EUROPEAN BUSINESS-PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY: CASE STUDY

Edited by professor L.P. Petreshko, associate professor O.V. Martyniuk

Joint project of Jean Monnet Foundation and Vadym Hetman Kyiv National Economic University

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The publication is prepared for the 30th anniversary of Jean Monnet Foundation. The practicum book «European business-practices of corporate social responsibility: case study» is a collection of cases, which was created by a group of authors participating in the Joint Project «European Business Practices of Corporate Social Responsibility» between Jean Monnet Foundation and the SHEI «Kyiv National Economic University named after Vadym Hetman» (№553110-EPP-1-2014-1-UA-EPPJMO-MODULE, Academic coordinator – Doctor of Economics, Professor Liudmyla Petrashko, co-funded by the Erasmus+ Programme of the European Union «Lifelong Learning»)

The project was implemented with the participation of 45 authors, who represent 12 Ukrainian universities. The main aim is to provide a platform for dissemination of best practices of business practices of corporate social responsibility in the corporate sector of Ukraine. You will learn how companies can prosper and develop, simultaneously playing an important role in solving the global problems such as climate change, inequality of income and social injustice. The emphasis is made on the specific corporate solutions regarding advanced innovations in the technology sphere, liberal democratic values, including gender equality and human freedom, environmental responsibility and economic success at the global level.

The collection of case studies is addressed to the students of economic specialties in the universities — to the future corporate elite, academic teachers and representatives of local self-governments, civil society and socially responsible business.

The materials are printed in the author's wording. The authors of the publications are responsible for the authenticity of the facts, their own names, geographical names, quotations, statistical and other information.

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To the reader:

Mankind is entering the new age, which sets for each of us a lot of questions:
• Is there a common definition of «sustainable development»?
• Does top-management have to assume the special responsibilities for free and fair capitalism?
• How to protect human rights of intellectual capital of a company?
• What are «responsible investment» and the mechanisms for its implementation?
• How to switch to alternative (especially renewable) types of energy?
• How corporate responsible practices can improve the social welfare?
• Is there a relationship between sustainable business strategies and business profitability? And what is it like?

And, unfortunately, there are no correct direct answers.

You, as the reader, are offered a number of business cases, which are demonstrating various practices of Corporate Social Responsibility (CSR) in the environmentally-safe way of economic development.

I hope that the author’s ideas will find support and would inspire responsible decisions in the future!

Liudmyla Pettrashko

Conceptor and Coordinator of the project
«European business-practices of corporate social responsibility: case study»
/pettrashkoludmila@gmail.com/
Introduction

The rethinking of capitalism and its paradigm transforms market relations, the business environment and person in the context of seeking value orientation: from material well-being to trust and joy for the purpose of sustainable development. 15—20 years ago in the corporate sector of the economy, nobody would have believed that nowadays, for most corporations, it would be common practice to track and report publicly on the effective use of water and energy, the amount of carbon dioxide emissions, etc.

The most successful companies define their mission as a harmonious balance between the creation of social and emotional values and the profit for their investors. They are trying to do good and strive to bring joy, love, benevolence and sincerity to people.

The proof of this thesis is the results of a six-year study by professors at the Stanford University School of Business (USA) D. Collins and D. Porras «Constructed Forever: The Success of Companies with Vision.» It contains the investigation of the laws of the centuries-old historical development of well-known and successful companies with vision, which happen to be the companies of widely recognized industry leaders who have long and fundamental history of their impact on the environment.

The list of survey respondents contains the following companies: Boeing, Walmart, 3M, Hewlett-Packard, Sony. The total number of companies surveyed is 18 that meet the following criteria: industry leadership, wide recognition by the business community, fundamental contribution to the world’s economic development, managed by several generations of executives, survived several life cycles of goods and services, established before 1950.

System analysis of companies that have vision and their comparison with competitors allowed to highlight the underlying causes of long-term leadership of such companies. Namely, the ability to establish high standards of values and effectiveness, the ability to initiate the continual internal changes that inspire. Vision-based companies share eternal values, long-term and never-ending goals, business strategies and developing day-to-day responsible practices.

According to researches, investing $1 in a company with vision in 1926 would have allowed to gain $6,356 in 1990, which is 6 times
higher than the similar transaction in a company from the comparison list ($ 955). However, the key efficiency multipliers for comparable companies are higher than similar stock market indicators in general. Genuine companies with vision define their mission differently from the other comparable companies. They have a certain philosophy, spirit, meaning of being, which goes beyond the tangible. Namely a combination of: continuity and change, fundamental values and ambitious goals, stability and experiment, company culture and individuality, persistence and innovation, content and aspiration, preservation of the fundamental foundations and stimulus for progress, systemicity and trial and error approach.

Let us quote the results of another study by S.Ranjendra (Bentley College of Marketing Research), D.Wolf (expert in the field of consumer behavior), and J.Sheth (Emory University), «Firms of Endearment: How World-Class Companies Profit from Passion and Purpose,» where it was determined that companies that change the world for better — are companies that share love (CSL). The financial efficiency (profit) of the companies over 10 years was 1026 %. For comparison, the corresponding indicator for S&P 500 companies was 122 %, which is eight times lower.

Such companies were founded by people who wanted to realize personal sense of social responsibility. A business model of the companies changing the world is constructed considering the interests of stakeholders (SRM) and builds relationships of trust to do good and make money for the investors.

The only reliable source of stability for the companies is strong internal core — corporate culture, and the ability to adapt and change to everything except its essence. Those who have managed to build a company with a visionary have come to wisdom of understanding that knowing «who I am» is more important than knowing «where I’m going», because the destination is possibly going to change. And this lesson is fair, both for our individual existence and for the construction of the successful companies.

At the moment, the global world is stepping up to a new wave of innovation that will seriously change the modern «educational landscape». Key drivers for such transformations are the renewal of master’s programs through the development of innovative interdisciplinary courses using the distance learning format and the introduction of interactive forms of learning and IT technologies, participation in international research projects and involvement of students in the activity, knowledge generalization and dissemination about sustainable business strategies.
Sustainable business strategies require training for everyone, regardless of gender or social affiliation, religion, employment or position in a particular business sector.

Effectiveness of implementation of case-studies in the learning process, group-training methods and decision-making that facilitate the analysis of specific situations in limited time, is tested and proved by the practice of teaching in business schools around the world. Using case-studies teaches the students how to work in teams, analyze the problems, make decisions independently, defend and prove their point of view, convince others in their own right, and take into account the opinion and criticism of others. At the same time it develops analytical skills and the ability to think out loud, the activity and spirit occurs, the leadership qualities are showing up.

I thank to all the authors for the fruitful work, to the technical editors for the help in formatting the text, to the colleagues of the International Management Department at KNEU named after Vadym Hetman, namely to Olena Martynyuk and Yehor Kyian for the development of the responsible partner network and for the support in the implementation of the project. Special appreciation to the students for the inspiration and development of creative ideas for the CSR practices.

Liudmyla Petrushko
NESTLÉ CREATES THE SHARED VALUE

Yevhen Panchenko∗
Marina Kyriacova**

Nestlé, a global leader in Nutrition, Health and Wellness starts the description of its corporate social initiatives from the front covers of its reports. On the front cover of Nestlé in society: Creating Shared Value and meeting our commitments 20131 we may see Mrs Grace Wambui Wanyeki (together with her daughter), who has been a coffee farmer for the past 24 years in Kenya. She is a member of a coffee co-operative under the Nescafé Plan and a promoter farmer for company’s Women’s Empowerment programme, participating in training sessions and using her farm as a demonstrative plot. Nestlé demonstrates that it is encouraging more female coffee growers in Kenya to take up leadership roles in farming co-operatives to promote gender equality and education for women and girls2. Ramón Malé Calcó from Spain is pictured on the front cover of Nestlé in society: Creating Shared Value and meeting our commitments 20143. He is a technical leader for the bottling line in the Nescafé Dolce Gusto factory in Schwerin, Germany, who was hired through Nestlé needs YOUth programme. The initiative to hire 10000 young people across Europe, 10 000 trainees and apprentices aged below 30 is designed to attract the talented youth a company will need to develop and grow its business4.

The modern model of corporate social responsibility of Nestlé dates back to 2005, the year company’s cooperation with FSG

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(M. Porter’s and M. Kramer’s consultancy) started and The Nestlé Concept of CSR as implemented in Latin America was prepared. Since 2008 Nestlé introduces company-wide Creating Shared Value reports. M. Porter and M. Kramer claim that intergovernmental bodies and non-governmental organizations, think-tanks and socially responsible investors, activists and media take a forensic interest in different aspects of a company’s activities and the impact they have. Moreover they may target the most visible or successful company even it actually have had little impact on the problem. Thus Nestlé, the world’s largest purveyor of bottled water, has become a major target in the global debate about access to fresh water, despite the fact, that Nestlé’s bottled water sales consume just 0.0008 % of the world’s fresh water supply\textsuperscript{1}. That’s why Nestlé had to apply more systematic approach to its corporate social responsibility.

The concept Nestlé’s corporate social responsibility based upon is Creating Shared Value (Fig. 1). As a basis for responsible operations and business success over the long term, Nestlé believes it must manage its operations in a manner to comply with the highest standards of business practice and environmental sustainability. This involves compliance with national laws and relevant conventions, as well as company’s own regulations, which often go beyond its legal obligations. These are laid out in Nestlé Corporate Business Principles and related policy documents, and their application is verified through CARE programme and internal Corporate Group Auditors. Beyond that, how Nestlé does business is based on sustainability — ensuring that company’s activities preserve the environment for future generations. However, to build a profitable business for shareholders, company goes beyond compliance and sustainability to a third level: creating long-term value both for society and for shareholders\textsuperscript{2}.

The Creating Shared Value concept was initially proposed by M. E. Porter and M. R. Kramer in HBR article Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility\textsuperscript{3} and developed in HBR article Creating Shared Value\textsuperscript{4}.

\begin{footnotesize}
\end{footnotesize}
The authors define the concept of shared value as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates\(^1\). Both articles by M. Porter and M. Kramer won the 2006 and 2011 McKinsey Awards for the best article in HBR; «shared value» has been enshrined in the official EU strategy for CSR. M. Porter along with P. Hawken, P. Senge, R. Anderson, P. Polman and L. Scott is also considered to be the pioneer of sustainability according to the investigation, conducted by Weinreb Group\(^2\).

This is what company’s management means by Creating Shared Value: using core business strategies and operations to create value for shareholders; serving consumers and the public by offering them nutritious products that are both enjoyable and contribute to their health and wellbeing; seeking to improve the economic and social

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conditions for people and communities across entire value chain — for farmers who supply raw ingredients, for communities where factories are located, for suppliers and trade partners\(^1\). Table 1 represents the evolution of Creating Shared Value at Nestlé.

Table 1

THE DEVELOPMENT OF CREATING SHARED VALUE AT NESTLÉ

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Nestlé published The Nestlé Sustainability Review, the first social report in its history. This report used a framework of economic, social and environmental sustainability.</td>
</tr>
<tr>
<td>2005</td>
<td>Nestlé produced a regional report entitled The Nestlé commitment to Africa, reporting on our impact across the three-part value chain framework of agricultural raw materials, manufacturing, and management, products and consumers.</td>
</tr>
<tr>
<td>2006</td>
<td>The Nestlé concept of corporate social responsibility as implemented in Latin America was published. This report followed an elaborated version of the same three-part value chain framework used in the Africa report.</td>
</tr>
<tr>
<td>2007</td>
<td>Three Creating Shared Value areas of focus were chosen internally for company investment and communication: nutrition, water and rural development.</td>
</tr>
<tr>
<td>2008</td>
<td>The Creating Shared Value pyramid was launched integrating Creating Shared Value with sustainability, compliance and Nestlé culture and values in one visual device. The first Nestlé Creating Shared Value Report (the 2007 report) was published.</td>
</tr>
<tr>
<td>2009</td>
<td>Nestlé publicly launched the Creating Shared Value concept and framework, as well as the Nestlé Creating Shared Value Prize, at the first Creating Shared Value Forum, held at the United Nations in New York.</td>
</tr>
<tr>
<td>2010</td>
<td>The second global Nestlé Creating Shared Value Report (2009) was published, using for the first time the three Creating Shared Value focus areas of nutrition, water and rural development as the framework. The second Creating Shared Value Forum was held in London. The inaugural Nestlé Creating Shared Value Prize was awarded to IDE Cambodia.</td>
</tr>
</tbody>
</table>

### Table 1 (Continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>The Nestlé Creating Shared Value and Rural Development Report 2010 was issued, and the third Creating Shared Value Forum held in Washington DC. The report was written according to the Global Reporting Initiative (GRI) application level B+ and verified by Bureau Veritas. The Company then decided to apply for level A+ for the following report.</td>
</tr>
<tr>
<td>2012</td>
<td>The Nestlé Creating Shared Value Summary Report 2011: Meeting the global water challenge was published, including summary sections on nutrition and rural development. The full report met the criteria for the highest level of transparency in reporting, GRI A+. The fourth Creating Shared Value Forum was held in India. The Nestlé Creating Shared Value Prize was awarded to Fundación Paraguay, for setting up a self-sufficient agricultural school model.</td>
</tr>
<tr>
<td>2013</td>
<td>The report Nestlé in Society: Creating Shared Value and meeting our commitments 2012 was published, focused on nutrition and, for the first time, included forward-looking commitments. The fifth Creating Shared Value Forum was held in Colombia in partnership with the Inter-American Development Bank. President of Colombia Juan Manuel Santos gave opening remarks about the role of the private sector in the economic and social development of Colombia.</td>
</tr>
<tr>
<td>2014</td>
<td>The report Nestlé in Society: Creating Shared Value and meeting our commitments 2013 was published. This report is aligned with Global Reporting Initiative’s (GRI) G3.1 guidelines and Food Processing Sector Supplement, which Nestlé helped develop. Company will start communicating in line with the G4 guidelines for the 2014 report (to be published in 2015).</td>
</tr>
<tr>
<td>2015</td>
<td>The report Nestlé in Society: Creating Shared Value and meeting our commitments 2013 was published. The content of this report is prepared in accordance with comprehensive option of GRI G4 guidelines and Food Processing Sector Supplement. The sixth Creating Shared Value Forum was held in Switzerland in partnership with the UNCTAD. The Nestlé Creating Shared Value Prize was awarded to Honey Care Africa, an East African fair trade honey company working with farmers in South Sudan.</td>
</tr>
</tbody>
</table>

Adapted¹, ²


The matrix below (Table 2) was developed as a conceptual framework to measure a company’s overall net impact on its stakeholder groups by the Centre for International Business at Leeds University Business School. The process of CSV is also facilitated by such internal management tools as a strategic portfolio tool that assesses company’s brands against financial and nutrition targets, a capital expenditure process that includes societal indicators, and a Rural Development Framework which digs deep into the needs of cocoa, coffee and dairy farmers and farming communities, helping Nestlé to better target its efforts and investments.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Economic</th>
<th>Innovation &amp; Knowledge transfer</th>
<th>Social/health environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers</td>
<td>Consumer surplus</td>
<td>Knowledge on nutrition &amp; health</td>
<td>Fortified food manufactured products with low cost</td>
</tr>
<tr>
<td>Suppliers &amp; Distributors</td>
<td>Suppliers of raw materials</td>
<td>Knowledge transfer to farmers, improvements in the food value chain</td>
<td>Sustainable processes (eg. farming, animal health)</td>
</tr>
<tr>
<td>Industry</td>
<td>Price and cost pressure on other actors of the industry to productivity</td>
<td>Knowledge spillovers (copying &amp; competitive pressure), improve the efficiency of food industry</td>
<td>Improvements of labour &amp; environmental standards</td>
</tr>
<tr>
<td>Employees</td>
<td>Jobs &amp; Income for employees and their families</td>
<td>Training of employees</td>
<td>Social security, workplace health &amp; safety</td>
</tr>
<tr>
<td>Communities/Government</td>
<td>Taxes, Infrastructure, etc.</td>
<td>Community education programmes (eg. Healthy Kids)</td>
<td>Rural development: more sustainable use of resources</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Increased shareholder value</td>
<td></td>
<td>Shareholder value for pension funds</td>
</tr>
</tbody>
</table>

Source 1

Within general corporate governance structure, the Chairman, the Chief Executive Officer and other members of the Executive
Board are ultimately responsible for the supervision and management of company’s role in society and CSV, supported by a number of other governance bodies, including Operations Sustainability Council, Issues Round Table, Water Task Force, Audit Committee, Risk Management Committee, R&D Council for Sustainability and Nutrition, and the Group Compliance Committee (Fig. 2). The Nestlé in Society Board, chaired by CEO, oversees the strategic implementation of Creating Shared Value across businesses. It also leads the development and evolution of Creating Shared Value, environmental sustainability, and all societal objectives and strategies. External advisory groups specifically provide counsel on Creating Shared Value, including: the CSV Council and the Nestlé Nutrition Council.

![Fig. 2. Governance of CSV in Nestlé](image)

Source

The Nestlé Creating Shared Value Council, created in 2009, brings together external experts in corporate strategy, nutrition, water and ru-

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ral development to assess progress and discuss CSV opportunities and challenges. Among the members of The Nestlé Creating Shared Value Advisory Board there are Nancy Birdsall (founding president of the Center for Global Development), Venkatesh Mannar (President of the Micronutrient Initiative), Robert E. Black (Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health), John Elkington (co-founder of SustainAbility, and Founding Partner and Director of Volans), Michael E. Porter (Bishop William Lawrence University Professor at the Harvard Business School), Ajay Vashee (former President of the International Federation of Agricultural Producers (IFAP) and other internationally recognized experts. The Nestlé Nutrition Council is an independent advisory panel, composed of leading international nutrition scientists. The Council considers aspects of nutrition and health relevant to Nestlé and organizes the Annual Nestlé International Nutrition Symposium.¹

Company’s progress on the commitments can be illustrated by performance in the following leading environmental and sustainability indices: Carbon Disclosure Leadership Index, CDP Water Programme, Dow Jones Sustainability Indices, FTSE4Good, Oxfam Behind the Brands. In December 2013, KPMG named Nestlé as one of the world’s top 10 companies reporting on corporate social responsibility. Nestlé was also the only food and beverage company to be among the top tier of firms analysed as part of KPMG’s Survey of Corporate Responsibility Reporting.²

Nestlé’s commitments relate directly to its material issues. According to the Global Reporting Initiative’s (GRI) G4 guidelines, material issues (or material aspects) are «those that reflect the organisation’s significant economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders.» Since 2006, Nestlé has worked with SustainAbility, an independent think tank and strategic advisory firm, to identify and prioritise the issues deemed most important to company and its stakeholders. Company’s materiality matrices in 2012, 2013, 2014 are represented in Fig. 3.

<table>
<thead>
<tr>
<th>Stakeholder concern, 2014</th>
<th>Stakeholder concern, 2013</th>
<th>Stakeholder concern, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>Business integrity/anticorruption</td>
<td>Consumer privacy</td>
</tr>
<tr>
<td>Food and nutrition security</td>
<td>Infant formula marketing</td>
<td>Fair taxes</td>
</tr>
<tr>
<td>Natural capital</td>
<td>Public policy, advocacy and lobbying</td>
<td>Air and water pollution</td>
</tr>
<tr>
<td></td>
<td>Responsible marketing to children</td>
<td>Biodiversity</td>
</tr>
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<td></td>
<td>Climate change mitigation</td>
<td>Climate change adaptation</td>
</tr>
<tr>
<td></td>
<td>Deforestation</td>
<td>Food waste</td>
</tr>
<tr>
<td></td>
<td>Nutritional literacy and communication</td>
<td>Life cycle impacts of products</td>
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<td></td>
<td>Internal human rights in high-risk countries</td>
<td>Manufacturing waste and recovery</td>
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<td></td>
<td></td>
<td>Animal welfare</td>
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<tr>
<td>Over- and undernutrition</td>
<td>Product safety</td>
<td>Governance, transparency</td>
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<tr>
<td>Water stewardship</td>
<td>Packaging</td>
<td>and accountability</td>
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<tr>
<td>Climate change</td>
<td>Food security</td>
<td>Energy consumption</td>
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<tr>
<td>Maternal, infant and young child nutrition</td>
<td>Product innovation and renovation</td>
<td>Community engagement</td>
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<tr>
<td>Traceability</td>
<td>to address over-/undernutrition</td>
<td>Local economic development</td>
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<td></td>
<td>Water usage and conservation</td>
<td>Sustainable agricultural livelihoods</td>
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<td></td>
<td>Child labour</td>
<td></td>
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<td></td>
<td>Responsible sourcing</td>
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<td></td>
<td>Supplier human rights</td>
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<td>Labour relations</td>
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<td>Natural capital</td>
<td>Community relations</td>
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<tr>
<td>Women’s empowerment</td>
<td>Employee relations</td>
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<td>Governance and transparency</td>
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<td>Employee health and safety</td>
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<td>Animal welfare</td>
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<td>Transport and distribution</td>
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<td>Food waste</td>
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<td>Natural capital</td>
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<td>Women’s empowerment and equality</td>
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<td>Business integrity</td>
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<td>Over- and undernutrition</td>
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<td>Product labelling</td>
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<td>Product marketing and communications</td>
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<td>Sourcing and traceability</td>
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<td>Public policy, advocacy and lobbying</td>
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<td>Responsible marketing</td>
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<td>Climate change mitigation</td>
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<td>Deforestation</td>
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<td></td>
<td>Nutritional literacy and communication</td>
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<td></td>
<td>Internal human rights in high-risk countries</td>
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<tr>
<td>Animal welfare</td>
<td>Business integrity/anticorruption</td>
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<td></td>
<td>Infant formula marketing</td>
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<td></td>
<td>Public policy, advocacy and lobbying</td>
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<td>Responsible marketing to children</td>
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<tr>
<td>Executive compensation</td>
<td>Consumer privacy</td>
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<td>Land rights/acquisition</td>
<td>Fair taxes</td>
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<td></td>
<td>Air and water pollution</td>
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<td>Biodiversity</td>
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<td></td>
<td>Climate change adaptation</td>
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<td></td>
<td>Food waste</td>
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<td></td>
<td>Life cycle impacts of products</td>
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<td></td>
<td>Manufacturing waste and recovery</td>
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<td>Animal welfare</td>
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<td>Product safety</td>
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<td>Packaging</td>
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<td>Food security</td>
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<td></td>
<td>Product innovation and renovation</td>
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<td></td>
<td>to address over-/undernutrition</td>
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<td></td>
<td>Water usage and conservation</td>
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<td></td>
<td>Child labour</td>
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<td></td>
<td>Responsible sourcing</td>
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<td></td>
<td>Supplier human rights</td>
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<td></td>
<td>Labour relations</td>
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<td></td>
<td>Community relations</td>
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<td></td>
<td>Governance and transparency</td>
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<td></td>
<td>Packaging</td>
<td></td>
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<tr>
<td></td>
<td>Rural development</td>
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<td></td>
<td>Employee health and safety</td>
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<tr>
<td></td>
<td>Transport and distribution</td>
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<td></td>
<td>Manufacturing</td>
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<td></td>
<td>Natural capital</td>
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<td></td>
<td>Women’s empowerment and equality</td>
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</table>

Fig. 3. Impact on Nestlé
All Nestlé’s commitments can be grouped in accordance with their spheres: nutrition, rural development, water, environmental sustainability, people, human rights and compliance. Nestlé’s new commitment to carry out studies in at least 10 countries, to understand children’s nutrient intakes, dietary patterns and related lifestyle factors, is based on the success of the Nestlé Feeding Infants and Toddlers Study, which had previously been conducted twice in the USA and, at varying scales, in five other countries. The Kids Nutrition and Health Study, which analyses the diets of children aged 4—12 years, is underway in the USA, Mexico and China. By the end of 2014, Nestlé was actively working with 294 partners across 73 countries to deliver Healthy Kids Global Programme. 67 out of a total of 77 Healthy Kids programmes contain a physical activity component, for which company’s main partner is the IAAF. Healthy hydration is now integral to the Nestlé Healthy Kids Global Programme, and Nestlé Waters has expanded the reach of Project WET (a global water education programme) modules on healthy hydration through national programmes in Nigeria, Jordan and China, and during World Water Day events globally. In 2014, World Water Day events alone educated over 20 000 children about the benefits of healthy hydration. Company also provides education programmes for good nutrition and feeding practices. The Nestlé Nutrition Institute (NNI) offers educational services to healthcare professionals in 195 countries. Moreover Nestlé Starts Healthy Stay Healthy, a new interactive, science-based education programme designed to help mothers and caregivers provide nutritionally and developmentally adequate nutrition in the crucial first 1000 days of life.

