CORPORATE SOCIAL RESPONSIBILITY FOR INVESTORS: GOING BEYOND COMPLIANCE
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Corporate social responsibility (CSR) is becoming an essential part of our life. Investors, global companies, national governments pay significant attention to CSR issues, adopt directives and policies to promote CSR internally and externally, in the foreign trade.

The governments of Nordic countries including Denmark, Finland, Iceland, Norway and Sweden can be benchmarks of social responsibility and its promotion. They have a long history of joint partnerships trying to preserve nature and other resources for future generations. The term ‘Nordic way of sustainability’ is becoming widely used.

Therefore, studying the way the Nordic companies promote social responsibility practices in other countries they invest, to Ukraine in particular, can be a good starting point to launch discussion on CSR and investments. For the other part, understanding the investment attractiveness of Ukraine in the context of corporate social responsibility could add value to that discussion. With this aim, a study has been conducted by CSR Ukraine within the project ‘CSR for Investors: Risks and Opportunities’ under support of the Royal Norwegian Embassy in Ukraine. The information partner was NUCC.

Research objectives include: 1) to learn about the major driving forces for investment climate improvement in Ukraine, 2) to identify the main benefits and barriers of investing in Ukraine, 3) to explore the relationship between CSR and investment in the context of CSR risks, daily practices as well as prospects for 2020.

The main target audience of the study was Nordic investors in Ukraine, namely representatives of Denmark, Norway, Sweden and Finland. The term “investor” implies a legal entity that carries out investment activities in the country and is estab-
lished under legislation other than the legislation of the country.

The research methodology includes conducting of 1) media-analyses of publications; 2) analyses of rankings on investment attractiveness of Ukraine; 3) survey of 50 investors; 4) 10 expert interviews.

Research outcomes presented in the given publication can be of interest for investors of different countries. Often they enter Ukrainian market with much higher standards of corporate governance, labour relations, human rights and environmental protection than the current standards applied in this country. But compliance with the legislation containing the best standards does not always develop into an effective corporate social responsibility strategy (CSR).

In order to encourage and develop investment activity and establish an attractive investment image of Ukraine public institutions are being set up in the country, legislation is being developed and improved, meetings of public authorities with investors are held.

Obviously, foreign investors notice those changes. Over 2015-2016 the volume of foreign investment started growing a bit, unlike investment made by companies-residents of Ukraine. In 2016 foreign investment grew by 17.1% as compared to 2015, which, in monetary equivalent, makes up 4.406 bln. dollars, while investment made by Ukrainian residents went down by 25.8% (in total – 20.7 mln. dollars). Almost 45% of the overall investment volume were invested into the Ukrainian economy by the EU countries.

Ukraine attracts investors with its market growth capacity, in particular, in the energy sector, agriculture and infrastructure, as well as with its labour, low production cost, low competition rate, natural resources, openness to changes and proximity to the EU market.

Among positive changes investors have pointed out stabilization of the financial sector, released pressure on business, commencement of the judicial reform and law-enforcement bodies reform, attempts to combat corruption, and deregulation. Key obstacles on the way to foreign investments still remain the factors of the country’s internal development, primarily, corruption, poor judiciary system, unstable and complicated legislation, including taxation legislation, political instability and bureaucracy. Surprisingly, military conflict in the East came to be the last on the list of factors influencing investment climate in Ukraine.

The survey results have proved that corporate social responsibility in the country of origin and in Ukraine within one and the same company differ significantly. Most foreign investors don’t pay sufficient attention to the issues of corporate social responsibility while establishing their business in Ukraine. In the overwhelming majority of cases they focus on the issues of compliance with rigid
European standards on fair competition, transparency, corporate governance and consumers’ relations and charity. Moreover, most investors think that the company must have its budget for social projects and make its contribution into the development of society in the country of its presence. However, investors are not sufficiently active in implementing corporate social responsibility projects (social projects) until they see the willingness of the state to change the rules of the game.

Based on the above-mentioned findings, recommendations for public authorities, business associations, non-governmental organizations and foreign investors have been provided in the Report including:

- State authorities should continue systematic reforms in Ukraine, including judicial reform, taxation system reform, improvement of customs procedures; should activate anti-corruption campaign at all levels, including enhancing liability for corrupt acts; should adopt the National Corporate Social Responsibility Strategy and the National Corporate Social Responsibility Action Plan as a driver for responsible practices of foreign and Ukrainian companies.

- Business associations should continue enhancing their influence and pressure on the authorities via activation of effort relating to the change of the business culture in Ukraine, integration of international business standards, including CSR standards, with due account of fair operating practices, anti-corruption activity, etc.

- Non-governmental organizations should activate the anti-corruption effort, to point to corruption as well as to best anti-corruption practices.

- Foreign companies in Ukraine should assess the influence of their companies (economic, social, environmental) and develop local corporate social responsibility policy with allocated budget to minimize the negative effect.
CSR IN NORDIC COUNTRIES
STATE LEVEL

Corporate Social Responsibility (hereinafter referred to as CSR) involves a lot of nuances and synonyms. One of them is sustainability or responsible business practices (OECD). As defined by the European Commission, corporate social responsibility is a “responsibility of the company for its influence on society” (2011). By definition of Nordic strategy on social responsibility, corporate social responsibility comprise a positive and negative impact of companies on people, communities, society, environment and future generations and its further influence on the business (Nordic Council of Ministers, 2012).

As can be seen, the impact covers economic, social and environmental aspects, as well as the promotion of women to senior management level, reducing CO2 emissions and the fight against corruption; all the abovementioned may be considered as the examples of corporate social responsibility practices. Moreover, today CSR covers not only the initiatives and practices of their companies but expands the responsibility of the company both for its suppliers and partners.

According to the opinion of Nordic Council of Ministers, the integration of social, environmental and ethical challenges in business operations and a key strategy involving dialogue with stakeholders will soon become a common practice.

Nordic countries are considered to be leaders in sustainability. The governments of these countries traditionally are involved in CSR promotion rather massively (Midttun et al., 2015).

Based on RobecoSAM’s Country Sustainability Ranking Sweden, Norway, Finland and Denmark may be always found in the top 10 countries with sustainable development, and in the year 2016 Sweden, Norway and Finland led the ranking (RobecoSAM, 2016) among 62 countries. While Ukraine has taken 52 position in this ranking. The ranking criteria involve 17 indicators, including social, environmental and management performance indices. Countries in the top ten as well demonstrate high standards of living.

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3 RobecoSAM, 2016
Nordic strategy for Corporate Social Responsibility (Strategy) was adopted in the year 2012. Nordic strategy for social responsibility has two main objectives:

1. enhance long-term sustainable competitiveness of Nordic business;
2. to strengthen global Nordic coordination on corporate social responsibility.

The strategy is aimed at implementing CSR standards in the global supply chain as well as at drafting of CSR reporting and dissemination of communication on social responsibility.

Priority areas:

1. promotion of common international norms and standards, including:
   - OECD Guidelines for Multinational Enterprises;
   - UN initiatives, including the Global Compact and the Guidelines on human rights in business;
   - The international standard for social responsibility ISO26000;

2. assessment of risks and opportunities in the global supply chain.

