also lead to an observation that they are more innovative. On the negative side, CSR firms turned out to be less productive in terms of revenue (per worker). As a conclusion to this research I can evoke a fragment of it: “enterprises employing the principles of CSR represent a different business model than the enterprises from the ‘GUS’ group. It is based on making the most of human capital, not capital goods, which is the case in the traditional model. All measurements related to human capital were shaped more advantageously in the ‘CSR’ group than ‘GUS’ group. Enterprises from the ‘CSR’ group have therefore a different philosophy of administering and achieving profits.”⁴¹

2.2 External benefits

The external benefits of CSR strategies are mostly related to the reputations of businesses. CSR can help to improve a reputation or, on the other hand, to bring it down. Every aspect of corporate activity with regard to social and environmental issues is of high importance – stakeholders (especially consumers and workers) are interested in it. Nevertheless, the history of the development of the idea of CSR shows that reputational risks related to foreign operations are significant. In fact, a poll conducted by Fortune magazine with 500 global companies, demonstrated that 36% of them chose not to invest on some foreign markets for fear of the risk of being linked to human rights abuse and 19% had to disinvest at some point due to being linked to human rights abuse.⁴²

40 Bąk, Bednarz, Kulawczuk, Rataj, Szcześniak, Zajęc, 2007.

41 Bąk, Bednarz, Kulawczuk, Rataj, Szcześniak, Zajęc, 2007, pp. 3.

42 Prandi, Lozano, 2009.

The common perception is that companies generally hurt themselves by causing various scandals resulting from unethical behavior. However, CSR policies are very often a source of a firm's competitive advantage stemming from high reputation and positive differentiation in comparison to other, less socially and environmentally aware companies. There are multiple CSR "rankings" in many countries (in Poland it is "CSR 24/7", Good Company ranking) which allow the interested parties to gain basic knowledge about potential CSR leaders. Also, CSR is nowadays a source of more formal and quantifiable gains resulting from the popularization of CSR related stock exchange indexes. According to the World Federation of Exchanges Exchanges and Sustainable Development report (2009) the number of sustainability indices offered around the world at the main stock exchanges rose from 1 in 1999 to almost 50 in 2009.⁴³

In developing countries the legal systems are often much softer in terms of dealing with corporate misbehavior and law infringements. In addition, large multinational enterprises exert a certain degree of power over the states in the Global South – because of the fact that their revenues are much more significant in comparison with some of these nations GDP (often they are much higher) and their potential investments could be of high importance for developing countries economies. Therefore they can bargain for preferential treatment.

Multinational corporations from the Global North operating in such environments are often accused of taking advantage of the situation and doing business with negative impact on local communities, workers, consumers, the governments, and other stakeholders. That is one of the main origins of the idea of CSR – certain groups of activists, academics, the media and the public in the developed countries started to make an effort on holding multinational enterprises accountable for their activities on other markets. There are numerous cases of companies that were subject to notorious scandals because of their immoral and unlawful conduct. Often these scandals had a hugely detrimental impact on the company's business and financial performance. Some of the cases are listed below:

- Catastrophe at Union Carbide in Bhopal and the Exxon Valdez incident;
- Unocal: in the early 90's it was discovered that the company had been using and exploiting forced labor in its units in Burma. The activities of Unocal were subject to much international criticism, after litigation the company was ordered to pay high compensation to the victims;

43 Siddy, 2009.

- Merck: in the early 2000's it was shown that Merck's drug VIOXX was highly dangerous and responsible for health problems, even the deaths of many customers. This resulted in international scandal and citations coming from all over the world. American victims received over 5 bln USD in compensation;
- Royal Dutch Shell: the corporation was linked to several controversies – among others involving investments in Nigeria, Russia (Sahalin) and the company's plans with regard to dumping toxic waste in Brent Spar, which was previously mentioned. These issues resulted in highly publicized scandals, resistance against Shell's activities that was comprised not only of NGOs but also the German government. Shell's reputation suffered a great deal as a result of these proceedings (also, high compensations were paid to the victims);
- GAP: in 2003 the company was (along with 21 other firms) involved in litigation by sweat-shop workers in Saipan. A multi-million dollar settlement was reached. How important this was, has been affirmed by the following actions of GAP, which include involvement in "Joint Initiative on Corporate Accountability and Workers Rights", independent assessments of GAP factories by SAI and promotion of SA 8000 standard in GAP's supply chain;
- Nike: in the early 90's a big scandal erupted when it became known that Nike's suppliers in Cambodia and Pakistan were using child labor.
- Coca-Cola: there have been reports of severe discrimination (including murders) of trade union members at Coca-Cola bottling plants in Colombia and Guatemala.

These are just few examples of controversies involving large multinational enterprises, which are very frequent. What effect on companies do these sorts of scandals have? Sometimes business is able to avoid severe consequences for socially and environmentally irresponsible behavior and sometimes not. The most "effective" in shaping firms social and environmental actions are the economic consequences. It can be argued that penal sanctions against particular managers and employees have much less detrimental effect on a firm, because it can replace a certain person and continue with a given activity (assuming that the company knew about the unlawful behavior of the previous individual) or not secure its organization properly against similar infringements in the future.

In the abovementioned instances the consequences (apart from the ones described before) for the companies were the following: Union Carbide ceased to exist in the aftermath of the Bhopal disaster as a result of insolvency (due to compensation payments); Merck, according to various sources, narrowly

avoided bankruptcy;⁴⁴ Nike in the effect of a consumer boycott in the year following the discovery of child labor recorded a 50% drop in profits.⁴⁵ As to the other corporations, it is not clear what the scale of economic difficulties resulting from their irresponsible behavior was. Nevertheless, it should be clear that business always tries to avoid negative publicity, because it can lead to lower sales (reluctance of consumers to buy products that were produced in an unethical manner or by an unethical company), stock prices declining (the market will much more willingly “bet” on an irresponsible company’s shares to lose value), legal sanctions leading to economic losses (compensations, higher taxes, concessions or even exclusion from particular markets).

Another important issue concerning external benefits is investing of Multinational and Transnational Corporations in the poorest developing countries called weak governance zones (or “failed states”) in Africa, Asia and South America. Aside from being extremely underdeveloped (the generally accepted definition of extreme poverty – disposable income per capita below 1 USD per day) weak governance zones share two important characteristics: first, the rule of law is weak and does not ensure the safety of human rights and economic transactions; and secondly inhabitants of these states usually are under constant duress from abusive government or various military and para-military forces fighting for power, natural resources, etc. weak governance zones are heavily inclined to attack surrounding countries and severely abuse human rights (including atrocities such as genocide) on ethnic grounds. This usually happens at a very low financial cost from the perspective of developed countries. The GDP of weak governance zones states is insignificant compared not only to nations in the Global North, but also to multinational enterprises (not only the largest ones).⁴⁶ Human casualties on the other hand are very often severe. For a comprehensive account of ongoing conflicts, especially in weak governance zones see the International Crisis Group website (www.crisisgroup.org/home/).

It is in these circumstances that multinational enterprises enter the markets of weak governance zones. What inclines them towards investing in such unpredictable and difficult conditions? Mostly it is the resources, which are actually perceived as a “curse” of weak governance zones, because it motivates

44 Barrett, 2004, Cramer, 2005.

45 Stefanicki, 2009.

46 One can compare GDPs of weak governance zones with revenues of corporations using i.e. *Fortune Global 2000* or *Forbes Global 500* lists.

and finances conflicts.⁴⁷ Large number of companies, especially in the energy and oil sector, do not have much choice – they have to invest where the resources are. Of course, other factors such as low labor costs also come into play. One way or the other, it is unfortunate that some of the corporations knowingly contribute to the exploitation of inhabitants of weak governance zones (controversies involving i.e. Unocal, GAP, Shell, Del Monte, Texaco).

Perhaps most importantly the simple fact of making an investment in fragile states is in itself a risk of worsening the situation in a given country.⁴⁸ A corporation by going to for instance Sudan or the Congo, consciously or not, finances and legitimizes a regime (through taxes, concessions or even bribes) or contributes to the prolonging of a conflict by financing its sides. Therefore, a company that truly incorporates the principles of CSR in its economic decision should seriously consider not doing business in weak governance zones.

The distinction between responsible and irresponsible firms in these situations may be difficult to make. As a result, campaigns with the goal of mitigating the abuse of human rights in the weak governance zones often criticize all the companies investing there and try to persuade the public and the governments to put pressure on business to completely withdraw from those markets. All companies lose the same, regardless of whether they were conducting business responsibly and ethically or not. Examples of such initiatives are i.e. Burma Campaign (www.burmacampaign.org.uk) which famously addressed all British corporations “if there is a crackdown and the regime opens fire, you have paid for bullets”⁴⁹ or Sudan Divestment Task Force (its website is currently not operating). The Sudan divestment campaign was to a certain extent successful – governments also took action (in US several states adopted a law prohibiting the acquisition of shares of companies investing in Sudan) and various companies did in fact withdraw from Sudan (Siemens, Bauer AG, Rolls Royce).

International community created special type of institutions, called “watch-dogs”, usually non-profit organizations, which are monitoring activity of corporations in such conditions. They observe corporate behavior worldwide and publicize any misbehavior on their part. The examples of such organizations

47 i.e. UNEP, 2009.

48 This point was strongly advocated by Tim Steinweg (SOMO) in the expert seminar organized within the project.

49 Judd, 2007.

(some of them take the approach focused on governments abuse of human rights, however the activities of business are being observed and criticized also) are SOMO (<http://somo.nl>), Corporate Accountability International (www.stopcorporateabuse.org), Corp-Ethics (www.corp-ethics.com), Human Rights Watch (www.hrw.org), CorpWatch (www.corpwatch.org), Clean Clothes Campaign (www.cleanclothes.org), GreenPeace (www.greenpeace.org) or Corporate Watch (www.corporatewatch.org). There also are special initiatives that are devoted to raising awareness about single corporation unlawful or immoral conduct such as: Chevron Toxic Campaign (<http://chevrontoxico.com>), which goal is to monitor, uncover and publicize Chevron company's irresponsible behavior (related mostly to toxic waste disposal) that supposedly has a severely damaging impact on local communities in Ecuador; Killer Coke campaign (www.killercoke.org) that deals with discrimination of trade union members in bottling plants of Coca-Cola in South America or India Resource Center (www.indiaresource.org) covering alleged unethical conduct of Coca-Cola in India. The abovementioned organizations and initiatives (and many more that exist) publicize misbehavior on part of companies, provide advocacy for stakeholders, promote the idea of corporate responsibility and accountability among the public. They put much effort into monitoring activities of multinational enterprises operations in developing countries.

The information in this chapter so far has dealt with the lack of CSR policies on the parts of businesses operating on global markets without a distinction with respect to particular sectors. To sum up, every corporation operating on global markets is acting with numerous suppliers, employing thousands of people and faces a risk of being exposed to violations of law and human rights abuse. Implementing a CSR strategy, in the best scenario based on recognized international standards, helps to mitigate such risks.