The Nestlé Rural Development Framework helps company to identify the needs of farmers and farming communities and, therefore, to target Nestlé’s investments better. The Nestlé Cocoa Plan and Nescafé Plan are crucial to company’s rural development model. The Nestlé Cocoa Plan has three pillars: enabling farmers to run profitable farms; improving social conditions; and sourcing good quality, sustainable cocoa for company’s products. By providing stronger plants and training farmers in better agricultural practices, Nestlé helps them improve their long-term profitability and sustainability. Company’s long-term ability to source the right quality and quantity of coffee for major brands depends on the sustainability of coffee farming. Ageing trees, plant diseases, declining yields, volatile prices and climate change are just some of the threats to the livelihoods of coffee farmers, the vast majority of whom are smallholders. Coffee growing is also being challenged by alternative crops, considered by growers as better commercial prospects.
In line with Nestlé Commitment on Water Stewardship (2013), Nestlé actively seeks new opportunities to reduce, reuse and recycle water in its operations. Nestlé introduced a global Water Stewardship Master Plan at a corporate level, and has started to develop local master plans in key markets.

These contain documented responsibilities, targets and deadlines that direct improvements. Company’s employees are carrying out over 376 water-saving projects in Nestlé’s factories, which will save around 1.84 million m³ of water. Following the announcement of the Nestlé needs YOUth programme in 2013, Nestlé launched the Alliance for YOUth in 2014. The Alliance unites companies to provide apprenticeships, trainee-ships and readiness for work events to young people. Around 200 companies have now joined the initiative, which has received positive recognition from European institutions, governments, educational institutions and trade unions. Nestlé can also boast with numerous environmental sustainability initiatives and people, human rights and compliance practices. The Creating shared value KPIs (2012—2014) and the list of company’s commitments in 2014 are represented in Tables 3, 4.

Table 3

<table>
<thead>
<tr>
<th>KPI</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition: Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales)</td>
<td>75.7</td>
<td>76</td>
<td>78.5</td>
</tr>
<tr>
<td>Renovated products for nutrition or health considerations</td>
<td>6692</td>
<td>7789</td>
<td>10812</td>
</tr>
<tr>
<td>Products with increase in nutritious ingredients or essential nutrients</td>
<td>4691</td>
<td>4778</td>
<td>6359</td>
</tr>
<tr>
<td>Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings</td>
<td>3317</td>
<td>4221</td>
<td>6973</td>
</tr>
<tr>
<td>Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million)</td>
<td>31720</td>
<td>33001</td>
<td>33233</td>
</tr>
<tr>
<td>Products featuring Nestlé Nutritional Compass labelling (% of sales worldwide)</td>
<td>96.8</td>
<td>92.5</td>
<td>92.8</td>
</tr>
<tr>
<td>Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales)</td>
<td>99.3</td>
<td>99.3</td>
<td>79.7</td>
</tr>
</tbody>
</table>

## Continuation of the table 3

<table>
<thead>
<tr>
<th>KPI</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rural development:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers trained through capacity-building programmes</td>
<td>273808</td>
<td>300000</td>
<td>376000</td>
</tr>
<tr>
<td>Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes</td>
<td>46</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>Percentage of suppliers that fully comply with the Nestlé Supplier Code</td>
<td>89,5</td>
<td>74,0</td>
<td>73,0</td>
</tr>
<tr>
<td><strong>Water:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total water withdrawal (million m3)</td>
<td>138</td>
<td>152</td>
<td>147</td>
</tr>
<tr>
<td><strong>Environmental sustainability:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total production volume (million tonnes)</td>
<td>47,7</td>
<td>52,1</td>
<td>53,7</td>
</tr>
<tr>
<td>Raw materials used (million tonnes)</td>
<td>22,5</td>
<td>25,1</td>
<td>25,8</td>
</tr>
<tr>
<td>Total on-site energy consumption (petajoules)</td>
<td>90,7</td>
<td>97,7</td>
<td>95,8</td>
</tr>
<tr>
<td>Total on-site energy consumption from renewable sources (% total)</td>
<td>12,9</td>
<td>13,3</td>
<td>14,7</td>
</tr>
<tr>
<td>Direct GHG emissions (million tonnes CO2eq)</td>
<td>3,71</td>
<td>3,99</td>
<td>3,81</td>
</tr>
<tr>
<td>Indirect GHG emissions (million tonnes CO2eq)</td>
<td>3,39</td>
<td>3,81</td>
<td>3,80</td>
</tr>
<tr>
<td>Total water discharge (million m3)</td>
<td>84</td>
<td>91</td>
<td>87</td>
</tr>
<tr>
<td>Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)</td>
<td>89</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td><strong>Human rights and compliance:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of significant product recalls or incidents of non-compliance</td>
<td>11</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Number of human rights impact assessments completed</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>People:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total workforce (number of employees)</td>
<td>333220</td>
<td>333214</td>
<td>339456</td>
</tr>
<tr>
<td>Total number of fatalities (employees, on-site contractors and on-site members of public)</td>
<td>5</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Average hours of training per year per employee per category</td>
<td>10</td>
<td>23</td>
<td>28,8</td>
</tr>
<tr>
<td>Leadership positions held by women (%)</td>
<td>29,2</td>
<td>31,1</td>
<td>33,7</td>
</tr>
<tr>
<td>Local Management Committee members native to country in developing countries (%)</td>
<td>49,5</td>
<td>52,0</td>
<td>56,4</td>
</tr>
</tbody>
</table>

*Source: [2013, 2014]*
### Table 4: Key Nestlé’s Commitments in 2014

<table>
<thead>
<tr>
<th>Sphere</th>
<th>Commitments</th>
<th>Initiatives in Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nutrition</strong></td>
<td>• build knowledge leadership in children’s nutrition;</td>
<td>• 100% of products meet Nestlé Nutritional Foundation profiling criteria;</td>
</tr>
<tr>
<td></td>
<td>• provide nutritionally sound products designed for children;</td>
<td>— 98% of children’s products meet Nestlé Nutritional Foundation sodium content criteria;</td>
</tr>
<tr>
<td></td>
<td>• help reduce the risk of undernutrition through micronutrient fortification;</td>
<td>• sodium reduction in sauces by 16.5 tones;</td>
</tr>
<tr>
<td></td>
<td>• reduce sodium (salt), sugars in products;</td>
<td>• national educational programme «Abetka harchuvannya» («Nutrition Alphabet»);</td>
</tr>
<tr>
<td></td>
<td>• deliver nutrition information and advice on all labels;</td>
<td>• «Torchyn tasty stories» project;</td>
</tr>
<tr>
<td></td>
<td>• provide education programmes for good nutrition and feeding practices.</td>
<td>• 93% of products have Guideline Daily Amounts (GDA) labeling;</td>
</tr>
<tr>
<td><strong>Rural development</strong></td>
<td>• roll out the Rural Development framework to understand the needs of farmers;</td>
<td>• «Hospodar» programme, aimed at the development of local suppliers;</td>
</tr>
<tr>
<td></td>
<td>• implement responsible sourcing in supply chain;</td>
<td>• in March 2015 KitKat sold in Ukraine had been produced, using cocoa, purchased through the Nestlé Cocoa Plan</td>
</tr>
<tr>
<td></td>
<td>• roll out the Nestlé Cocoa Plan with cocoa farmers;</td>
<td>• «Hospodar» programme, aimed at the development of local suppliers;</td>
</tr>
<tr>
<td></td>
<td>• roll out the Néskafe Plan with coffee farmers.</td>
<td>• in March 2015 KitKat sold in Ukraine had been produced, using cocoa, purchased through the Nestlé Cocoa Plan</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>• work to achieve water efficiency and sustainability across operations;</td>
<td>• water consumption reduction at all factories in Ukraine (by 4% in comparison with 2012)</td>
</tr>
<tr>
<td></td>
<td>• advocate for effective water policies and stewardship;</td>
<td>• water consumption reduction at all factories in Ukraine (by 4% in comparison with 2012)</td>
</tr>
<tr>
<td></td>
<td>• engage with suppliers especially those in agriculture;</td>
<td>• water consumption reduction at all factories in Ukraine (by 4% in comparison with 2012)</td>
</tr>
<tr>
<td></td>
<td>• treat the water discharged effectively.</td>
<td>• water consumption reduction at all factories in Ukraine (by 4% in comparison with 2012)</td>
</tr>
<tr>
<td>**Environmental sustain-</td>
<td>• improve resource efficiency in operations;</td>
<td>• waste reduction by more than 2% in comparison with 2012;</td>
</tr>
<tr>
<td>ability**</td>
<td>• improve the environmental performance of packaging;</td>
<td>• GHG emissions decrease by 3.5% in comparison with 2012;</td>
</tr>
<tr>
<td></td>
<td>• assess and optimize the environmental impact of products;</td>
<td>• Energy consumption decrease by 3% in comparison with 2012;</td>
</tr>
<tr>
<td></td>
<td>• provide climate change leadership;</td>
<td>• waste reduction by more than 2% in comparison with 2012;</td>
</tr>
<tr>
<td></td>
<td>• preserve natural capital, including forests.</td>
<td>• GHG emissions decrease by 3.5% in comparison with 2012;</td>
</tr>
</tbody>
</table>
Continuation of the table 4

<table>
<thead>
<tr>
<th>Sphere</th>
<th>Commitments</th>
<th>Initiatives in Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>People, human rights and compliance</td>
<td>• assess and address human rights impacts in operations and supply chain;</td>
<td>• employment of 915 young people, apprenticeships, traineeships, cooperation with universities through Nestlé needs YOUth programme;</td>
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<td></td>
<td>• eliminate child labour in key commodities;</td>
<td>• QN trainings for employees;</td>
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<td></td>
<td>• work against corruption and bribery;</td>
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<tr>
<td></td>
<td>• ensure all Nestlé units have basic safety and health protection systems for all employees;</td>
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<td></td>
<td>• enhance gender balance in workforce;</td>
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<td></td>
<td>• offer 20 000 job opportunities for young people below 30 in Europe;</td>
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</tr>
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<td></td>
<td>• provide CSV, NQ and environmental sustainability training for employees</td>
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Adapted

Nestlé’s commitments in Ukraine are the part of company’s global creating shared value programmes. Thus Nestlé contributes to the children’s education through «Abetka harchuvannya» («Nutrition Alphabet») programme, aimed at the development of proper eating habits and sound way of living among school children. The authors of this programme are 50 experts in healthcare and school teaching methodology, psychologists and gastroenterologists. Since programme establishment in 2009 5090 teachers and 762 schools have taken part in this project. Nestlé Kids Athletics IAAF project allows teachers and children attend training sessions (139 arrangements were conducted in 2014). Nestlé Ukraine continues to reduce sodium, sugar and saturated fats in products. 98% of children’s products meet Nestlé Nutritional Foundation sodium content criteria and by 2016 company plans to reduce sodium in those products, that don’t meet Nestlé Nutritional Foundation requirements. Sodium reduction in sauces estimated 16.5 tones in 2014 and it is planned to reach 6.7% reduction in 2015. By 2016 Nestlé Ukraine is to reduce saturated fats in its products by 10%. 93% of com-

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pany’s products in Ukraine have Guideline Daily Amounts (GDA) labeling.

To develop local suppliers of raw materials «Hospodar» programme was initiated. Only 30% of raw materials, necessary for production purposes in Ukraine, are currently imported. Data, depicting company’s progress in water and environmental sustainability practices, is represented in Table 5.

Table 5
ENVIRONMENTAL SUSTAINABILITY INDICATORS
(BY FACTORIES)

<table>
<thead>
<tr>
<th></th>
<th>Water consumption (million m3)</th>
<th>Energy consumption (gigajoules)</th>
<th>GHG emissions (t., CO2eq)</th>
</tr>
</thead>
<tbody>
<tr>
<td>«Tehnokom»</td>
<td>2,22</td>
<td>2,34</td>
<td>2,28</td>
</tr>
<tr>
<td>«Svitoch»</td>
<td>2,98</td>
<td>2,60</td>
<td>2,12</td>
</tr>
<tr>
<td>«Volynholdyng»</td>
<td>1,99</td>
<td>2,20</td>
<td>2,19</td>
</tr>
<tr>
<td>Total</td>
<td>2,23</td>
<td>2,31</td>
<td>2,19</td>
</tr>
</tbody>
</table>

Thus, total water consumption by factories in 2014 was reduced by more than 7% in comparison to 2013; energy consumption — by more than 4%; GHG emissions — by more than 7%.

Nestlé Ukraine organizes NQforU competition among its employees to allow them acquire knowledge in the sphere of balanced nutrition and healthy way of living. Ukraine’s division participation in the Nestlé needs YOUth programme gives the possibility to employ 915 young specialists; provide apprenticeships, traineeships. In addition to the competitive salary company’s employees are provided with medical insurance, dinners in office, Christmas presents, present sets for children, etc. The results of the conducted in 2014 Nestlé&I investigation in Ukraine&Moldova, zone EMENA and Nestlé overall are represented in Figure 4.

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As the conclusion we could not mention one of the most interesting Nestlé’s responsible initiative — the development of food solutions for pilots of Solar impulse, that took a team of eight scientists at the Nestlé Research Center (NRC) in Lausanne, Switzerland five years and more than 6,000 hours to research and develop. Led by Dr Amira Kassis, the Nestlé team developed tailored dietary plans and all the food now being consumed by the two pilots seeking to break the world record for solar flight, Bertrand Piccard and André Borschberg. The challenge lies in feeding them and ensuring they get the nutrition they need at a cruising altitude of 27,000 feet in an unpressurised flight cabin. Both the food and its packaging are specially designed to survive extreme temperatures and varying climatic conditions. It has to be easy to consume, satisfy tight weight constraints and taste good too [3]. The project Solar Impulse, besides Nestlé, unite numerous partners, such as: Solvay, Omega, Schindler, ABB, Bayer, Google, MotHennessy, McKinsey & Company, Semper, Toyota, Siemens and others².

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¹ SustainAbility Case Studies. — Режим доступу: www.sustainability.com/case-studies
Questions for discussion:
1. How effective is Nestlé’s adoption of CSV concept? Have you as company’s products consumer got any value from Nestlé’s initiatives?
2. How have materiality issues, their impact on Nestlé’s operations and stakeholder concern changed in 2012—2014?
3. Give your assessment to company’s world commitments and responsible initiatives in Ukraine.
4. Being company’s manager, how would you react to the results of Nestlé&I investigation?
5. Mr. Lewis got the appointment of the Head of Infant Nutrition business in Ukraine. In his first week in Kyiv, he makes a variety of startling discoveries. Despite or the relatively high price of one of infant’s formula, demand in the Ukrainian market is quite strong. Mr. Lewis, who considers himself a good Christian, begins to wonder whether the price is fair for the Ukrainians. He has the authority to set prices in the country, but he must justify his decision to headquarters. Represent headquarters’ versions with a corporate culture dominated by one of the moral languages.

According to Donaldson¹, moral languages describe the basic ways that people use to think about ethical decisions and to explain their ethical choices. The six basic ethical languages identified by Donaldson include:
— virtue and vice: this language identifies a person’s good or virtuous properties and contrasts them with vices;
— self-control: this language emphasizes perfection at controlling thoughts and actions, such as passion;
— maximizing human welfare: this is the basic language of the utilitarian view of ethics, emphasizing the greatest good for the greatest number of people;
— avoiding harm: this language also sees good or bad in the consequences of behavior or action, however it focuses on avoiding unpleasant outcomes, rather than maximizing benefits;
— rights/duties: this language focuses on principles that guide ethical behaviors, it fits well in a legal context;
— social contract: this language structures ethics as a form of agreements among people.

6. A young woman, having delivered a baby in one of Kyiv state clinics, had difficulties with breastfeeding. She turned to medical personnel for advice and was granted a bottle with infant formula HIPP. How would you comment on this situation?

COMPARISON OF CORPORATE SOCIAL RESPONSIBILITY OF NESTLE AND ROSHEN: MYTH OR REALITY?

Liudmyla Petashko*, Pavlo Petashko**

One of the main tasks of researchers in the sphere of corporate social responsibility of business remains the definition of the concept of CSR and its measurement. A number of fundamental researchers of CSR (Caroll (19911, 1999)2, Grayson, Hodges (2004)3, Husted, Allen (2007)4, Porter, Kramer (2006)5) created a broad conceptual framework to solve this problem. In the scientific environment there are opponents of this concept Friedman (1970)6. He is not arguing that businesses should never engage in activities that increase the social welfare; in fact, he argues that free-market capitalism itself increases social welfare. The world’s first complete reference on CSR was compiled by the Institute for Corporate Cultural Affairs (the ICCA), (The A to Z of corporate social responsibility (2007)7). The entries have been written by leading experts, global thinkers and CSR practitioners.

CSR is the concept that companies, in addition to complying with the laws, voluntarily assume additional obligations to society in the sphere of ecology, social justice and equality to ensure a dignified life on Earth for future generations. In order for CSR to be accepted by a

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** Petashko Pavlo — student Kyiv National Economic University after named Vadym Hetman, International Economy and Management Department (BA)
conscientious business person, it must be framed in such a way as to cover the full range of business responsibilities. Therefore, it is proposed that six types of social responsibility constitute a common CSR: economic, environmental, social, ethical, information and management.

Today, CSR tools are used by business companies to form their image, competitive advantages in the market, to increase their investment attractiveness. As never before, Western investors attach importance to the reports of companies and the form of their submission.

The desire of investors to receive data in a transparent and understandable way, together with the growth of social consciousness, served as an impetus to the beginning of the transformation of business reporting forms. The public is not enough to see only financial indicators, it needs to know how the company’s activities affect the environment and the climate, whether it respects human rights, there are no loopholes for corrupt schemes. Information is necessary, but extremely difficult for accurate calculation and structuring. The response to the demands of all stakeholders was the emergence of reports on sustainable development, that is, non-financial reports (Global Reporting Initiative).

In this study, we will compare the CSR of the two companies in the confectionery sector of the economy from the point of view of its practical implementation, that is, CSR is a myth or reality. As the objects of research, a well-known transnational corporation Nestlé and Ukrainian corporation Roshen were chosen.

**Methodology.** The results of the analysis and generalization of international experience in the assessment of corporate social responsibility of companies (Global Reporting Initiative, Robeco SAM’s Corporate Sustainability Assessment Methodology, MSCI ESG Impact Monitor) have allowed to substantiate and develop the diagnostic parameters on the basis of which the author’s assessment of CSR of companies will be conducted.

Author’s technique of integrated assessment of corporate social responsibility of companies and the scale are presented in Appendix_A. Its key goal is to assess the level of responsibility of companies based
on diagnostic parameters in terms of six groups of evaluation criteria: economic, environmental, social, ethical, informational and managerial.

As a result of the assessment of companies’ CSRs for the specified parameters of the system of economic, environmental, social, ethical, information and management criteria, based on the analysis of financial and non-financial reporting of respondent companies posted on official sites, the final estimate of CSR (K) is calculated as the sum of assessments of the company’s activity for each of the specified groups of criteria.

The choice of indicators and the assessment of the boundaries of their values are carried out in accordance with the actual content of Nestlé’s non-financial reports¹, which are compiled in accordance with the Guidelines of the Global Reporting Initiative².

The most used in the world — the Global Reporting Initiative (GRI), about 80% of the world’s public non-financial reports are compiled with their use. They include such important concepts as materiality—that is, the definition of which transactions to consider essential and mandatory for disclosure in the report, and also take into account the interests of not only shareholders, but also all interested parties. In the 20 years since the 90s, the company has earned the status of an expert in this field, which has raised the value of its recommendations to a high standard.

The maximum final score of the course (K) that the respondent company can receive is 100 points with the distribution of the groups of criteria: economic — 20 points, environmental — 20 points, social — 20 points, ethical — 10 points, information — 20 points, managerial — 10 points. The distribution of scores within the group of evaluation criteria is carried out in accordance with their importance from the point of view of the author.

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⁹ 9. GRI G4 GUIDELINES https://www.globalreporting.org/Pages/resource-library.aspx
It should be noted that depending on the assessment, the respondent company can be classified as «A», «B», «C», «D», «E» depending on the rating, and depending on the score obtained for each group of criteria, with low, medium / satisfactory, high or very high level of economic efficiency, environmental / social responsibility, corporate ethics, information openness, corporate governance (in Table 2 Appendix A).

Data. Conducted on a regular basis, the database is based on data provided by the official websites of Nestle and Roshen, as well as data from their non-financial reports available on the Internet.

For the empirical study, the period of time — 2016 was chosen. The decision regarding the latter of the above dates is based on two main arguments. On the one hand, there is a desire to use the most up-to-date data in the research process to give the results as reasonable as possible, but on the other hand there is a problem of data availability that limits the final date of December 31, 2016. Language, in essence, is about the standards of reporting companies.

Empirical results

These two companies are Nestle and Roshen which work in the confectionery industry and both of them work in the international markets. Nestle is an international company which has a branch in Ukraine. Roshen is a Ukrainian company which works both in Ukraine and other markets. I intend to compare their corporate social responsibility and investigate whether it’s a myth or reality.

The choice of indicators is based on the study of literature, indicators — the economic performance and the volume of environmental investments (their valuation by balls) are determined on the basis of those reports of non-financial reporting that have been

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1 Global Reporting Initiative https://www.globalreporting.org/
studied (the more the company increases its efficiency and more environmental investments). We can say that this is an approximate estimate.

Table 1

<table>
<thead>
<tr>
<th>Company</th>
<th>Economic performance 0—5 points</th>
<th>Presence of local top management 0—5 points</th>
<th>Transparency of procurement practices 0—5 points</th>
<th>Collaboration with local suppliers 0—5 points</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Roshen</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on [#1-15 of the References]¹

### Table 2

**RESULTS OF THE EVALUATION OF CSR OF NESTLE AND ROSHEN BY THE GROUP OF ECOLOGICAL CRITERIA, 2016**

<table>
<thead>
<tr>
<th>Company</th>
<th>Volumes of environmental investments 0—4 points</th>
<th>Use and cost savings 0—4 points</th>
<th>Quantitative emission, discharge, waste and recycling rates 0—4 points</th>
<th>Conformity of products to international and national standards 0—4 points</th>
<th>Environmental fines 0—4 points</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Roshen</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>

*Source: Author’s calculations based on [#1-15 of the References in the Footnotes 18]*

### Table 4

**RESULTS OF THE EVALUATION OF CSR OF NESTLE AND ROSHEN BY THE GROUP OF ETHICAL CRITERIA, 2016**

<table>
<thead>
<tr>
<th>Company</th>
<th>Availability of codes of corporate ethics 0—5 points</th>
<th>Assessment of business cooperation 0—2 points</th>
<th>Information on cases of corruption 0—1 points</th>
<th>Anti-corruption measures 0—2 points</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Roshen</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source: Author’s calculations based on [#1-15 of the References in the Footnotes 18]*
Table 5

RESULTS OF THE EVALUATION OF CSR OF NESTLE AND ROSHEN
BY THE GROUP OF INFORMATION CRITERIA, 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Transparency and openness of information (0—5 points)</th>
<th>Availability of social (non-financial) reporting (0—5 points)</th>
<th>Availability of procedures for certifying reports (0—5 points)</th>
<th>Level of reporting according to international standards (0—5 points)</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Roshen</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on [1-15 of the References]

### Table 3

**RESULTS OF THE EVALUATION OF CSR OF NESTLE AND ROSHEN BY THE GROUP OF SOCIAL CRITERIA, 2016**

<table>
<thead>
<tr>
<th>Company</th>
<th>Information on staff turnover 0.5 points</th>
<th>Information on training of employees 0.5 points</th>
<th>Existence of cases of discrimination 0.5 points</th>
<th>Presence of cases of use of child labor and forced labor 0.5 points</th>
<th>Presence of cases of use of children and Volumes of social investment and charity 0.5 points</th>
<th>Presence of deaths 0.1 points</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Roshen</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on [11-15 of the Reference]

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Table 6

RESULTS OF THE EVALUATION OF CSR OF NESTLE AND ROSHEN
BY THE GROUP OF MANAGERS CRITERIA, 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Availability of CSR strategy 0—5 points</th>
<th>Monitoring of CSR projects 0—3 points</th>
<th>Presence of women in top management 0—2 points</th>
<th>Total points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Roshen</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on [1-15 of the References in the Footnotes 18]

Table 7

COMPARATIVE ASSESSMENT OF CSR OF NESTLE AND ROSHEN, 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Economic</th>
<th>Ecological</th>
<th>Social</th>
<th>Ethical</th>
<th>Information</th>
<th>Managers</th>
<th>Total (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>max number of points 20</td>
<td>max number of points 20</td>
<td>max number of points 10</td>
<td>max number of points 20</td>
<td>max number of points 10</td>
<td>max number of points 10</td>
<td>max number of points 100</td>
</tr>
<tr>
<td>Nestle</td>
<td>20</td>
<td>16</td>
<td>18</td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>94</td>
</tr>
<tr>
<td>Roshen</td>
<td>15</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>–5</td>
<td>–8</td>
<td>–14</td>
<td>–8</td>
<td>–17</td>
<td>–8</td>
<td>–60</td>
</tr>
</tbody>
</table>

Source: Author’s calculations

Conclusion. Globalization not only creates new opportunities for business development, but aggravates global problems and risks of civilization development. The key is the role of corporate social responsibility of companies, the peculiarities of which differ for emerging market and emerging market countries. To date, corporate social responsibility will be defined as a strategic direction of the company’s activities, aimed at achieving a financial result with the provision of economic, environmental, social, ethical, informational and managerial effects.
The author’s tool for assessing corporate social responsibility based on the analysis of their responsibility indicators based on a set of diagnostic parameters: economic, environmental, social, ethical, informational and managerial, fully reflects the CSR indicators provided by the Global Reporting Initiative. The comparative assessment of corporate social responsibility Nestlé and Roshen allowed to clarify the range of variational differences and peculiarities of their implementation in the system of criteria: economic, environmental, social, ethical, informational and managerial.