The main focus of this direction is support of Nordic businesses in the assessment of risks and opportunities in the global supply chain as well as capacity building of companies and their partners and exchange of best practices between business and stakeholders;

3. strengthening of reporting and communication.

Some Nordic countries have introduced mandatory or recommended CSR reporting. European Commission have taken Danish experience as a basis for companies' reporting directive. As a result, since 2018 all large EU companies employing more than 500\(^4\) employees have to disclose non-financial indicators (policies and their results in areas such as human rights, gender equality, anti-corruption policy, environment, etc.) in their financial report.

Nordic Council of Ministers emphasizes the importance of implementation of international standards such as the Global Reporting Initiative and on the efforts' consolidation in this regard.

\(^4\) http://ec.europa.eu/finance/company-reporting/non-financial_reporting/index_en.htm
1.2. CORPORATE LEVEL

Nordic companies as well as their governments are sufficiently advanced in the promotion and implementation of corporate social responsibility. There are examples of Ikea, Maersk, Novo Nordisk, Electrolux and others.

“*The Norwegian Government expects all Norwegian enterprises carry out corporate social responsibility, whether they are public or private, and whether they carry out their business in Norway or abroad. It is also expected that companies with the state ownership share should systematically practise CSR and should become leaders in this field in their sectors. Especially our expectations involve these key areas: climate changes and environment, human rights, the rights of employees and the fight against corruption*.”

One of the characteristic of these companies is Nordic cooperation, «the general trend of Nordic companies to implement strategies for creating value through collaboration with their stakeholders that leads to even greater value for the company and its stakeholders» (Strand & Freeman, 2015).

Nordic social responsibility strategy focuses on the global context within which Nordic companies invest and work in different countries. Usually companies face many challenges abroad including:

- the economic crisis;
- international competition;
- climate change;
- environmental degradation;
- complex labor market;
- an aging population;
the negative impact of human development on people, communities, society, natural environment and future generations.

Existing challenges raise CSR expectations to business. That is why the Nordic Council of Ministers recognizes the importance of international efforts to create favorable environment for CSR.

Nordic Council of Ministers has its own recommendations for Nordic companies:

1. the company should have a strategic approach to CSR;
2. the company should assess the social, ethical and environmental risks and opportunities and proactively address minimization of these risks;
3. companies must be flexible in developing appropriate CSR strategy, taking into account the local context;
4. companies should identify stakeholders and involve them in the development and implementation of their CSR strategy;
5. companies should work with various stakeholders.

That is what Nordic companies do at the global level, confirming their leadership in CSR. Therefore it’s important to study approach of Nordic business towards CSR in the foreign markets.
CSR Ukraine conducted analytical research to find out the opinion of Nordic investors on corporate social responsibility (CSR) and its implementation in Ukraine within the Project “CSR for Investors: Risks and Opportunities” supported by Royal Norwegian Embassy in Ukraine. The Research information partner was the Norwegian-Ukrainian Chamber of Commerce (NUCC).

The main purpose of the research is to determine the level of CSR importance for foreign investors. The term “investors” imply legal entities that carry out investment activities in the country and are established under legislation other than the legislation of the country.

Research objectives:

1. to learn about the major CSR driving forces for improvement of the investment climate in Ukraine;
2. to identify the main CSR benefits and barriers of investing in Ukraine;
3. to explore the relationship between CSR and investment in the context of CSR risks in daily practices and prospects for 2020.

The main target audience was Nordic investors in Ukraine, namely representatives of Denmark, Norway, Sweden and Finland.

In order to achieve the goals and objectives of research has been done the following:

1. media-analysis of publications has been conducted and the results of research and ratings on investment attractiveness has been analyzed;
2. survey of 50 foreign investors has been done;
3. expert interviews have been conducted.
2.1. MEDIA-ANALYSIS

Media-analysis of publications on implementing CSR policies in companies with Nordic capital was made on the basis of retrospective media monitoring. The sample includes online mass media publications for 2012-2016 years (social and political, business publications, news agencies, Internet pages of TV editorial services, blogs, official websites of the Cabinet of Ministers of Ukraine). 48 messages were analyzed in total. The results of research and ratings on investment attractiveness (for the years 2015-2016) have been analyzed as well, including the index of investment attractiveness of Ukraine by European Business Associations (EBA) in 2016, the investment attractiveness research by Kinstellar law firm in cooperation with the Lawyer Research Service, the survey of investors by Dragon Capital and the EBA (2016), the Corruption Perception Index CPI-2016.

2.2. THE SURVEY OF FOREIGN INVESTORS

The survey was conducted among 250 companies from four Nordic countries. 50 responses were received (20% feedback). Most of the these companies are already investors in Ukraine for a long time, starting from 1993 (one of the earliest investors). Few said they plan to start investing in Ukraine. The level of investments of surveyed companies varies from 200 000 euro to 10 million euro. One company noted that the amount of investments from year 2004 to 2016 have reached 80 million euros. Number of employees varies from 2 employees (consulting firms) to 700. Sectors represented by respondents include retail, agriculture, engineering, business, food, professional services, telecommunications company, oil and gas companies.

Regions of presence of companies respondents are Kyiv and regional centers as well as large cities, rural areas.
2.3. EXPERT INTERVIEWS

Expert interview (10) with representatives of business associations, consulting agencies, businesses, CSR experts on the characteristics and risks of implementing CSR in companies with foreign capital. Expert interviews were conducted on Skype with experts knowledgeable on investment and corporate social responsibility.

Research limitations

The main limitations of the research, the study is not representative but at the same time reflects the trends and directions of CSR role in the country investment climate.

Despite the fact that only Nordic companies were interviewed, in our opinion, research may reflect also the trend regarding foreign investors from other countries.

Who is the research design for?

Research may be useful for foreign and Ukrainian companies, embassies of foreign countries in Ukraine, state and regional authorities, investment and CSR experts, existing and potential investors.
INVESTMENT ATTRACTIONNESS OF UKRAINE
Foreign investors continue to invest in Ukraine and moreover their investments over the past two years have increased. It should be noted that this is also due to the fact that conditions for investment climate improvement are set at the highest level in Ukraine.

The main laws and regulations for investment can be defined as follows:

- Law of Ukraine “On Protection of Foreign Investments in Ukraine”;
- Law of Ukraine «On Joint Investment Institutions»;
- Law of Ukraine “On Investment Activity”;
- Law of Ukraine “On the Regime of Foreign Investments”;
- Law of Ukraine “On Protection of Foreign Investments in Ukraine”;
- Law of Ukraine “On Foreign Economic Activity”;
- Law of Ukraine “On Joint Investment Institutions”;
- Regulation of the Cabinet of Ministers of Ukraine “On approval of the National Strategy for Regional Development until 2015”.

3.1. KEY STAKEHOLDERS

In order to promote and develop investment activity in Ukraine and create favorable investment image of Ukraine President created the National Investment Council (NIC). The Board includes senior officials, representatives of foreign and Ukrainian companies. The head of the Council - the President of Ukraine. Mandate of the National Investment Council include:

- development of proposals for promotion and development of investment activity in Ukraine;
- working out of proposals on strategic directions of Ukraine’s investment potential development, stimulating of foreign and domestic investment for the national economy development;
- analysis and synthesis of problems preventing investment in Ukraine’s economy, preparing proposals for their solutions, in particular on measures to promote investor rights protection;
- participation in the elaboration of the draft legislation on investment.