What can be said about the risk stemming from operating on international markets under poor CSR policies with respect to certain sectors of the economy? I will reflect on three sectors which are most important when Polish foreign investment is taken into account: energy, oil and mining industries, the garment industry and financial sector. It has to be emphasized that what was said in this chapter holds for all companies – there are certain risks common for business operating on global markets. However, certain more specific things can be said about the investments of companies belonging to different industries. One has to bear in mind that the descriptions of risk given below are made with the assumption that companies are willing and able to do business in an ethical and responsible manner but under a low level of CSR principles and standards recognition.

Energy, oil and mining sector. The highest risks stemming from operating globally for corporations from this sector can be observed in the weak governance zones, already described in this chapter. Energy and mining companies willing to invest usually have to buy concessions for the use of certain minefields, resources. In weak governance zones this money is often translated into military power for the regime (or some informal groups) and severely abuse human rights. Even if a company employs good practices, CSR standards, and tries to positively impact the surrounding community, it can be criticized by human rights NGOs in various campaigns such as Sudan Divestment Task Force or Burma Campaign.

Also, in weak governance zones the rule of law is almost non-existent. Apart from that, formal regulations are usually soft on issues concerning working conditions, consumer rights, trade unions or the handling of toxic waste. When one adds the commonness of bribery, it should be easy to understand that managers responsible for operations in such an environment can behave irresponsibly and put the whole company at risk (of course, an order to carry out certain activities can also be traced back to corporation headquarters).

Garment industry. The most common characteristic of the global production of clothes is that today, due to low labor costs, it is predominantly carried out in the developing countries in South-East Asia (Vietnam, Cambodia, Thailand, Bangladesh), China and India. The risk that every Western corporation faces when it decides to relocate its production to the abovementioned countries stems from working with multiple independent producers, which can be in fact sweat-shops paying their workers minimal wages, exceeding reasonable working hours (and not paying for overtime), violating rules regarding safety at the workplace, using child labor and even forced labor. A company trying to mitigate the risk of selling a product that was made in such circumstances and being caught up in a publicized scandal (i.e. GAP, Reebok, Nike) will employ in its strategy standards of CSR (introducing SA 8000 may be a good example) and good practices as best as possible dealing with working conditions. More importantly, the company will try to monitor its supply chain and enforce its own standards on the suppliers. The abovementioned issues should be considered very seriously by the Polish garment industry, especially as the Polish division of Clean Clothes Campaign will start working in the beginning of 2010.

Financial and insurance companies. One can argue that every company behaving irresponsibly may face reputational risks and this is the most important factor behind falling sales, market value, etc. However, it is possible to make

a point that reputation is for financial institutions the most valuable asset. No bank or insurance company will attract customers if they suspect that it handles the funds in an irresponsible manner. These institutions rely on the opinion that the market has of them. The most important risks result from knowledge (or even the suspicion) of irresponsible financial operations and lack of appropriate safeguards (reserves) in place slipping out to the public.

Financial holdings, performing various duties and complex financial operations, using multiple instruments, have an advantage over companies from other sectors because information asymmetry between them and the clients is not diminishing as it probably is with respect to the energy industry companies or garment sector. It is easier to monitor and to comprehend the “on-site” operations of the latter, while the complexity of global financial transactions is such that even experienced analysts often can not determine whether a given company behaves responsibly and has strong foundations (this became apparent in the case of the U.S. subprime mortgage crisis of 2007 and 2008). However, when the particular information finally becomes known to the public, it is then difficult for a given company to control the situation.

Another good example here is perhaps Enron – not a financial but an energy company. Importantly, however, its strategy in the 90’s incorporated highly complicated financial and accounting operations. Prior to its bankruptcy in 2001 Enron captured public imagination, its stock prices were rising every year and it was receiving awards such as Fortune’s “Most admirable company”. At the same time business was recording losses. This was covered up by several very aggressive and questionable accounting practices including: mark-to-market (company estimated present value of future transactions and used it as current profits, which is), setting up a complex network of partnerships and daughter companies to eventually hide economic losses of Enron and ensuring reckless auditing standards on part of Arthur Andersen (Enron scandal was also the reason of Arthur Andersen downfall).

Banks and financial institutions hold also indirect responsibility for their investment decisions, which implies the growth of socially responsible (or ethical, sustainable) investing. Worldwide, the number of investment funds which allow both corporate and individual customers to allocate their wealth in sustainable business is rising. Currently, there are over 300 sustainable investment funds available through financial institutions in Europe (i.e. Allianz RCM Global EcoTrends, DB Platinum Croci Carbon Alpha TR, Deka-UmweltInvest, DnB Nord Renewable Energy, ING (L) Invest Sustainable Growth, Pioneer

Ethik Fonds and many more).⁵⁰ These specialized funds (supported by rating agencies) buy shares in companies that fulfill conditions related to CSR and sustainability. A good set of such regulations is provided by PRI – Principles for Responsible Investment, developed under umbrella of UNEP Finance Initiative.⁵¹ The examples of other initiatives in that domain can be Eurosif (www.eurosif.org), or an initiative representing civil society movement – Investors Against Genocide (www.investorsagainstgenocide.net), which is campaigns for prevention of unethical investment by financial institutions in conflict zones.

50 www.sustainable-investment.org/.

51 www.unpri.org.

3.

Polish foreign investment

As mentioned before, from 1989 one can talk about foreign investment unrelated to the socialist ideology. It is worth, however, paying attention to Michael Stropfer's concept regarding the "latecomer" syndrome, which is an enterprise trying to enter world markets in the already existing economic configuration. This means that for individual companies from the countries of Central and Eastern Europe it was harder to enter global markets already "taken" by the TNC/MNC operating on them. Subjects related to the investment of Polish capital abroad will also be presented.

3.1 Host countries

Polish business is beginning to operate in foreign countries on an ever-increasing scale. As we have written before, the best proxy for measurement of this process is foreign direct investment (FDI). Still, one has to bear in mind that besides FDI, there are other ways through which Polish companies engage on foreign markets: trade, setting up branch offices, supply chains, indirect investment.

Having said that, it should be acknowledged that Polish FDI (and remaining Visegrad Group countries) is still of low significance on a global scale. In 2006, worldwide FDI amounted to around 1.200 bln USD.⁵² Whereas Polish FDI came to around 7.052 bln USD. For Hungary the number was around 3 bln USD, for the Czech Republic ~ 1.5 bln USD, for the Slovak Republic ~ 600 mln USD.⁵³ It has to be emphasized, however, that these economies are much smaller than Poland, which can be shown by the GDP – 608 bln USD, 156 bln USD,

⁵² UNCTAD, 2007.

⁵³ Data source: appropriate national banks websites (statistics → balance of payment sections): www.nbs.sk, www.mnb.hu, www.cnb.cz; when necessary, values converted to US Dollars using historical data from Oanda currency website: www.oanda.com.

217 bln USD, 95 bln USD respectively).⁵⁴ In 2007 the disproportion was even bigger as worldwide FDI amounted to a record 1.980 bln USD, whereas Polish FDI was around 3.1 bln USD.⁵⁵ Nevertheless, as was said in the first chapter, the author of this research believes that there is significant trend for CEE countries capital to increase the scale of its economic activity abroad and in fact, the room for this improvement is large. Moreover, according to UNCTAD (United Nations Conference on Trade and Development) data, Polish FDI in 2006 was already higher than transactions on foreign markets made by some of the “old” European Union member states, such as Greece, Portugal and Austria.⁵⁶

Top markets for the expansion of Polish companies are European states, such as Germany, Luxembourg, Great Britain, the Netherlands, the Czech Republic, Slovakia, Hungary, Lithuania nad Latvia. Outside the EU: Switzerland, Russia and the Ukraine. As statistical data shows, in 2006 over 95% of Polish foreign investment was made in European states.⁵⁷ Nevertheless, Polish capital is also present and exploring opportunities in other, remote countries – i.e.: the USA, China, India, Bangladesh, Pakistan, Uganda, the Democratic Republic of Congo and many more.

In this paper we concentrate only on large investments and other types of market operations. Some of the economic activity contained in the abovementioned data can hardly be considered FDI in the classic understanding, such as mergers and acquisitions of foreign companies (of substantial size) or “greenfield” investments (of substantial size). In the case of Luxembourg, Switzerland, the Netherlands and Great Britain, according to research carried out by the Polish Ministry of the Economy, there was not much evidence of economic activity other than strictly financial flows, especially the flows of capital in transit – often large corporations set up affiliates in certain countries in order to perform various financial operations within the group, usually because of favorable conditions (taxes, financial stability, political stability, etc.) in these countries.⁵⁸ There are several schemes for such operations, which are listed as FDI in the statistics: the assets of domestic companies are extracted to their affiliates and can be simply invested by them in the financial sector of the host country or, for instance, the affiliates can further invest the assets on other foreign markets

54 Data source: International Monetary Fund statistics, at: www.imf.org.

55 UNCTAD, 2009.

56 Ministry of Economy, 2008.

57 Ibid.

58 Ibid.

(the source country of the investment is no longer a “starting” country, but the home country of the affiliate – hence the profits belong in the host country or the intermediary country). This kind of investment flow dominated in the cases of Luxembourg, Switzerland, the Netherlands and Great Britain in 2006 (and 2007) – the investments for Luxembourg and Switzerland were 2.551 bln EUR and 296 mln EUR respectively.⁵⁹

We can conclude that Polish companies’ operations on foreign markets, which are of interest to this report, are most often directed towards the closest countries in the region, such as Germany, the Czech Republic, Slovakia, Hungary, Lithuania, Latvia, the Ukraine, Russia and to an increasing extent Belarus. This is understandable and complies with common sense. It is also consistent with one of the most prolific theoretical models of international trade – the gravity model of trade in which it is the size and distance between markets that determines the magnitude of trade. Other, more distant states are also becoming linked with Polish capital through market operations. These activities are less systematic and of smaller proportions, but they should increase over time.

3.2 Companies

This section touches upon the actual substance of this research – the identification of specific Polish (and to a lesser extent other CEE countries) enterprises that operate on foreign markets. Because it is the first research analyzing the issues of CSR model among Polish companies investing in foreign markets, the aim of the paper is to make a general overview about this situation.

The companies are grouped in four categories – representing sectors of the Polish economy that are the most active in terms of investing abroad:

- energy and mining;
- financial;
- clothing;
- other.

This will show the similarities and differences in the activities of companies depending on the sector of the economy in which they operate.