According to the results, Nestlé’s CSR has a high CSR rate of 94 points. In the context of all groups of evaluation criteria, Nestlé has a very high level of economic, environmental, social, ethical, informational responsibility and corporate governance. According to the CSR rating scale, the Ukrainian company Roshen has a level below the average, namely 34 points. In addition, only in the group of economic evaluation criteria this company has achieved a high level of economic efficiency. In the group of environmental criteria for assessing CSR Roshen has an average level, and in the social, ethical information and management groups — the lowest level. This means that in reality, the high economic performance of the company yields revenue mainly to its owners.

The Ukrainian company demonstrated a lack of clear orientation towards developing a CSR strategy. She is at the stage of passive compliance with national legislation and the implementation of some local charitable projects of a conjunctural nature, aimed at building her image.

In emerging markets, corporate social responsibility is on the stage of becoming. The emergence and further development of CSR is conditioned by the need for tools for sustainable development of society, aspiration for solving a number of economic, social and environmental problems. The dynamic development of corporate social responsibility models in the developed countries of Continental Europe takes place under the implementation of sustainable development initiatives aimed at providing a decent future for future generations.

Based on the results of the study, it has been proved that CSR implementation should be implemented through the gradual integration of CSR principles into business strategies of companies taking into account the best international experience in this field and existing European standards.
### Appendix A

**Table 1**

<table>
<thead>
<tr>
<th>Group of criteria</th>
<th>Evaluation Indicators</th>
<th>Score, points (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td>Economic performance (profitability) (max. 5 points)</td>
<td>more than $3 million = 5 b from 2 to $2.5 million = 4 b from 1 to 1.5 million $ = 3 b up to $1 million = 2 b up to 100 thousand. $ = 1 b below 0 = 0 b</td>
</tr>
<tr>
<td></td>
<td>Presence of local top management (max = 5 points)</td>
<td>available = 5 b absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Transparency of procurement practices (tenders) (Max = 5 points)</td>
<td>available = 5 b absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Collaboration with local suppliers (Max = 5 points)</td>
<td>available = 5 b absent = 0 b</td>
</tr>
<tr>
<td><strong>ECOLOGICAL</strong></td>
<td>The volumes of environmental investments (max = 4 points)</td>
<td>up to 50 million UAH = 1 b from 50 to 100 = 2 b from 100 to 300 = 3 b more than 300 = 4 b</td>
</tr>
<tr>
<td></td>
<td>Use and cost savings (max = 4 points)</td>
<td>represented in the report = 4 points, partially displayed – 2b, absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Quantitative emission, discharge, waste and recycling rates (max = 4 points)</td>
<td>represented in the report = 4 points, partially displayed – 2b, absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Conformity of products to international and national standards (max = 4 points)</td>
<td>meets standards = 4 b does not correspond = 0 b</td>
</tr>
<tr>
<td></td>
<td>Environmental fines (max = 4 points)</td>
<td>available = 0 b, absent = 4 b</td>
</tr>
</tbody>
</table>
### Continuation of the table 1 (Appendix A)

<table>
<thead>
<tr>
<th>Group of criteria</th>
<th>Evaluation Indicators</th>
<th>Score, points (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOCIAL</strong> Max Number of points = 20 points</td>
<td><strong>Employment Indicators and Staff Training:</strong> <em>(Max = 5 points)</em> 1) information on staff turnover</td>
<td>openness of information = 5 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td>2) information on training of employees (max = 3 points)</td>
<td>openness of information = 3 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td>Human Rights: 1) the existence of cases of discrimination (max = 1 point)</td>
<td>the absence of such cases = 1 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td>2) the presence of cases of use of children and forced labor (max = 1 point)</td>
<td>the absence of such cases = 1 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td><strong>Occupational Health:</strong> <em>(max = 5 points)</em> 1) the presence of traumatism (Max = 5 points)</td>
<td>absence of such cases = 5 b openness of information = 3 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td>2) the presence of deaths (Max = 1 point)</td>
<td>openness of information = 1 b lack of information = 0 b</td>
</tr>
<tr>
<td></td>
<td><strong>Volumes of social investment and charity (max = 4 points)</strong></td>
<td>more than 300 thousand UAH = 4 b from 51 to 300 thousand UAH = 3 b up to 50 thousand UAH = 1 b lack of information = 0 b</td>
</tr>
<tr>
<td><strong>ETHICAL</strong> Max number of points = 10 points</td>
<td>Availability of codes of corporate ethics (max = 5 points)</td>
<td>available = 5 b absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Assessment of business cooperation (max = 2 points)</td>
<td>carried out = 2 b, not conducted = 0 b</td>
</tr>
<tr>
<td></td>
<td>Information on cases of corruption (max = 1 point)</td>
<td>presented in the report = 1 b, absent = 0 b</td>
</tr>
<tr>
<td></td>
<td><strong>Anti-corruption measures (max = 2 points)</strong></td>
<td>available = 2 b, absent = 0 b</td>
</tr>
<tr>
<td><strong>INFORMATION</strong> Max Number of points = 20 points</td>
<td>Transparency and openness of information (Max = 5 points)</td>
<td>unknown level of openness = 0 b site availability and easy navigation = 1 b + list of social and charitable projects on the site = 2 b + presence of nephin. reporting on the site = 3 b + availability of finance. Reporting on site = 4 b + detailed description of CSR projects on site = 5 b</td>
</tr>
</tbody>
</table>
### Continuation of the table 1 (Appendix A)

<table>
<thead>
<tr>
<th>Group of criteria</th>
<th>Evaluation Indicators</th>
<th>Score, points (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INFORMATION</td>
<td>Availability of social (non-financial) reporting (Max = 5 points)</td>
<td>available report = 5 b information provided on site = 1 b absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Availability of procedures for certifying reports (Max = 5 bytes)</td>
<td>available = 5 points, absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>Level of reporting according to international standards (Max = 5 points)</td>
<td>GRI Report = 5 b report not according to GRI standards = 3 b absence of non financial report = 0 b</td>
</tr>
<tr>
<td>MANAGERS</td>
<td><strong>Corporate Governance Effectiveness:</strong> 1) availability of CSR strategy (max = 5b)</td>
<td>available = 5b absent = 0 b</td>
</tr>
<tr>
<td></td>
<td>2) monitoring of CSR projects (max = 3b)</td>
<td>carried out systematically = 3 b carried out periodically = 1 b not done at all = 0 b</td>
</tr>
<tr>
<td></td>
<td>3) the presence of women in top management (max = 2 points)</td>
<td>available = 2 points absent = 0 b</td>
</tr>
</tbody>
</table>

*Source: Author’s Development*

### Appendix B

#### Table 2

<table>
<thead>
<tr>
<th>Score / Group of criteria</th>
<th>Class / number of points</th>
<th>Characteristics of the respondent company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Corporate Social Responsibility Kpvi</strong></td>
<td>1</td>
<td><strong>A</strong> — from 81 to 100 points</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td><strong>B</strong> — from 71 to 80 points</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td><strong>C</strong> — from 51 to 70 points</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td><strong>D</strong> — from 21 to 50 points</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td><strong>E</strong> — up to 20 points</td>
</tr>
</tbody>
</table>
Continuation of the table 2 (Appendix B)

<table>
<thead>
<tr>
<th>Score / Group of criteria</th>
<th>Class / number of points</th>
<th>Characteristics of the respondent company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td>from 0 to 5 points</td>
<td>low level of economic performance</td>
</tr>
<tr>
<td></td>
<td>from 6 to 10 points</td>
<td>the average level of economic performance</td>
</tr>
<tr>
<td></td>
<td>from 11 to 15 points</td>
<td>high level of economic performance</td>
</tr>
<tr>
<td></td>
<td>from 16 to 20 points</td>
<td>above a high level of economic performance</td>
</tr>
<tr>
<td><strong>Ecological</strong></td>
<td>from 0 to 5 points</td>
<td>low level of environmental responsibility</td>
</tr>
<tr>
<td></td>
<td>from 6 to 10 points</td>
<td>the average level of environmental responsibility</td>
</tr>
<tr>
<td></td>
<td>from 11 to 15 points</td>
<td>high level of environmental responsibility</td>
</tr>
<tr>
<td></td>
<td>from 16 to 20 points</td>
<td>above the high level of environmental responsibility</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>from 0 to 5 points</td>
<td>low level of social responsibility</td>
</tr>
<tr>
<td></td>
<td>from 6 to 10 points</td>
<td>the average level of social responsibility</td>
</tr>
<tr>
<td></td>
<td>from 11 to 15 points</td>
<td>high level of social responsibility</td>
</tr>
<tr>
<td></td>
<td>from 16 to 20 points</td>
<td>very high level of social responsibility</td>
</tr>
<tr>
<td><strong>Ethical</strong></td>
<td>from 0 to 3 points</td>
<td>low level of corporate ethics</td>
</tr>
<tr>
<td></td>
<td>from 4 to 7 points</td>
<td>satisfactory level of corporate ethics</td>
</tr>
<tr>
<td></td>
<td>from 8 to 10 points</td>
<td>high level of corporate ethics</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>from 0 to 5 points</td>
<td>low level of information openness</td>
</tr>
<tr>
<td></td>
<td>from 6 to 14 points</td>
<td>the average level of information openness</td>
</tr>
<tr>
<td></td>
<td>from 15 to 20 points</td>
<td>high level of information openness</td>
</tr>
<tr>
<td><strong>Managerial</strong></td>
<td>from 0 to 3 points</td>
<td>low level of corporate governance</td>
</tr>
<tr>
<td></td>
<td>from 4 to 7 points</td>
<td>satisfactory level of corporate governance</td>
</tr>
<tr>
<td></td>
<td>from 8 to 10 points</td>
<td>high level of corporate governance</td>
</tr>
</tbody>
</table>

*Source: Author’s Development*
LET’S CREATE THE EQUAL SOCIETY TOGETHER

Nathan Siva∗
Тетяна Білоброва**

The subject of Corporate Social Responsibility (CSR) is currently a widely discussed topic all over the world. Mankind’s moral obligation to society and community at large has finally found importance in the agenda of Companies, thus necessitating a need for more awareness to ‘do the right thing for fellow human beings’ rather than focusing only on how much stakeholders can profit from the operations.

Companies have come to understand that they can be worthless or economically unviable to operate without the very existence of community who are the ultimate consumers of their products or services. Hence, pressure was brought upon to bear on Companies to become more caring and responsible for the environment and people they interact with.

One thing is certain. The East may criticize about the moral values of the Western civilization but it is the West that ultimately exposed the need to be more caring for the environment and people. It is them who initiated or innovated ideas to improve lives of people. It has never been initiated by the East, Orient, Africa or the Middle East who, as is evident, have been slow in adopting CSR. Now entities operating in these regions, in order to show that they are aligned with the West (for fear of losing face or not being recognized as multinationals operating along similar guidelines as the rest of the world) or to be seen as operating in the same league as their counterparts in the West or fear of being ostracized by other countries, have agreed to comply with CSR.

KPMG (Netherlands) is a multinational company offering professional services primarily in the area of Auditing and Assurance, Corporate Advisory, Taxation, Management Consulting and Other Non-Quantitative Services. In general KPMG has three main lines of services: audit, tax and advisory. Each national KPMG firm is an independent legal entity and is a member of KPMG International Cooperative, a Swiss entity1.

As at September 30, 2015 KPMG has offices in different continents and operates in 136 countries. The combined Global revenues

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for financial year 2015 constitute USD 24.44 billion. Total 173,965 people work at the company.

In Australia, KPMG has around 6,700 people, including over 400 partners, with offices around the country\(^1\).

KPMG International has been a signatory of the UN Global Compact since 2002 and thus has engaged in various initiatives in relation to CSR in different countries.

KPMG International has been helping to shape the Global Goals (17 new Global Goals for Sustainable Development, aimed at making our world more prosperous, inclusive, sustainable and resilient) with others in business and community organizations. Representatives from KPMG member firms have convened and spoken at several side events of the four UN summits related to the Global Goals:

1. The World Conference on Disaster Risk Reduction (Sendai, March 2015)
3. The Summit to Adopt the Sustainable Development Goals (New York, September 2015)\(^2\)

It is specified in KPMG International Annual Review 2015, ‘KPMG endeavors to empower our communities and inspire confidence through our actions and investments, working to help lift people beyond poverty and help ensure economic growth is balanced with the need to sustain our environment.’ Hence, a people’s needs and plight are now in the spotlight of a company’s CSR.

Some of the CSR programs and initiatives undertaken by the Company are as follows:

- Charitable — Donation to Red Cross
- Leadership/Entrepreneurship — Seminars and Workshops
- Education — Training and placement of Students and Employee initiatives
- Communities — Health and Family Literacy Programs, Assistance to Typhoon affected countries

While supporting numerous organizations in the areas of education, social inclusion and health, one of the main strategic priorities of KPMG in Australia (a very much European ideological country) is closing the gap between Indigenous and non-Indigenous Australians

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through the Reconciliation Action Plan. This plan reflects the feature of CSR in this country.

A Reconciliation Action Plan (RAP) is a public statement made by an Australian organization outlining the actions it will undertake, within its sphere of influence, in the national effort to close the seventeen-year gap in life expectancy between Indigenous and non-Indigenous Australians. In 2009, KPMG became the first major accounting firm to have a RAP endorsed by Reconciliation Australia.

KPMG in Europe has undertaken several CSR initiatives in educating the unfortunate or helping the refugees in Europe and Australia.

We have chosen to place attention to a particularly interesting program in Australia where they undertook to bridge the gap between the Indigenous (aboriginal) and Non Indigenous (Settlers and Migrants). KPMG’s people committed more than 16,000 hours of free professional services to not-for-profit organisations through the firm’s Honorary Work program, and volunteered an additional 14,000 hours to support student mentoring and tutoring programs, volunteering initiatives, and programs with Indigenous communities focused on Constitutional recognition, prosperity and empowerment.

The program is called «Reconciliation Action Plan (RAP)» to reconcile the differences in lifestyle between the Indigenous and Non Indigenous Australians. An initiative was launched, incorporating an assessment of both economic and social impact. KPMG claims that for every dollar invested by the firm, $2.40 of social and economic value was delivered during the 2014 financial year.

KPMG’s total contribution to the community was over $14 million for the 2015 financial year, the majority being the provision of professional skills via Jawun secondments and pro bono work. KPMG Australia grounds its community work in the UN Declaration on the Rights of Indigenous Peoples. And for this it was honored to receive the Human Rights Business Award in December 2014.

RAP comprises the three main areas:
1. Supporting economic and social development
2. Recognizing and promoting the rights of Indigenous Australians
3. Inspiring leadership for reconciliation
The main beneficiaries of KPMG’s RAP are Indigenous business and communities, which received in 2013 53% of the total benefit, with the remaining 47% of the benefits being recognized by KPMG and its employees.

When supporting economic and social development under RAP, KPMG Australia in 2013—2015 directed their efforts in 4 areas:

1. Supporting indigenous business

   It is done in 2 ways: procuring goods and services from indigenous owned businesses and by giving the company’s professional skills to support these businesses to prosper. By 2013, KPMG sourced over AUD 1 million in goods and services from Indigenous owned businesses certified by Supply Nation. The company also has embedded the use of Indigenous business into its supply chain and procurement processes.

2. Capacity building for Indigenous not-for-profit organizations

   In 2013, the company committed to increase its support to Indigenous organizations through the partnership with Jawun. KPMG people spent a combined 1,800 hours of professional time each year, honorary, working with Indigenous organizations. In addition, KPMG has allocated 20% of its planned honorary work for financial years 2014 and 2015 to working with Indigenous organizations.

3. Supporting empowered communities

   In 2013, 25 Indigenous community leaders from 8 regions across Australia created a proposed model for service and welfare provision for Indigenous people. They’ve called it Empowered communities. KPMG people will be seconded to work with Indigenous communities to support the trial and potential implementation of the program.

4. Pathway from education to employment and economic participation

   KPMG people are active in supporting Indigenous high school students. Through the partnership with the Australian Indigenous Education Foundation (AIEF) in financial years 2012 and 2013, 15 KPMG people had a mentoring or tutoring relationship with an Indigenous high school student. In the next 2 years the partnership will be expanded with the AIEF to mentor children in Sydney and Melbourne. The work with the students and the AIEF will be aimed to identify opportunities to better facilitate employment and future study. KPMG also partnered with the Podmore Foundation to achieve similar outcomes for Indigenous students in Canberra.

   This is the positive example of where a Company has spent time and effort with a goal in mind and finally achieved a positive result after three years of operating the programme. This is a good example for all Companies to emulate or follow if they wish to achieve the accolade
of being known as a good Corporate and Socially Responsible Company. The positive outcomes of the project were as follows:

- Indigenous people had a better understanding of differences in culture
- Their knowledge of planning and executing projects were enhanced
- They became better educated in financial forecasting, budgeting and accounting
- They learnt how to become leaders and entrepreneurs
- They learnt how to be economically successful in their pursuits for wealth creation

**Questions for discussion:**

(a). How did KPMG identify the area to focus when undertaking corporate social responsibility?

The most important point is to *firstly*, determine and understand the economic and environmental landscape of the country where the company operates. It does not mean that if a certain aspect of social reform is vital or significant in one country, it will be the same in another. So, it is critical to identify what are the various needs of the community in a particular country.

Secondly, determine the political regime and/or traditions in a specific country. For example, it is difficult to seek equality for women in a country where the laws prohibit it, as in certain Muslim countries in the Middle East.

And finally, prioritise the need in order of importance and urgency before embarking on a CSR Project.

KPMG, as well as other organisations in Australia, realized that the lifestyle gap between the Indigenous and Non Indigenous people was widening in areas of healthcare, education, wealth and living standards. Although, helping refugees and migrants was also in the CSR agenda, there was a more urgent need to focus in this area so that the ‘first people’ of the country were not left behind. Hence, they decided to focus more in this area.

In conclusion, it is an axiom that there is a need for many companies to participate and commit more in the environmental and social issues of the world. The prosperity of a company is in many ways due to the people or community — who constitute the Company’s employees, customers and suppliers — basically these are community at large the Company interacts with.

Having recognized and acknowledged the need to safeguard the environment and make the community happy, merely having a CSR Program for the sake of conformity with the rest of the world will never
achieve the goals or objectives sought. It is imperative that there is a Measured Program of Action. This should be monitored on a regular basis to ascertain whether Goals are being achieved. Project Timelines should be set so that there is accountability and the project itself does not get too protracted with little or no end result. It is imperative that there is direct participation of the Company in the CSR project to achieve a successful result or outcome. Simply, handing out a donation as part of CSR can never be an ultimate solution, as our experience shows that recipients of aid need to be monitored and kept in check. There have been many instances of donations not ultimately reaching the community, refugees or victims of the ‘Acts of God’. This could be due to the political administration or corruption in a particular country.

(b) How did KPMG go about carrying out their project?

After deciding the area to focus, an Action Plan was prepared. A RAP Committee, made up of individuals in the firm and the leaders in the community, was established nationally throughout the country in each state. Their function was to liaise and monitor the progress of the project.

Champions were appointed in different states to actively encourage and promote local participation in the project. For a project to be successful, it is essential that there are champions or what we call ‘key drivers’ to keep a project in constructive motion. These champions are like the heart of a human being, constantly keeping the project alive and progressing it forward.

(c) How did KPMG monitor the progress of the project?

Goals were set to achieve desired outcomes. For example, at KPMG Qualitative Goals were set for each of the segments that would ultimately lead to the success in bridging the gap between Indigenous and Non Indigenous as follows

- Leadership - Meetings & Seminars, Business Fairs, Workshops were set as goals
- Cultural Awareness - Cultural Events, Share Our Pride Website, Exhibitions
- Education - Online training, Secondment of KPMG Staff with Indigenous Communities and vice versa,
- Employment - Placement of Indigenous at KPMG Office and/or their clients, Graduate intake of Indigenous students
- Relationships — Participation in Community Activities & Indigenous Chamber of Commerce and Networking with Community Elders

In each of the above areas, a minimum number was set — for example 20 graduate intakes a year or 4 leadership meetings or 2 cultural events annually, and so on. This way, achievements could be monitored and results evaluated.
(d) How did KPMG measure its Goals?

In setting goals, it is crucial that these are measurable. Results can be measured on a quantitative or qualitative basis. Most social obligations and reforms are difficult to measure because they are usually non-quantifiable in figures.

At KPMG, Goals were measured for each of the categories or segments of the project. For example,

- Number of Leaderships Meetings & Seminars — Goals were set and the results noted as ‘Achieved’, ‘Exceeded’ or ‘On Track’
- Cultural Awareness — Goal: 1 Cultural Event a year — Achieved
- Education — Graduate Intake — Achieved; Scholarships & Mentoring — On Track
- Employment — Participation in Skills transfer and Secondments — Exceeded (Goal 20 Achieved 27)
- Relationships — Participation in Community Activities & Networking — Achieved with Letters of commendation from Indigenous Chamber of commerce

(e) How the positive experience of KPMG Australia CSR can be used in other European countries?

In light of the events, which occurred in Europe in 2015, the problem of adaptation and economic assistance to migrants from the Middle East will acquire a new urgency. With this in mind, companies in the development of activities in terms of corporate social responsibility will pay attention to the need for creation of conditions for provision and support for self-sustainability of new arrivals. In other words, they will aim their knowledge and skills at stimulating entrepreneurial initiative, supporting economic education, empowering their first steps towards self-support, mutual aid and self-sufficiency in new area. In this case KPMG Australia experience regarding taking into account the various needs of the community in a particular country will be valuable. The RAP is a unique example of how specific problem can be solved when the approach is focused.

Given the fact that a significant proportion of migrants were employed in small and medium-sized businesses, in particular craftsmanship, knowledge and services this will be of particular value. The cultural adaptation and integration into the local community is another problem, which, however, can be addressed in a coherent and focused program of corporate social responsibility implementation.

A good successful CSR Program is one where there is active participation and interaction at all times between the Company and the individuals or authorities responsible for safeguarding the environment and community.
The Bosch Group is a leading global supplier of technology and services. It employs roughly 375,000 associates worldwide (as of December 31, 2015). According to preliminary figures, the company generated sales of more than 70 billion euros in 2015. Its operations are split into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. The Bosch Group comprises Robert Bosch GmbH and its roughly 440 subsidiaries and regional companies in some 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. This worldwide development, manufacturing, and sales network is the foundation for further growth. In 2015, Bosch applied for some 5,400 patents worldwide. The Bosch Group’s strategic objective is to deliver innovations for a connected life. Bosch improves quality of life worldwide with products and services that are innovative and spark enthusiasm. In short, Bosch creates technology that is «Invented for life.»

Robert Bosch GmbH has been a member of the United Nations Global Compact since 2004, and is committed to this initiative’s ten global principles in the areas of human rights, working standards, environmental protection, and the fight against corruption.

Bosch Group of Companies CSR Strategy

Environment and climate. The Bosch credo is to provide technological answers to ecological questions. To this end, Bosch invests some 50 percent of its research and development budget into technologies that help protect the environment and conserve resources, and generates a good third of its sales with such products.

Products and customers. Environmental protection is a huge growth market. In the years ahead, green technologies that help improve energy efficiency or reduce emissions will be important growth drivers.

Associates and young talent. In developing new products and opening up new areas of business, it is essential, that Bosch has first-class specialists on board and that we encourage them to use their potential to the full.

*Ohrimenko Oksana* — Professor of the Department of International Economics, National Technical University of Ukraine «Kyiv Polytechnic Institute named after Igor Sikorsky»

Society and commitment. The social commitment of the Bosch Group has developed over time and is based on the convictions of our company founder, Robert Bosch. The company supports a number of charitable institutions and projects that focus on promoting young academic talent and sponsoring charitable initiatives in the catchment areas of our locations worldwide.

Corporate management. How will cars be powered in 20 to 30 years? Which raw materials will still be available? What sort of demands will people place on mobility and energy supply in the future? Anyone who asks these questions will find themselves confronted head-on with the change processes that are affecting us all, such as globalization, demographic developments, climate change, and the conservation of resources. That’s why Bosch regularly analyzes the predicted development of underlying conditions known collectively as «megatrends.»