The government also established Office on attraction and support of investments as a permanent advisory body of the Cabinet of Ministers of Ukraine. The Office duties shall include the following mandate:

- coordinate the actions of the executive branch to address issues that arise when investing in the economy of Ukraine;
- prepare proposals on formation and implementation of investment potential of Ukraine;
- support priority investment projects;
- contribute to improving the investment climate in Ukraine and protect the rights of investors.

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7 https://www.pard.ua/uk/news/4196-prezydent-zatverdyv-polozhennya-pro-natsionalnu/#sthash.8sriIPAH.dpuf
8 http://www.kmu.gov.ua/control/uk/cardnpd?docid=249425329
9 http://ukraineinvest.com
«I would like each region to be determined with a clear indicator on the business projects’ feasibility in accordance with 5-10 positions. “Green” indicator shows that situation is under control, the investor carries out his business in normal mode. As soon as we get information on the problem with the tax or regulatory agencies, we should immediately provide our support in order to remove all these issues, even not involving investor. It is our task, and the task of implementing projects “turnkey”: there is an investment, if you want to build a factory, enterprise then we will implement all the organizational work related to the state. Your task is just to be successful and do your job” – Volodymyr Groysman, Prime Minister of Ukraine.\(^\text{10}\)

According to the Director of the Office Daniel Bilak, “one of the basic tools of interaction between the Office and investors shall be “concierge service” – constant interaction with investors in all the matters which may arise, from changes to the regulatory framework to property rights protection. Conservative expectations from such tactics compile $1 billion of new investments by the end of 2017”.\(^\text{11}\)

Oksana Markarova holding position of Government Commissioner for Investments and Deputy Minister of Finance became Office Coordinator.

\(^\text{10}\) http://www.kmu.gov.ua/control/uk/publish/article?art_id=249414579&cat_id=244276429
\(^\text{11}\) https://www.facebook.com/ukraineinvest/posts/304968846555595
3.2. DIRECT FOREIGN INVESTMENT IN THE YEARS 2015-2016

Despite the fact that the years 2013-2014 were difficult years in the context of the amount of attracted foreign investments there can be seen gradual growth in the years 2015 - 2016.

For example, according to data of State Statistics Service, investment increased by 17.1% in the year 2016 which in monetary terms makes $ 4, 406 billion. If compared with investments of companies-residents of Ukraine, in the year 2016 its volume makes $ 20.7 million, which is 25.8% less than in the year 2015.

The top ten countries investors include:

- **Russia**: 1.667 billion dollars
- **Cyprus**: 427.7 million dollars
- **UK**: 403.9 million dollars
- **Netherlands**: 255 million dollars
- **Austria**: 249.9 million dollars
- **UK**: 403.9 million dollars
- **Cyprus**: 427.7 million dollars
- **Russia**: 1.667 billion dollars
- **Netherlands**: 255 million dollars
- **Austria**: 249.9 million dollars

EU countries invested in economy of Ukraine 1972.0 million dollars or nearly 45% of total investments\(^\text{13}\).

**EXPERT COMMENT**

"If we speak about direct foreign investment, the trend here is not very much positive due to a complicated economic situation".

Due to differences in the volume of investment of foreign and Ukrainian investors it is important to note the positive aspects of investment for the country:

- transfer of innovative technologies;
- improvement of the payment balance;
- economic and social development of the country (employment, development of social infrastructure).

At the same time there are some risks, namely: raw materials exploitation, dependence on foreign capital and competitiveness reduction, transfer of capital abroad\(^\text{14}\).

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\(^{12}\) [https://www.epavda.com.ua/news/2017/03/1/622136/]

\(^{13}\) [http://www.ukrstat.gov.ua/]

3.3. THE INVESTMENT ATTRACTIVENESS OF UKRAINE

Every year the European Business Association conducts research “Index of investment attractiveness of Ukraine” showing the state of the business climate in Ukraine according to opinions of the top officials of the EBA member companies\(^{15}\).

The Figure 1 shows that the investment attractiveness of Ukraine in the year 2016 remained in the negative zone – 2.85 points, while achieved the highest index for the last 4 years.

It should be noted that index did not rise to 4 points (positive rate zone) (Fig. 1) for the whole measurement period by the EBA. The highest value of the index was in the year 2011.

Fig. 1. Results of the investment attractiveness Index of the European Business Association

\(^{15}\) http://www.eba.com.ua/uk/component/k2/item/7?Itemid=13
According to data for the year 2016, more than half (67% of businessmen) are not satisfied with the investment climate in the country. Only 9% of business representatives consider investment climate as satisfactory. About 40% have not noted positive changes in the investment climate, and 21% consider it has declined compared to the first half of the year 2016 (Index of investment attractiveness of Ukraine. Second half of the year 2016 European Business Association).

Although Ukraine has risen from 96 to 83 place among 189 countries – members of the World Bank, in the ranking Doing Business-2016 the business climate in the country is estimated by experts and businessmen as difficult. Thus, according to the survey results of KINSTELLAR law firm in cooperation with “The Lawyer Research Service” 82% of respondents believe that it is difficult to do business in Ukraine. And according to the results of Dragon Capital and the European Business Association (EBA) researches (in the year 2016) some components of the business climate and economic situation in the country have a negative influence for the volume of investment attraction\(^\text{16}\).

The positive changes according to the company directors – members of the European Business Association are as follows:

- stabilization of financial sector and regulation (29.2%);
- support from the government and easing pressure on business (9%);
- start of judicial reform and the reform of law enforcement agencies;
- macroeconomic stabilization and purification of the banking sector made by the NBU;
- stability in the stock market;
- attempts to corruption combating;
- deregulation.

**EXPERT COMMENT**

“Ukraine is doing a lot in the context of investment attraction: including promotion through presentations, e-declarations, one-stop shop for business. But along with this, there remains a lot of red tape and paper work here”.

Barriers to improve the investment attractiveness according to the respondents are as follows:

- corruption (19% noted a lack of progress in corruption combating);
- lack of reforms (15.7%);
- retreat of reformers from government (13%);
- pressure from some government bodies;

\(^{16}\) Surveys of investors of Dragon Capital and the European Business Association (EBA) (2016)
Corporate Social Responsibility For Investors: Going Beyond Compliance

- reduction of population’s purchasing power and sensitivity of the consumer market to prices;
- uncertainty and unpredictability of the economic situation in the country.

EXPERT COMMENT
“Corruption, judicial reform, public administration reform – these are the current obstacles. We face resistance from middle-rank officials, staff overage in public institutions, minimum salaries and absence of initiative on behalf of public officials.”

It is important to note that interviewed investors have also supported the above messages.

EXPERT COMMENT
“Over the last 2-3 years business has started perceiving the increased number of reforms more positively. For instance, deregulation, simplification of certain permissions, energy tariffs rise to the level of well-grounded ones, tax sphere, technical regulation (for instance, setting payment transactions recorders (PTR) in some categories of small business – sole proprietors)”.

Global trends show similar results. Military conflicts only enhance political factors unfavorable for investment attraction. According to the MIGA «World Investment and Political Risk» study (2010), heads of multinational corporations in countries with conflicts are more concerned on unsystematic and unpredictable changes in government policy in respect of their investment than on security issues. 62% of respondents identified the “regulatory changes” as a major political risk, while war and terrorism as the main threat to their investments – 15% and 4% respectively17.