59 NBP, 2008.

Table 2: Selected Polish companies with significant operations on foreign markets

Sector	Company	Significant foreign operations
Energy, mining, chemical.	PKN Orlen	Refinery in Mazeikiu (around 2.3 bln USD), acquisition of UniPetrol in the Czech Republic, network of petrol stations in Germany;
	PGNiG	Over 1 bln USD engaged on foreign markets (i.e. Norway, Libya, Egypt), several subsidiaries operating in various parts of the world;
	Lotos	Large investment in extracting plant in Norway (estimated cost – over 1 bln USD);
	Petrolinvest	Substantial investment in Kazakhstan of high potential;
	Ciech	Substantial investments in Germany and Romania;
Clothing	LPP, NG2, Gino Rossi	Outsourcing of production to companies in the Far East (especially China), developed sales network in Central Europe;
Finance and banking	PKO BP, PZU	Substantial investments in the Ukraine;
	Getin Bank	Acquisitions in Russia, Belarus and the Ukraine;
Other	Assecco	Strong position in Central Europe;
	Forte, Com40, Złomrex, Kopex, Zelmer.	Various investments abroad.
	Selena	A „global” company – subsidiaries in many countries;

Energy (oil, gas, power utilities) and mining sector. The top spots on the lists of largest Polish (and CEE region) enterprises are occupied by mining and energy firms (6 out of 10).⁶⁰ The same tendency applies to global markets – a Fortune

⁶⁰ Polityka, 2009.; Rzeczpospolita, Deloitte, 2009.

Global 500 list of the worlds biggest firms shows that 7 out of top 10 spots are occupied by oil companies.⁶¹ What is more important in the context of this research is the fact that this category of company seems the most active when it comes to large operations on foreign markets. Table 3 presents a list of the 10 biggest Polish capital owned companies extracted from the Europa 500 ranking by Rzeczpospolita magazine and Deloitte.

Table 3: The largest Polish companies

No.	Company	Industry	Revenues (2008, mln EUR)	Number of employees
1.	PKN Orlen	Oil and Gas	22 645	23 321
2.	PGE (Polska Grupa Energetyczna)	Power and Utilities	5 864	46 626
3.	PGNiG	Oil and Gas	5 248	31 145
4.	Lotos	Oil and Gas	4 639	4 876
5.	KGHM	Mining	3 603	28 478
6.	Kompania Węglowa	Mining	3 038	64 133
7.	PKP (Polskie Koleje Państwowe)	Transport	2 562	No data
8.	PSE Operator	Power and Utilities	1 971	451
9.	Poczta Polska	Postal Services	1 935	96 791
10.	Lasy Państwowe	Government	1 791	No data

The list should be expanded to include two financial Polish capital owned “giants” – PZU and PKO BP (in Polityka magazine lists they are usually included in additional lists for financial firms).

Table 4: Two largest Polish financial corporations

No.	Company	Industry	Capitalization (2008, mln PLN)	Number of employees
1.	PZU	Insurance	19 064	16 089
2.	PKO BP	Banking	14 177	32 811

61 Fortune Global 500, 2009.

The largest Polish enterprise is PKN Orlen (revenues in 2008 of around 72 bln PLN ~ 25 bln USD)⁶² which deals in oil processing and sales. It owns 7 refineries in Poland, Lithuania and the Czech Republic and the largest network of petrol stations in Central Europe (operating in Germany, Poland, the Czech Republic, Lithuania and Latvia). The investment in Mazeikiu refinery in Lithuania is the largest Polish foreign direct investment so far – over 2.3 bln USD was paid by PKN Orlen for 90% of the shares of the refinery in 2006 and the company is planning to invest a further 750-950 mln USD there.⁶³ Also in 2004, the company invested almost 500 mln USD in the acquisition of Czech oil conglomerate (along with its network of petrol stations) UniPetrol and around 200 mln USD in 500 petrol stations in Germany (making up 3% of the oil sales market in the country).

The importance of the Lithuanian and Czech investments for PKN Orlen is very high, the refineries in both countries produce the same amount of petrol as the refineries in Poland (around 14 mln tons in 2008).⁶⁴ PKN Orlen is also present in Latvia, where it acquired 50% of the shares of the oil exploration company Odin Energy Latvija and is planning on opening of PKN Orlen petrol stations in the country (already present in Lithuania).

Second on the list of biggest Polish firms is the Polska Grupa Energetyczna – PGE (Polish Energy Group) with almost 22 bln PLN (~ 7.5 bln USD) revenue in 2008.⁶⁵ However, PGE's operations on foreign markets are not quite up to par with PKN Orlen. It has subsidiaries in Germany, the Czech Republic and Slovakia (Electra Deutschland, Electra Bohemia, Electra Slovakia) which engage in energy trade. Their size and turnover is rather low compared to the Polish owner's (Electra Deutschland in 2006 had turnover of around 1.3 TWh, while the amount for PGE as a whole was over 60 Twh).⁶⁶ Still, it is possible that PGE will soon engage in significant foreign markets operations as the firm is looking to build (by 2020) two nuclear power plants in Poland and is searching for a foreign partner with technical knowledge and knowhow to form a consortium with PGE and build the plants.

62 Converted using Oanda website data. Exchange rate from 30.12.2008 – 1 USD = 2,92 PLN. www.oanda.com.

63 Malinowski, 2006.

64 PKN Orlen, 2008.

65 Converted using Oanda website data. Exchange rate from 30.12.2008 – 1 USD = 2,92 PLN. www.oanda.com.

66 Information can be found on the PGE website: www.pgesa.pl.

Third on the list of largest Polish companies, with revenues in 2008 of over 18 bln PLN (~ 6.1 bln USD) is PGNiG. With over 1.1 bln USD invested on foreign markets the company is present in countries such as Norway, Libya, Egypt (Norwegian investment is by far the largest in terms of costs) and has the right to explore and own the products of certain oil fields in these states. According to the latest news, PGNiG is very close to acquisition of rights to oil deposits in Kazakhstan – that could propel the firm to become one of the major corporations not only in Central and Eastern Europe.⁶⁷ PGNiG also owns numerous entities whose main activity is exploration and drilling in search of oil. The list includes i.e.: Geofizyka Toruń, Poszukiwania Nafty i Gazu Kraków, Poszukiwania Nafty i Gazu Jasło, Poszukiwania Nafty i Gazu Nafta, "Diament". The two interesting facts about these firms are that: they often provide services for PGNiG's competitors; their activity is spread all over the world in places like Mozambique, Cuba, Kazakhstan, Uganda, Tanzania, Gabon or Pakistan.

Another large Polish company in the oil and energy sector is Lotos. With revenues in 2008 at the level of 16.5 bln PLN (~ 5.6 bln USD) it was at number 6 on the Polityka magazine list. Through Petrobaltic (69% shares) and its subsidiaries Lotos is active in Lithuania (UAB Naftos Gavyba) and Norway (Lotos Norge), where it gained access to exploration and use of certain oil deposits, which are believed to bring about 150 thousand tons of oil yearly.⁶⁸ It is not a large number however, because yearly production of oil by Lotos is much higher – over 6 bln tons in 2008 and the company is planning to increase the amount to over 10 bln in the nearest future.⁶⁹ The investments in Norway may cost up to 1.5 bln USD by 2012.⁷⁰

KGHM Polska Miedź (Polish Copper) is another big Polish corporation (10th place on the Polityka list) that belongs to the sector described in this section. Despite the fact that foreign investments by the company are nearly 'non-existent', KGHM is among the biggest producers of copper and silver in the world (in the top 10 according to the 2008 list Global 2000 by magazine Forbes). Also, there are other facts related to KGHM that are of significance to this report. KGHM, despite numerous different and often contradicting news and apparent losses in the enterprise of up to 130 mln PLN, is still present in the Democratic Republic of Congo, which is, to say the least, a very unstable

67 Bytniewska, 2009.

68 Łakoma, 2008.

69 Apanowicz, 2009.

70 Sadkowski, 2008.

and not quite "human rights friendly" state.⁷¹ KGHM, in search of resources (Congo plant is not running at the moment, all the production takes place in Poland), is planning on large investments abroad (potential cost up to 2 bln USD). The countries in the scope of KGHM's interest include Peru, Chile, Bolivia and Laos.⁷²

The last company in the oil and energy business that will be considered in this report is Petrolinvest. It is small compared to the firms described above, as its revenue in 2008 was around 230 mln PLN (~ 78 mln USD). However, in its portfolio it has very significant investments. Petrolinvest, in 2006, acquired rights to OilTechnoGroup and EmbaJug Niefert oil fields in Kazakhstan – something that PKN Orlen or PGNiG could not achieve. The investment may cost up to 800 mln USD, but its potential is very high – recently the deposits have been estimated to contain twice as much oil as was previously thought – over 2 bln barrels, which equals Polish demand for oil for about 13 years.⁷³ The Russian investments of Petrolinvest proved to be ineffective, and in 2009 the company sold its Russian assets, partly in order to concentrate on Kazakhstan. In the case of successful extraction of oil in Kazakhstan Petrolinvest could become a major presence in the sector at least in Central and Eastern Europe.⁷⁴

Clothing industry. For several years now, Polish clothing companies have been heavily involved in foreign markets. The biggest ones, such as LPP, NG2, Gino Rossi and Redan have developed sales networks in all of Central and Eastern Europe, while crucial parts of their supply chain are located in China and countries in South-East Asia.

LPP sells its products (i.e. Reserved, House, CroppTown, PromoStars, Henderson) in Poland, the Czech Republic, Russia, Hungary, Slovakia, Lithuania, Latvia, Estonia, the Ukraine, Bulgaria and Romania. Of 1.6 bln PLN (~ 0.55 bln USD) revenues in 2008- 500 mln PLN (170 mln USD) came from foreign markets.⁷⁵ Production for LPP takes place mostly in Asia – 74% in China, 16% in "other" Asian countries, whereas Polish factories make only 8% of LPP clothes.⁷⁶

71 Szczecińska, 2009; *Bankier*, 2008.

72 Malinowski, 2006.

73 Stec, 2008.

74 Janas, 2007.

75 LPP, 2009.

76 Ibid.

In China LPP is reportedly cooperating with 150-200 suppliers.⁷⁷ More specific information is difficult to obtain.

NG2 – mainly a distributor (the company has its own production sites in Poland, but most of its product comes from abroad), with revenues in 2008 at the level of 800 mln PLN (brands: CCC, Boti, Quasi) has over 600 shops in Poland and around 30 shops in the Czech Republic.⁷⁸ NG2's share in the Polish shoe market, which is very fragmented, is estimated at 8-10%.⁷⁹ Sources of production for NG2 are mainly, according to the company, China, Italy and Poland, with China being a dominant supply source.⁸⁰

Gino Rossi – a shoe and clothing producer, with revenues of almost 200 mln PLN in 2008 has its sales network in Poland, Russia, the Ukraine, the Czech Republic and Germany. Sources of production for the company are very difficult to ascertain. In April 2008 company officials stated that 60% of the production will be moved into another country than Poland and Italy, but they refused to say where.⁸¹

Redan clothing company had turnover of around 300 mln PLN in 2008. The company has distribution subsidiaries in the Ukraine and Slovakia (the Czech Republic subsidiary is in liquidation). According to company reports the dominant suppliers are based in China and India (also Turkey and South Korea).

Financial institutions. In Poland two large financial companies operate which are based on Polish capital: bank PKO BP (capitalization up to 6 bln EUR)⁸² and insurance company PZU (revenues in 2008 around 21 bln PLN ~ 7.1 bln USD). They both invest on foreign markets on a fairly low scale – it is hardly comparable with the investments of Hungarian OTP Bank (which has subsidiaries in Serbia, Slovenia, Croatia, the Ukraine, Montenegro, Bulgaria, Romania) for instance. PZU is present in the Ukraine and in Lithuania. PKO BP made a large investment in the Ukraine, where it acquired, for over 400 mln PLN, Kredobank.