**Problem.** Bosch is a software developer that has caused an international scandal around the Volkswagen Group. Bosch Software was designed only for testing vehicles, but at Volkswagen decided to equip their production vehicles, despite a warning from the program authors. According to the German newspaper Bild am Sonntag, Bosch has created for Volkswagen software that activates the environmental control system on vehicles with diesel TDI series only during the test, but in everyday driving restrictions are not applied and electronics do not limit the engine. Now, all over the world about 11 million cars do not meet environmental requirements. Of these, 5 million produced under the Volkswagen brand, and 2.1 million — under the Audi brand.

The US Department of Justice said that the Bosch, supplying some components for the car, helped the concern Volkswagen to circumvent restrictions on diesel cars. Bosch manufactures key components for diesel engines in two models of Volkswagen and one model of Audi. The investigation is at the initial stage and there is no evidence that Bosch has actually violated the law. US authorities conducted an investigation into the Volkswagen since 2014. The USA Environmental Protection Agency announced that the software installed on Volkswagen vehicles with diesel engines, allows bypassing the level check of the harmful substances emission. After that, the US government obliged the company to withdraw from the country’s market 500

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thousand vehicles. The VW Concern was forced to partially suspend the sale of a number of diesel car models. It was acknowledged that 11 million of cars worldwide have this fault. The VW Concern faces a fine of $18 billion.

In connection with the VW scandal, Bosch Company has made a declaration to the effect that a control unit in diesel engines really had an automatic translation engine in test mode. This was done to facilitate the automakers internal tests, which were operated by the Bosch Company. This information was given to VW in 2007 together with a statement that the use of this mode in other purposes is illegal. This test mode occurs in AE 189 engines since 2009. The newspaper Frankfurter Allgemeine Sonntags claims that one of the VW’s engineers in 2011 drew the Company’s management attention to the use of this controversial software, but his appeal was left unattended. There is some evidence that VW could have known about the problem before, but did nothing to address it.

In this context, Denner also emphasized the importance of diesel technology for meeting global warming targets. «It is only with diesel, for example, that the EU’s ambitious CO2 targets can be reached.» Diesel vehicles emit significantly less CO2 than comparable gasoline vehicles. «In the debate about air quality and particulate matter in our cities as well, diesel is not part of the problem, but part of the solution,» Denner said. Thanks to modern filter technology, he went on, a diesel vehicle can even purge particulate matter from the ambient air in large cities. «The diesel is an air-cleaning machine.» Denner repeated his conviction that the diesel powertrain can become even better. Bosch has the technology, he said, to bring diesel nitrogen oxide emissions to an extremely low level, even in real driving conditions. «It is our development goal to get diesel vehicles complying with current standards not only at the test bench, but also on the roads,» he went on. For some time now, therefore, Bosch has explicitly supported the introduction of a more realistic test cycle and of real-driving emissions measurements. Denner also spoke out in favor of regular checks of production vehicles by independent testing institutes.
Volkswagen AG bears the responsibility for its emissions-cheating scandal and not suppliers or diesel technology, according to the head of Robert Bosch GmbH, the world’s biggest maker of auto parts.

Bosch, which said in September that it supplied control components for VW engines implicated in emissions rigging, started an internal investigation into its role a day after the scandal broke, Denner said, reiterating that the supplier is fully cooperating with authorities. Prosecutors in the U.S. and Germany are looking into whether the parts maker helped VW cheat on emissions tests.

Regulators across Europe have extended probes of the automotive industry since the Volkswagen scandal broke.

Bosch has submitted additional material to authorities beyond what was requested to support technical understanding of the matter, Denner said.

The company hasn’t noted a drop in demand for diesel cars, but long-term prospects are uncertain if authorities intensify scrutiny that eventually taints the technology’s reputation, Denner said. Bosch’s diesel-technology operations employ about 50,000 people.

To revive public trust in emissions data, Denner said, the CEO supports independent organizations conducting checks to narrow the gap between laboratory test results and real-world driving.

**Questions for discussion:**

(a) Robert Bosch GmbH issued a statement: «We produce component parts elements under the agreement with Volkswagen. Responsibility for their use is entirely at Volkswagen. Should the company Bosch categorically declare their innocence to the distortion of data on emissions to salvage its image and transfer the responsibility for Volkswagen?»

There is another statement made by Bosch, according to which an automatic transfer of an engine into a test mode was made only to facilitate the automakers internal tests. Relevant information was transferred to VW in 2007 with the proviso that the use of this mode in other purposes is illegal. In 2011, one of the VW’s engineers drew the Company’s management attention to the use of this controversial software, but his appeal was left unattended. For a long period, Bosch was not implementing appropriate measures to end this practice through public statements or appeals to the police. Thus, Bosch should not make loud statements regarding their innocence to the distortion of data on emissions. The abovementioned behavior line represents the company in an unfavorable light and nullifies the work done on developing the best software designs and products.
(b) During the «diesel gate» Bosch CEO Denner Folkmar said that diesel technology is also very important for the mitigation of global warming «Diesel — a machine to clean air» — said Denner. Whether the application is sufficient to mitigate the consequences of the conflict and the return of consumer confidence and stakeholders? What measures can be offered in this case?

Statement made by the Bosch Chairman Volkmann Denner aims to preserve the market share for diesel engines, in production of which the company is involved. According to him, Bosch has a technology that can reduce emissions of nitrogen oxide to an exceptional low level even in the real street conditions. However, such a statement is not enough after the scandal of this scale. It is necessary not only to provide information to potential customers, but also to visualize it through specialized events: a) to create a theme film about the impact of the Bosch technology on the environment; b) to develop programs for all interested to participate in car testing along with parallel measurements of technical and environmental parameters; c) to involve independent service organizations to test emissions.

(c) Is it necessary to review (specify) principles (objectives, activities) corporate responsibility due to the events associated with the software Volkswagen cars?

Making the statement it is necessary to clarify the purposes of the mission «Thinking of the future» within which it will be vital to develop measures aimed at tightening control over the development and the responsibility of stakeholders (contractors, suppliers, customers) for the intended use of the commodity groups that are bought or sold.

CORPORATE RESPONSIBILITY POLICY

*Lina Artemenko*

The beer advertising operates four components of influence on the human psyche to change Ukrainians into «qualified» and regular beer consumers. The first component is cognitive (there is always something interesting in advertising, a kind of story). The second one is a

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*Artemenko Lina* — PhD, Associate Professor of the Department of Management, National Technical University of Ukraine «Kyiv Polytechnic Institute named after Igor Sikorsky»
powerful effect on the emotions and feelings (the audience should get inspiration, insight). The aim of the regulatory component is to communicate active action, courage, heroism, «fly», «flight». All that helps you to communicate easier, to feel great in the company, to be a good friend, a lover». Advertising replaces the concepts, speculates on key higher human needs — love, friendship, patriotism. According to advertising, these things are impossible without a bottle of beer in your hand.

Ukrainian beer and soft drinks market is quite attractive to manufacturers, that’s why PJSC «Obolon» faces a very strong competition. Competition in the Ukrainian beer market is growing up every year. Industry leaders are increasing speed of beer production, displacing weak competitors.

Brewery «Obolon» was founded in 1980. In 1992 the brewing company was privatized and transformed into JSC «Obolon» in 2011. The main activities are the production of beer, production of distilled alcoholic beverages, production of mineral water and soft drinks, beverages wholesale and retail trade, transport agency activities.

The basic structural units of the corporation «Obolon» are main plant in Kyiv: PJSC «Obolon» (production of beer, soft drinks, mineral water, beer pellet etc.) and subsidiaries — DE PJSC «Obolon» «Brewery Ziebert» Fastiv city, Kyiv region (production of beer, soft drinks and kvass); DE PJSC «Obolon» «Krasylivske» Krasilov city, Khmelnytsky region (production of mineral water, alcoholic and soft drinks).

The mission of PJSC «Obolon» sounds as follows «We work every day to be the first and not to leave thirsty ones on the planet.»

The vision of PJSC «Obolon» is to become the most powerful and competitive company for the development, implementation and production of beer, soft drinks, alcoholic beverages and mineral water, increasing the economic development of the country and strengthening its positions on the international arena as well as creating strong export potential by satisfying consumers needs in the domestic and foreign markets. The credo of the company is known almost to every Ukrainian: «Obolon is beer of your Motherland.» Portfolio of the company consists of the following brands (Table 1, 2).

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1 Lashchenko O., Naboka M. Restrictions on beer advertising in Ukraine [Electronic resource]. — Access mode: http://www.radiosvoboda.org/content/article/2079290.html
Table 1

<table>
<thead>
<tr>
<th>Beverages</th>
<th>Trademarks</th>
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<tbody>
<tr>
<td>Beer</td>
<td>«Obolon’», «Hike» (hike premium beer), «BeerMix» (BeerMix Cherry, BeerMix Lemon, BeerMix Raspberry, BeerMix Energy), «Ziebert», «Desant»&lt;br&gt;«Okhtyrske» (Okhtyrske light; Okhtyrske Cossack)</td>
</tr>
<tr>
<td>Low alcohol drinks</td>
<td>«IceLife» (IceLife grapefruit, IceLife Lime, IceLife Extreme)&lt;br&gt;«Brandy-Cola»&lt;br&gt;«Rum-Cola»&lt;br&gt;«Jin-Tonic»</td>
</tr>
<tr>
<td>Nonalcoholic drinks</td>
<td>«Zhyvchyk» (apples juice Zhyvchyk, pear-flavor Zhyvchyk, lemon flavor Zhyvchyk)&lt;br&gt;«Lemonade»&lt;br&gt;«Sitro»&lt;br&gt;«Lime»&lt;br&gt;«ColaNova»&lt;br&gt;«Kvass Bogatyrskyi»</td>
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The taste, appearance, shelf life and other characteristics of beer depends on water. That’s why PJSC «Obolon» has high demands to the quality of water. Water should maintain its natural properties to the extent possible. «Obolon» PJSC uses water from its own artesian wells located on the territory of the plant for the production of its products.

drinks. Kyiv brewers are doing their best to meet the needs of customers, partners, embodying a principle of «No year without a new step.» «Obolon» corporation is the only major player in the beer market with exclusively Ukrainian capital and headquarters in Kiev.

PJSC «Obolon» is a progressive, technologically perfect enterprise which is one of the three largest breweries in Europe and is the most advanced among them. Due to the global reconstruction in recent years the corporation significantly increased its production capacity. Over the years «Obolon» PJSC increased its output by more than 20 times. The enterprise was the first to receive a certificate of State Property Fund of Ukraine.

The corporation «Obolon» was the first among the food industry corporations in 2008 to certify four management systems at once. Along with the main plant, two subsidiaries received a certification: DE PJSC «Obolon» «Krasylivske» and the «Brewery Siebert» in Fastiv received a certificate of compliance with the requirements ISO 9001-2008 and ISO 22 000: 2005.

In addition to the domestic market «Obolon» PJSC sells its products in more than 40 countries, including Austria, Germany, the UK, Spain, Portugal, South Korea, the USA, Canada, Taiwan, Israel, Estonia, Moldova and others. In 2009 «Obolon» has become a leader with market share of 79.4% ($27 million) among Ukrainian exporting beer companies1.

![Table 2](image)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Volume of Production, mln. $</th>
<th>Proportion, %</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Beer</td>
<td>87,9</td>
<td>97,57</td>
<td>73,31</td>
</tr>
<tr>
<td>Mineral water</td>
<td>7,4</td>
<td>8,11</td>
<td>6,17</td>
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<tr>
<td>Nonalcoholic drinks</td>
<td>22,0</td>
<td>24,64</td>
<td>18,35</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>2,6</td>
<td>2,96</td>
<td>2,17</td>
</tr>
<tr>
<td>Total</td>
<td>119,9</td>
<td>133,28</td>
<td>100,0</td>
</tr>
</tbody>
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The current state of brewing and soft drinks industry is affected by the general economic situation, tax and financial policy in the country, inflation rate, demand for products. All these aspects create an incentive for domestic brewers to work in new market segments.

More over «Obolon» has been delivering its products to the Russian market for 20 years, successfully passing all certification tests of Russian state supervisors and winning top honors at Moscow beer festival. But since August 15, 2014 a WTO member, Russia banned import of beer produced by PJSC «Obolon» under the false pretext. This prohibition is also applied to Russia occupied Crimea.

The strategy of PJSC «Obolon» is aimed at meeting the requirements and expectations of customers and, according to this it has an aim of leadership maintaining at beer and soft drinks market, with constant attention to preserving the environment and taking into account the stakeholders’ interests. An integral part of this strategy is continuous improvement of management system that meets the standards as well as correct prediction of market trends.

The policy of PJSC Obolon is communicated to the employees and other stakeholders. The enterprises of the corporation «Obolon» employs about 6500 people and main factory in Kiev takes more than 3000 employees. The personnel is not only large in amount, but also is highly qualified.

Questions for discussion:

(a) What are the alternatives to counter the spread of beer dependence among young people? Does PJSC «Obolon» adhere to legislation on advertising? What is responsible social marketing program of PJSC «Obolon»?

A significant part of Ukrainian teenagers is 40 % of boys and 24 % girls consume beer more often than three times a month, as experts suggest. In fact, according to statistics of the World Health Organization, Ukraine ranks the first place in the world in terms of teenagers’ alcoholism. Counteraction to beer addiction among young people (one of the main consumers of beer) should not be in prohibitions, but the state must offer an alternative. For the idea young people not to drink beer, it is necessary them to be involved in sports or any kinds of interests or hobbies — they should be engaged in some activity. There should be a national policy aimed at replacing. The problem is not that

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2 Lashchenko O., Naboka M. Restrictions on beer advertising in Ukraine [Electronic resource]. — Access mode: http://www.radiosvoboda.org/content/article/2079290.html
alcoholic drinks are widely sold in Ukraine and beer can be easily purchased. The ways of resist alcoholism in general and in particular beer one should not be applied with the help of dry laws but in the way of improving culture in general. A series of steps is proposed. Firstly, it is strict control over the implementation of existing laws. Secondly, the bill to ban beer advertising must be approved. The third step is to raise excise taxes on beer and raising fines for drinking alcohol in public places.

PJSC «Obolon» invests not only in the development of domestic production, but also provides considerable support to domestic culture and sport, helps our people to be familiar with famous foreign art groups.

At the same time we’d like to note that the company «Obolon» seriously challenges beer consumption in Ukraine and supports worldwide principles of responsible marketing. To bring to the widest possible range of people about the importance of responsible attitude to beer, the company has implemented a voluntary scaled program «Consume responsibly!».

The program uses various communication channels in order to reach the widest audience of consumers. In particular, all the labels of beer PJSC «Obolon» is placed a message on the inadmissibility of beer consumption by under 18s, by pregnant women and drivers, as well as the information on the rates of consumption of beer. The logo «Consume responsibly!» is also placed in all the promotional videos of corporation brands. Among other communication tools with consumers a special site www.enjoyobolon.com is used, which contains information about responsible consumption of beer and spirits; a special brochure dedicated intoxicating drink, its properties and culture consumption is distributed.

(b) What operating systems act at PJSC «Obolon» and what are they intended for?

Quality Management System (ISO 9001: 2008) is a system of interconnected, focused on customer’s satisfaction processes that are constantly improved owing to leadership management and due to involvement of the staff acting on the basis of facts and mutually beneficial relationships with suppliers.

The system of food safety (ISO 22000: 2005) is a kind of warning system for food safety (constant analysis on dangerous factors and critical control point inspection at all stages of production).

Environmental Management Systems (ISO 14 001: 2004) is aimed at development and implementation of the company’s environmental policy, management of its environmental aspects.

The control system of occupational safety and health (OHSAS 18001: 2007), that enables the company to manage risks in occupational safety and health and to improve its performance in this area.

The focus of PJSC «Obolon» to improve the system of governance means that:
- PJSC «Obolon» is a reliable partner for its customers and suppliers, provides credibility of compliance of regulatory and statutory requirements as well as contractual obligations.
- PJSC «Obolon» emphasizes that tomorrow it must be the best in terms of quality, product safety and treatment of environment and it is aimed at reducing of occupational risks for staff and people engaged in the area.
- PJSC «Obolon» believes that its duty is a continuous performance of customers expectations regarding taste, design, the range of products and services.

- Management’s Performance is aimed at improving of the management system performance.
- An increase of employees’ motivation and satisfaction of customers and other stakeholders is provided.

(c) What are the practices of environmental conservation uses PJSC «Obolon»? Are there the results of reduction impact on environment and what is the environmental responsibility policy of PJSC «Obolon»?

«Obolon» introduces innovative and energy-saving technology, improves the environmental performance of production, minimizes harmful emissions into the environment and implements the reuse and recycling of resources. For example, the company «Obolon» recycles 30 million of plastic bottles per year.

In recent years there has been implemented significant investment projects aimed at reducing environmental impact such as, collection and recycling of PET bottles, raw brewing waste processing into fodder for the needs of agriculture, reducing harmful emissions into atmosphere and ensuring prudent use of resources. This allows significantly to reduce the impact on nature as well as to increase eco-awareness and eco-culture of workers.

The corporation «Obolon» is constantly improving the production processes to conserve resources that give many positive environmental effects, besides economic one. For example, in Kiev brewery there have been installed new, powerful economical brewery pans, which re-use heat and save 633 m3 of natural gas per year that equals 1.7 million hrn.
An increase in traditional energy resources cost, on the one hand, creates a very difficult economic situation in Ukraine; but on the other it serves as a significant incentive for Ukrainian companies to establish internal policies for energy saving. For example, to reduce dependence on foreign sources of energy and the search for cheaper fuels, regional enterprises of the corporation «Obolon» in Okhtyrka and Fastiv established solid fuel boilers to produce heat for industrial and domestic needs. Waste wood (sawdust, broken pallets, woods, etc.) is used as fuel. The company gets the same amount of heat (0.008 Gcal) out of 3–4 kg of burned wood waste as out of the combustion of 1 m3 of gas. In summer season solar collectors are used for heating water at Fastiv production sites of the company.

The use of traditional plants and equipment in the company for other «non-traditional» purposes is also an interesting experience. For example, the technological heat loss during the evaporation process is used for pre-heating water that enters the workshop. Due to reconstruction of heat supply and condensate drain systems there can be provided additional heating of production or storage premises and so on. At the same time the condensation of water vapor in the traditional the equipment can be reused for production purposes without additional costs for water intake. As the experience of the company proves, nonwaste production by Ukrainian enterprises is also quite possible. New technology of water reuse allows «Obolon» to spend 2.7 liters of water to produce 1 liter of beverage (3.5 liters of water is used in brewing process, while the world average index in this industry is 5 liters of water per liter of finished product).

Furthermore, production facilities of the company are equipped with special equipment that enable to recycle carbon acid (CO2 gas), which is formed during beer fermentation. Gas is processed into the liquid fraction with the its followed use for production. In addition, the corporation processes so-called «sparging» (waste brewing). This innovative technology that allows to convert waste products into an environmentally friendly product used in agriculture as nutritious feed for livestock.

These and other measures have allowed the company to recycle and reuse 96 % of waste of production. As it is noted in the press center «Obolon», the corporation saved about 7.5 million USD on saving of fuel resources, by 12 %, reducing gas consumption and by 15 % reducing water use last year¹.

In general, due to special events, the corporation «Obolon» has succeeded in reducing the environmental impact:
1. consumption of natural gas production was reduced by 12 %;
2. electricity use was reduced by 7 %;
3. vapor emission into the atmosphere was reduced by 5 %;
4. water use of own withdrawal was reduced by 15 %;
5. specific waste formation per unit of production was reduced by 21 %.

Within the policy of environmental responsibility the corporation enterprises «Obolon» decreased the formation of their own production waste by 48.5 % in 2013. These results the company has been achieved owing to recycling and reuse of waste materials as secondary raw materials.

In 2013 specific indicators of beer, soft drinks and mineral water production emissions twice decreased –up to 0.17 t / th. dal. products. Due to reuse of carbon acids formed during beer fermentation the company reduced CO2 emissions into the atmosphere by 14.5 % last year. Processing carbon dioxide plants were established at the head office in Kiev and at «Ziebert’s Breweries» in Fastiv. Due to the introduction of green, energy efficiency programs and owing to investment in ecoprojects in regions, the corporation «Obolon» not only minimizes the production impact on the environment, but also improves its efficiency. For example, reducing of water consumption in production, reuse of materials, energy and packaging recycling provide a decrease in the short term and reduce the risks in more remote periods.

A series of regime-up and testing work to reduce emissions into the environment was carried out at production units «Obolon» during 2013. The result of these measures was a reduce in nitrogen oxide emissions from the existing boilers by 5.5 tons compared to 2012. In addition, establishing of special bag filters at corporation enterprises provided 99 % of grain dust emission cleaning.

The issue of efficient use of resource potential of PJSC «Obolon» largely depends on the analysis of its trends, the impact of external and internal factors as well. It should be noted that for the effective use of resources it is necessary:
1. to analyze the state of the enterprise resource economy;
2. to determine the effectiveness of the implementation of resource management decisions and to develop their ways of improvement;
3. to identify the potential for raising the level of resource economy;

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4. to improve the methodological basis of resource economy man-
agement based on a comprehensive program;
5. a promotion of modern science resoursonomics which pays
great attention to studying of the production organization, ensuring
economic efficiency of production, implementation of scientific and
technological achievements, advanced experience, specialization is-
ssues, cooperation of production, financing economic activity planning
and its outcomes quality.

HELPING IS EASY

«Inter» is a national channel. It appeared on Ukrainian TV on
October 20, 1996. Inter’s programs are designed for mass audience
and take into account the needs of all social and age groups. «Inter» is
a part of the largest Ukrainian media group — Inter Media Group,
which is the leader in terms of television viewing. The share of the
group on the Ukrainian TV in 2015 was 24.4 % for the audience of
18+. The Inter Media Group has 9 channels: Inter, Inter +, NTN, K1,
K2, MEGA, Pixel, Zoom, and Enter-Film. According to the informa-
tion on the channel’s website these channels are partners of the «Inter»
channel in carrying out charitable activities.

The main reason of Inter’s success is its own powerful production
base. Currently, Inter airs talk shows, social projects, documentaries,
big concerts devoted to certain events. On February 15, 2016, a
60-episode self-produced soap opera «Ask the autumn» went on TV.
Also «Inter» holds marathons devoted to Victory Day, Independence
Day, St. Nicholas Day. These activities are held on a permanent basis.

1 Official website «Inter» // [Electronic resource]. — Access mode: https://inter.ua/uk/about
«Inter» is a channel for special events. In addition to the production of TV products, the TV channel creates socially significant projects that go beyond the TV and have a great public response. Among the most important of them are the following projects:

1. Installation of the monument «Eternal love» devoted to the story of Ukrainian woman, Mokrina Yurzuk who met her Italian love Luigi Peduto in the studio of the TV program «Wait for me» after 60 years being apart. The program «Wait for Me» helps people to search for their loved ones, who were lost in different years and for various reasons. Everyone can apply to the editor of the program, tell about his loss and then the search of the person starts. The history of the project «Wait for Me» began on the First Russian TV channel 15 years ago. Now every Monday TV viewers from 105 countries are eagerly awaiting the program. In 2001 Ukraine joined the Russian project «Wait for Me». Inter TV channel was the first channel to support the idea of a global search. Thus, «Wait for me. Ukraine» was born.

Thanks to the project «Wait for Me» two thousand people find each other every week. The project has become truly international, since it is presented in Ukraine, Russia, Armenia, Kazakhstan, and Moldova. More than 500 volunteers are involved in the project. Within the framework of the project anyone can check online whether his relatives or friends look for him or leave an application for search of a particular person.

2. The renovation program of the monuments to the Red Army soldiers «Nobody is forgotten, nothing is forgotten», initiated by the TV channel to the 70th anniversary of Victory Day was supported by residents of many cities and villages of the country.

3. Opening of the memorial plaque «Our regiment» in Kyiv Park of Eternal Glory. This plaque contains photographs of the soldiers — as a tribute to memory, honor and gratitude to those who defended our Motherland during the Second World War.

4. Creation of the unique photoalbum «People of Victory» devoted to the veterans of the Great Patriotic War and released on the anniversary of the liberation of Ukraine from the Nazi invaders.

Since 2014 the channel is hosting a charity online auction «The Miracle Begins!», with the main goal to raise funds for the purchase of medical equipment for children’s hospitals. According to the statistics, 5 % of children in Ukraine are born prematurely. Research Institute of Pediatrics, Obstetrics and Gynecology (POG) provides assistance to women in the most difficult cases of pregnancy. In the department of intensive therapy and intensive care for
newborns, there are 9 beds, each of which must be equipped with a device for artificial ventilation of the lungs, but in fact they have only two devices. In 2015 following the results of the first auction for the Institute of Pediatrics, Obstetrics and Gynecology, the National Academy of Pediatrics of Ukraine, a device for craniocerebral hypothermia was purchased, which rescues newborns from cerebroedema and, consequently, from cerebral paralysis. A device for maintaining the respiration of newborns was purchased for POG in 2016.