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17 Rostislav Averchuk. Foreign direct investment in Ukraine: War and Peace
3.4. WHAT FACTORS ATTRACT INVESTORS?

Experts and investors interviewed consider that Ukraine attracts investors by the following characteristics:

- labor force, high level of education and training, including highly skilled IT-specialists, diligence and responsibility;
- growth potential of Ukrainian market, especially in sectors such as energy, agriculture and infrastructure;
- low production cost;
- a large market for products and low competition;
- natural resources (land and natural resources), favorable climatic conditions;
- openness to changes (political, economic and social factors);
- convenient transit location;
- proximity to the EU market.

Investors also noted considerable improvement in process of obtaining work visas for the last 3 years which facilitates knowledge transfer.

EXPERT COMMENT

“Investment climate improvements have become visible to foreign investors, though this, possibly, depends on the sector. IT sector and its capacity definitely attract investors.”
3.5. BARRIERS FOR INVESTORS

Results of media analysis (Table 1), as well as other analyzed researches suggest one issue - above all, political factors adversely affect the investment involvement. These include:

- corruption expansion;
- weakness of the judicial system (especially in terms of property rights: risk of raider attacks on investors property, doubtful validity of court decisions concerning cases of investors and creditors);
- overregulation of business activities (including extension of bureaucracy in the design of permits and licenses);
- unstable and confusing legislation including tax policies;
- political instability;
- unpredictability and lack of transparency of the State Administration (including aggressive practice of audits by tax authorities);
- continuing military conflict;
- slow progress of the reforms.

EXPERT COMMENT

“The government tries to eliminate corruption. But it is still there, and it has not changed since 2010, only its forms have changed. For example, today it is easy to work with the customs office, but difficult – with repayment of value-added tax. We keep addressing the business ombudsman, but the problem is of a systemic nature”.

The companies with foreign capital, which suffered due to the lack of guarantees for protection of the investors and creditors interests, inefficient justice and unstable tax system include bank with foreign capital, the company Luxoft, Wizz Air, Happy Farm, Shell and Cargill according to the experts' opinions.18

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18 Alexander Kramarenko's Blog, Chief Editor of “Dengi” magazine – Why does Ukraine scares foreign investors
Table 1. Factors that negatively impact on investments (results of publications media analysis, N = 21)

<table>
<thead>
<tr>
<th>Factors negatively affecting the investment attraction</th>
<th>Number of references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>18</td>
</tr>
<tr>
<td>Weakness of the judicial system</td>
<td>13</td>
</tr>
<tr>
<td>Overregulation of business activity</td>
<td>11</td>
</tr>
<tr>
<td>Unstable and confusing legislation including tax</td>
<td>9</td>
</tr>
<tr>
<td>Political instability</td>
<td>8</td>
</tr>
<tr>
<td>Military conflict</td>
<td>8</td>
</tr>
<tr>
<td>Unpredictability and lack of transparency of the State Administration</td>
<td>8</td>
</tr>
<tr>
<td>Burdensome customs policy</td>
<td>7</td>
</tr>
<tr>
<td>Reduction in consumer activity</td>
<td>6</td>
</tr>
<tr>
<td>Negative business-climate</td>
<td>6</td>
</tr>
<tr>
<td>The low growth rates of the economy</td>
<td>4</td>
</tr>
<tr>
<td>Slow progress in reforms</td>
<td>4</td>
</tr>
<tr>
<td>Instability of hryvnia</td>
<td>4</td>
</tr>
<tr>
<td>Strict regulation of capital flows (including partial restrictions on the payment of dividends and investment income abroad)</td>
<td>2</td>
</tr>
<tr>
<td>Restrictions in circulation of agricultural lands</td>
<td>1</td>
</tr>
<tr>
<td>The difficulty to find a reliable, high-quality owner and leadership teams</td>
<td>1</td>
</tr>
<tr>
<td>Digitalization level</td>
<td>1</td>
</tr>
<tr>
<td>Lack of leading positions on world markets</td>
<td>1</td>
</tr>
<tr>
<td>Risk of raider attacks on investors property</td>
<td>1</td>
</tr>
<tr>
<td>Problems with the foreign judgments enforcement in Ukraine</td>
<td>1</td>
</tr>
</tbody>
</table>
Interviewed investors also provided their versions of existing barriers for investors:

- corruption in government institutions;
- corruption and its perception in business;
- pressure of regulators and other government authorities;
- monopoly state of some companies that prevents competitiveness;
- unfair operating practices;
- the difficulty of cross-border trade;
- unstable political and economic situation;
- judiciary;
- lack of possibility to register the value added tax for exporters, and later rely on its return;
- bureaucracy.

**EXPERT COMMENT**

“There are three main barriers: 1) high level of corruption, 2) disregard for the legal system and 3) bureaucracy. Ukraine has always been attractive for investors who are prone to risk and like risk. Still, a lot needs to be done to have normal investors: there is a need to establish the judicial system, to have political predictability and to overcome economic risks.”
3.5.1 Corruption

In accordance with the media-analysis (Table 1) and the results of other researches, corruption has the most negative impact on the investment attractiveness of Ukraine.

According to the survey of Dragon Capital and the European Business Association (EBA) (2016) the biggest obstacle for investment in Ukraine according to investors is corruption (the average rating – 8.5 points out of 10 possible)\(^{19}\).

According to the survey of KINSTELLAR Law Firm in cooperation with “The Lawyer Research Service” 20% of investors with experience of investing in Ukraine consider corruption as a major investment risk\(^{20}\).

Despite the fact that corruption combating is a top priority of country’s government, the investors do not see results of its combating that is proved by the survey of Nordic investors. The situation is complicated by the lack of an effective judicial system and impunity of corrupt officials.

Ukraine ranks 131\(^{\text{st}}\) position out of 176 countries received 29 points in the global Corruption Perception Index (CPI)\(^{21}\) by the year 2016. The same rating position is occupied by Iran, Kazakhstan, Russia and Nepal. It should be noted that it is the highest figure for Ukraine for the last five years in the Index.

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\(^{19}\) The survey of investors. Dragon Capital and the European Business Association (EBA), 2016

\(^{20}\) Irina Nikolayevska, Advisor to the KINSTELLAR law firm, co-author of the material - Oleg Andreikiv lawyer of the KINSTELLAR law firm. Cautious optimism, whether investors are ready to invest in Ukraine. What attracts potential partners and what turns off.

middle and lower management levels, at the level of oblasts and cities.

It should be noted that the Nordic countries on the contrary are leaders in global anti-corruption ranking CPI in the year 2016: Denmark ranks first position, 90 points, Finland ranks third position, 89 points, Sweden – fourth position, 88 points, Norway, sixth position, 85 points.

**3.5.2 Distrust to the Judicial System**

Corruption risks in the country intensified by the judicial system incapacity. Thus, according to the Dragon Capital and the European Business Association (EBA) researches (2016) lack of trust to the judicial system (7.5 points out of 10 possible) is second after corruption barrier by weight preventing investment in Ukraine (EBA, 2016).

Most investors complain on lack of rule of law in the country and the injustice of the verdicts.