77 Mazurkiewicz, 2008.

78 NG2 (a), 2009.

79 NG2 (c), 2009.

80 NG2 (b), 2009; NG2 (c), 2009.

81 Laskowska, 2008.

82 Gadomski, 2009.

Another Polish bank that invests abroad is Getin Bank – a bank smaller than the abovementioned Polish financial “giants”. It belongs to one of the richest Poles – Leszek Czarnecki. Getin Bank has companies in Russia (Carcade – leasing company), Belarus (SombelBank), the Ukraine (PlusBank).

Other. There are other companies that are significant representatives of Polish capital on foreign markets. Generally they can not be classified within the sectors outlined above. We can list the following companies:

- Selena (net sales in 2008 – over 500 mln PLN, production and distribution of construction chemistry) – possibly the only truly multinational company with Polish capital, which operates (production as well as distribution) in the USA, Brasil, China, the Czech Republic, Finland, Spain, Germany, Italy, Hungary, Kazakhstan, South Korea, Russia, Romania, Turkey, the Ukraine);
- Zelmer (producer of household appliances, income in 2008 around 500 mln PLN) – through subsidiaries Zelmer sells its products in Hungary, Slovakia, the Czech Republic, the Ukraine, Russia;
- Forte (producer of furniture, return in 2008 ~ 480 mln PLN) – about $\frac{3}{4}$ of production is sold in Western Europe through its subsidiaries – sales representatives in Germany, England, France, Spain, Lithuania, Slovakia. The company has 5 factories in Poland and also one in Russia (Vladimir) and one in the Ukraine (Uzgorod);
- Polkomtel (operator of Plus, one of the three largest telecom operators in Poland – the only one remaining with dominant Polish capital) – the company does not invest on foreign markets per se (no direct investments) but it has important suppliers in Chinese telecom companies Huawei and ZTE.
- Ciech (largest chemical company in Poland, revenues in 2008 around 4,2 bln PLN ~ 1,4 bln USD) – the company owns production companies in Germany (Sodawerk GmbH) and Romania (Uzinele Sodice Govora) and trading companies registered in England (Daltrade) and Singapore (Polsin Private Limited);
- Złomrex (scrap metal sales and metallurgical production and sales, revenue in 2008 estimated at 4.2 bln PLN, ~ 1.4 bln USD) – the company is very active on foreign markets and has subsidiaries in Austria, the Czech Republic, Hungary, Slovakia, China, Romania, Germany and Bosnia. However, the only subsidiary engaged in actual production was Zeljezara Split in Croatia which no longer belongs to the company (it was sold in 2009).
- Kopex (the 3rd biggest producer in the world of machinery for mining, revenue in 2008 estimated at about 2 bln PLN ~ 0.7 bln USD) – the company has subsidiaries in Australia (production), China (production, Joint Venture

with Chinese Xinwen Coal Group Taishan Machinery Co Ltd.), Germany (production, Hansen Sicherheit), Russia, Serbia (production).

How then, do the Polish companies compare with some of the global “giants” and also their rival firms from the region (a firm is taken into account only if it is not owned by foreign capital)? A comparison of size and number of foreign operations is presented in Table 5 below.

Table 5: Polish companies compared to some of the largest multinational corporations and firms from Central and Eastern Europe in respective fields. Data for the end of 2008 and current in some cases (*).

Com-pany	Market cap. (bln USD)	Number of markets (*)	International peer	Market cap. (bln USD)	Number of markets (*)
PKO BP	11	2	HSBC (GB)	185	≈81
			Santander (ESP)	143 (*)	≥21
			CitiGroup (USA)	92 (*)	≈99
			OTP Bank (HUN)	5,6 (*)	9
PGNiG	5,1 (bln EUR), revenue 5,2 (bln EUR)	≥12	ExxonMobil (USA)	363 (*)	≈40
			Shell (GB, NED)	180 (*)	≈69
			Gazprom (RUS)	184	36
PKN Orlen	3,3 (bln EUR), revenue 22,6 (bln EUR)	5	MOL (HUN)	3,6 (*)	≥14
Lotos	1, revenue 4,6 (bln EUR)	4	CEZ (CZE)	18 (bln EUR)	11
			SPP (SLK)	3 (bln EUR) – revenue in 2008	2
LPP NG2	466 (mln EUR) 630 mln	13 2 (+ production)	Petrol Group (SLO)	2,9 (BLN EUR) – revenue in 2008	8
			GAP (USA)	7,6 (*)	≥40
KGHM	1,9	1 (+trading)	VF (USA)	7,8 (*)	≥20 (+sales)
			ZARA (ESP)	23	≥70
Ciech	430 mln	3 (+trading)	Codelco (CHI)	60	1
			FMcM (USA)	27 (*)	5
			BASF (GER)	26 (*)	≈90
			AGROKOR (CRO)	3,4 (bln EUR) – revenue in 2008	4

Source: own work based on data from Wilson, 2008; www.parkiet.com, Polityka 500 List, <http://finance.yahoo.com>.

When analyzing this data it could be stated that the companies (especially the biggest multinational enterprises) were chosen at the discretion of the author and the comparison is somewhat crude, with only two dimensions being shown. However, it allows a basic view of how Polish and other CEE firms look against the background of the largest, globally recognized Western corporations. Clearly, they are much smaller than i.e. BASF, GAP, Codelco, Shell or HSBC. The difference in employment, market capitalization, revenues and other factors is in fact very large. The vastness of global multinationals is at times so wide, that it is not entirely clear in how many countries these companies do business. Therefore the “≈” and “≥” symbols are used, indicating that the author did not want to over or under-state the scope of international activity of firms, which is often not easily quantifiable. To conclude, Polish corporations when compared to global multinationals are certainly hugely underdeveloped in terms of size and breadth of operations. However, they may be catching up in the near future (although the actual process, even if possible, will probably take decades or longer).

What is more interesting at present is how the Central and Eastern Europe companies compare within their own region. Polish firms are generally the biggest in the region. Only Hungarian MOL, OTP Bank and Czech CEZ are of similar size to the most important Polish firms such as PKN Orlen, PGNiG, PKO BP, Lotos, KGHM or PZU. PKN Orlen in recent years has dominated the lists of largest Central and Eastern European corporations (especially with respect to revenue). Nevertheless, only PGNiG can keep up with MOL, OTPBank, CEZ or Petrol Group if one looks at the key aspect of this research – multitude of foreign operations.

What are the reasons for this situation? This is a question for a distinct economic inquiry altogether, but there are factors that can be put forward instantly. In this case the most important issue is to analyze why Polish companies are not such big firms on the global stage and do not invest as other global corporations. First, in the authors opinion, the most important factor behind this is the fact that Poland, a country of 38 million people, is the biggest market in Central and Eastern Europe. Therefore, Polish companies are not inclined to expand in other countries as are the firms from smaller countries in the region. At this time, there are enough profit and sales to be made in Poland alone to ensure a profitable existence. This holds especially for financial institutions.⁸³ Energy and oil companies are usually in a different situation because they have to expand

83 The notion is also shared by i.a. Michał Szymczuk from Ministry of Economy.

abroad in order to gain access to resources, and they do, but on a smaller scale than their regional rivals.

Another reason for the relatively low expansion of large Polish companies abroad may be the fact that they are usually state controlled, which means that they often are less operative and can not develop and implement any long term business strategies because of frequent changes of directors and managers as a result of the political climate.⁸⁴

The last reason could be the abovementioned “late comers” syndrome coming from the Storper analysis. Polish companies began their activity in the global markets after 1989 when most markets were occupied by TNCs and MNCs that had existed for years and developed their activities. According to the logic of capitalism, they accumulated financial capital and located their business in the most important localities from their point of view. As Storper emphasized, new companies which invest in markets occupied by other companies, are characterized by a quite different role in taking advantage due to the existence of competitor firms.

To sum up, Polish corporations are developing and beginning to expand on foreign markets, especially after 1989. Their position in the Central and East European region is strong, especially in terms of financial condition and revenues. However, they generally are, due to several factors, less active with regard to foreign markets than companies from Hungary or the Czech Republic.

⁸⁴ Geoffrey Mazullo, a director of Partners for Financial Stability program strongly advocates this point. Also Michał Szymczuk supports this opinion, however, he acknowledges that progressing privatization will render this factor less important.

4.

CEE countries companies' recognition and communication of the principles of CSR with respect to their foreign markets operations

The next chapter shows the results of the research on Polish companies and their model of CSR activity in foreign markets. Another issue will be a short description of companies from other Central and Eastern European countries.

4.1 Poland

The inquiry into the level of recognition and attitude towards corporate social responsibility among Polish companies described in previous sections was based on web research. The author of this paper first of all looked for information on CSR to be found on the websites of "mother" companies and their subsidiaries (if they had websites). Also, the research takes into account information coming from sources other than the company itself. The second step of the research was to collect the responses to the questionnaire sent to the companies, which is yet to come.

The review of 26 companies' websites and their numerous subsidiaries sites can lead to the conclusion that principles of corporate social responsibility are not (at least not yet) popular among the Polish companies themselves. Therefore, one can not expect that they will transfer much knowledge and capacity in this regard to their subsidiaries and suppliers abroad. Out of the 20 home websites of Polish firms only 8 had separate sections devoted to CSR (PKN Orlen, Lotos, PGNiG, KGHM, Ciech, NG2, Groclin, Selena) – and some of them were scant to say the least. If one decides to consider sections on charity and sponsorship as a sufficient equivalent of CSR, then the list expands by three (PZU, PKO BP, Złomrex).

If the author of this paper could suggest which websites were the most abundant in information on CSR he would choose PKN Orlen, Lotos and PGNiG. The first two had the most info on CSR of all the reviewed firms. Their sites contained: information on good practices employed by the companies; principles of CSR with clear references to workers, suppliers, the market, the community; the consumers; CSR reports (it is worth mentioning that Lotos is the only company that uses the popular international standard of CSR – in this case it was the Global Reporting Initiative standard; PKN Orlen is a signatory to the environmental program Responsible Care). Also, which is very important, PKN Orlen in its environmental report had information on foreign subsidiaries standards and practices.

PGNiG on the other hand stands out as the firm which on its domestic website most clearly relates to its subsidiaries as to whether they abide by corporate social responsibility principles (although the information provided is not detailed, it is worth mentioning because on other companies' sites it is mostly "non-existent"). PGNiG is one of the 5 Polish signatories to Global Compact, its subsidiaries apply standards and good practices which are closely related to CSR and certainly help to improve the company's performance in this area (HSE, ISO). It is interesting that the company states that workers at its subsidiaries operating on foreign markets receive training on the principles and regulations of human rights (for instance PNiG Cracow declares that it allocates 200 hours yearly to this). Also PGNiG declares that there is a requirement towards its subsidiaries that they should employ a certain minimum percentage of local workers (this varies around the level of 40% for the companies).