At the heart of the social initiatives of Inter TV channel is the idea of engaging a wide range of people in good deeds. The head of Inter Media Group underlines that it is necessary to go beyond the television from time to time, because the power of television relates not only to the events on the screen, but to the events in real life too.

At the present moment, within the charity auction on the Inter channel, funds are being collected for the purchase of another Avea artificial ventilation device worth 810,000 UAH. This social initiative («Inter» — for children, «Children’s life is not a trifle») started on September 1, 2016. Within the initiative «Children’s life is not a trifle» anyone can bring coins from their piggy banks to the office of the Inter TV channel (Dmitrovskaya str., 30) or leave their piggy banks in the reception areas of the project’s partners:

- Store «Kiev Book’s House» (Leo Tolstoy Str., 11/61)
- Store «Great Book» (Velyka Vasylkivska Str 57/3)
- Store «Litera» (Sichovykh Striltsiv Str., 103)
- OZZY fast-food, University Str., 7a
- OZZY fast-food, Heroes of Maidan Str., 14a

Chernivtsi

On September 1, during the program «Morning with Inter» broadcast, TV channel’s journalists set up a money box for collecting coins in the hall of the «Inter» channel office. And they have made the first contribution too — some money collected previously by employees of the channel. This charitable initiative was commented by the chief editor of the channel Anton Nikitin, who underlined its importance: «This initiative is very good in terms of the fact that every person can make a contribution. After all, how does this contribution look like? This is the smallest ancient Greek coin. It means that everybody can help children based on their abilities. To help children who we don’t know, to help somebody’s children. To help children who

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1 Charity auction «Inter — for children»: to see, to sympathize, to know, to help// [Electronic resource]. — Access mode: http://deti.inter.ua/
have not yet been born. We mean that if all our piggy banks, that
don’t have any special value, were stored in one big piggy bank,
we would be able to do a great deal together. Some people think:
«It doesn’t depend on me, and I can donate only a few coins...» But
it depends! A great deal depends even on your coins. It is important
for all of us to understand it at the same time. We are doing our
best to attract the attention of people to our programs. They can be
solved only if we combine efforts. «Inter» TV channel strives to go
beyond the screen. And now we have a very ambitious and chal-
lenging task: to raise 810 thousand UAH for the purchase of mod-
ern Avea medical equipment. And all that — within one charitable
initiative. Our regular charity online auction, which takes place on
the website deti.inter.ua, is also a way of involving people in this
initiative. Some people are interested in buying some lots at a char-
ity auction. Some can provide their own lots. It’s easier for some-
body to take their piggy banks and bring them to the TV channel
«Inter» office or to our partners, for example, to «Kyiv Book’s
House». We, in turn, can assure that we control every coin. And we
guarantee that every coin will be used to save children. That’s why,
we initiated this charitable initiative and encourage everyone to
take part in it. It’s simple to help!»

At the same time, some critics are skeptical about such charita-
ble programs, explaining them as the desire of the owners of TV
channels to create a positive image for themselves, because me-
dia’s censorship of Yanukovich’s regime is being replaced by the
censorship of the media’s owners in Ukraine, «says Oksana Roma-
yuk, director of the Institute of mass media. Natalia Ligacheva,
the founder and chief editor of the specialized media resource Te-
lekritika, agrees.

Questions for discussion:
(a) Are charitable events of Inter TV Channel considered solely as
the charitable practices of the company, or should they be considered
as those aimed at the improvement the channel’s image in the eyes of
society.
(b) What sphere of CSR do charitable events represented by «In-
ter» TV channel belong to? Describe these CSR practices.
(c) Is it possible to consider the establishment of the monument
«Eternal Love» a charitable practice?
The concept of responsible marketing manifests the objectives of an organization — definition of problems, desires and needs of the target markets and satisfaction of those needs by the means that are both more effective than the competitors’ and ones that increase the welfare of the consumer and the society.

Philip Kotler

Marketing not only sells the goods but also influences every single aspect of human life.

The concept of responsible marketing was first mentioned in the third quarter of the twentieth century. Responsible marketing is a set of activities directed towards satisfying the desires of the target market taking into account the social and ethical needs of the society at large. The objective of these activities is the conservation of human, material, energetic, environmental and other kinds of resources. The principles of responsible marketing are mostly implemented on the markets with high competition and similar levels of marketing efforts among the competitors.

According to the results of the Goodpurpose study performed by the Edelman public relations firm in the United States in 2010, 62% of the respondents claimed that financing social projects is not enough for companies, and instead those companies should make social responsibility a part of their everyday operation, especially the marketing part of it. While performing the promotions and marketing campaigns modern companies increasingly confront distrust from the side...
of the society, and this distrust arises because of the following two reasons:

1. Informational saturation of the society that negatively impacts the people’s ability to perceive the information.

2. Distrust towards the information that comes from the companies, as companies increasingly find themselves in unpleasant situations and become centers of scandals.

Introduction of principles of responsible marketing and adequate explanation of their essence to the customers, claims Mr. Patrick Byers, can solve the named problems.

In Ukraine the beverage industry is one of the most dependent on the social projects and application of responsible marketing, as the trust of consumers to alcoholic drinks must be earned first. Let us review the main communication directions taking the Carlsberg Ukraine beer-brewing corporation as the example.

Carlsberg Ukraine corporation is a part of Carlsberg Group, one of the leading beverage groups of the world with a wide portfolio of beer and other beverage brands. Carlsberg Group employs 40,000 people and its products are being sold on more than 150 markets worldwide. According to the group’s 2013 results, Carlsberg Group sold more than 138 million hectoliters of beer.

The company’s history on the territory of Ukraine began in 1996 when Baltic Beverages Holding group, jointly owned by the Finnish company Hartwall and the Orkla industrial group, joined forces with the Slavutych beer and non-alcoholic beverage production company located in the city of Zaporizzhya. Carlsberg Ukraine ties together production plants in the cities of Zaporizzhya, Kyiv and Lviv. The company employs more than 1700 people. Carsberg’s Ukrainian portfolio includes the following beer, alcoholic and non-alcoholic beverage brands: Lvivske, Baltica, Carlsberg, Tuborg, Arsenal, Slavutych, Zhigulivske Zaporiz’koho Rozlyvu, Khmilne, Kvas Taras, a series of sweet non-alcoholic beverages of the brand Rozmaryv Lisovyi, Somersby, Guinness, Kilkenny, Harp, Warsteiner, Grimbergen, König Ludwig. According to Nielsen Holdings, in 2014 Carlsberg Ukraine reached the second place on Ukraine’s beer market with a market share of 27.7%; its kvas market share is measured as 28.9% in the natural equivalent. According to the report published by KCB, Carlsberg Ukraine’s communications can be described as the following.

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Carlsberg Ukraine’s approach. Conformity with the ethical and the generally accepted acceptability norms, responsible consumption of alcoholic and non-alcoholic drinks and orientation towards adults only are the principles of all marketing communications of Carlsberg Ukraine. The marketing philosophy of the company is «Enjoying the beer responsibly». Marketing communications policy describes the company’s standards of customer interaction via all types of media, including sponsored events and social media. Carlsberg Ukraine’s marketing activities have to be directed towards adults exclusively and should never associate beer consumption with the potentially harmful activities or inappropriate situations1.

At Carlsberg Ukraine, according to the Marketing communications policy the marketing material suppliers must respect its norms when developing advertising campaigns and marketing materials.

In this manner Carlsberg Ukraine tries to minimise the risks of suppliers or marketers breaking the company’s rules of responsible communications. In its marketing communications Carlsberg is always:

• aimed at adults (18+);
• only inviting people older than 25 and looking older than 25 to participate in its ad campaigns.

Carlsberg never:

• endorses excessive or irresponsible consumption of alcoholic beverages;
• gives negative meaning to responsible consumption of beer;
• highlights alcoholic intoxication as a normal or usual occurrence;
• misleads the consumers about the alcohol volume or other properties of alcoholic drinks;
• presents alcoholic beverages as means of letting go the problems or psychological barriers or physical illnesses.

All marketing campaigns are planned and put into action in accordance with Carlsberg Ukraine’s Marketing communications policy. The main principles of this policy are the ones outlined below:

1. Responsible consumption. Alcohol consumption within the limits set up by the health control organizations. In particular, up to 0.5l of beer per day for men and 0.33l per day for women or less depending on the individual particularities of every organism.

2. Consumption by minors. The company acts against the consumption of beer by people aged less than 18. Beer and other alcoholic beverages are intended for adult use only.

3. Consumption while driving. Carlsberg acts against the consumption of alcoholic beverages while driving, and all communications must be directed against this behavior.

4. Responsible marketing. Strict rules for advertising and promotion of the beer.

To introduce the Marketing communications policy, a series of online seminars were set up in 2012. In 2012 the percentage of marketing-related employees who attended the seminars was 72%, and in 2013 it reached 94%\(^1\).

All the company’s suppliers that take part in the development of marketing materials have to review the Marketing communications policy’s requirements and are obliged to follow these rules.

The «Drink responsibly» campaign during the EURO2012 championship:
• Approximately 2000 of the fan zone and stadium employees were trained for the ethics of beer sales together with 150 of the company’s promoters.
• 150 000 Carlsberg bracelets with the «Drink responsibly» sign were distributed across the official fan zones of the UEFA EURO2012 reception cities.
• The «Drink responsibly» warning signs were applied to the uniform of more than 300 of the company’s employees and to four million plastic cups that Carsberg — the Championship’s official beer — was sold in.
• Reminders of the importance of the responsible consumption were shown on the big-boards at the stadiums during the games.

_Baltica 0 programme for road safety_. In 2012 and 2013 the Baltica brand performed an advertising campaign aimed at development of driving culture on the roads. Non-standard outdoor advertising that called for driver’s attention was placed in Ukraine’s biggest cities. During the campaign the billboards and banners of the Baltica 0 Alcohol-free brand reminded the drivers about the importance of knowing and respecting the traffic code and thinking abstinent while driving.

_Joint projects with Ukrpyvo_. In 2010 Carlsberg together with the Ukrpyvo organization developed the Drink responsibly social campaign aimed at reducing the volume of alcoholic beverages consumed by minors. The ads warning about the possible prosecution for alcohol sales to minors were shown on the national TV channels as a part of the project. In 2012 and 2013 Carsberg introduced the Responsibility

starts with me campaign, and as a result of this campaign the billboards highlighting the problems of alcohol consumption while driving and in places where such consumption is prohibited.

The results of the Responsibility starts with me program are the following:

- More than 800 billboards and more than 1000 posters featuring «I protect teenagers from alcohol», «I only drive when sober» and «I don’t sell alcohol to minors» social advertising were placed.
- 48 thousand of «Are they selling alcohol to minors? Inform us» and «Are you an adult? Prove it!» stickers were distributed across the points of sales.
- Street Workout competitions, power-lifting championships and 322 flash mobs for healthy living plus a number of marathons were set up.

Goals for 2014 and 2015:
- Force the full compliance with the Marketing communications policy.
- Iterate on the responsible consumption program.
- Continue the effective collaboration of Carlsberg Ukraine and «Ukrpivo» as a part of the «Responsibility starts with me» project.

Questions for discussion:
(a) Analyze and evaluate the marketing communications of Carlsberg Ukraine Corporation. Discover the main components of responsible and irresponsible marketing in the company. Are the company’s advertising activities consistent with the principles of its Marketing Communications Policies? Give examples.

Carlsberg Ukraine Corporation has developed marketing communications. From the information shown, they adhere to many principles of responsible marketing.

In marketing communications, Carlsberg targets exclusively adults (18+); invites to participate in marketing communications people (heroes of commercials), who are 25 years old and do not look younger than 25. They oppose justification or encouragement of excessive or irresponsible consumption of alcoholic beverages; providing moderate consumption of beer with a negative meaning; presentation of alcoholic intoxication as a usual, normal phenomenon; misleading people about the strength or properties of alcoholic beverages; representation of alcoholic beverages as a way to get rid of problems and psycholog-

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1 The official site of the company Ukrpivo [Electronic resource]. — Access mode: http://www.ukrpivo.com/
ical barriers or physical illnesses. They oppose excessive consumption of beer, the consumption of alcohol by minors, by drivers.

They also conduct training for employees, where they familiarize with requirements, trends and rules.

Regarding the compliance with the policy principles, «Baltic 0» program for road safety — conforms to the principle of «driving»; Joint projects with PJSC «Ukrpyvo», «Consumer is responsible» to be more specific — complies with the principle of «Consumption of minors»; «Responsibility begins with me» — complies with all four principles of the company.

But, in my opinion, it is not entirely correct to sell alcoholic beverages at sports competitions (e.g. sports related activities (football championship), although it also brings profits, because the following idea is rooted in the society: «Football — rest — beer.» Therefore, during the EURO 2012, when there were both adults and children among the visitors, the company spread warning signs and reminders, but still did not cancel the sale of alcohol.

(b) What principles of responsible marketing would be appropriate to supplement the marketing policy of the Carlsberg Ukraine corporation?

7 key principles of responsible marketing are allocated: — Strategic responsibility; — Responsibility for the information; — Social responsibility; — Responsibility for implementation; — Responsibility for casting; — Responsibility to the environment; — Responsibility for returning investment.

In my opinion, the company adheres to almost all principles. But it could be supplemented with the principle of «Responsibility for casting», that is, not using famous people for advertising, because it can promote the idea of «alcohol and success — they complement each other» — alcohol is not a way to success neither in business, nor in sports, nor in personal relationships; the principle of «Responsibility to the environment», because nature must be taken care of, to ensure the lives of future generations. Also add the «Responsibility for Information» principle, which is partially covered by the company (place billboards further away from the places of the «clustering» of children; do not broadcast advertisements at a certain time (when most children are consumers of television programs, for example, when broadcasting cartoons, children’s programs); advertise in information sources, whose main readers are adults.

It is also advisable that a policy of responsible marketing should be developed as a separate document or code of conduct.
(c) What are the main components of responsible marketing for any company? What are the benefits and outcomes of the company from the application of the principles of responsible marketing in its practice?

The components of responsible marketing are the following:
1. Advertising — one of the main components of responsible marketing. Advertising should provide accurate and true information about products or services, be neutral, do not contain provocative images or judgments (appeals to violence, propaganda of racism, etc.).
2. Internal documents of the company also act as an integral part of responsible marketing: the company’s own responsible marketing policy must be registered as a separate document or code of conduct.
3. An important factor is the training of employees involved in the marketing activities of the company, namely special trainings and seminars for marketing department employees to familiarize them with the company’s policy in the field of responsible marketing, training for their sales representatives and other employees.
4. An important element is also familiarization with the principles of responsible marketing of consumers and individuals who use the products of the company. In particular, the international standard of social responsibility, ISO 26000, emphasizes the mandatory provision of information on products and services in a consumer-friendly form. The standard offers companies to provide information to consumers: • clearly marking marketing and advertising messages; • not using text, audio or visual images that attach stereotypes of gender, religion, race, disability, or personal relationships; • disclosing information about terms and conditions of product storage; • giving priority to the interests of vulnerable groups, in particular children, in advertising and marketing communications, and not engaging in activities that are detrimental to their interests.

Of course, nowadays, the application of the principles of responsible marketing in its practice should be and is an important component of the company’s competitiveness. But it should be noted that the application results and the level of implementation may also depend on the country. Also, some companies are more inclined to implement these principles, because they directly sell goods to the consumer, or represent specific industries (tobacco, alcohol), to which the restrictions and rules are legally established.

In the application of the principles of responsible marketing the company also attracts the attention of consumers by increasing the customer base, since the values of society have changed in recent years, and studies show that «people» agree to change even the pro-
ducer if they support the implementation of CSR (and responsible marketing is part of it). Responsible marketing provides the opportunity to put yourself above your competitor. Increasing the customer base a company increases profits.

Following the principle of «Strategic responsibility» will help save resources and time and become more focused; «Responsibility for implementation» principle will allow you to seize the best practices and reduce costs, caused by «errors»; «Responsibility to the environment» principle is implemented for the proper exploitation of resources and technologies that leads to the optimization of costs and profit increase, respectively. According to «Responsibility for the return of investments» principle everybody should bear in mind that every decision affects income.

GROWING THROUGH RESPONSIBILITY

Oksana Kavtysh

If you put people on the top,
You will never make mistakes,
even in money matters

Michael Marx

Nowadays social responsibility in scientific circles as well as in business ones is perceived in a different way. Some see in it an opportunity for further development and growth of a social market economy, where all relevant stakeholders seek for effective and efficient balance of interests; others — following the neoliberal concept, talk about its ineffectiveness and utopian between stakeholders in today’s business environment.

The company «Agrotechsouz» was founded in 1997 as a center of maintenance and supplying spare parts for agricultural machinery of

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Kavtysh Oksana — PhD, Associate Professor of the Department of Economics and Entrepreneurship, National Technical University of Ukraine «Kyiv Polytechnic Institute named after Igor Sikorsky».

German company CLAAS. Currently, the main area of activity is selling of agricultural machinery in leasing and services maintenance. «Agrotechsouz» is the official dealer of the leading manufacturers of agricultural machinery such as CLAAS, LEMKEN, HORSCH and GERINGHOFF. Besides, in recent years the company introduced new services, including: personnel training, customer sales service, marketing and promotion business, supplying of spare parts. The company employs over 60 persons.

Due to its well-considered and balanced policy, company increases the main indicators of its activity annually (Figure 1).

![Fig. 1. Dynamics of Sales LLC «Agrotechsouz» for years, in Euro](http://ats.in.ua)

Company Mission: «To provide farmers with a reliable technology, professional service and quality parts for profitable entity».

Basic company principles of relationship with stakeholders (Figure 2):

Because of the company’s specific activity, the main ways of constant contact with stakeholders and providing its identification are marketing events, including exhibitions: SIMA, Agritechnica (international), Agro, InterAgro, Grain Technology (international), AhroSumschyna, VolynAhro (regional). «Agrotechsouz» also takes part in the annual field days of German Agrarian Center, thematic field days at dealerships regions.

Each year the company organizes a comparative demonstrative presentation of techniques directly on the farms and racing of cars together with Research Institute named after Pogorilyy. Partners are also given an opportunity to be acquainted with the production process at the factory — manufacturers of equipment, conduct Test-Drive of vehicles and exchange experience with European counterparts.

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The company also tries to take into account current trends in the industry, so it participates in seminars, conferences, symposia, «Dairy congress», «Grain», «Agrarian Olympus», «Farming Systems». «Agrotechsouz» also takes part in the annual meetings of the Department of the Ministry of Agrarian Policy of Ukraine.

To keep market monitoring, company conducts joint activities with the Ukrainian club of agrarian business, specialized magazines, Association of Milk Producers.

To identify the company and show the respect for customers, confirming their importance and uniqueness in the process of working together, on the eve of holidays and birthdays «Agrotechsouz» sends its clients greetings and branded gifts (calendars, business card holders, unique models of agriculture vehicles etc.).

In general, over the years, having based its activity on the highest level of technical customer service, implementing only high-quality and high technology products for agriculture, full, permanent and the fastest supplying the farmers of the country with high-quality spare parts and consumables, the company has established itself as a reliable and stable partner. The company has also established itself as an hon-

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1 Presentation of LLC «Agrotechsouz» for 2014 provided by company management, 2014 [Electronic resource] — Access mode: http://ats.in.ua

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<table>
<thead>
<tr>
<th>Quality</th>
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<tr>
<td>Finess</td>
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<td>Reliability</td>
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<td>Considering requirements and wishes</td>
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<td>Contact</td>
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<td>Openness and mutual support</td>
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<td>Qualification</td>
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Fig. 2. The basic principles of interaction with stakeholders Ltd. «Agrotechsouz»

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est and open one, as evidenced by the nomination Taxpayers Association for the award as the best and conscientious taxpayer in 2015¹.

The company has its corporate website, but its analysis shows that it is mainly focused on investors and consumers. The main information about the company and its achievements is available when viewing the presentation materials and via the personal contact with representatives of management.

Modern challenges. Over the years in the Ukrainian market, the company had faced many problems concerning the relationships with stakeholders and impact on performance. Their solution required the company management to answer the question: What should we do to adapt and make business development effective?

Among them, the main place was given to the question of staff which is considered, according to the director of the company, as the heart of the business and its driving force².

The company in its size and number of employees is relatively small. Nevertheless, it does not reduce, but even improves the attention to the staff, to the development of effective management policy in modern conditions.

The Service Company personnel have its own specifics, since the main element that ensures the company activity is its service management. The work of service managers is connected with the necessity to:

• have skills and knowledge, including terminology not only in their field, but also in those which the Company serves;
• be sociable;
• have good knowledge about the customer database;
• be aware of changes and trends in the service sector, which is required by modern competitive environment;
• have creative thinking to find ways of establishing interaction with stakeholders;
• be ready for frequent business trips;
• have cross-cultural thinking;
• be loyal and devoted to their company;
• be able to establish contact with both management and support staff and others.

Taking into consideration the above listed factors, the company has picked in its team of service managers young personnel from senior students or graduates, who have basic skills of the specialty.

¹ General data on activity of LLC «Agrotechsouz», 2015 [Electronic resource] — Access mode: http://ats.in.ua

² Interview with the director of «Agrotehsouz» Derhalyuk I., December, 2015 [Electronic resource] — Access mode: http://ats.in.ua
In order to help them adapt quickly to the specifics of the company, the authority made a decision on the introduction of dynamic training programs not only in the country but also abroad. The advantage in training, travelling and the appropriate material and moral incentives was provided to them. Along with this, the same incentive program was implemented in other company divisions.

The first years of the program implementation showed that only a part of the staff, covered by this program, continues to work at the company. Some members of the staff, after receiving relevant skills, raising their level of qualification, gaining work experience and getting significant incentives, have left the company.

Thus, this program did not solve the issue of the staff fluctuation. At the same time, the issues related to conflict between management and support staff, dissatisfaction with the lack of time for their families, lack of active recreation, lack of close communication among regions-based representative offices and headquarters, among divisions within the office and offices remain unresolved.

All this is despite the fact that the company operates within the national labor law in matters of recruitment, promotion and dismissal. The company provides its employees with health insurance, guarantees safe working conditions. Remuneration of the work in the company is constantly growing.

After a detailed study of these problems, communicating with subordinates and monitoring the situation, the authority faced the task of creating the system of measures to help their comprehensive solution.

**Decision.** Since 2010, their introduction began1. The continuous and dynamic education process system acquired the following features:

- internal training, the employees of the company held for less experienced workers problematic thematic blocks; joint exercises with clients on proper and most efficient use of equipment and technology that is implemented;
- exterior: there are partner companies (manufacturers) including abroad (directly at the producers) and other organizations that specialize in training (sales, marketing, taxes, etc.); staff attend national and international specialized exhibitions assets.

Along with this:
- at the head office a free gym for employees was built and a parking lot was equipped for transport, an entrance to work was also repaired;

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1 Interview with the leading Marketing Manager Interview, December, 2015 [Electronic resource] — Access mode: http://ats.in.ua
• twice a year (the New Year and birthday of the company) corporate events are held for all staff without exception. Each time they are held on a new location around Ukraine and include sightseeing tours of the most prominent places of the area;
• as encouragement by a company the best employees attend foreign manufacturers;
• official vehicles are allowed to be used for personal needs of employees, compensating the fuel only;
• established tradition of financial benefits in case of various events (marriage, birth, funeral) both from management and colleagues;
• it has become a good tradition to support staff in an effort to improve the quality of life, particularly through interest-free loans for the purchase of precious (housing, cars, etc.);
• personnel, following the example of the authority, has been involved in charitable and volunteering activities in performing cultural events, in supporting volunteer battalions, helping the inhabitants from the occupied territories, the local community, in particular by providing hours of work time on such activities with the preservation of wages;
• in terms of intensive cooperation with relevant higher education institutions the employees were offered to conduct lectures and other activities for students, increasing opportunities for undergraduates and passing of further employment practices;
• staff members were also involved in the support of energy saving and environmental protection management initiatives.

The results.