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**EXPERT COMMENT**

“Swedish companies primarily pay attention on the rule of law in the country as well as on the corruption level. It is necessary to solve these problems if you wish to attract Swedish investment to Ukraine” – Michael Damberh, Minister of the Ministry of Enterprise and Innovation of Sweden.

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**EXPERT COMMENT**

“Even if we have problems with the issuance of permits, inadequate actions of tax, etc., but in case of availability of judicial system able to accept a fair verdict, then the business will be protected. Our judicial system often takes the unjust verdicts involving a high risk for foreign investors” – said Julia Kovaliv, the Head of the Office of the National Investment Council.

Start of the reform of the judicial system is positively evaluated by the investors. According to the survey of KINSTEELLAR Law Firm in cooperation with «The Lawyer Research Service», about 56% of investors have expressed confidence that this reform will contribute to corruption combating.

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3.5.3 A military conflict with Russia

According to the survey of Dragon Capital and the European Business Association (EBA) (2016), the military conflict with Russia (6.1 points out of 10 possible) ranks third in the ranking of barriers for investment in Ukraine. The research also recorded the fact that for investors actively looking for opportunities to do business in Ukraine, armed conflict is one of the least significant barriers – they put it in 7th position (4.9 points) (Surveys of investors of Dragon Capital and the European Business Association (EBA), 2016).

EXPERT COMMENT
“The lack of reform has been major barrier in getting more Swedish investments in this country” – Ambassador of Sweden to Ukraine Andreas von Beckerath (2016).

It is important to note that war as a factor of low investments, referred sometimes in public discourse is not the main barrier according to surveyed investors and was mentioned less frequently. Intellectual property issues are also referred to rarely mentioned issues by the surveyed investors.

3.5.4 Tax regulations

It should be emphasized that the tax rate is the lowest barrier for investors, but the complicated tax regulations is considered to be more significant barrier.

EXPERT COMMENT
“Most complaints referred to the tax. Some issues have been solved by the new Tax Code, which makes administration more transparent, but 70% depends on a specific application of the law by the tax inspector. There are three reasons: corruption, incompetence and fear” – Julia Kovaliv, the Head of the Office of the National Investment Council.

Case: SFS reimbursed more than VAT UAH 344 million to agroindustrial company.

On July 21st, 2016 agroindustrial company with foreign capital appealed to the Business Ombudsman Council with a complaint of SFS of Ukraine on misconduct regarding non-reimbursement of VAT for certain periods of 2013-2016 years amounting to more than UAH 418 million. Upon the case investigation BOC inspector gave it for consideration of the Working Group and SFS on 9th and 23rd of August. Following meetings of the working group, the Complainant informed the Council on VAT compensation amounting to more than UAH 344 million. Complainant reported on November the 3rd that it requires no further intervention by the Council. The case was closed (Report of the business ombudsman for the IV quarter and a brief overview of the year 2016).

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3.3.6 Prospects for investment in Ukraine

The Survey indicates that foreign companies, despite the friendly attitude to the country are not optimistic concerning the disappearance of major existing barriers in the future, namely, corruption and lack of reforms.

The basic actions that would contribute to acceleration and increasement of investment in the country are as follows:

- the success of anti-corruption reforms,
- facilitating of cross-border trade,
- facilitating of business registration procedures,
- end of the war.

EXPERT COMMENT

“As for today, the legal framework to facilitate investment activity in Ukraine is gradually liberalizing, but we should go further. Creating of favorable conditions for foreign investors is strategically important. The socio-economic situation in the country depends on this Ukraine has a substantial capacity for long-term investment.”

Summing up it should be noted that the main barriers of attracting investment are internal development factors such as corruption, a weak judicial system, over-regulation of business activity, unstable and confusing legislation including tax, political instability and unpredictability as well as non transparency of public policy, lack of effective reforms of the tax service and so on. These factors, in spite of repeated statements and government programs on its resolvement still remain critical for our country. The military conflict with Russia restrains investment to Ukraine to some extent.

The above listed long-term systematic barriers to the investment development become the main barriers for investors in conducting business and implementing CSR policies.
4 CORPORATE SOCIAL RESPONSIBILITY AND INVESTMENTS
4.1. **KEY CSR ASPECTS**

CSR consists of the following aspects:

- corporate governance;
- human rights;
- labour relations;
- relationships with customers;
- environment;
- fair operating practices;
- support and development of community.

Key issues for CSR drawing attention of the investors prior to investing in the country are as follows (in order of priority):

1. corporate governance;
2. fair operating practices;
3. relationships with customers, work with local communities, human rights;
4. the environment and relations with employees.

Surprisingly, environment and relations with employees occupy the last place in investors' priority list. This can be explained by the fact that Nordic companies have clearly defined rules in these areas implemented in any country, regardless of local conditions. Although local context affects other CSR issues mentioned by investors.
Almost all respondents indicated that investors should be socially responsible, like all other companies.

**EXPERT COMMENT**

"Drivers for CSR in the company are reputation, staff turnover and talanted employees".

In response to the question “what does CSR mean for your company” respondents said the following:
- to build a successful business based on the values of the company;
- the way we do our business;
- a business in harmony with society as well as with the voluntary obligations of the company and active involvement in social and economic development of communities and areas where we operate.

**EXPERT COMMENT**

"The priority of our company is in support of socio-economic development and creation of workplaces in rural areas, through positive dialogue and constructive cooperation with the local authorities and population. This confirms our successful cooperation with villages".

Companies did not specify any CSR issues which they would like to learn more. However, some companies are interested in issues of integrated reporting, measurement and return on investment.

Most companies are not aware of any CSR standards that companies can follow. Some companies named as follows:
- The UN Global Compact;
- OECD Guidelines for multinational companies;
- Global Reporting Initiative (GRI).

The above answers, as well as expert interviews, prove that corporate social responsibility in the country of the company’s origin and in Ukraine within one and the same company differ a lot. For instance, in Ukraine in foreign com-
panies CSR is normally "written in compliance policy" (correspondence of internal company procedures to the country’s legislation), and there prevail charity projects. It should be noted that sometimes there may be projects relevant for both countries, like waste treatment projects.

EXPERT COMMENT
“A CSR driver in foreign companies is the initiative taken at different levels: a CSR manager, a regional manager or a company director (‘expatriate’), who comes to Ukraine and has his/her own KPIs reflected in CSR project implementation. At the same time company directors often do not realize what is necessary for Ukraine, – and here a CSR manager or an innovation manager could act as a CSR driver”.
4.3.1. Corporate governance

Almost all investors assessed the level of corporate governance in their companies from 8 to 10 points. Importantly that respondents indicated such level of corporate governance in the realities of Ukraine allows them work easily. This is explained by the fact that the existence of clearly defined policies and procedures essentially:

- increases transparency and accountability of companies;
- improves the execution of operating performance of the company;
- reduces risks and helps to manage risks.

However there were also companies that reported on the difficulties of working in Ukraine since they had a “sad experience” due to corruption.

When asked if there is any difference between corporate culture at the headquarters of the company and in Ukraine, respondents used to say “no.” If there are any differences, this practice “is common for many multinational companies.” In order to reduce the difference, companies need to promote common policies and values.

As a rule companies have not adapted their corporate codes of ethics, anti-corruption policies and compliance for Ukrainian context, as these documents reflects the strictest European practices, which are much stricter than Ukrainian.