However, the most important issue is that PGNiG has recently developed The Strategy of Sustainable Development and Responsible Business for PGNiG Capital Group (although the company states that its ways of operating a sustainable business within the Group have been present for much longer without the formal framework). This document defines the approach towards CSR of all PGNiG Group companies (including those operating on foreign markets). The Strategy is rather blurred in some areas and lacks definite goals and benchmarks. Also, it is a pity that it is being presented as a part of Social Report 2008, while it probably should be communicated to the public as a distinct, separate document. However, it definitely is a good start and certainly distinguishes PGNiG from other Polish companies.

What is the more general picture stemming from this part of the research? It is possible to make the point that most Polish firms (both operating abroad and

concentrating on the domestic market) lack communication skills with respect to CSR. On the other hand, many of the companies receive awards, which are more or less related to activities in the fields of CSR (Selena – “Corporate Social Responsibility” 2008 award for the president, “Transparent Company” 2008 award; Groclin – “Fair Play Company” 2002 award; Zelmer – “Brand of Highest Reputation” 2008 award, „Firm Close to the Environment” 2007 award), or apply good practices (Getin Bank – “40+” program, which encourages people over 40 to seek employment at the bank). They communicate this in a more or less organized manner, but they do not try to use it as an element of CSR strategy. It is clear that many more Polish firms, including the foreign investors reviewed in this project, could be effectively communicating their commitment to the values of CSR, which often is carried out by them autonomously.

From the evidence we have collected so far stems the observation that international standards of CSR are not popular among Polish firms economically engaged in other countries. Of the 26 firms included in the desktop research none demonstrated any awareness of OECD Guidelines for Multinational Enterprises. The same stands for the SA 8000 corporate social responsibility standard. None of the firms had it in place. 4 of the reviewed companies are members of the Global Compact. It is all the more understandable that neither did their subsidiaries and significant business partners (mostly suppliers) abroad. For solid conclusions we have to wait for the firm’s answers to questionnaires, but it already appears that the process of promoting the Guidelines by the Polish OECD National Contact Point (located in PALiIZ) is highly flawed.

Companies employ some other standards which are related to CSR but certainly are much less concentrated on the issue: ISO 14001:2004 (environmental standard quite popular among reviewed firms); ISO 9001: 2000 (i.e. Selena, Zelmer, Ciech. Lotos, PKN Orlen, Assecco); ISO 27001:2005 (safety of information certificate, PKO BP was the first bank in Poland to apply it); ISO 20000/IEC (delivery of services standard, employed by KGHM).

In this case, a quite important issue is how much communication (and possibly implementation) towards CSR takes place? After the conclusions in the above paragraphs, it should not come as a surprise that CSR in the context of Polish capital in other countries is almost totally missing, at least at the level of explicit information. Since Polish owners and large contractors do not place much emphasis on CSR principles and standards (at least through their websites) in their domestic markets, it should not be expected in the context of their operations abroad. Nevertheless, it is possible that subsidiaries and suppliers of

Polish firms might be engaged in some sort of activities or have some policies in this regard, but they if they do, they are not publicizing it.

Positive exceptions from this rule are:

- Zelmer's subsidiary in the Czech Republic (Zelmer Czech) – the company informs (through a separate section) of its environmental activities (what is interesting is the fact that Zelmer in Poland on its website has no separate section on CSR and/or environment);
- PKN Orlen's refinery in Mazeikiu (Lithuania) – it has a distinct section devoted to CSR (still, much less elaborate than its owner's);
- PKN Orlen's subsidiary UniPetrol in the Czech Republic – on the website there are sections on environment and sponsorship, also the company provides environmental reports;
- Of PGNiG's subsidiaries providing drilling services most give notice on the safety and environment standards they employ (mostly HSE standard), also some of them have sections on CSR (i.e. PNiG Cracow);
- Ciech's subsidiary in Germany (Sodawerk) provides information on the environment;
- Selena and Ciech provide positive examples because their websites are integrated with foreign subsidiaries and the information on CSR (only environment in the case of Ciech) is the same for almost every subsidiary (the information itself, especially on Selena, is unfortunately scant).

Still, it has to be pointed out that in most of the abovementioned cases, the positive examples did not apply to all operations abroad of a given company but to singular firms or markets. Mazeikiu and Unipetrol are two large entities but they are not PKN Orlen's only foreign operations.⁸⁵ The same applies to Zelmer and Ciech.

To conclude the issue of communication of CSR or good practices, it could be stated that an important fact is that it is practically a rule that a firm's subsidiary or contractor always communicates about CSR in a much poorer fashion than its Polish owner (or contractor). This is related to another obvious observation: the level of CSR recognition and communication is usually correlated with the size of the company. The biggest Polish firms – PKN Orlen, PGNiG, Lotos, KGHM

⁸⁵ Nevertheless, it must be emphasized that PKN Orlen's subsidiaries in this review are "looking good" in terms of CSR when compared to other Polish firms. It is very likely that PKN Orlen employs some CSR strategy towards foreign markets.

– have websites with good information on CSR. More importantly, PKN Orlen's and PGNiG's subsidiaries also provide those interested with data on CSR.

However, some of the biggest Polish firms, such as PGE, PKO BP, PZU and important foreign investors like Assecco or Selena have demonstrated scant communications ability with respect to CSR (although Assecco and Selena are not as large entities as PKN Orlen or PGNiG) on their domestic markets, not to mention the foreign. So the rule of big companies conducting a clear information and promotion strategy of the principles of CSR is not always in place.

If we break firms down by sectors (oil and energy, finance, clothing, other), we will see that the most engaged in CSR on foreign markets are the companies from the oil and energy sector, while the clothing industry provides no information on the subject (except for vestigial data from NG2 Group). Financial firms (PZU, PKO BP, Getin Bank) are in between.

It is much easier to obtain information on a company's subsidiaries and foreign assets (i.e. factories, mining fields, oil fields, sales network) than on its suppliers, which is evident in the case of the Polish clothing industry. NG2, LPP, Gino Rossi and Redan do not provide easily accessible data on the sources of their production. The author of this report does not claim that these companies try to hide this data, it is in fact possible to obtain (for instance LPP in its annual report for 2008 gives notice that 74% of its production originates in China). However, any other information beyond crude estimates on percentages and the amount of product coming from each market is very difficult to come by.

What about the inquiry into the information provided by sources other than the companies themselves? First, it has to be emphasized that it is highly probable that most of the news, reports and analysis by third parties concentrates on the negative and controversial activities of the corporations. It is arguably far better material for journalists than positive examples of firms employing any kind of CSR strategies. It is also very often a basic task of many NGOs and think-tank organizations – to point out and publicize any misbehavior on the part of business. If the company does not make efforts to inform about its ethical conduct and good practices, probably nobody else will.

This research is no different. First, the author could hardly find proof of positive CSR activities of firms if they were not clearly communicated by them (if he did, he reported them – as in the case of Getin Bank's "40+" program for instance, or awards and distinctions related to CSR that firms received). Second, for the

reviewed companies operations abroad there are some findings of a problematic nature. They will be listed below. However, the author of the research would like to emphasize that he does not judge and assess the merit and truthfulness of reports and articles from which the findings originate. The list provides us with issues that may be to some extent controversial with regard to principles of corporate social responsibility.

- There reportedly have been several problems in the case of PKN Orlen's investment in Mazeikiu refinery. First, soon after acquisition of the refinery, it became known that Lithuanian workers received much less salary (3-4 times less, according to different reports) than Polish and other foreign workers (engaged in repairing the refinery after the fire). The company defended itself with the fact that foreign workers were contracted by external companies, and it was their business how much salary they paid.⁸⁶
- Also other shareholders related to Mazeikiu refinery reportedly suffered because of PKN Orlen investment. There are reports claiming that the "invasion" of foreign workers had some highly disadvantageous effects on the local community (overpricing of estate renting fees, increase in prostitution in the town).⁸⁷
- Yet another issue having to do with Mazeikiu refinery is the fact that Lithuanian Rail accused Mazeikiu of using its economic position and forcing the carrier to lower prices for its services.⁸⁸
- In 2006 Lotos Group endorsed LL Investicijos company in its attempt to acquire rights to explore and extract oil fields in Lithuania. However, Geonafta AB (at the time a subsidiary of Lotos) was also applying for the same concession.⁸⁹ In this case, why did Lotos endorse LL Investicijos despite the obvious detrimental effect of such action on its own capital group?
- Lotos has in its portfolio some fairly "exotic" entities such as Ammotrade (registered in Seycheles). The information on them provided on the website is scant. An ordinary shareholder or stakeholder interested in Lotos Group will

86 Narbutt, 2007.

87 Ibid.

88 Apanowicz, 2008; Kresy.pl, 2008.

89 Piński J., Piński A., 2007.

not understand for what purposes Lotos invests in such firms. Furthermore, in 2006, the company (along with other Lotos foreign subsidiaries) reportedly participated in some “strange” economic transactions and loans which could have resulted in Lotos Group losses of 30 mln USD.⁹⁰

- KGHM has been for several years now involved in the Democratic Republic of Congo (Kimpemba copper field). In 2001, the United Nations published a report on the exploitation of the Congo for its resources by foreign Multinational Enterprises, stating that the vast majority of companies investing in the Congo were doing so alongside all kinds of abuses (corruption, human rights violations, extortion, etc.).⁹¹ In addition, the prosecutor in Poland conducted an investigation of the KGHM investment in the Congo (possible charges of embezzlement).
- Another problematic matter with respect to KGHM is the fact that the company explores for resources all over the world. At present, the most probable countries for KGHM’s investment are Peru, Chile, Bolivia and Laos.
- The production of the vast majority of clothing for LPP, NG2, Gino Rossi and Redan takes place in China and South-East Asia. Companies do not communicate explicit data on suppliers and that may be understandable because it might undermine their competitive advantage (if we assume that finding reliable business partners in the Far-East is that difficult – on the other hand recently some of the most well known brands revealed lists of suppliers under pressure from public opinion). However, another potential reason for this lack of disclosure of any information about the suppliers (even the regions in which they operate) might be an effort to avoid any inconvenient questions regarding working conditions, human rights, etc.
- Among Polkomtel’s leading suppliers are the large Chinese telecom companies Huawei and ZTE. Both of them (despite providing information on their CSR activities and being signatories of the UN Global Compact) have a dubious record with regard to CSR and human rights. Huawei reportedly tried to compel over 7,000 of its long term workers to resign and rejoin the company in order to have theoretically short experience of working at

⁹⁰ Piński, 2007; Kiewlicz, Klein, 2007.

⁹¹ Report available at www.un.org. Instances of particular companies were not disclosed to the public. <http://www.un.org/news/dh/latest/drcongo.htm>.

Huawei, which in turn would result in lowering Huawei's obligations to those workers (this was at a time when in China a new Labour Contract Law was coming into force and it strengthened obligations of companies towards its long-time workers).⁹² Also, it has been reported that over 35 workers have committed suicide since Huawei was founded due to an "over-competitive" working environment at the company.⁹³ ZTE on the other hand was engaged in tumultuous scandal in the Philippines involving bribery (reportedly offered by company officials to gain access to the market) at the highest levels of power in that country.