• For the last two years, each employee has been trained 1-2 times a year; with each client (client personnel) are trained in the supply, including 10 people conducted a study with clients, 20 people were able to study abroad in 2015;
• in 2015 year 20 employees visited the international agricultural exhibition in Hanover (Germany) and visited CLAAS, Lemken, Horsch, Volkswagen factories;
• a built gym was very well accepted by employees, as currently about 10 people visit it at least once or twice a week and due to the fact that it is visited by representatives of different departments, it

allows to intensify contacts among them. In addition, visiting a gym helps to prevent professional diseases of staff. Nicely arranged parking lot enables employees to keep their vehicles in safety and not to worry about them while working;

- celebrating joint corporate holidays 9 locations around Ukraine had been visited, including: Kyiv, Lutsk, Lviv, Chernihiv, Sumy, Odesa, Chernivtsi, Kamienetz-Podolsk, Khotyn. During these celebrations all participants took part in different contests, games which also facilitates communication between employees of a particular branch and the main offices; employees family members were also invited;

- employees who do not have their own vehicles were allowed to use the company’s transport, and were able to solve a number of their personal important issues (e.g. moving, travel to parents);

- In 2015 five employees got the financial support, including the payment of wages 0.5 for birthdays, birth of children and so on. Also on the principles of voluntary staff gave cash and other support to each other. Through collective support of each other it was possible to make relations more friendly and trustworthy;

- interest-free credit system helped to improve 5 workers life quality in 2015. This made it possible to purchase a house and a car for young families, employees who were unable to make their own dreams come true themselves;

- during the last two years, the company’s staff is actively involved in helping the community to clean snow, to clean parks, to repair public facilities, planting trees, taking care of homeless animals, etc. (e.g. in the Kalynivka village the company took part in repairing sports complex and the central park, and the reburial of soldiers). Also joining the efforts the staff constantly transmits vehicles, equipment, performs room renovations of existing voluntary groups and the Armed Forces of Ukraine (for this a company and its employees have received appreciation from the General Staff and military units themselves). With the management and staff support the mobilized residents were assisted in those localities where there are subdivisions of the enterprise (village. Kalynivka, Vasylkiv district, Kyiv region, P. Vertijivka, Nijinsky district, Chernihiv region) by the acquisition and transfer of ammunition; also the management initiated events on the support of the orphan children;

- in 2015 academic year for students of «business economics» of NTUU «KPI» two lectures on «Problems and employment opportunities after graduation» and, «The skills and competence of the modern manager sales» were held, for students of technical specialties of the National Agricultural University of Ukraine a lecture on «Modern
equipment for agriculture» was held; a growing number of students have practice and write dissertations on economic issues of «Agrotechsouz». Five graduates of the NTUU «KPI» have become the employees of the company during the years of its existence;

- for two years in a row to optimize the energy management of the company, energy saving technologies were implemented (electronic heating was installed which automatically switches heating during the working time, and reduces it to off, solid fuel boilers), also, buildings were heat insulated with modern technology, the premises were equipped with sensors of movement for on / off light. Along with the purpose of comprehensive coverage of these processes a paper saving system was introduced (appropriate printers were purchased for different purposes, including printing on the back page, duplex printing, etc.), separate division of waste (glass plastic, paper, metal), for this area is equipped with appropriate containers, followed by the surrender for recycling. The staff not only participate in the implemented measures and themselves initiated discourage the use of plastic utensils. It was agreed to print documents in paper form only within legal requirements, the rest — in electronic circulation and the use of a single enterprise server to which all employees have remote access and which houses all the necessary information. Currently, over 80 % of employees report that the experience gave impetus to not only study economy at the workplace, but also use it at home. Moreover, seized funds are invested by common decision to improve living conditions in the office that are not directly related with workflow.

Currently, the company’s management could reduce rates of employee fluctuation (average for the year now leaves less than 1 person often due to illness, retirement, moving, etc.) and in general, in his opinion, to solve the vast majority of problems that were in the process of building a management policy staff.

Moreover, two employees were taken to the company from temporary occupied territories and zones ATO (Lugansk and ARC of Crimea). In addition, the possibility of hiring combatants from the ATO is being considered now.

According to the director, «...A company personnel has become a team and is working to achieve common development goals»1.

For now the LLC «Agrotechsouz» is facing a new problem: it is establishing interaction with local authorities and representatives of the political elite.

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1 Interview with the director of «Agrotechsouz» Derhalyuk I., December, 2015 [Electronic resource] — Access mode: http://ats.in.ua
Questions for discussion:
(a) Do you believe that the stated goal of solving the key issues of personnel management were achieved by the company’s management?

The problem posed before the authority of the company, was solved by establishing cooperation with key internal stakeholders — the staff. The key issues, as the case shows, are — fluctuation, conflicts, lack of streamlined communications, increased staff, resolving internal and external conflicts enhance loyalty.

The sources of information were an issue as staff surveys and data for personnel management. On their basis, these key issues were identified.

However, with the results of the analysis of a case study it is difficult to determine the cost for implementing these programs. They can be provided from both development funds and retained earnings of a company. This proves that the programs have not gained yet the features of systematic CSR.

Taking into consideration the results of the Case it is difficult to talk about responsible for the monitoring programs and who coordinate them on a constant basis. In general, as the results of the case show, senior management carries out this work. Employees, concerning the size of the company and its locations, as well as minimize conflicts and reduce staff turnover, also have the opportunity to evaluate the effectiveness of programs.

An important role in the implementation of programs played a factor of the company’s management. With the help of the Case it becomes clear that the CEO has become a good example for the workers, deserves their respect and trust.

At this stage, the main results in solving the problem have been achieved, but it is advisable to think through, develop and implement such programs on a long-term basis with permanent monitoring, budgeting and determining responsible people. Among the labor practices that can be taken into account, but not covered in the briefcase, you can specify oriented, such as the balance between work and family, and life safety, maintenance of health in the workplace, protection of individual, professional and compliance personal ethics, anti-corruption practices.

Fig. 3. The results of the introduction of labor practices in CSR activities LLC «Agrotechouz»

(b) What further practical steps would you recommend for the introduction and implementation of the labor practices and their results support on a regular basis by the company?

Looking at the situation described in the case, now these practices are not yet perceived as a corporate social responsibility or staff or by management. They are based mostly on intuitive perception of the situation and appropriate education of the leader who initiated their introduction. Moreover, it could further deter their effective implementation and realization.

Practice internal corporate social responsibility — is the foundation of corporate culture of the organization, the way of its interaction with the environment. Accordingly, it is necessary to talk about the need for implementation and report to staff the basic principles of corporate culture, which clearly is the place for CSR and its programs.

It is advisable to develop a corporate code of ethics, CSR concept and create plans, budgets, programs, projects based on them. In addi-
tion, in our opinion, it is necessary to put CSR practices in a separate section on the website where they and their results will find the permanent highlighting.

From the standpoint of labor practices implementation, we can say that they have covered a wide range of issues that is why their ordering and monitoring will also find «bottlenecks». It is advisable along with them to initiate programs focused on other stakeholders.

(c) Which of the CSR practices, in your opinion, along with the labor ones, does the company implement currently and can they be the basis of constant implementation of the CSR programs?

Case analysis shows that the company «Agrotechsouz» along with labor practices implements environmental, ethical, charitable, economic, social ones. They use a wide range of implementation tools from corporate sponsorship to volunteering, social investment, fair procurement socially responsible marketing, eco-responsibility and eco-investment, introduction of quality management, compliance and more1.

They together can form the basis for the development and implementation of the concept, strategy and CSR programs. For their implementation, it is necessary to identify the company responsible for CSR, duties, rights, specific interaction with all departments, to convey information to employees, and start budgeting and reporting forms from CSR.

THE AIR FRESHENER WITH «POLITICAL FLAVOR»

_Tetiana Reshetnyak_*

The HENKEL International Company is a world known manufacturer of detergents, cosmetics and adhesive technologies, whose products are presented to the consumer and professional markets under the popular brands such as Persil, Schwarzkopf and Loctite. In all business areas the Company is a leader and aims to become a global leader in the field of brands and technologies2.
During a long period of its existence the HENKEL expansion aimed both to the developing markets of Europe and developing countries. The basis for a successful company products promotion to markets including 75 countries in the world is innovation in the field of products and technologies, implementation of their own researches and breakthrough latest developments. The innovative focus allows the Company a permanent updating of the product range and gaining the customer loyalty through the diversity, good consumer properties and high quality and security of the well known products named Persil, Somat, Fa, Gliss Kur, Pritt, Metylan, Liofol or Loctite\(^1\).

The Company is focused not only on the brands and technologies leadership, but also on the field of sustainable development. The HENKEL Company believes that maintaining a balance between the economic efficiency, environmental protection and social responsibility is a principle key of its own corporate culture. The HENKEL corporate social responsibility is concentrated in four directions: corporate volunteering, participation of the Company brands in social projects, emergency assistance and social partnership\(^2\). In particular, the Company volunteer projects are well known in the countries of Africa, and are aimed to help children of poor families.

The HENKEL volunteers perform outreach activity among the rural residents regarding practices of care about their own and their children’s health and usage of personal hygiene products in Peru; organize hot meals, medical care, education for orphans and supporting orphanages and schools in Nepal; equip computer classes for children in Tanzania. A long-term assistance program to citizens who are in difficult life circumstances and are affected by the natural disaster in China is being developed and implemented. The HENKEL brands participate and provide a support to social projects around the world. The sequence of the Company activities in these areas and commitment to principles of sustainable development provides recognition of its social activities by society and is displayed in prestigious awards and high ratings (Tabl. 1).

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EXTERNAL EVALUATION OF THE HENKEL COMPANY ACTIVITY IN SUSTAINABLE DEVELOPMENT

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<tr>
<th>Award</th>
<th>Year, City</th>
<th>Contents of awards</th>
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<tbody>
<tr>
<td>Ethical Company</td>
<td>2014, London</td>
<td>The inclusion of the Henkel Company into the listing of ethical index FTSE4Good, which was first introduced by the newspaper «Financial Times» and the London Stock Exchange</td>
</tr>
<tr>
<td>Gold award for sustainable development</td>
<td>2015, Zurich</td>
<td>For achievement in the field of sustainable development following the criteria of environmental, economic and social efficiency they received a gold award from the sustainable development Yearbook, published by RobecoSAM in cooperation with KPMG.</td>
</tr>
<tr>
<td>The world leader in the sector of «Household and Personal Products»</td>
<td>2014, Frankfurt</td>
<td>According to the results of the comparative analysis in terms of environmental, social and administrative activity the Sustainable Development Classification published by Sustainalytics, recognized the company as a world leader in the sector of «Household and Personal Products»</td>
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HENKEL declares adherence to the principles of corporate social responsibility at every ring of the value creation chain. Energy and water saving technologies are being used during the manufacturing process, as well as the reproducible raw materials and waste reduction policy which due to accidents decrease. The Company believes that its task is to reduce the negative environmental impact by 15 % in each business direction.

As a slogan in the field of production the Company chose the following thesis: «More value, less negative environmental impact» ². Under this slogan there was developed an innovative Company product — a hair styling got2bPowder ful, which by 90 % reduces the environmental impact thanks to the exclusive powder formula. In addi-

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tion, in the shampoos, gels and household detergents the manufacturer reduces the content of surfactants that can 8 or 10% reduce the carbon traces of the product and minimize the negative environmental impact of the water runoff after taking a shower or household cleaning.

For the professional product markets the Company developed a multipurpose glue that allows a 34% reduction of consumption of materials to manufacture a paper case for a glass of hot drink. In addition, the paper cases are fully utilized in the environment after using.

The innovative formula provided a significant increase of the efficiency of one of the most aggressive detergents — tablets for dishwaschers Somat. A new generation of the Somat 10 product ensures a maximum cleaning of utensils at short and low water temperature washing cycles.

Cross-Cultural Diversity and Involvement. HENKEL is an International Company with products presented on the market of 75 countries. The International Company staff consists of 50,000 employees representing 120 different nationalities, 55% of them are working in the developing markets.

The HENKEL Company desire for leadership is shown not only on the markets of the developed countries, but also on the developing ones, and is being performed on the territory of the Eastern European countries and CIS. In particular, in Russia, Ukraine, Belarus, Kazakhstan and other countries of the former Soviet Union where the most famous brands such as Persil, Schwarzkopf and «Moment» and others have been represented for a long period of time. In Ukraine the HENKEL team has around 800 employees, in Russia — 3000, in Kazakhstan — 140.

The Company Management believes that the basis of its competitive advantage on the markets around the world lies in effective international team. And the variety of national traditions and cross-cultural features within a large international team is a key feature of the global business, which allows the Company to move forward.

To balance the cross-cultural features of the international team and its work in national markets the Company uses the original principle of diversity and involvement. Its implementation allows combining

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features of the Company presence in the world markets with its corpo-
rate strategic priorities. That’s just «diversity and involvement» as an
element of the Company corporate culture is a crucial factor of its in-
ovations and creativity of technological solutions.

The principle of diversity and involvement is not only reflected in
the standards of the Company internal corporate culture, but in me-
thods of its activity on consumer markets. In particular, the first item
in formulating the Company values declares that «the main priority of
the Company is a customer.» In order to provide customers with the
best products, the Company believes that it is necessary to understand
its customers better than competitors do it. The principle of diversity
and involvement helps to meet the needs of markets and customers
through the development of cross-cultural active groups of employees,
whose total knowledge and skills enable to take into account the con-
sumer’s needs in different countries.

The Ethical Problem: Innovative Product «Bref Duo-Stick toilet
block Lemon & Lime». In 2013 the HENKEL Company produces
bring to the markets of Belarus, Russia and the Baltic countries a new
product «Bref Duo-Stick toilet block Lemon & Lime», which is posi-
tioned as a cleaning and aromatic agent for lavatory pans. The Com-
pany designers and marketers choose for the commodity form of fre-
shener an adhesive sticker, which had to be attached to the inner
surface of the lavatory pan and when flushing with water to allocate a
washing, disinfectant and pleasant aroma of freshness. The sticker de-
sign is made as a two-color ribbon in three color combinations: blue
and yellow with aromas of lime, blue-blue with the ocean freshness
and blue and pink with aromas of roses. The Russian TV «Home
Movies» shows the promotional video of the Company product1.

The basis of a short video story is an episode in which a housewife
offers a new tool for cleaning the toilet room and to demonstrate its
performance presses the flush lavatory pan water. The water circle
washes a lavatory pan rim and attached to it a blue and yellow ribbon
of biphase sticker, as a result the allegedly fair amount of the lavatory
pan cleanliness is achieved and the room is filled with a fresh aroma.

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1 Portal of news bigmir.net (2013). The toilet freshener in the form of Ukrainian flag
caused a scandal. [Electronic resource] — Access mode: http://news.bigmir.net/world/740872-
Osvezhitel-unitazov-v-vide-ukrainskogo-flaga-vyzval-skandal--VIDEO--[accessed 12 January
2016], Censor.net (2013). The Russian advertising shows an air freshener in the toilet room as
a copy of the Ukrainian flag. [Electronic resource] — Access mode: http://censor.net.ua/
video_news/249929/v_rossii_reklamiruyut_osvejitel_vozduha_v_unitaze_kopiyu_flaga_ukrainy_video/[accessed 30 January 2016], Segodnya (2013). The Ukrainian flag won’t be no
longer drain into the toilet / newspaper «Today» [Electronic resource] — Access mode:
http://www.segodnya.ua/ukraine/Ukrainskiy-flag-bolshe-ne-budut-smyvat-v-unitaz-
453893.html/ [accessed 30 January 2016]
After the first broadcasts the Ukrainian audience expressed its resentment on the HENKEL pages in social networks. The combination of blue and yellow causes the stable visual associations with the Ukrainian state symbols, a bent shape of the ribbon itself reminds a flag flying on the wind. The resentment is shared by some Russian audience, supporting the Ukrainian national feelings. A few days after the first broadcast the video clip is continuing to be demonstrated, but the negative comments have been already hearing on websites and broadcast of the Ukrainian media. The audience believes the design of a new product brand Bref humiliates by such a way the national dignity and is subjected to action of Part 1 of the Article 338 «Outrage upon the state symbols of Ukraine» MCC.

The HENKEL’s Decision. In response to the consumers outrage, Tore Birol, the director of the Henkel subsection of cleaners and detergents, informed on the Company page on Facebook, that «the consumer’s feelings for Henkel is the most important of all.» «We are very sad that people are outraged with design of our new product. We have already stopped production, distribution and promotion of the product in this design», — said Mr. Birol. A Company representative apologized to the Ukrainian consumers of the Henkel goods and announced that the new color stickers unintentionally coincided with colors of the Ukrainian flag. Henkel has used blue color as a symbol of purity and water, and yellow — lemon which flavor distinguishes a cleaning agent in contact with water. The commodity thought: «such combination of colors and flavors is often used in hygienic products».

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of this type and should cause a consumer association only with purity and freshness»¹.

Nevertheless, according to a company representative, the Henkel management carefully learned the Ukrainian consumer claims and has taken the appropriate steps to meet them.

**Questions for discussion:**

(a) *What type of ethical problem does this situation refer to? What caused this ethical problem?*

Formally, following to the basis of nature of interaction between the Company and environment, the ethical problem is identified as being associated with unfair advertising and marketing. Taking into consideration the consumer audience reaction to an advertisement video that demonstrates the use of the product for its intended purpose, the outrage was caused not by the product itself, but by its poorly chosen advertising design and the advertisement itself.

The cross-cultural differences in perception of certain symbol developers and users of the product should probably be recognized as a reason. The traditional combination of colors for detergent industry associated in all countries around the world with water and lemon, were used in the consumer entourage with the quite different stereotypes of associative perception. The European Company apparently hasn’t previously studied the current ideological context of mass consciousness of the Ukrainian consumers and some cross-cultural peculiarities of the consumer behavior on their respective national markets.

(b) *Has the Henkel Company violated standards and norms of social responsibility? If so, which ones?*

The international standard of social responsibility ISO 26000 encourages companies to provide information about products and services to consumers in an understandable form, not to use video images and texts that discriminate consumers according to sex, religion, nationality, race, disability or personal relationships.

However, as stated in the case study, the Henkel Company did not use any abusive literal images. Really, the sticker design can visually recall the colors of the Ukrainian flag for a consumer audience, but actually, the national symbols are not used by the producer in advertising spots. This is confirmed by the words of a Company representative and explanations concerning using of blue and yellow colors and

his statement that these colors are randomly matched with colors of
the Ukrainian flag. Thus, there was not a direct violation of CSR,
there was a problem situation unfolded from the cross-cultural differ-
ences perspectives of the producer and consumer community.
(c) Estimate the possible consequences of this problem for the
Company.

The consequences of this ethical problem can be estimated both in
the economic and social dimensions simultaneously. On the one hand,
the Company possible direct economic costs are in losing the opportu-
ity of selling a new product on the markets of Belarus, Russia and the
Baltic countries, and its output to the market of Ukraine. On the other
hand, the negative public perception of the episode with a sticker is fully
capable to lead to negative consequences for the Company reputation as
a whole that may also be perceived through reducing its market value.
(d) Estimate the HENKEL ethical practice, which was used to
solve the problem?

The Company has implemented the principle of diversity and in-
volve, demonstrated consistency in compliance with corporate
values «the principal priority of the Company is a customer.» Despite
the fact that there wasn’t direct fault of HENKEL as a violator of the
social responsibility, the Company has provided a timely response like
an official apology and withdrawing from the production of goods,
which caused the outrage of customers. The Company management
demonstrated that the direct economic losses from the removal of
goods out of production are less important than the Company reputa-
tion, customer loyalty and society as a whole. The awards, received by
HENKEL in 2014 and 2015, among which inclusion into the listing of
ethical index FTSE4Good (Tabl. 1), suggest that the Company formed
and used the appropriate ethical business practices.
(e) In this case study it is stated that the Henkel Corporate Social
Responsibility is focused onto four areas: corporate volunteering,
participating of the Company brands in social projects, emergency
assistance and social partnership. What areas would you recommend
to develop in the future?

HENKEL is a socially responsible Company, but a special atten-
tion should be paid to the development and use of the responsible
marketing concept. The responsible marketing is a complex activity

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1 Responsible marketing (2012). Guide for companies. Kiev: Vidavnichy Dim «ADEF-
D0%B2%D1%96%D0%B4%D0%BF%D0%BE%D0%B2%D1%96%D0%B4%D0%B0%D0%B
B%D1%8C%D0%BD%D0%B0%B8%D0%B9-
%D0%BC%D0%B0%D1%80%D0%BA%D0%B5%D1%82%D0%B8%D0%BD%D0%B3/ [accessed 09 February 2016]
addressed to satisfaction of the target market needs and at the same
time takes into account the social and ethical needs of society as a
whole, which aims to preserve the human, material, energy and other
resources, the preservation of the environment. It is responsible pro-
motion of goods and services on the market, which ensures that all
communications and activities are lawful, fair, honest and transparent,
sensitive to the views of stakeholders, resulting in the Company posi-
tive social and environmental impact acquisition. One of the prin-
ciples of responsible marketing is the Company responsibility for their
news reports, including its advertising policy. The advertisement
should be neutral it should not contain provocative images and judg-
ments of any kind. As the tools of responsible marketing not only a
research of the consumer needs in different goods should be chosen,
but also cross-cultural, mental, social, political and ideological con-
texts of targeted national consumer markets.

**CSR: BANKERS STAND FOR!**

*Tatyana Ivanova*

Today’s banking business is a highly competitive environment
where there is a constant struggle for customers and financial re-
sources. In the context of globalization of the market, the influence of
corporate social responsibility (CSR) on competitiveness, financial
stability and investment attractiveness of banking institutions is inten-
sified. The basis of successful long-term functioning of the bank on
the market is not only its desire to receive maximum profit, but also
various implemented initiatives aimed at solving socio-economic and
environmental problems that increase the quality of life of the popula-
tion and its legal security. Initiatives in the field of CSR should not
only be defined by the banking institution, but also should be struc-
tured in the strategy of its development.

*Corporate Social Responsibility of PJSC «Raiffeisen Bank Aval».*
Public Joint Stock Company «Raiffeisen Bank Aval» (abbreviated
name — JSC «Raiffeisen Bank Aval») was registered on March 27,
1992 (until September 25, 2006 — Joint-Stock Post-Pension Bank

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*Ivanova Tatyana* — PhD, Associate Professor of the Department of the Banking Man-
agement, Kyiv National Economic University named after Vadym Hetman.
«Aval»). Since October 2005, the bank has become a part of the banking group Raiffeisen International Bank-Holding AG, Austria (from October 2010 — Raiffeisen Bank International AG). As of March 31, 2016, the RBI Group owned 68.28 % of the shares of the Ukrainian bank, and 30 % of shares of the European Bank for Reconstruction and Development.

A wide range of standard and new banking services is provided to more than 2.6 million customers of Raiffeisen Bank Aval through a nationwide network, which at the end of March 2016 consisted of 577 offices throughout Ukraine1.

Raiffeisen Bank Aval remains the leader of the quality of service in the Ukrainian banking sector. According to GfK-Ukraine, which specializes in market researches, the reputation of Raiffeisen Bank Aval exceeds the market average.

Significant successes of the bank are traditionally recognized in Ukraine and abroad by influential publications and experts, rating companies, partners and clients. Since the beginning of 2016, our bank has already been noted in the annual project «The rating of banks’ vitality — 2016» by Forbes Ukraine: Raiffeisen Bank Aval, just like a year ago, entered the group of banks with the highest level of viability (Group A) and became the most reliable Ukrainian bank among the top ten financial institutions in terms of assets.

Raiffeisen Bank Aval also headed the rating of reliability of the largest banks in Ukraine, compiled by the magazine «Money». For the second year in a row, Raiffeisen Bank Aval became the winner in the nomination «Best financial institution of the agroindustrial complex» within the All-Ukrainian competition «Agrobrand-2016».

Banks today are among the engines of the sustainable development of society. Raiffeisen Bank Aval, a subsidiary of the Austrian company Raiffeisen Bank International AG, strictly adheres to the principles of sustainable development that operate in the parent company in accordance with the requirements of responsible business in modern world.

Raiffeisen Bank Aval’s sustainable development policy covers such aspects as: focusing on cooperation with local communities in the regions of presence; attention to issues of environmental protection, health and safety of workers; an obligation to respect human rights; adherence to the principle of good faith behavior on the market and corporate ethics; providing high quality products and services; re-

1 The official site of the company «Raiffeisen Bank Aval» [Electronic resource] — Access mode: https://www.aval.ua/ru/about/info
sponsible management of infrastructure and logistics; reporting on sustainable development.

An important element is also the formation of such a corporate culture, which promotes the spread of the principles of sustainable development both in the bank itself and beyond.

Raiffeisen Bank Aval has participated in the preparation of the annual reports on sustainable development issues issued by the parent company Raiffeisen Bank International on the basis of its banking network in Central and Eastern Europe in accordance with the requirements of the Global Reporting Initiative.

Corporate Social Responsibility of Raiffeisen Bank Aval consists of the following areas.

1. Transparent business. In its activities the bank is guided by the current legislation of Ukraine, fully fulfilling its obligations to shareholders, clients, partners, staff and providing transparent and public financial activity and reporting, timely payment of all taxes and official salary to their employees. Business relations and business ethics at Raiffeisen Bank Aval are regulated by the Code of Conduct of Workers, the provisions of which are in line with the philosophy of doing business of the parent company of the bank — Raiffeisen Bank International AG, as well as with the «Instructions on ethical marketing in the Raiffeisen Zentralbank AG Group».

2. Environmental responsibility. A good tradition in Raiffeisen Bank Aval, including the preservation of the environment, is the holding of collective labor actions, the so-called «toloka». They are organized for the purpose of cleaning up the territories of city parks, squares, orphanages, kindergartens, houses of veterans, playgrounds, etc. Such activities are periodically held by employees of both the central office and regional branches of the bank. One such example was the planting of the apple alley by the workers of the Kharkiv Regional Directorate of the Bank in the park of the National Literary and Memorial Museum of Grigory Skovoroda in the village of Skovorodinovka, Zolochiv district of the Kharkiv region.