EXPERT COMMENT
“We want to demonstrate our best practices in corporate governance”.

But there were respondents who stated that there are differences between the corporate culture at the headquarters of the company and in Ukraine. In addition, some respondents complained that the Ukrainian employees sometimes do not understand cultural differences, existence of a consensus culture and application of a win-win approach.

As part of corporate policy, some of the companies identified the stakeholders (external) and developed a plan of cooperation with them.
4.3.2. Human rights

Respondents indicated that investors should pay attention on human rights before starting investing.

Foreign companies under the term “human rights” used to understand the following:

- development and good attitude to employees;
- right living wage to maintain a normal standard of living;
- the opportunity to speak freely – “that does not always work in the Ukrainian business environment”;
- execution of national legislation on safety, security and wages;
- lack of discrimination and violence.

One of the respondents mentioned UN Declaration of Human Rights, the main provisions of which help the company to work in social partnership.

Some companies have faced human rights challenges during their work:

- “employees are afraid to express their views openly”;
- “company has evacuated its staff from Lugansk to Odessa”;
- “complex relationship with security guard companies”;
- “difficult relationship with the police”.

4.3.3. Labor relations

Investors take into account the labor legislation in Ukraine, when investing. The legislation is considered as developed according to investors with the evaluation of 3 to 7 points.

EXPERT COMMENT

“Norway has the toughest labour standards system: salary, fair treatment of employees. Ukraine has a system in place, but is this system strict?”
However, in Ukraine Nordic companies are facing the following challenges:

1. “In Ukraine it is not allowed overtime (work longer than indicated time), so although we are willing to pay for it, we lose opportunities: we can not work and do what our customers want - and it delays our growth”;
2. a large amount of paper that is absolutely absurd;
3. staff insistence;
4. difference in the mentality of employees.

Among labor issues (wages, development and training, bonuses and corporate culture, etc.), according to investors, Ukrainian employees’ concern is mainly about salaries.

In general, it is easy to find employees in Ukraine for foreign companies, although of course it depends on the specialty and qualifications. Most agree that finding qualified employees is difficult, especially in small towns.

**EXPERT COMMENT**

“The country is full of good people and as we pay well and honestly and in a timely manner, we are considered to be a good place of work. It is not difficult to have good employees. Ukraine has a good labour market. We announce vacancy, and we get many applications, and staff turnover is not high within the company”.

It should be noted that Ukrainian foreign companies appreciate the staff for the following:

- good education;
- competent;
- want to learn;
- show high performance;
- hardworking and diligent;
- responsible;
- analytical thinking;
- know several languages.

According to investors, Ukrainian employees are not endowed with the characteristics as follows:

- corporate culture;
- more openness and a sense of freedom;
- better adaptability;
- leadership;
- strategic thinking;
- negotiations skills;
- can not get rid of the post-Soviet mentality;
- can not overcome the fear of making decisions without the distinct support of the management.
EXPERT COMMENT

“There is fear of employee to take decision without a clear and strong management support. They will first find out the management position. In Denmark we appreciate employees simply doing something on their own ... But this are cultural things that change over time the same as your country achieves freedom and success”.

Some noted the poor equipment automation. Respondents also indicated that socially responsible companies should take care of the employees that are not currently working, but have retired from the company.

Besides that, the media-analysis performed has identified several risks for investors in this aspect of CSR. These, primarily, include:

- majority of Ukrainian employees don’t know English. Normally, the company management organizes English courses.

- the level of specialist training does not meet the general corporate requirements;

- some challenges of corporate culture, e.g. distrust in the company management, labour discipline and occupational safety violation.

The management of the Ukrainian-Swedish Investment Project Ukrainian Sawmills (woodworking company) has organized study of English directly at the production place, a group of employees have had their probation in Finland.
Corporate Social Responsibility For Investors: Going Beyond Compliance

There used to exist the problem of official employment of foreign specialists. If investors hire foreign managers and qualified staff for working in their companies in Ukraine, they face numerous challenges of slow procedures for issuance of work permit and certificates of temporary residence.

At the same time, investors also noted considerable improvement in process of obtaining work permits for the last 3 years facilitating knowledge transfer.

4.3.4. Environment

Respondents believe that environmental legislation is not yet developed in Ukraine (mostly answers from 1 to 5 points under the 10-pint system). In general, companies pay attention to environmental legislation when they want to invest in any country. Interesting that responding the question whether they are ready to pay fines, not all companies answered “yes”.

The main challenges to the environment, in the opinion of respondents, are as follows:

1. difficult to obtain permits for emissions from the Ministry of Environment and the complicated procedure is repeated every year,
2. Ukrainian legislation is not adapted to innovative technologies.

4.3.5. Fair operating practices

Almost all respondents indicated high levels of corruption (from 8 to 10 points) and low levels of fight against corruption (from 1 to 5 points).

EXPERT COMMENT

“In Norway companies follow zero corruption, and that goes without saying.”

Most companies plan to verify its suppliers in Ukraine in terms of corruption risks. Also, according to investors, not all companies in Ukraine operate in ethical manner but some companies said they have good partners with whom cooperate for a long time.

For foreign investors there are the following risks in this CSR aspect:

◆ non-transparent tenders;
◆ difficult to find companies with the same values as the company respondent;
◆ pressure of the authorities;
◆ lack of willingness of other companies to provide foreign investors with invoices and execute everything officially;
◆ complexity of the legislation and its application;
◆ complicated procedure for obtaining building permits.
EXPERT COMMENT
“Corruption at the state, regional and business levels impedes driving changes towards open, progressive practices of corporate governance”.

However, foreign companies operate with government organizations and business associations in order to reduce corruption level trying to avoid Ukrainian courts. The main assistant for foreign investors in issues of corruption or bribes is the Embassies of their countries and the Ministries of Foreign Affairs, where companies can make a complaint. Also, in the recent years companies have been addressing the Business Ombudsman Council. For example, in 2016 the Council received 868 complaints, of which 21% are complaints submitted by companies with foreign investment.

EXPERT COMMENT
“Business ombudsman is a good thing. For instance, business ombudsman has given recommendations to fiscal bodies, 70-80 per cent of them were implemented. But is there a big result? Particularly, in the absence of judicial reform. But still – the more opportunities for business, the better”.

To address corruption, according to investors, it is necessary to work with senior government officials.

EXPERT COMMENT
“Corruption in Ukraine is already an intuitive process. As far as corruption in business is concerned (B2B) – till year 2000 business did not want the state to interfere, but now business reputation is becoming more important for companies in Ukraine”.

Ukrainian Sawmills Ltd. case (the town of Kostopil, Rivne region)
Since 2015, after getting all permits and approvals, the Ukrainian-Swedish Investment Project for the amount of 25 mln euros has been under implementation in the town of Kostopil to establish a woodworking company. At the final stage it was necessary to get the permit of the town council for land lease for electricity supply wire laying. But the town council did not give the permit, and pressure was exerted on the company at the end of 2016, with accusations of possible harm brought to the environment. But after a wide public disclosure, the town council granted its permit.
4.3.6. Community Development

Most respondents reported that the company should have a budget for social projects in the country of presence and implement projects of corporate social responsibility. Furthermore, respondents indicated that CSR is the responsibility of the company to contribute to society in a country of presence.