As a summary to the part of research concerning Polish companies, we can say that CSR is still a developing idea among them. However, it is becoming increasingly popular and business probably sees the potential in improving its own situation as well as the situation of stakeholders by implementing CSR strategies. Polish companies already have an achievement in this regard: according to Geoffrey Mazullo and Partners for Financial Stability yearly research Polish corporations are now leaders in Central and Eastern Europe when corporate governance is taken into account. Nevertheless, it is safe to say that CSR in foreign market operations – an important issue, has so far received very little attention from Polish companies (perhaps with exceptions such as PGNiG).

4.2 Findings from contacts with Polish companies' representatives

Originally the key part of the research for this paper was getting information directly from companies. The most important rationale behind this was an attempt to obtain as much information as possible, even if it meant receiving distorted, PR-oriented data and opinions from the corporations representatives. Another incentive was that this, most likely, would allow us to present Polish firms in a more positive light (deservedly or not), because there is still much 'uncommunicated' CSR among them, while the third-party sources tend to concentrate on negative aspects of corporate behavior.

At this step in the research, we constructed a questionnaire. It consisted of four open questions, which covered an extensive range of possible issues. In this way, we expected, the firms would have a chance to provide information in each

⁹² *China Labour Bulletin*, 2008.

⁹³ *ibid.*

heading, thus limiting reluctance to fill out the questionnaire at all. Before sending out the questionnaires we tried to contact (through phone and e-mail) each of the 26 companies included in the research and find the most appropriate people in their structures as to the matters of CSR and/or foreign operations (specialists combining those two aspects of corporate activity were, of course, the most desirable to cooperate on the project).

The last step in receiving information from the companies and evaluating their attitude towards our research in general, was inviting their representatives to the seminar that was organized in September in Warsaw as a part of the project. Therefore, it can be understood that an overall successful contact with a corporation would consist of: first, finding a person in the firm's structure that would have knowledge of CSR and would be competent enough to speak on the issues important for this research; second, receiving a filled-out questionnaire; and finally, getting an appropriate firm representative to attend the seminar (and possibly participate in the discussion).

Predictably this did not happen often. In fact only two (of the 26) companies demonstrated the will and capacity to fulfill all three requirements – PGNiG and PKO BP. The history of contact with Polish firms is shown in the following table.

Table 6: Track of contacts with Polish companies

Company	Attempt to contact (phone, mail)	Meaningful contact achieved	Questionnaire sent/received		Interest in the project/seminar	
PGNiG	+	+	+	+	+	+
PKN Orlen	+	+	+	-	+	+
PKO BP	+	+	+	+	+	+
PGE	+	+	+	-	+	+
Lotos	+	+	+	-	-	-
PZU	+	-	-	-	-	-
Ciech	+	+	+	-	+	+
Petrolinvest	+	+	+	-	-	-
KGHM	+	+	+	-	+	-
Złomrex	+	-	-	-	-	-
Kopex	+	-	+	-	-	-
LPP	+	-	+	-	-	-
NG2	+	-	+	-	-	-
Gino Rossi	+	-	+	-	-	-

Company	Attempt to contact (phone, mail)	Meaningful contact achieved	Questionnaire sent/received		Interest in the project/seminar	
Zelmer	+	+	+	-	-	+
Getin Bank	+	+	+	-	-	-
Selena	+	-	+	-	-	-
AmRest	+	+	+	-	-	-
Forte	+	-	+	-	-	-
Groclin	+	-	-	-	-	-
Com40	+	-	+	-	-	-
Redan	+	-	-	-	-	-
Assecco	+	-	+	-	-	-
Bioton	+	+	+	-	-	-
CanPack	+	-	+	-	-	-
Polkomtel	+	-	+	-	-	-

This is rather straightforward: a plus indicates a positive experience with a company in a given department. Of course, some of the sections are filled out more at the author's discretion, because they require some sort of subjective opinion (meaningful contact was ticked "+" when the author believed that the company representative was in any way familiar with the concept of CSR, interest in the project and seminar was ticked "+" when the representative, in the author's opinion, showed any effort in filling out the questionnaire and considered attending the seminar). Obviously, the conditions for "positive" marking were not very demanding.

An analysis of Table 6 leads to the conclusion that Polish companies were generally not interested in the project, and very few of them decided to disclose any information on the questionnaire.

It must be emphasized that some of them definitely had the capacity to talk about the matters considered in the research (i.e. Lotos, PKN Orlen, KGHM). The table also shows that attempts to reach companies were difficult (lack of competencies leading to numerous transfers of phone calls, low interest leading to claims of general lack of time to be engaged in the filling out of the questionnaire). Therefore, we often sent the questionnaires even without positive contact beforehand. This did not help improve the results for this part of the research.

Also, an interesting observation from this part of the research is that company representatives often tried to deprecate the scale of their employer's foreign

operations, in order to assert that they could in no way answer questions regarding the Polish business's CSR on foreign markets.

What can be inferred from the information provided by the two firms (PGNiG, PKO BP) that filled out the questionnaire and firms representatives statements during the seminar? We can not draw far-reaching conclusions that would apply to all Polish firms because of the obvious deficiency of the data acquired. With one exception: the unwillingness of the 26 firms we tried to reach to disclose information in the questionnaires (and to communicate about CSR in general) reaffirmed the overall low level of recognition and capacity of Polish companies with respect to CSR.

The two questionnaires that we did receive showed that there is a substantial degree of uncommunicated CSR. Both companies (PGNiG and PKO BP) employ certain standards in their subsidiaries' activities on foreign markets. Mostly they are safety standards, working conditions standards, ecological standards and self-developed codes of conduct. However, in the case of PKO BP this is poorly (or not at all) disclosed on corporate websites (both domestic and foreign). PGNiG performs much better in this respect.

PGNiG, by sending the questionnaire and all the information it has shared in it, confirmed our findings that it probably is the most developed Polish company when communication of CSR towards foreign markets is taken into account. Most important is the fact that PGNiG has recently developed a universal strategy for the whole group entitled Strategy of Sustainable Development and Responsible Business for PGNiG Capital Group. This document defines the approach towards CSR for the entire PGNiG Group, including units operating on foreign markets, which are often allowed to develop sub-strategies of their own to best incorporate the CSR strategy of the mother corporation.

As for PKO BP, the most positive fact is that the company, without having a specialized CSR department, decided to do its best for our research and did managed to answer the questionnaire (by collecting data from various departments) and send a representative to the seminar in September. The provided data itself demonstrated that the company does much more in the Ukraine (KredoBank) than is communicated.

Besides companies, an important issue is to analyze the problem of CSR of Polish enterprises from the perspective of other institutions, such as the Ministry of Economy, National Bank of Poland or Polish Information and Foreign Investment

Agency. As part of the project we also tried to contact, and perhaps engage in cooperation some of the Polish institutions which, based on their mission and work, should have been interested in this project. The results of our attempts are shown in Table 7 below.

Table 7: Track of contacts with selected Polish institutions

Institution	Attempt to contact	Meaningful contact	Interest in the project / seminar	
Ministry of Economy (Ministerstwo Gospodarki)	+	+	+	+
National Bank of Poland (Narodowy Bank Polski)	+	+	-	-
National Chamber of Commerce (Krajowa Izba Gospodarcza)	+	+	-	-
Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych)	+	+	-	-
Izba Obuwnicza (Footwear Chamber)	+	-	-	-
Polish Federation of Apparel & Textiles	+	-	-	-
NSZZ "Solidarność" (Solidarity Trade Union)	+	+	+	+
Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions)	+	-	-	-

Source: own work.

It can be seen that interest in the issue of Polish responsibility abroad project was very low among Polish institutions which theoretically are in charge of this subject. 4 out of 8 organizations demonstrated a certain knowledge and capacity with respect to CSR. However, only the Ministry of Economy and the NSZZ "Solidarity" trade union were interested in our research. They were willing to come to the seminar and give short presentations. What is worrying is the fact that the project did not draw any action from the **Polish Information and Foreign Investment Agency (PAIiIZ)** and the **National Chamber of Commerce (KIG)**. KIG is a representative of business, but PAIiIZ is a crucial

entity with regard to this project – it is the Polish National Contact Point for the OECD, responsible for OECD Guidelines for Multinational Enterprises promotion among Polish business and we signaled that the Guidelines are an important aspect of our research. Our experience with PALiIZ is consistent with the findings of Eduard Marček, who could not get the Slovak OECD Contact Point to engage in any sort of communication about the OECD Guidelines.

4.3 Other CEE countries, conclusions from the seminar

As was mentioned earlier in this work, the concept of corporate social responsibility is relatively new in Central and Eastern Europe. Companies in this region started to engage in the field of CSR only after 1990. This process was reinforced after multinational enterprises from developed countries became more interested in Central European markets. However, the gap between Central European and Western companies in terms of CSR recognition, management and promotion remains significant, regardless of whether they are local branches of MNEs or not.

On 28 September (2009) Foundation CentrumCSR.PL and Friedrich Ebert Foundation organized an expert seminar on the subject of the research. Various guests helped to shed light on the issues of importance to corporate social responsibility of CEE capital on foreign markets. Expert from Hungary (Laszlo Radacsi – a partner in Braun & Partners, a CSR consulting firm) and Slovakia (Eduard Marcek from organization PANET) shared their views and opinions on the state of the art regarding CSR of Hungarian and Slovak companies' foreign markets operations.

Hungary. As in other countries in the region there are common problems with regard to CSR in Hungary: the legal and political environment is relatively under-developed and not engaged in CSR debate and so is civil society.⁹⁴ What can be said about Hungarian companies' recognition of CSR? Our guest at the seminar organized as a part of the project a CSR specialist Laszlo Radacsi – a partner in Hungarian CSR consulting firm Braun & Partners provided us with a strong statement: "whatever research is done in the region on CSR, Hungary always comes first." This was acknowledged by Braun & Partners research' in Bulgaria, Hungary, Poland and Romania conducted for its CSR 24/7 rating – out of 20 regional leaders with respect to CSR Hungarian firms

94 UNDP, Line, Braun, 2007.

occupied 11 places (with 7 Polish companies).⁹⁵ This conclusion can also be extracted from the UNDP report “Baseline Study on CSR Practices in the New EU Member States and Candidate Countries” (Braun & Partners cooperated with UNDP on this report).⁹⁶ In 2006, 15 Hungarian companies published CSR reports (10 Polish), more than a thousand firms are independently certified to ISO 14001 (a thousand in Poland), 22 were in 2006 signatories to the Global Compact (there are 5 in Poland today).⁹⁷ The reasons for the apparent advantage of Hungarian business in knowledge and recognition of CSR are, according to Laszlo Radacsi, unclear.