In addition, Raiffeisen Bank Aval promotes eco-conscious behavior among employees and clients: economical consumption of natural resources, electricity, responsible attitude to waste disposal, etc. As an example: the bank uses energy-saving lamps, double-sided printing; urges to save water and electricity, tries to reduce the number of trips using cars that pollute the atmosphere with harmful waste, uses environmentally friendly types of transport (for this all parking lots even were equipped with parking places for bicycles). And clients, for example, are offered to save natural resources by avoiding printing
out receipts when using ATMs. The bank also launched an initiative to collect spent galvanic cells (batteries) for their further disposal. To do this, a special place for its gathering in one of the Kiev offices.

3. Social security of the personnel. Raiffeisen Bank Aval creates decent working conditions for personnel, which meet safety and hygiene requirements. The bank has a grading system of remuneration, which ensures transparency of career prospects for each employee.

4. Sponsorship. Sponsorship and charity remains at the forefront of the Raiffeisen Bank Aval’s Sustainable Development Program. Raiffeisen Bank Aval has supported a number of important cultural and artistic projects: the Austrian Cinema Week in Ukraine, the festival of young Ukrainian cinema «Open Night», Ukrainian festival «Krayina Mry», the «Diplomatic Missions Cup», a series of charity concerts «Women’s Concert Battalion», a concert-presentation of the new album of the famous Ukrainian group Kozak System, the concert activity of Kyiv Chamber Orchestra NewEraOrchestra, the annual Forum of Publishers in Lviv.

5. Charitable initiatives. In 2015, Raiffeisen Bank Aval refused to purchase New Year’s gifts for its clients, partners and employees, instead sending the saved funds in the amount of 400 thousand UAH in support of two charitable initiatives: the hotline of the palliative care of the Kyiv charitable organization «The Fund for Assistance to Oncological Children «Crab» and the «First Breath» project of the Hope Foundation «I Hope and Believe». «Charity instead of souvenirs» — this approach has been followed by Raiffeisen Bank Aval in the last few years on the eve of the New Year holidays. The bank supported many charitable projects and initiated a number of charity actions.

6. Corporate Volunteering. At the central office of the bank, the employees held fundraising campaigns for Easter and St. Nicholas Day to help children with cancer who are cared for by the Charitable Foundation «Zaporuka». Employees also joined the «LOTS OF SOCKS» flash drive in the framework of the World Day of People with Down Syndrome.

7. Financial literacy. Raiffeisen Bank Aval is launching a financial literacy project for young people in Ukraine. The girls and boys aged 14 to 18 years old are invited to participate in free workshops «Clever Funds for Young Adults». The goal of the project is to raise awareness of schoolchildren and students about financial products and services.

Corporate social responsibility of JSC «UkrSibbank»¹. The trust relations with clients, which UkrSibbank JSC, as part of the BNP Paribas Group, has been building up since its founding, is our most important asset. JSC UkrSibbank provides a wide range of services to private and corporate clients, implementing the highest ethical standards and Corporate Social Responsibility (CSR).

Principles of Corporate Social Responsibility are laid out in four main areas²:

(a) Economic responsibility — financing the economy in accordance with ethical principles.

(b) Social responsibility — Responsible and effective development of bank employees.

(c) Civic responsibility — participation in solving social problems, development of education and culture. The social projects are carried out by the bank in two directions: sponsorship and charity.

Sponsorship:

• «French Spring» — Festival of French Cultural Events;
• Museum of Mikhail Bulgakov. UkrSibbank Private Banking supports the Kiev Literary and Memorial Museum of M. Bulgakov.
• Paris is the way he is. Creative project with a new look at contemporary romantic Paris.

Charity:

• Silver coin. Project All-Ukrainian Charitable Organization «Down Syndrome» and UkrSibbank for raising funds.
• True gifts — smart charity. Charitable project of UkrSibbank and the «Doctor investfund» organization for orphanages.

(a) Environmental protection is the fight against the negative impact on the environment as a result of our own activities. JSC «UkrSibbank» is a member of non-industrial business, however, as one of the largest banks in the country, it cannot stand aside from the threat of negative climate change and global warming. Environmental responsibility of our bank is realized in its products and services. As part of the reduction of direct environmental impact, the Green Office project is actively implemented in bank.

Corporate Social Responsibility of PJSC «PUMB». For the past 25 years, PUMB has been improving its customer service³. It takes an active part in the participation in social projects.

³ The official site of the company «PUMB» [Electronic resource] — Access mode: https://about.pumb.ua/
Key principles of sustainable development of the bank.
• Work efficiently.
• Respect the interests of partners, clients and the society as a whole.
• Provide decent and safe working conditions.
• Respect human rights.
• Improve the quality of life in the regions of presence.
• Aim to prevent and reduce environmental impact.
PUMB’s sustainable development strategy includes work in the following general areas:\(^1\).
1. Training and development of employees.
2. Improving the quality of service.
3. Development of the business environment.
4. Risk Management.
5. Corporate Volunteering.
Traditionally, PUMB annually implements a number of large social projects aimed at helping orphanages, financially support medical institutions, and introducing various environmental initiatives.

Questions for discussion:
(a) What needs to be done by the management of PJSC «Raiffeisen Bank Aval», JSC «UkrSibbank» and PJSC «PUMB» to rise to the new levels of social responsibility?
(b) The directions of participation in the programs of corporate social responsibility among Ukrainian banks should be segmented as follows:
• banks with 100 % state capital and state participation;
• banks that are public joint stock companies;
• banks with foreign capital.
Do you agree with this opinion? Explain why. If you agree, segment these banks according to this technique and provide directions for participation in the corporate social responsibility programs of PJSC Raiffeisen Bank Aval, UkrSibbank JSC and PJSC PUMB.
(c) The effective implementation of the principles of CSR allows banks to achieve the following key results:
• Improve business reputations both in the client environment and in a competitive environment;
• Increase customer’s loyalty, where the bank has a long-term partnership priority, which is positively reflected on the economic indicator the Net Promoter Score.
Do you agree with this statement? Justify your answer on the example of these banks.

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\(^1\) Sustainability [Electronic resource] The official site of the company «PUMB» — Access mode: https://about.pumb.ua/growth
The first international conference on environmental issues was convened by the United Nations in 1972 in Stockholm, Sweden [1]. The Conference decided on the necessity of establishing international cooperation and uniting the efforts of all states in the field of environmental protection. Therefore, it is logical that the first companies that introduced the principles of corporate social responsibility (CSR) in the environmental sphere appeared in Sweden. H&M Hennes & Mauritz AB (H&M) was founded in Sweden in 1947 and is listed on Nasdaq in Stockholm. H&M’s business idea is to produce fashionable and quality clothing at an affordable price, without compromising the environment. H&M Group includes brands like & Other Stories, Cheap Monday, COS, Monki and Weekday, as well as H&M Home Concept. H&M Group owns more than 4200 stores in 64 markets, including countries where the company operates under the franchising system. In 2015, sales reached 210 billion Swedish kronor, including taxes, and the number of employees was over 148,000 [2].

In 2016, the Ethisphere Institute published the «Tenth Issue of Brand Ratings» that received the highest score in five categories: Ethics and Compliance, Corporate Responsibility and Social Activities, Ethics Culture, Management and Leadership, and Innovation and Reputation. The rating covers various industries and brands that produce various services and products, including banking, automotive, leisure, technology, clothing and food. Among the brands included in the rating are L’Oréal, Levi Strauss and Co., LinkedIn, H&M, Pepsi-Co, MasterCard, Microsoft, Dell, Intel, ViSA, Ford and Starbucks.


Strategy of CSR for H&M company\textsuperscript{1}. H&M’s business concept is to offer fashionable, high-quality, and environmental-friendly clothing at the most affordable price. H&M monitors costs at all stages of operation, and uses cheaper types of transportation — marine and rail — which helps reducing carbon emissions, as opposed to more expensive transportation, for example, by air.

H&M provides support to its suppliers in order to ensure the production of products without any harm to the health of consumers and employees, as well as with the alignment to the principles of environmental protection. All suppliers, who use wet processing methods such as dyeing and washing, should dispose their waste water. The quality of waste water generated by the operations of their chain suppliers should be in line with the quality standards established by the Business for Social Responsibility (BSR) Water Group or the relevant regional legislation, depending on which requirements are more stringent. These requirements are part of the vendor audit program. In addition, all contracted providers must comply with the list of restrictions that limit the use of hazardous chemicals. Such list of restricted chemicals is constantly updated since 1995, with recent changes introduced in 2013. In 2013, it was also the first time that lists of allowed materials was used to help suppliers choose chemicals that would meet their constraints\textsuperscript{2}.

The company’s main goal is sustainable development, so for H&M there is no conflict of interest between providing affordable prices and reducing human-induced climate impacts.

H&M carries out a number of measures aimed at limiting the use of chemicals. These restrictions are among the most stringent in the company’s field of activity and often go beyond the legal requirements. All suppliers who manufacture products for H&M are contractually bound by their list of restrictions.

H&M operates on the basis of the principle of extreme caution. This means that it is better to limit the use of chemicals, even if there is still a scientific uncertainty of how harmful they are. H&M regularly tests, either by own or external forces, its own products to make sure that they do not contain harmful chemicals. In 2013, H&M banned the use of perfluorinated components (PFCs) in the production of all its products. In addition, she participates in the Roadmap to Zero


program, which seeks to completely eliminate the release of hazardous chemicals.

H&M is constantly working to improve cotton production\(^1\). One way to accomplish this task is to participate actively in the Better Cotton Initiative (BCI) program, where H&M acts as a member of the steering committee. BCI aims to give millions of farmers around the world the opportunity to grow cotton so that this process provides more benefits for both farmers and the environment.

In addition, H&M offers organic cotton clothing. 100% organic cotton, certified by independent certification organizations such as Control Union or IMO, is used to make this garment. Organic cotton is also used in the production of some clothes for children of all ages. The company convinces cotton cultivating firms that there is a demand for organic cotton and recommends that they switch from traditional production to organic.

H&M is the world’s largest consumer of certified organic cotton: for 2015–2016, the company doubled its share of use by 21.2%. Biological cotton, in particular, is used in the production of goods for newborns. The company uses certified Cotton labeled Better Cotton or recycled from recycled materials. Such cotton is grown without the use of pesticides and chemical fertilizers, and also does not contain GMOs. The target is that by 2020, all used cotton should be environmentally friendly. In the H&M stores you can easily find products made with organic cotton or other environmentally friendly materials because they are labeled with green or the H&M Conscious logo. This company allows the consumer to understand that the used material is manufactured in accordance with strict standards and strictly controlled by an independent certification body. Also, since 2011, a new ecological line of clothes for the brand Conscious Collection has appeared in the company’s assortment. H&M is actively working with its suppliers, seeking to respect workers’ rights in their productions and reduce the harmful effects on the environment. H&M products come from approximately 700 manufacturers, many of which are based in countries where child labor and workplace safety are a major concern. H&M operates a 70-member inspection team that monitors compliance with the company’s code of conduct for suppliers.

In addition, H&M has become the first company in the fashion market to launch an international second hand clothing project in every country where branded brand stores are available. Today, any

buyer can return his worn clothes, regardless of their manufacturer and condition, and thus contribute to the recycling of the use of fabrics. In 2014, 13 million tons of used clothes were collected, which would be enough to produce about 65 million T-shirts. H&M is committed to reducing the amount of textile waste. By launching the I:collect program, the company has probably created the largest retail system for the use of used clothing. At the beginning of 2014, the first significant steps in this direction were made, and for the first time the range of products was replenished with clothes made from at least 20% of the recycled materials.

In 2017, the company introduced a dress from the collection of H&M Conscious Exclusive, created from the material of Bionic. This polyester is made from recycled waste made of plastic bottles found on the shores.

**Basic principles.** H&M believes that the concept of environmental and social responsibility is a concept that needs to be confirmed by actions, not words. It is a continuous process that requires constant implementation of improvements. Purposefulness, enthusiasm and team work are necessary on the way to its realization. The company seeks to ensure that all its activities are carried out in compliance with the principles of economic, social and environmental rationality. By turning these principles into life, the company gets the opportunity to run business more efficiently, using less resources. In addition, following these principles, improves the quality of life of people and communities around the world.\(^1\)

**Popularization of the company’s ideas in the world.** In 2015, the world’s second-largest retailer has launched a new initiative to promote recycling, wanting to reduce its environmental impact and address the lack of raw materials. By launching a recycled jeans line, H&M offers an annual 1 million prize for new environmental clothing processing technologies.

One of the company’s CSR distribution strategies in the world is to attract famous people to H&M advertising and marketing activities, including David Beckham, Katie Perry, Olivia Wilde and others. So, in 2017, the global ambassador to the World Recycling Week H&M was the British singer M.i.a. On the side of environmental protection and environmental concerns, the musician released a new clip in support of H&M Rewear It.

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As part of eco-initiatives in 2016, H&M launched the new Conscious Exclusive collection online and in 180 countries. Julia Restauran Roitfeld presented bright clothing from environmentally friendly materials such as silk, cotton, organic flax, eco-leather and recycled polyester. As part of the campaign, H&M introduced the World Clothing Recycling Week. The purpose of the company is to collect 1,000 tons of clothes a week, while exchanging these clothes for 30% discount coupons for participants. The company also plans to open a new network as a separate brand.

The company is constantly using new opportunities for promoting CSR initiatives. So, Internet users at the end of 2016 saw a new video posted on their own YouTube channel in support of a recycling campaign for unnecessary clothing. The organizers call for care about the future of the planet and remind us of the importance of utilizing clothing. During the First Worldwide Equestrian Event in 2013, H&M collected 40,000 tons of unnecessary clothing, and now the Swedish company plans to increase this figure by 25,000 tons by 2020. Over the year, anyone can bring unwanted things from textile fibers, of any brand and in any condition, to the company’s stores.

H&M Company promotes international environmental organizations. So, in 2016, the company launched a children’s collection with WWF. 10% of sales of this collection will be given to the World Wildlife Fund for the preservation of endangered species. The collection is made of organic cotton with prints of various animals and messages: «Protect my animal». H&M’s collection aims to encourage buyers to be more informed about environmental issues and to emphasize their collaboration with the fund that began in 2013. The partnership includes actions on the protection and climate, as well as awareness of sustainable development in fashion.

Also, the company propagates its own ideas in sports. At the opening ceremony of the Olympic Games in Rio de Janeiro, the Swedish team came out in the form of the H&M brand. One of the most used materials was polyester, which was obtained as a result of recycling plastic bottles and old clothes.

*H&M and Ukraine.* At the moment, representatives of the Swedish retailer have visited Ukraine to open new markets, although officially the H&M media manager Elnaz Barra has not yet confirmed the com-

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pany’s interest in opening retail outlets. At the same time this is the second time the arrival of the Swedish delegation to our country. For the first time, representatives of the network visited the country in 2013. The text of the contracts for the opening of the first stores in 2014 has already been agreed, but at the last moment the retailer has abandoned its plans. Suspension of development plans was associated with the onset of the Revolution of Dignity in Ukraine, as well as a sharp fall in living standards.

During his visit to Ukraine, Matthias Lamberg inspected the largest shopping centers, such as Ocean Plaza, Lavina, Gulliver and others. The expert also got acquainted with the projects of several shopping malls still under construction. Like most other international retailers, when entering new markets, H&M opens several stores at once for six to nine months. But the terms of the lease, the interaction with the state licensing authorities and the conditions for implementing the CSR priority strategies in Ukraine are not yet known.

Questions for discussion:
(a) What are the principles behind H&M’s CSR ideas?
(b) What environmental practices does the company use?
(c) What kind of positive means of implementing the principles of CSR used by H&M would you recommend to Ukrainian companies of the same profile?
(d) What are the prospects for the entrance of H&M on the Ukrainian market?

CORPORATE SOCIAL INVESTMENTS
AS A SOLUTION FOR SUSTAINABLE DEVELOPMENT

∗ Yuliia Herneho

Monsanto is an international company, which headquarter is in the USA and awarded as one of 100 Best Corporate Citizens1. The Company delivers agricultural products, including farming and vegetable seeds, crop protection chemicals. It is represented in 66 countries, in-

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CLUDING Ukraine. The company’s goal is declared as fulfilling current needs, while preserving the planet for tomorrow. Monsanto has adopted the Global Reporting Initiative (GRI) reporting frameworks and published annual Corporate Social Responsibility and Sustainability (CSR) report¹.

Current needs. Tendencies of modern sustainable development are connected with companies, which are interested in finding investments that deliver both financial and social goals². Social investment becomes a tool for today’s economic environment development. They help companies to grow and become more sustainable by increasing their social impact³.

The opportunities for sustainable development in Ukraine are limited, in particular, due to the current problems in the areas of village infrastructure, education and agricultural sector.

Monsanto decisions. The Company is committed to social responsibility through two levels of social investments programs in Ukraine (Figure 1).

Fig. 1. Monsanto social investments in Ukraine

The Monsanto Fund works worldwide for strengthening both farming communities and village infrastructure. In Ukraine, the Fund aims at agricultural education improvement, including libraries, schools and research centers support; village communities support, including

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non-governmental organizations development, food and water security. Social project duration has to be no less than 12 months. The minimal project budget is 25 000 USD. The applicants must prove their financial ability as the result of recent external audit according to the international standards.

Since 2013, investments within «Ukraine as the future breadbasket» direction support education and sustainable development, including energy efficiency and access to clean water programs. The maximum project budget is 200 000 UAH for up to 12 months.

Results. According to above mentioned conditions, the Monsanto Fund supported following projects: «Small Business Development in Ukrainian Village Communities» and «Restored Well Means United Community» for the sum of 1,9 million UAH in 2013; «Library and Community: Open Space» for the sum of 1,8 million UAH in 2014; «Elderly Social Activity Centres Creation» and «National Science Agricultural Libraries Depository Digitizing» for the sum of 1,8 million UAH in 2015.

The social investment activity within «Ukraine as the future breadbasket» direction provided support for 14 social projects in 11 regions. The total program budgets were 1 million UAH in 2014, 600 000 UAH in 2015 and 400 000 UAH in 2016.

The projects of playgrounds for children with special needs creation, schools computerization, photos competition support and village social entrepreneurship were among the winners in 2014. In 2015, Monsanto supported projects, connected with energy efficiency, village social entrepreneurship, education and medical equipment reconstruction. The projects of old village houses reconstruction, beekeeping school and village sport gym creation are results of investment activity within «Ukraine as the future breadbasket» program implementation in 20161.

Questions for discussion:

(a) Analyze the prospects for business development in Ukraine. Assess the role of social investments for long term Monsanto growth within Ukrainian market.

The Doing Business-2016 ranking of the World Bank and the International Finance Corporation, which determines the ease of doing business, reports that Ukraine occupied 83th place out of 189 countries in the world. In 2014, our country occupied 112th place. It is de-

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fined that Ukraine made business easier, but despite such improvement, there are still national difficulties for business development (Doing Business, 2016)¹. The global cooperation, diffusion of innovations and implementation of social responsibility in the practice of doing business are among reserves for further business development in Ukraine. Monsanto defines its results as an ability to deliver innovative solutions for farmers across crops and geographies. The Company has a Code of Business Conduct, which helps to recognize and deal with a broad range of integrity social issues (Monsanto, 2016). It supports integrity in business relations with stakeholders, including work with farmers, village communities and final customers that improve Company image. Socially responsible behavior of Monsanto encourages learning more about the Company. Social investments implementation leads to further collaboration and long term growth.

(b) The case describes social investments of the Company, which are realized both on global and local levels. Are the global Monsanto Fund initiatives meeting requirements of village communities in Ukraine?

The Monsanto Fund is separated from Monsanto main activity organization, which is focused on strengthening both farming and village communities. The main goal is the improvement of people’s lives. It is defined that despite some problems are very common, their solutions are to be varied according to the region of their implementation (Monsanto, 2016). The case shows existence of social projects, which are already implemented within Monsanto Fund programs in Ukraine. Some kinds of village communities and social entrepreneurship requirements, connected with educational and business priorities, are met.

(c) Put forward an idea of a social project to participate in the «Ukraine as the future breadbasket» next year competition.

Ukrainian society faces the problem of limited integrity between village and city business communities. Our goal is to inform city residents about village potential and problems. The project «From village to city» consists of meetings, where crop industries representatives can invest in equipment reconstruction for their further raw suppliers. As the result, such activity leads to work conditions and productivity improvement, new possibilities for collaboration in development.

SAFETY OF WASTE DISPOSAL TECHNOLOGIES

Natalija Hrushchynska∗

PC «Kievspetstrans» is a company that provides services for utilization of solid waste. It disposes more than half of solid waste in Kyiv1.

Corporate Social Responsibility for «Kievspetstrans» is a constant attention to ethical business conduct and contribution to the economy, creating the conditions for improving the quality of life both for workers and their families and for local communities and society in general. We believe that adherence to corporate social responsibility strategy and principles of sustainable development will provide a combination of economic, social and environmental factors in the business strategy and will enable business enterprises to meet the needs of future generations.

The goal of sustainable development strategy of «kievspetstrans» is:
1. Effective use of opportunities and resources: reliable supply of stable range of services that match customer needs; using all possibilities to save resources and funds of the company; using all opportunities of business when entering new markets, attracting new customer groups, expanding the product range and more.

2. Identify the risks and prevention of negative consequences: ensuring environmental, social and quality standards to reduce reputational and business risks; reducing the effects of unforeseen costs that may arise due to volatile prices for energy and raw materials.

3. Strengthening the reputation and public confidence in the company: strengthening our competitive position; improve the perception of «Kievspetstrans» responsible stakeholders as transparent company; managing the expectations of society through constructive dialogue with stakeholders; strengthening the social importance of values as a responsible corporate citizen of society.

World experience shows that safe incineration technology does not exist. No sanitary protection zones cannot protect people from major toxic emissions. This method of waste harms the environment and is

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economically costly. The whole world seeks to reduce the amount of waste that is constantly formed, and to recycle them as much as possible, and even at the stage of development of new products to know the ways of their utilization. Moreover, none of the socially and economically developed countries are burning «unprepared» waste. The world’s first incineration plant was built in 1874 in Nottingham (England). Subsequently, these plants were built in the US, Germany and other developed countries. The massive construction of such plants accounted for XX century. Level of waste burning in different countries varies considerably. Thus, the total volume of MSW (municipal solid waste) share of incineration varies in Austria, Italy, France, Germany from 20 to 40 %; Belgium, Sweden — 48-50 %, Japan — 70 %; Denmark, Switzerland — 80 %; Britain and the US — 14 %; Ukraine, Russia — 2 %. In Paris, for example, there are 11 waste incineration plants. London’s plant with the capacity of burning 420 thousand tons of solid waste per year is located two kilometers from the historic center. And in small, but only densely populated, area of Japan near Tokyo there are 22 plants. There are 17 combustion plants in Canada, in the US — 168 in Japan — 1900 in France — 170 in Switzerland and England — 30, in Germany — 73, in Italy — 94, in Denmark — 38.

Experts note that solid waste is a real alternative fuel resource. Each year the recycling centers of energy waste allow Europe to save billions of liters of oil and gas: 1 ton of waste is equal to 200 liters of diesel fuel. In Ukraine incineration process is complicated by the fact that the waste, before it is sent to the plant, is not pre-sorted. This greatly increases the harm to public health, because the burning of unsorted waste emits in the air carcinogenic polyaromatic compounds (benzapyren), heavy metals (mercury, cadmium, lead) brominy and several thousand dangerous substances, toxic properties of which are insufficiently studied. But among all of the substances released during combustion, the most dangerous are dioxins.

So, burning garbage is a dangerous way of getting rid of it. In Ukraine there is only one waste sorting complex — «GreenCo», which recycles dry garbage. Then the processed garbage is transported to the landfill №5, serviced by «Kievspetstrans.»

Public opinion is important in protecting the environment, in this case, in sorting of garbage. Kievspetstrans actively outreaches to implement in the capital the European garbage collection methods. Now in Kyiv there are installed almost 5,000 containers of waste separation. According to experts, separated garbage collection will provide a
30–40 % reduction to landfill’s. In addition, according to experts 80 % of our waste consists of packaging, which can be recycled\(^1\).

Kievspetstrans transports garbage to the landfill № 5. Discussions about the expense of operating the main landfill in the village Podgortsy Obukhov district have lasted for many years. Many times landfill № 5 was a subject to closure\(^2\). Most claims have always been to its ecology damage, pollution of groundwater and stench. However, the closure of the landfill is not an option, because the waste is increasing and the need for its removal is worse. There was a reconstruction of landfill worth 76.9 million USD. This created opportunities for the continuation of the existence of this place of disposal.