EXPERT COMMENT

“CSR has become an integral part of business. Management should believe that responsible business today must, above all, to work legally, to invest in the economy, to be transparent and to create an environment with high standards of living. You can not be successful in business, if you are not seriously involved in social responsibility. But it is not only a financial contribution or responsibility to the people, it is a company philosophy and cooperation between partners. Supporting of social projects is one of the important components of modern corporate reputation of the company. First of all social projects supported by business should be aimed at supporting of the vulnerable social groups. Secondly social programs can be directed to the development of the community and society. This confirms the willingness of the company to invest in the future as well as development, and it means a desire to work in the community”.

Some respondents said that in the current situation they are not ready to invest in social issues, while others mentioned their willingness to invest provided the company progress.

Interesting are the answers to the question “how does the company invests in social projects.” Unfortunately, it’s turned out the most difficult issue for investors. Answers varied from “does not invest” to “invest substantialy”. Company Dano-sha, for example, has created a social fund for local communities. Some companies are sponsoring sports or cultural events. Only one respondent named the exact amount of 4000 euros.

EXPERT COMMENT

“It depends on the investment volume: small investment means minor commitments in relation to eco-and social issues. Larger companies should have bigger focus on CSR”.

The main priority areas for company social investments according to respondents, could be the following:

- culture;
- education;
- care for children;
- environmental awareness;
- infrastructure;
- job creation.
EXPERT COMMENT

Our priorities are as follows:

- improvement and development of rural infrastructure (street lighting, financing of gas infrastructure, installation of water pipes, road construction support);
- assistance to kindergartens and schools;
- energy efficiency projects;
- religious and cultural institutions support;
- sport support.

One needs to pay attention to population ageing, that’s a real problem for Ukraine, as well as to include this issue into CSR projects.

Some respondents indicated that CSR of the company depends on the priorities and interests of the company. Projects as well should demonstrate a positive social impact on residents of areas where the company operates and promote business and community values.

However, even in relations with the community, companies face some risks, namely:

- corruption;
- fundraising;
- lack of professionalism of the people performing projects;
- war in the East distracts attention from other major social problems in Ukraine;
- the unwillingness of some communities to take the initiative in their own hands and take responsibility for projects;
- legislative moments when the company cannot pay directly to schools (“money can be transferred to another institution”).

In order to implement social projects, companies work with different groups of stakeholders, philanthropists, NGOs, universities, village councils, voluntary organizations.

Media-analysis has also identified the main risk in CSR policy implementation in the direction ‘Community Development and Support’, viz.: requirements to companies in solving the main social problems of the region set by local authorities are constantly rising.
4.3.7. Consumers’ rights

Respondents believe that the legislation on consumer rights is not very developed in Ukraine (from 1 to 6 points). Most respondents reported that it differs from legislation in the European Union.

Not all companies are willing to pay penalties for violation of consumer rights. In most cases, companies pay attention to the legislation on consumer rights before investing.

Analyzing the respondents' answers, it may be concluded that foreign investors for the most part do not pay attention to the issue of corporate social responsibility in the process of establishing of their business in Ukraine.

First of all they are dealing with the issues of doing business not always connecting it with CSR issues such as: corruption, fair operating practices and others. They are not ready to invest in social responsibility projects as long as they see the state’s desire to change the rules. This demonstrates another important aspect – they are not sure how long they will stay in Ukraine, as CSR is always a long-term investment.

However they are willing to invest in CSR projects getting the proper explanation and understanding of corporate social responsibility and CSR projects could implement. In this respect we can note great role of Ministries of Foreign Affairs and Foreign Embassies in Ukraine that may hold informational seminars and promote the concept of CSR outside their countries as they do in their countries.

Also, the role of Ukrainian state authorities to adopt the National CSR Strategy and the National CSR Action Plan is important. That will be an important driver for CSR implementation by Ukrainian and foreign companies.
In order to encourage and develop investment activity in Ukraine and establish an attractive investment image of Ukraine, public institutions are being set up in Ukraine, legislation is being developed and improved, meetings of investors and public authorities are held. Of importance is the fact that investors notice those changes.

Over 2015-2016 the volume of foreign investment started growing a bit, unlike investment made by companies-residents of Ukraine. In 2016 foreign investment grew by 17.1% as compared to 2015, which, in monetary equivalent, makes up 4.406 bln. dollars, while investment made by Ukrainian residents went down by 25.8% (in total – 20.7 mln. dollars). Almost 45% of the overall investment volume were invested into the Ukrainian economy by the EU countries.

Ukraine attracts investors with its market growth capacity, in particular, in the energy sector, agriculture and infrastructure, as well as with its labour, low production cost, low competition rate, natural resources, openness to changes and proximity to the EU market.

Foreign investment is important for the country in the context of innovation technology transfer, improvement of employment and social infrastructure; at the same time it brings about certain risks like: dependence on foreign capital, reduction of the level of competitive ability and capital transfer abroad.

Investors have pointed out stabilization of the financial sector, released pressure on business, commencement of the judicial reform and law-enforcement bodies reform, attempts to combat corruption, and deregulation as positive changes.

The main obstacles on the way to foreign investment attraction still are the factors relating to the country’s internal development, primarily, corruption, poor judiciary, unstable and complicated legislation, including taxation legislation, political instability, absence of efficient reforms, public administration reform, bureaucracy. It should be noted that military conflict in the East came to be the last on the list of factors influencing investment climate in Ukraine.

The results of the survey have proven that most foreign investors don’t pay sufficient attention to the issues of corporate social responsibility policy implementation while establishing their business in Ukraine. Although in the overwhelming majority of cases they focus on the issues of fair competition, transparency and corporate governance and consumer relations.
The most significant corporate social responsibility risk for investors is the spread of corruption, non-transparent trends, unfair competition, willingness of some Ukrainian companies to work within ‘grey’ economy, pressure exerted by the authorities and competitors, etc. They can resist it only through introduction of the principles of transparency and accountability jointly with the state authorities of Ukraine, embassies and business associations.

The survey results have proven that corporate social responsibility in the country of origin and in Ukraine within one and the same company differ. Mainly, in foreign companies it covers only compliance policy and charity projects.

In most companies founded by foreign investors corporate policies are the same for the companies of the whole group since they were developed in line with rigid European business practice norms.

Investors have pointed out to high level of education of Ukrainian specialists and their striving for self-perfection. Companies can easily find employees, and they are satisfied with Ukrainians.

In the investors’ opinion, Ukrainian legislation in the field of environment and consumer rights needs to be harmonized with the European legislation as soon as possible.

Most investors think that the company must have its budget for social projects in the country of its presence and make its contribution into the development of society in the country of its presence. However, investors are not sufficiently active in implementing corporate social responsibility projects until they see the willingness of the state to change the rules of the game.

Still, investors are ready to invest into corporate social responsibility projects, in case there is correct explanation and understanding of what corporate social responsibility is, as well as in case there is assistance in highlighting which corporate social responsibility projects are necessary for Ukraine and which can be implemented by them.
RECOMMENDATIONS

Recommendations for state authorities

1. At the top state level it is necessary to speak about the importance of foreign investment, meet investors with personified addresses and change the system, advocating country’s interests in negotiations with international organizations.