An interesting remark by Laszlo Radacsi came also as he proposed the idea of the “CSR paradox.” In Laszlo Radacsi’s opinion, CSR is not a market-based phenomenon, at least in our region. Theory generally says that CSR should pay off economically. At the same time, according to Laszlo Radacsi, consumers are not willing to pay an extra “forint” for the CSR efforts of a company.⁹⁸ Therefore there should be little incentive for business to employ socially responsible strategies. Laszlo Radacsi proposed other non-traditional drivers behind CSR: Western parent company requirements, “managerial ego” – according to Laszlo’s experience a very strong motivation.

How does Hungarian business perform when CSR recognition and communication with respect to foreign operations is taken into account? The outlook is probably very similar to the rest of the region. However, there are two notable exceptions: OTP Bank (banking) and MOL (energy). The latter is very probably a CSR “leader” in the region, which will be discussed in the Annex 1. OTP Bank publishes (since 2006) CSR reports, in which its foreign operations are often mentioned and, in comparison to Polish companies CSR reports, extensively described, including provision of numerical data and statistics with respect to workforce in subsidiaries on foreign markets. On its website OTP Bank clearly communicates as to crucial financial information of its foreign daughter companies (loans, deposits, profits), which also have codes of ethics in place.

95 Research consisted of evaluating company performance in 7 domains (included in the research) such as transparency and communication; corporate governance; stakeholder relations; environmental responsibility; economic responsibility; society; human resources. www.csr24-7.com.

96 UNDP, Line, Braun, 2007.

97 *ibid.*

98 Braun & Partners, Gfk, 2008.

As to other Hungarian companies – Laszlo Radacsi concluded that with respect to CSR recognition and communication on foreign markets they behave similarly to what was discovered in this research on Polish companies: foreign markets are treated with much less attention when CSR is taken into account. Laszlo Radacsi provided examples of Hungarian companies investing in Poland such as Richter Gedeon, Trigranit, Globus and Nordenia, which are, according to him, not exemplary in terms of CSR on its domestic market. In Poland, in Laszlo Radacsi's opinion, their CSR activities are close to none.

Slovakia. Having the same sort of problems that the non-profit sector and CSR campaigning is dealing with in the CEE countries, Slovakia also has some strengths. Universities have specific programmes and courses in CSR, academic research on the issue is available, and the media is also supposedly interested in publicizing relevant articles and stories.⁹⁹ A factor hugely helpful to development of third sector organizations is the 2% income tax mechanism which allows individuals and businesses to allocate 2% of its income tax to pre-registered civil society organizations. However, according to Eduard Marček from Slovak organization PANET who was a guest at our seminar, this has its downside – often companies consider this 2% tax allocation as its CSR activity. Whereas, one should remember that it is not their resources they are contributing – it would be taken away and end up in the state budget as paid tax in any case.

CSR, as elsewhere in the region, is a new concept in Slovakia, and companies rarely implement CSR strategies. According to UNDP research less than 10 firms in Slovakia published CSR reports in 2006, around 342 employ the ISO 14001 standard and less than ten are signatories to the Global Compact.¹⁰⁰ In Eduard Marček's opinion CSR is mainly driven by NGOs which are looking for opportunities to broaden their networking and financing possibilities from companies.

Indigenous Slovak foreign investment is very low, as was mentioned earlier in the paper, and Eduard Marček acknowledged this. Nevertheless, he provided examples of Slovak firms operating on foreign markets and looked into their CSR awareness and communication. The companies included Eset, Matador and Slovak Hygienic Paper Group. Their CSR strategies, at least those publicly communicated, with respect to other countries are, according to Eduard Marček,

99 UNDP, Line, Braun, 2007.

100 UNDP, Line, Braun, 2007.

very underdeveloped – even if there is CSR activity in Slovakia, it is either absent or not communicated in proper fashion abroad.

Marček also displayed examples of double standards in the CSR approach on the part of companies from other countries in the Central and Eastern Europe operating in Slovakia. Czech CEZ, Hungarian OTP Bank, Polish Assecco and mBank (a subsidiary of BreBank) all communicate much less CSR in Slovakia than they do on their domestic markets.

The Czech Republic. The state of the art regarding corporate social responsibility in the Czech Republic is very similar to other countries in Central and Eastern Europe. Companies have just started to employ the principles of corporate social responsibility in the 1990s, as multinational enterprises from the West were increasingly engaged in the CEE region and brought the idea with them. CSR as a social movement also developed as a reaction to the “double standard” approach of MNEs and dishonest activities on their part. The Czech Republic is home to the leading regional “watch-dog” organization – the previously mentioned Environmental Law Service, which has sued large MNEs investing in the Czech Republic (Danone, Hyundai, LG). Nevertheless, in general the Czech third sector and non-profits dealing with CSR come up against the same set of difficulties and obstacles, like low social capital, low support from the authorities.

For the needs of this research I picked two Czech companies that have significant operations on foreign markets: CEZ and Tatra (Bata would be the third, however, this popular and important shoe producer is no longer controlled by Czech capital). CEZ has subsidiaries in 12 countries (mostly in the region), also in Poland. Websites for the domestic and foreign operations of the company are poorly developed in terms of CSR communication. The only aspect of responsible behaviour, that CEZ informs about is its environmental policy, which consists of good practices, standards (ISO 14001) and environmental impacts measurement and solutions to lower them. CEZ also employs an environmental strategy enclosed in the eleven points in “Environmental Protection Policy”. Nevertheless, it is difficult to determine, whether CEZ’s abovementioned policy and actions bind also foreign operations of the company or only the Czech ones, it is not communicated by the company. Some of them are definitely applied in CEZ Poland, a Polish subsidiary which informs about its environmental impacts and positive solutions in this field. Tatra, an automobile company which operates also in India (production), does not communicate about CSR (neither social nor environmental).

Summary

The publications and analysis regarding the issues of CSR have so far paid little attention to the behavior of Central and Eastern European companies in their operations on other markets. Foundation CentrumCSR.PL's initiative and this research paper is probably the first attempt to evaluate this issue. It needs to be emphasized that the research, carried out for this paper and the project in general, hopefully is a starting point for more regular and in-depth monitoring of Polish and other Central and Eastern European corporations operations on foreign markets.

Central and Eastern European foreign direct investment is hardly of any importance on the global scale. However, expansion of CEE companies in other countries has been regularly rising. This is acknowledged by statistics, and is justifiable in economic theory. Moreover, expansion of capital from our region should be significantly increasing, because Polish and other CEE companies are rapidly developing, which encourages them to re-invest their capital and engage in business activities in other countries. Examples of such companies are PKN Orlen, PGNiG, PKO BP, NG2, Petrolinvest, Lotos, MOL, OTP Bank, CEZ, Assecco, Selena, PZU and many others.

The recognition and level of implementation of principles of corporate social responsibility is most likely still low among corporations in our region (there may be a case of non-communicated CSR). Implementation and communication of sound CSR policies is crucial to gaining comparative advantage in this regard. CEE companies should be aware that the idea of CSR developed inter alia as a reaction to the dishonest activities of their counterparts from developed countries. As their own engagement in foreign markets increases so will the attention they draw from human rights activist groups, researchers and NGOs (leading e.g. to consumer boycotts or media scandals that decrease the intangible value of the brand).

The general conclusions from our research are the following: first, Polish companies domestic information strategies on CSR are predominantly poor (if any). Therefore, many of them do not have much to offer to their foreign subsidiaries, business partners. Second, Polish firms unfortunately seem to follow the common rule that a subsidiary is usually less inclined to communicate and promote CSR than its owner. For the reviewed Polish companies there were only a few, rather accidental, exceptions to this. That, combined with the low level of apparent CSR awareness at home, resulted in an often complete lack of

CSR coming through the information channels of foreign firms owned by Polish capital. Third, only one company in the whole region, Hungarian MOL, employs a holistic CSR policy towards all of its domestic and foreign operations (Polish PGNiG is perhaps the closest in following MOL). Business in the Central and Eastern European region rarely provides any information regarding its foreign investments beside basic financial, economic and environmental aspects. It would be difficult to assume that there is any social responsibility approach towards foreign subsidiaries.

This leads to a situation wherein Polish capital does not inform of any kind of requirements and good practices implemented on its suppliers in other countries – there seems to be little interest in, for example, whether the supplier respects human rights or workers rights at his factories. This should be a significant matter especially for the Polish clothing industry, which outsources most of its production to China and countries in South and Eastern Asia.

It needs to be emphasized that certain Polish companies, if their foreign operations were to be found in violation of the basic principles of CSR, are at a real economic risk. This applies especially to clothing industry companies – it is not hard to imagine consumer boycotts resulting from human rights violations and poor working conditions in Chinese, Indian and other Asian factories (if there were any).

The last issue mentioned here is the generally low recognition of international standards of CSR, especially OECD Guidelines for MNEs. None of the reviewed companies demonstrated initiative for implementing this instrument (other than basic knowledge). The Polish Information and Foreign Investment Agency – a Polish National Contact Point for OECD Guidelines – rarely provides relevant information (on the Guidelines and CSR on global markets) for Polish firms engaged (or interested) on foreign markets, it did not demonstrate interest in our research.

What are the basic recommendations for the future that arise from this paper? First of all, it is important that investigation and promotion of principles of social responsibility of Polish and other Central and Eastern European companies in their operations on foreign markets will be continued. This research is the first attempt and it should be continued in the future.

There is great potential for cooperation between business, civil society groups, trade unions and the authorities, as well as academics, in the field of social

policy, including outward foreign investment (both incoming and outgoing) in every country in Central and Eastern Europe. Such cooperation would improve conditions for doing business in the region as well as the perception of Central European capital stemming from its activities in other countries. In my opinion, especially the Polish National Contact Point for OECD (located in PAIIZ) should develop a stronger position on the issue of social responsibility of Polish foreign investors and promote the OECD Guidelines for Multinational Enterprises among them.

Business representatives should consider implementing CSR strategies on a bigger scale, especially if they are investing abroad. It should be clear from this paper that the idea of CSR has to a large extent developed as a reaction to the dishonest activities of multinational enterprises. Doing business in other countries, especially countries with lower legal demands towards business and poor law enforcement, can be of potentially high risks related to several factors such as irresponsible behavior of employees, reluctance to cooperate (and approve of) trade unions, disregard for consumers, low awareness of stakeholders, not safe and generally poor (or even abusive) working conditions or cooperation with untrustworthy suppliers.

A good method of mitigating those risks is the implementation of a comprehensive, centrally governed CSR strategy, in the best scenario founded on recognized international standards such as SA 8000, AA 1000, Global Reporting Initiative, OECD Guidelines for Multinational Enterprises or the soon to-be-developed ISO 26000. The strategy should take command of several aspects of the corporation, its subsidiaries (and to some extent business partners such as suppliers, who should be verified) impact on its surroundings: suppliers, local communities, workers, competitors, governments, environment, the media and consumers.

CSR could be a source of competitive advantage, for the reason of better control of reputational risks, mentioned above, but also because of more positive factors translating into internal (i.a. innovation, human capital improvement) and external (favorable perception by consumers, inclusion in various CSR indices) benefits. The search for comparative advantages on foreign markets should be very important for Polish and CEE companies. On domestic markets they have perhaps privileged position and it is safe to say that their "survival" is not endangered. It is an entirely different situation on global markets where competition from large multinational enterprises is strong and the political and the legal environment does not favor Central and Eastern European companies in any way.

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Annex 1. The questionnaire sent to Polish corporations investing on foreign markets

1. Which “good practices” of CSR does your company implement in its foreign-market operations?

2. To what degree does your company incorporate CSR in foreign markets? To what degree does your company perform a risk analysis of areas related to CSR in Poland and in foreign markets? Does your company conduct a CSR-related analysis of the companies with which your company intends to do business (suppliers, producers, etc.)?

3. Which CSR behavioral guidelines are applied to foreign subsidiaries? Which international CSR standard is applied at your company? Is that standard applied by your company to operations in foreign markets? Do your foreign subsidiaries also apply that standard?

4. Are you familiar with the document entitled “OECD Guidelines for Multinational Enterprises”? In promoting and adhering to the OECD Guidelines, does your company cooperate with any public administrations (here, the Ministry of Economy and/or the Polish Information and Foreign Investment Agency)?

Annex 2. MOL – regional CSR leader with respect to its foreign operations?

MOL is one of the largest corporations in the region in terms of market value, revenues, profits. The numbers in 2008 amounted to 4.5 bln EUR, 14.1 bln EUR and 562 mln EUR respectively. What is more interesting about the company is that it is perhaps the only truly global company from Central and Eastern Europe. MOL conducts business through its daughter companies and their subsidiaries in: Austria, Cameroon, Croatia, the Czech Republic, France, Germany, Iraq, Italy, Kazakhstan, Kurdistan, Montenegro, Oman, Pakistan, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, the Ukraine, the United Kingdom, Yemen. That totals 23 (including Hungary) markets in which MOL operates, in many of those cases MOL investments are of significant size. According to information provided on MOL’s website, the company is now the most efficient producer of oil in Europe:

net cash refinery margin per barrel and net production income per barrel are the highest among oil producers on the continent.

The company has received several awards and recognitions not only for its CSR policy. They include i.a.: “Best Investor Relations” (in Hungary) award by IR Magazine, “The Most Investor Friendly Oil Company in Central and Eastern Europe” by Institutional Investor Magazine, “Central European Environmental Reporting” award by Deloitte, “AmCham Healthy Workplace” award by United States Chamber of Commerce, in 2007 MOL was the Business Donor of the Year in Hungary and Romania (Hungarian and Romanian Donors Forum). MOL is a signatory to the Global Compact, Business Council for Sustainable Development, KOVET Association for Sustainable Economies. The company publishes CSR reports in accordance to Global Reporting Initiative at the “B+” level. Also, MOL is the sole company from CEE listed in global stock market indexes focused on CSR – Dow Jones Sustainability and FTSE4Good (in 2008 MOL positioned itself in the top 20% in the oil and gas sector in the Dow Jones Sustainability Index).¹⁰¹

MOL has extensive foreign operations and seems to be handling them extraordinarily well in terms of CSR, especially in comparison with other corporations in the region. The company’s website is rich in data on CSR, quality management, consumer safety, stakeholder information, etc. Importantly, the information does not exclude foreign markets, which are extensively discussed with regard to social and environmental responsibility.

MOL has a centrally governed CSR strategy and ethics management which is applied to all foreign operations and subsidiaries. The strategy is overseen by the Sustainable Development Committee of the Board of Directors, chaired by the MOL Group CEO. The company employs the Supplier Qualification System (pre-qualification, regular evaluation, processing analysis). The system is to ensure, according to MOL, that its suppliers meet the high criteria of quality (including environmental and safety standards), cost-efficiency (emphasis is also put here) and working conditions.¹⁰²

MOL Group subsidiaries are certified with various standards, including ISO 9001, ISO 14001, ISO 17025, OHSAS 18001, ISO 22000 (not every company in MOL

¹⁰¹ www.mol.hu.

¹⁰² www.mol.hu.

Group is certified with each standard). It is required by MOL that all subsidiaries employ HSE (Health, Safety and Environment) Management System (they are allowed to develop their own strategies and objectives within the framework of HSE). Most importantly GRI reporting is based on disclosing “hard” indicators on economic (i.e. energy consumption, customer satisfaction), environmental (i.e. waste, emissions, spills) and social (i.e. injury frequency, absentee rate, reported occupational illness, fatalities, fire damage, work force, work force employed full-time, employees in trade unions, women in the workforce, ethical issues, ethical misconduct) performance which includes all of MOL Group operations, also the foreign.

Annex 3. Agnieszka Siola (CSR coordinator in PNiG Cracow – PGNiG Group subsidiary) statement for the purpose of Foundation CentrumCSR.PL research

For many years, Oil and Gas Exploration Limited Liability Company (PGNiG Group) has tried to implement the concept of responsible business. The objectives and assumptions of sustainable development are implemented in four areas of activity: business activity, the creation of a safe and friendly workplace, cohesive and reliable communications and carrying out business activities with respect for the natural environment.

PNiG Cracow is a contracting company that provides services within the scope of drilling for oil and natural gas. For more than thirty years the company has operated in the international marketplace, from the Arctic to the tropics. The years of experience and cooperation with the world’s largest oil concerns gave rise in PNiG Cracow to the idea of work in harmony with the priorities Corporate Social Responsibility. From today’s point of view, the company does not treat this as an additional duty, rather as steps in a process that raise the company’s value on the international markets.

The peculiar nature of the oil business and possibilities for discovering new resources are reflected in the fact that drilling companies operate in many different markets with their own peculiarities, so-called “exotic markets.” This

is why PNIG Cracow makes every effort in its business activities, and all other activities in which it engages, to conduct itself in accordance with the dictates of responsible business practices and to be as sensitive as possible to cultural differences. More than 80% of the energy companies in the world implement and adhere to a strategy of sustained development. This fact makes it imperative that PNIG Cracow accepts new challenges and improve itself in this area.

PNIG Cracow employs more than 1 300 people, of which 500 are foreigners. Many of these individuals are seasoned professionals and long-term employees of the company. In its mission to achieve CSR, the company places a special emphasis on recruiting and training local employees, for example in Kazakhstan, Pakistan, and Uganda. Achieving local qualifications permits the employee to further develop his or her career. Every local employee has equal access to job positions and is able to pursue his or her career development in line with the career-path track established by PNIG Cracow. All local employees (in Kazakhstan, Pakistan, Uganda, the Ukraine) who have worked with PNIG Cracow are eagerly sought-after by other foreign companies. A recommendation by PNIG Cracow has become a guarantee to other companies that their new employee is highly qualified.

The company's success in foreign markets would not have been possible were it not for the particular care it places on relations and dialogue with local communities, which is why PNIG Cracow is always thought of as a good neighbour employer. The company strives to support the regions it works in by providing education, experience and financial assistance. We take part in building schools and educating children and youth, are helping to create a skilled class of oil-drill operators, we care about the environment and we are also active in providing humanitarian relief for victims of floods and earthquakes. We cooperate with both local and international media. In our relationships with suppliers, our company conducts a yearly review of each of them, including from the CSR angle. Each supplier is scored according to the quality of its goods, its adherence to the law and the rules of CSR. Companies that successfully pass the analysis stage are entered onto a list of qualified suppliers and become part of the proven supplier-base with which PNIG Cracow does business.

The oil business is inevitably linked to interfering with natural resources, which is why in all of its exploration-related activities PNIG Cracow takes special care of the environment by following a set of rigorous procedures and rules. Part of PNIG Cracow's vision entails providing the highest-quality drilling services while respecting the environment. In order to make this vision a reality, we have implemented and documented the ISO 9001:2000 quality

system and been certified by BVC. The next step in improving our services and our image as a responsible business is the implementation in 2009 of an environment-management system in compliance with ISO 14001:2004 as well as a workplace safety and hygiene management system that complies with BS-OHSAS-18001:2007. In addition, PNIG Cracow has documented a high level of class and professionalism in the implementation of an integrated management system for safety and environmental protection called HSE (Health, Safety, Environment) and a system for monitoring working conditions called "STOP," the Safety Training Observation Program.

As part of the PGNIG Capital Group, PNIG Cracow since 2009 has implemented Strategies for Sustained Development and Responsible Business. This strategy is intended to guarantee coherence between the company's civic mission and its business, social and environmental goals in all the areas in which PNIG Cracow is active. Thanks to this Strategy, our way of doing business and thinking about business development, present in PNIG Cracow for many years, now has a formal framework to assist us in effectively managing the Responsible Business process in all our markets and areas of activity.

PNIG Cracow has for many years been a member of such prestigious organizations as: IWCF, IADC and SPE. The company has won many prestigious awards for its record of safety and expansion into foreign markets.

Annex 4. Agenda of an expert seminar

Corporate social responsibility and Central and Eastern European enterprises on overseas markets. Expert seminar.

28.09.2009, Warsaw, Centrum Finansowe Puławska, ul. Puławska 15, room „ECHO”, 1st floor.

09.45 – 10.00	Registration of participants, coffee.
10.00 – 10.10	Opening of the seminar. <ul style="list-style-type: none"> • <i>Grzegorz Piskalski</i> – Director of Foundation CentrumCSR.PL • <i>Krzysztof Getka</i> – Friedrich Ebert Foundation – Warsaw Office.
10.10 – 11.30	CSR and Polish companies operations on foreign markets. <i>Moderation: Krzysztof Getka (Friedrich Ebert Foundation)</i> <ul style="list-style-type: none"> • <i>Piotr Mielechow, Grzegorz Piskalski</i> (Foundation CentrumCSR.PL) Presentation and discussion of the research on awareness and communication of CSR among Polish companies' active on foreign markets • Statements: <ul style="list-style-type: none"> – <i>Eduard Marcek</i> – Coordinator – PANET (Slovakia) – <i>Laszlo Radacsi</i> – Braun & Partners (Hungary) – <i>Tim Steinweg</i> – Researcher – SOMO / OECD Watch (Holland) • Open discussion.
11.30 – 12.00	Coffee break
12.00 – 14.00	Can Polish companies export CSR? <i>Moderation: Grzegorz Piskalski (Foundation CentrumCSR.PL)</i> <ul style="list-style-type: none"> • Statements: <ul style="list-style-type: none"> – <i>Michał Szymczuk</i> – Specialist in the Analyses and Forecasting Department – Ministry of Economy of the Republic of Poland – <i>Marek Krawczyk</i> – CSR unit – PKN Orlen – <i>Agnieszka Siola</i> – CSR Coordinator in Oil and Gas Exploration Company Cracow (PGNiG Capital Group) – <i>Geoffrey Mazullo</i> – Director – Partners for Financial Stability (PFS) Program – <i>Barbara Surdykowska</i> – Expert – KK NSZZ “Solidarność” – <i>Anna Paluszek</i> – Modnie i Etycznie Program – Polish Humanitarian Organization (PAH) – <i>Grzegorz Gruca</i> – Member of the Board – Polish Humanitarian Organization (PAH) • Open discussion.
14.00	Lunch.

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