2. At the local level it is necessary to create task forces – fora, at which investors and all the stakeholders could freely express their ideas.

3. It is necessary to go on with systemic reforms in Ukraine, including judicial reform, taxation system reform, improvement of customs procedures, to activate anti-corruption campaign at all levels, including enhancing liability for corrupt acts (‘not demonstrate some show-cases, but make specific imprisonments’). ‘Only permanent and drastic reforms will help reduce available barriers’.

4. The government should create equal rules of the game, since that will improve business climate in the country, including rules related to reduction of the types and simplification of procedures for getting permits, introduction of electronic services for the sake of facilitating communication between companies and governments (automated registers, centralization and open information exchange, obtaining work permits), etc.

5. The speed of Ukrainian legislation harmonization with the European norms, including norms on innovation technologies brought by investors, should be accelerated.

6. The National Corporate Social Responsibility Strategy and the National Corporate Social Responsibility Action Plan should be adopted. That will be an important driver for the implementation of corporate social responsibility strategies by Ukrainian and foreign companies, and a good signal on the international arena.
Corporate Social Responsibility For Investors: Going Beyond Compliance

Recommendations for business associations

1. To continue enhancing their influence and pressure on the authorities via activation of effort relating to the change of the business culture in Ukraine, integration of international business standards, with due account of fair operating practices, anti-corruption activity, etc.

2. To develop corporate social responsibility standards for their companies and promote corporate social responsibility culture as well as raise awareness of their members.

3. To show the advantages of investing into Ukraine to foreign investors through demonstration of convincing examples.

4. To unite the effort of all the members and to get united in the fight against corruption and bureaucracy.

Recommendations for non-governmental organizations

1. To be fair, independent and to support Ukraine’s progress towards democracy and development through digitalization.

2. To activate the anti-corruption effort, to point to corruption as well as to best anti-corruption practices.

3. To work with state authorities at political reform promotion as well as to mobilize citizens towards reform support.
Recommendations for foreign companies on implementation of CSR programs

1. Companies need to do their home assignment, including to make a detailed analysis of the local legislation, local market and competitors in advance.

**EXPERT COMMENT**

“Any company needs to do its home assignment: to recognize certain trends in the society, needs, legislation. That is, the same as in marketing strategy, it needs to recognize target audiences, identify the needs, the environment”.

2. To be realistic about the markets they are entering (what corruption perception index, bribery level, ‘grey’ economy level are there, etc.)

3. To introduce challenges of the markets a company is entering into risk management.

4. To update corporate compliance policy, if necessary (whether it includes all the requirements of the legislation of the country in which a company starts your activity).

5. To assess the influence a company has (economic, social, environmental) and develop local corporate social responsibility policy to minimize the negative effect.

6. To allocate the budget for corporate social responsibility programs (from 4,000 Euros upwards)

7. To make sure that a company has an efficient system for compliance policy functioning and corporate social responsibility implementation.

8. To be patient about implementation of corporate social responsibility programs, and don’t be afraid of the risks that may possibly arise.

9. Enjoy what you do!
**CSR CASES**

**Ciklum case. Development of the cycling culture of employees**

The Danish outsourcing IT-company actively cultivates the cycling culture of its employees. The company’s offices are equipped with bicycle parking lots, shower rooms. Besides comfortable conditions at workplace, Ciklum also participates in cycling events in Kyiv, Kharkiv, Vinnytsia. Its employees support the idea of ‘Copenhagenize’ and spread the cycling culture in their environment. ‘In Copenhagen 37% of people use bicycles, and downtown – even up to 60%, which is highly inspiring, therefore we try to support those who cycle to work in Kyiv’, — says Rimma Men, head of PR&Motivation Group.

In the Kyiv office of Ciklum there work over 1,500 people, of which about 200 are cyclists. ‘Conditions for cyclists mean care for our employees, since when a person cycles to work, (s)he feels better, is in a better mood. That is also care for the environment, conscious approach to our future. Creation of conditions does not require substantial investment, but ensures good atmosphere and satisfaction of people. All that is necessary is a parking place, and, if possible, a shower room. If companies start paying attention to this while furnishing their offices, that will be a good contribution to the development of the cycling culture in the city. Everybody can change rather a lot’, — says Rimma Men (The spirit of Copenhagen in Ciklum: what the Cycling Employer-2012 does in Kyiv)

**SimCorp case. Professional development of staff**

The Danish company deals with informatization in the field of financial services, the company has over 1,000 employees. In Ukraine all the employees of SimCorp Ukraine are officially employed and get their ‘white’ salaries. Taking into account the specificity of the company, the company’s employees are permanently improving their level of knowledge – courses in Denmark, courses in the Kyiv office, e-learning programs, etc. The Company also has courses aimed
at soft skills development (familiarization with MBTI tools, StrengthFinder). Career growth in the company goes along several directions: horizontal – Senior/Lead role, vertical – managerial positions. Besides that, the company practices change of the subject matter domain: a financial tester may try his/her hand in technical testing, while a software developer may move to the field of testing for a while. Employees have an opportunity of getting a short-term contract up to 1 year and a long-term contract – up to 3 years, for working in the company’s units abroad. Annually 3-5 employees move to work in other SimCorp locations.

The company has language courses for its staff, with partial payment coverage (Polish, Spanish, German, French). The company maintains a corporate football team, music band, artificial intelligence club, game club, cycling parking lot, office massage, etc. Different events are held for the employees’ children (the average age of the company employees is 28 years), and there is a room for children. The company celebrates Summer Party, New Year Party, tester’s and developer’s day, company birthday, there are celebrations dedicated to successful releases and new clients.

Once a year the company assesses loyalty and engagement of its staff. In terms of loyalty and engagement, Kyiv takes the first place among all the other offices of the corporation. Moreover, the per cent of dismissals is about 5%, which is a good figure for the IT field (SimCorp: IT)

Ukrainian Sawmills Ltd

The Ukrainian Sawmills Ltd buys only labeled products, with the FSC certificate of origin (thus making it impossible to get supplies of raw materials of unknown origin). And production grounds are provided with raw materials in accordance with the procedure set in Ukraine, that is through auctions for sales of wood by state forestry farms (Ukrainian Sawmills in Rivne region introduces the European production experience.-05.2016).

Danosha – a dialogue with communities

The company works with 38 villages in Kalush, Halych and Zhydachiv raions. Danosha has over 700 employees. The CSR priority of the company is support of social and economic development and job creation in rural areas via a positive and efficient dialogue and cooperation with local authorities and residents.
Now the company has over 12 thousand ha of lands on lease in Kalush, Halych and Zhydachiv raions. The company has hotlines for the citizens of Kalush and Halych raions. Requests are submitted by local communities throughout the year to provide a grader, excavator, mowing machines, tractor, bulldozer, etc. In March 2013, during the bad weather span, when 6 Western regions were taken captive by bad weather, Danosha also took an active part in clearing the roads and saving machinery on the snow-covered roads, for the amount exceeding 580,000 UAH.

Also, the company helped in information stands placement in 15 villages. Besides that, the company got involved in the gasification of the villages of Mariyampil and Deliyeve, Halych raion, funded street lighting in the village of Lany.

The company also actively participates in the community sports life development, it has created its own football team. The representatives of the company now have meetings with the young people from the villages during sports events on a more frequent basis.