Today at the site there are built a laboratory of radiological control, boiler, checkpoint, pumping station, power lines, transformer substation, internal and external engineering networks. Also there was a renovation of administrative building, sewage pumping station, treatment plant. There was purchased and installed equipment for processing leachate.

In «Kievspetstrans» it is estimated that this reconstruction of the first stage may be enough for another 1.5-2 years. The second stage will be used another 7 years. During this time this territory will be able to utilize at least 15 million cubic meters of garbage.

Polygon number 5 is the largest in Ukraine and perfect in terms of engineering solutions. Total area — 63.7 hectares. There are 2-ground storages of solid waste. The first is currently working at full capacity, the second is mothballed. Here there is ongoing exploratory work to strengthen the dam. After its strengthening the second pad will be opened. Daily landfill accepts 1,500 tons of household waste. In summer, the burden on landfill increases sometimes up to 3,000 tons per day. Rubbish lays in layer 76 meters thick on the plastic cover that prevents leachate infiltration into the soil. In 2014, the landfill received 386 thousand 675 tons of solid waste, for 9 months of 2015 — 273 thousand 955 tons.

Polygon operates all day. Equipped with updated technology with powerful machines that can provide technology disposal and prevent emergencies, landfill is serviced by 84 people. Because of the bad working conditions people receive extra rations — milk or butter.

In addition to the reconstruction of the landfill, the city authorities are investing in the development of the surrounding villages. For

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\(^1\) Activities of PJSC «Kievspetstrans». [Electronic resource] // Official site — Access mode: http://kst.in.ua/uk/dyialnist

example, in Krenychayah, Romanko and Pidhirtsi there were built gas and water supply networks, modern school and a kindergarten. 40 million UAH went from the city’s budget for these projects.

General info. In Ukraine over 160,000 hectares of land are occupied by the debris of different type and origin. Module of anthropogenic load per unit area of the country is 41,391 tons per square kilometer, as for per capita — 480 tons. Ukraine is one of the most polluted and environmentally stressed counties in the world. For comparison, the human impact per unit area in our country is ten times higher than in Russia. A comparison with the advanced countries of the world is simply incorrect, as their waste management industry recycles up to 65–80 % of current waste output. Hope is inspired the fact that even 15–20 years ago the situation in most countries was about the same as today in Ukraine, most of the waste was sent to dumps, landfills for burial or burning. Humanity has reached the conclusion that we need to fundamentally change the approach to household waste.

Utilization of garbage in cities is a very important economic problem. The most widely used method is composting, incineration of solid waste. The simplest way of the disposal of solid wastes is home composting. It is especially effective in composting areas where the content of organic substances in the garbage meets the need for fertilizers.

In the last decade the share of solid waste that was burned with heat and with the utilization materials is steadily increasing. Heat from the combustion of solid waste can be used to obtain: a hot water or steam or electric power from the steam and heat. If you are using solid waste as a fuel take account of two basic principles: its calorific value and the impact on natural environment from products of combustion.

In Ukraine incinerators operate in Kiev, Kharkov and other cities. In 1989, 8.2 % of solid waste was destroyed at waste incineration plants in Ukraine. Pre-sorting of waste at plants with existing technology is not expected.

Kyiv combustion plant «Energy» was commissioned in December 1987. The plant is intended for processing (disposal) of burning solid waste from Kiev. Thus, the plant processes unsorted municipal waste. Another plant operates in Dnepropetrovsk. Equipment for these plants was purchased in Czechoslovakia. The plant «Energy» is equipped with four incineration boilers. Each boiler is capable of burning 15 tons of waste per hour.

Thanks to the work of the plant two landfills in Kiev were closed, near the village Snowdrops in Boryspil highway («Bortnichi») and near Pyrohivskoho on the ring road («Pirogovo»).
Scientists from many countries are concerned about the growing emissions of polluting substances by modern incineration plants. The reason for this was the information about the fact that due to the burning of plastics and some types of paper, new chemical compounds — dioxins and furans, which come into the air with emissions, are formed. There are no high levels of dioxin concentration in many countries. The presence of ash impurities from incineration plants is eliminated because it contains heavy metals.

Special equipment on Soviet-built Ukrainian plants was not designed to effectively combat pollution, including dioxins. In general, the activity of domestic waste incineration plants is officially recognized as dangerous. In addition, expensive natural gas and electricity make the activities of domestic enterprises unprofitable. Their closure is considered a matter of time, and only the lack of funds for alternative waste management methods is the reason that the plants still work.

Burning to re-isolation. Burning, as a waste to liquidate household abandonment, is a positive phenomenon, especially if it is accompanied by the supply of electricity or steam. But from the remedies you can remove certain substances — metal, glass, paper, rubber, plastic, etc. in order to re-use it. The process of removing from the waste of valuable components with subsequent liquidation in environmental use is called utilization. If components subsequently removed as raw materials for another production, then in this case the term re-utilization is used.

Theoretically, there should be re-utilization, however the process of extracting from the components is rather complicated. Some countries, for example the United States, are rehabilitating up to 22 % of its revenues.

Aluminum, glass and steel can be re-utilized unlimited times. Production of almost 1 ton of recycled aluminum saves 4 tons. In addition, the energy consumption of metal smelting is reduced. According to the existing estimates, about 90 % of glass waste is suitable for renewal. Each ton of glass battle saves almost 1.2 tons of primary raw materials.¹

Wastepaper re-utilization contributes to preserving millions of hectares of forest, saving energy and water, reducing pollution of the atmosphere and water. Until now, most of the milk, lactic acid products, ¹Andriy Hruschinsky: To be clean, you should not recycle, but recycle. [Electronic resource] // InA Ukrainian News — Access mode: https://biz.nv.ua/ukr/markets/andrij-hruschinschkij-shchob-stalo-chistishe-potribno-ne-zakhornuvati-smittja-a-pereroblihat-2485797.html
soft drinks and beer were bottled in glass bottles that could be recycled. The machines transported bottles, washed and filled again. Such system is effective only when the distance between the producer and the consumer is small. However, as distances increase, transport costs become too large, and consumers have to pay not only for the bottles, but also for their transportation.

There was another type of packaging, which can be thrown out and not carried back. At the same time, it turned out to be very beneficial for producers.

It is not surprising that current non-biodegradable (that does not decompose naturally) packaging is undesirable in the environmental sense, as the production of the necessary materials causes air pollution. All that are hidden costs not shown on the merchant receipt. The buyer pays not only for cleaning the garbage, but also for air pollution, treatment, etc. Environmental activists in the United States, who were well aware of this problem, succeeded in making so-called «bottle bills» in 9 states of the country, contributing to the fact that consumers gradually began to prefer reusable packaging.

Burial (burial grounds) are used as an alternative to open landfills. In this case, the rubbish simply buried in the ground or poured on the surface and topped with a layer of soil from above. Since waste in this case is not burned and covered with soil, it helps to avoid air pollution and the propagation of unwanted animals. Unfortunately, these circumstances, as well as financial opportunities, were usually taken into account when placing burial grounds. It did not take into account how the water cycle occurs, which substances can be formed during the decomposition of garbage, how to prevent other unwanted phenomena. Any convenient downgrading of the relief became a place for burial of garbage with garbage disposal related accompanying environmental problems: substances leaching and groundwater contamination; methane; soil subsidence.

The most serious problem is the pollution of groundwater. Water is a universal solvent. If it passes through layers of buried waste, rain (tallow) water is «enriched» by various chemicals that are formed during the decomposition of garbage. Such water with dissolved pollutants in it is called filtrate. When it passes through untreated waste, a particularly toxic (poisonous) filtrate is formed, in which, along with organic remains, iron, mercury, zinc, lead and other metals from tin cans, batteries and other electrical appliances are available, all of which is flavored with dyes, pesticides, detergents and other chemicals.

The second problem — the formation of methane — is associated with anaerobic processes that occur in buried garbage layers without access to air. When formed, this gas can spread in the ground horizon-
tally, accumulate in the basements of the premises and explode there during ignition. Propagating in a vertical direction, methane causes poisoning and loss of vegetation. In the absence of vegetation, erosion of the soil begins, buried waste is exposed.

Consequently, dumping and incineration are the most commonly used ways for humans to solve the problem of solid household waste. Other fundamentally new methods, which allow disposing the garbage even before it appeared, will be studied further.

Kyivspetstrans Company complies with the requirements of local legislation, is the responsible tax payer and social benefits.

Compliance with laws, corporate guidelines, procedures and standards is an important tool for protecting the company, its management and employees from economic losses and the impact on its reputation. Covering all areas of the company, compensation (law enforcement) includes the following procedures and instructions: tender procedures, share ownership, external consultant rules, cash transactions, insider transactions, financial accounting, philanthropy and sponsorship policies, and many more.

Business principles. The activities of Kyivspetstrans Company are based on business principles that include the basic values and norms of ethical and business behavior, which should be guided by each member of Kyivspetstrans.

Clearly distinguish between personal interests and interests of Kyivspetstrans company. Employees of Kyivspetstrans should avoid conflicts of personal and corporate interests. In cooperation with business partners, it is necessary to take into account only objective criteria and not to allow the satisfaction of their own personal interests that do not correspond and contradict the interests of the company Kyivspetstrans.

Do not provide unwarranted advantages. Employees of Kyivspetstrans do not have the right to offer personal privileges related to official duties (for example, gifts) to any employee of another company or institution, organization. Exceptions apply only to symbolic and invaluable festive gifts, promotional gifts or appropriate gifts in certain cases (with cash payments or similar services), business luncheon invitations that do not go beyond acceptable limits.

Do not use an official position for personal interests. Employees of Kyivspetstrans do not have the right to encourage or receive privileges (for example, gifts) related to official duties from any employee of another company or any third party. Exceptions apply only to symbolic and invaluable festive gifts, promotional gifts or appropriate gifts in certain cases (with cash payments or similar services), business luncheon invitations that do not go beyond acceptable limits.
Apply to all information within the company Kyivspetstrans as confidential. The employees of Kyivspetstrans are prohibited from transferring or otherwise providing third-party access to confidential information and confidential documents of Kyivstandart without having the appropriate authority. This prohibition is also valid after the termination of an employee in the company Kyivspetstrans.

Observe the rules of fair competition. Employees of Kyivspetstrans must comply with the requirements of the Company’s antimonopoly provisions and legislation. It is prohibited to enter into price fixing agreements and agreements with suppliers and/or competitors on the distribution of markets or market shares, the distribution of regional markets and the establishment of common cartel prices. It is not allowed to discuss with competitors the confidential information or information that is not in accordance with the requirements of the law. In addition, it is prohibited to collect and use confidential information about competitors and to transfer such information to third parties.

Treat everyone as equal. Employees of Kyivspetstrans do not have the right to show signs of any form of discrimination based on race, ethnic origin, religion, worldview, physical and other limitations (disability), age, sexual orientation, gender. In addition, harassment, especially persecution and sexual harassment, are unacceptable.

*Responsible employer.* Personnel policy of «Kyivspettrans» is defined by the statement: «Our employees are one of the key values of our enterprise». Support and development of employees is one of the strategic priorities of the company. The company provides 304 employees with jobs with all social guarantees. Kyivspettrans positions itself as an honest employer and maintains fair working conditions and complies with all labor law requirements.

Employees of Kyivspettrans are obliged to carry out their work in accordance with the current legislation of Ukraine and the corporate standards and rules of the Kyivstaralty Company.

**Questions for discussion:**
(a) Outline the implications for the environmental situation in Kyiv in case of reduction of technical and operational support (reduction of the number of special transport, reduction of fuel supply) of 'Kyivspetstrans' activities.
(b) To analyze normative and legal grounds of waste utilization in Ukraine.
(c) Conduct a SWOT analysis of 'Kyivspetstrans' and external influence and business activity.
INNOVATIVE PRACTICES
OF THE CITY LIBRARIES

Mariia Plotnikova

Zhytomyr Regional Universal Scientific Library named after Oleg Olzhych (ZRUSL named after Oleg Olzhych) is the leading educational and cultural center of the city and region, a depository of local historical publications, the biggest depository of printed works in the region. The library’s top priority is meeting users’ needs in information, not only with the traditional means but also on the basis of new information technologies. Computerization of bibliographic processes provided improvement of efficiency and service quality, enabled an opportunity of obtaining the necessary information through the Internet. The objectives of the projects carried out in ZRUSL are as follows: 1) educational, communicational, cultural, and artistic activities (art exhibitions, virtual exhibitions, a regional training center «Bibliomist», sector «Inclusive reading room»); 2) international cooperation (information and consulting center «Window on America», German correspondence subscription, foreign language courses — English, German, French, Italian, etc.); 3) cultural-educational, information, worldview (clubs for discussions, clubs of interest — summer resident club, embroidery club, mushroom club, photo club, chess club, theater club, books’ fan club, classical music, etc.); 4) temporary (under grants’ terms) and permanent (at their own expense and contributions of participants) regional activities, including programs within the state, regional, local festivals, competitions, etc.¹

ZRUNL named after O. Olzhych is one of the oldest libraries in Ukraine. Officially it has been opened on April 10, 1866 (Old Style). The library’s history is described in details in an article «Public Library in Zhytomyr» by a known scientist and bibliographer Volodymyr Teofilovych Botsianovskyi, which has been published in the eighth issue of «Kievan Antiquity» magazine in 1891, while the first head of the library John Shynkevych lived and continued his work. The idea of creating public libraries in provincial cities occurred in the

¹ Plotnikova Mariia — PhD, Associate Professor for the innovative entrepreneurship and investment department, Chairman of the Council of young scientists of the Zhytomyr National Agroecological University Ministry of Education and Science of Ukraine.

first half of the nineteenth century. Initiators were progressive-minded intellectuals and nobility. This has been stated in the article «Public Libraries of the South», published in «Osnova» magazine for July 1861. It should be noted that the idea of creating a public library has been harbored at the state level. A book «Ten years of Zhytomyr Public Library» (1876) by Ivan Yakovlevich Rudchenko informs that on July 5, 1865, Minister of Internal Affairs has approved library’s statute and assigned three thousand rubles for its arrangement but it has not been enough. A certain portion of the funds has been received as donations from the local community. The following year, the library has been officially opened almost simultaneously with the libraries in Kiev and Kamianets-Podilskyi. Due to the lack of specific facilities library was located in one of the wings of governor’s house. The founders of libraries were considered to be people who donated for its creation 100 rubles, and members — all who paid for the use of books 5 rubles annually. In 1897 the library celebrated its new home in a newly built premises on Pushkin Street.

At that time it was quite spacious and original building as for Zhytomyr. Until 1979 the library has been located this building, to which an extension has been made in the postwar period. Now the building is housing a regional library for children. On December 2, 1900, the library held an organizational meeting for the «Society of Volyn’s Researchers» — one of the first scientific lore companies in Ukraine. Since 1902 «Proceedings of Society of Volyn» began to emerge. Mykhailo Kotsiubynskyi, Oleksandr Kuprin, Oleksandr Dovzhenko, Hryhorii Machtet, Vasyl Zemliak, Borys Ten, and others used the library’s services at different times. Library activities’ have been covered by the press. The «Volyn» newspaper (issued in 1879) has published materials on the library’s activities, the new acquisitions of books appeared. Mykhailo Kotsiubynskyi, Oleksandr Kuprin, Sasha Chornyi has been published at this time. In 1919 Zhytomyr Public Library began to receive mandatory copies of printed products.

In 1937, due to the formation of Zhytomyr region, the library got the status of the Regional, and in 1966 — Regional Scientific. Maksym Rylyskyi, Andrii Malyshko, Leonid Pervomaiskyi, Borys Ten visited the library in this period. In 1979 the library celebrated its new home in a newly built premises on Pushkin Street. Comfortable conditions for productive work on a book and meaningful vacation have been created.

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According to statistical data — provided to NPB of Ukraine by regional librarian methodological centers of management and influence of the Ministry of Culture of Ukraine, and by methodological centers of the largest institutional library systems — as of 01.01.2012 Ukraine had 37,286 libraries with different types and forms of ownership. Compared to 2010, the total network has been reduced by 180 units. This, by default, led to a reduction in the total number of users (−828.5 thousand people), delivery of documents (approx. — 952.82), the number of librarians (−638 people). The library’s fund decreased by 9,326.47, and on 01.01.2012 had 857,109.61 thousand copies. At the beginning of 2012, the total number of specialists of Ukrainian libraries providing information is 68,431 staff units1. The flow of visitors was reduced due to the development of information technologies and the emergence of alternative sources of information, strengthening the role of computerization of libraries, the possibility of remote access to literature. Analysis of software indicates that the studied libraries use various automated library information systems (ALIS): «IRBIS» (integrated library information system). Universal Scientific Library actively represents itself on the Internet, multiplies the base of electronic information resources, forms the basis for an electronic library, provides an «Electronic document delivery» services, and replenishes the interlibrary electronic catalog (ULE). Automation of all processes is one of the main challenges that are now facing the library. It is another priority. The main category of library users are students of pedagogical, agroecological, and engineering spheres, and pupils — 68 %. With a slight reduction in the number of ULE users, all other key indicators have been exceeded over the previous year. It is notable that the number of visits to the library’s website has increased and is 59 % of the total number of visits to libraries. The opening of new departments in the library helped to attract the new users2. Borrowing of books has increased by 58,86 thousand copies. This fact is of particular interest since receipt of the documents to Zhytomyr RUSL is inconsiderable and totals 11.5 thousand copies in 20113. This is a result of providing modern library services, including interlibrary loan activity, active disclosure of assets, successfully conducted interesting social and cultural events, and individual work with users, etc.

Given that the main mean of increasing the range of library services’ users is diversification of the institution’s activities, a strategy of combining the following two approaches has been chosen — technical, where the library is considered as a «mechanism» of the internal functioning of the systems: completing, processing, organizing, cataloging, distribution of cultural and philosophical, where the library is a cultural environment of librarian and user’s communication; as well as information environment where the knowledge of a particular historical era is concentrated.

The main task of the library is to ensure the availability of documents, information, and knowledge for effective development of educational and training activities based on complete meeting of information needs of users with the help of the latest information technologies. The socio-cultural activities of Library as a social institution is implemented through actions and activities whose purpose is to promote the improvement of intellectual, physical, aesthetic and spiritual state of society by bringing to mind of different social groups, as well as to specific scientific knowledge users empirical facts, aesthetic and ethical values, which are accumulated in the library as documentary collections on various media, by organizing various exhibitions, creative meetings with writers, artists, politicians, etc.; it is thought out process of involvement to diverse cultural heritage diverse cultural heritage of humanity, component of the Ukrainian socio-cultural society system, one of the important elements of state policy in the sphere of culture.

The basic principles of the socio-cultural functions’ implementation ZRUL are as follows:

- adaptational, — is seen as an important factor of the policy’s implementation in the field of culture, a mean of people’s adapting to the environment, communication, regulation, and broadcasting of national and universal culture in its various forms, enabling an opportunity for meaningful rest and leisure;
- creative, — organization and management of readers’ (users’) leisure, fun, and developing their cultural needs, creating conditions for self-realization and self-education for each individual, the disclosure of their abilities, self-improvement and amateur creativity within leisure time;
- communicational, — helps an individual to interact with the society,

• cultural, — serves as preservation and improvement of the society’s cultural heritage, connect people with achievements of national and world culture, and human knowledge in general;
• informational, — acting as reference mediator in using of services provided by various government and other organizations.

General features of ZRUŚL’s social activities are: informational and educational, cognitive, cultural, educational, communicative and organizational, practical and effective, entertainment, aesthetic, creative, relaxational. Library, as a social institution, implements specific functions within these dominant complex features. Among them the most important is a memorial (memory function), which imposes on library a task to keep knowledge recorded on various media, accumulated by many human civilizations, being a source of intellectual resources to society, providing them with the proper organization and user’s access to knowledge. The informational function requires libraries to provide a wide range of modern services, easy access to information flows and meeting the needs of users in different kinds of information. The educational function is associated with the assimilation of universal culture and systematized knowledge, which changes people and determine their worldview. Leisure (recreational) function, embodied in libraries in various forms, promotes users’ meaningful recreation, meeting their aesthetic needs. The function of individual’s socialization aims at providing librarian means for the process of person’s acquiring certain system of knowledge, social norms, and cultural values to become an equal member of society. Communicative function, as library’s center of interpersonal communication, helps to exchange useful information. General cultural function is implemented as a collection of various types and forms of library activities (starting from the immediate issuance of publications to the library walls in various amateur associations, clubs, etc.) and is aimed at the free development of people, their involvement to the values of national and world culture.

Fund Programs. The following centers, programs and sections of the library have the regular nature: the «Art Exhibition» project, «Window on America» information Center, German Correspondence Subscription (Ukraine)

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of Goethe Institute, Regional Training Center «Bibliomist» — sector «Inclusive reading room», etc.¹

«Art Exhibition» Project. The project aims using the latest library technologies, cultural and artistic environment, providing aesthetic pleasure and expand library’s circle of readers and friends; people’s spiritual development, including children, through the use of independent search mechanisms as an instrument of filling souls with light, good hope and love (Like when looking at the picture of an artist and it makes you want to say: «Moment, stop! You are wonderful!»). Starting from 1979, employees of the Literature Arts Department of the library regularly organize painting, arts and crafts, and photo exhibitions. As the «Virtual Art Gallery Zhytomyr» project develops, it brings artworks to the discretion of library users. Creative achievements of artists Polissia region has been researched and promoted. Users are visiting the library art exhibition (Arts of Literature Department) or viewing it in virtually on the official website ZRUNL named after O. Olzhych.

Information Center «Window on America». Window on America Center is based on the partnership between the US government and Ukrainian libraries. It is an open structure that provides relevant information about the US, it replenishes library funds with editions in the English language, aims to promote mutual understanding between the people of the United States and Ukraine. The center provides information about the USA, on its history, government, society, and values; access to Internet resources; informs about US assistance and exchange programs; promotes the study of English language with the active involvement of volunteers. Zhytomyr information center «Window on America» had received funds from US Embassy to open the center; it has been operating for 12 years, it constantly receives collections of books, DVD disks with different types of films (feature, documentary, classic); receives grant for furniture and equipment, including computers with an internet connection, printers, copiers, televisions, DVD-players, iPads and e-readers. The center’s operating provides a variety of activities the purpose of which is communication between Ukrainian and Americans, including seminars, photo exhi-

bitions, lectures, film screening, and other cultural events, among which are lectures, seminars, quizzes that enable Ukrainians to learn more about the United States and to improve English language skills. As part of the center’s functioning, there are lectures by American experts, Embassy staff, Fulbright scholars and other US citizens, who contribute to improving mutual understanding between American and Ukrainian peoples; materials about the USA are distributed, in particular, the publications by Bureau of International Information Programs of the US Department of State; presentations by graduates of programs funded by the US government take place.

«German Correspondence subscription (Ukraine)» of Goethe-Institute. In January 2009, Department of literature in foreign languages has joined the «German Correspondence subscription» project of Information Centre (Goethe Institute Library in Kiev, the German Cultural Center). Library of the Goethe Institute in Kyiv offers its funds (200-300 copies) for temporary use to readers of Zhytomyr Regional Scientific Library named after O. Olzhych on a term of 6 months. Users can select materials that they are interested in from the catalogs provided by the Goethe-Institute and order them for further use. The project aims at providing Ukrainian regions with modern and relevant materials from Germany and about Germany. Books, CDs, CD-ROMs, videos, DVDs and some board games can be borrowed. Due to the partnership support of the Goethe Institute in Kyiv and the activities of the «German correspondence subscription» Department of literature in foreign languages can provide information about Germany, inform about learning the German language, promote German-Ukrainian cultural ties, provide electronic resource «Library Online».

Regional Training Center «Bibliomist». «Bibliomist» — Project of Charitable Foundation of Bill & Melinda Gates «Global libraries» (http://bibliomist.org/), aimed to help public libraries to provide free access to information technologies to people (helps to transform libraries into vital tool that can improve the lives of hundreds of thousands of people). Within the «Global Libraries — Ukraine» project, in 2008 IREX collaborated with Ukrainian Library Association, the national government and
local governments and non-governmental organizations to collectively develop a plan to provide Internet access to millions of Ukrainians. In Ukraine, the first phase has started in March 2008, fund’s partner is NGO IREX (International non-profit organization founded in 1968 and operating in more than 50 countries). It implements leadership and innovative programs aimed to improve the quality of education, strengthen independent media and support the development of civil society.

**Sector «Inclusive Reading Room»**. Sector is established to ensure the constitutional rights of people with disabilities to equally access the information, increasing awareness of these users to overcome their isolation, promote social inclusion, and ensure the fulfillment of their integration in society. The inclusive reading room has been opened in April 2013 as part of the LEAP «Internet for readers of public libraries» project. Sector technical equipment (Braille screen; portable magnifier OPAL; KASON; installed special software for people with impaired vision) were purchased and funded by the US Embassy in Ukraine. Special software for visually impaired people includes JAWS — information is read aloud from the screen with the use the speech synthesizer through computer’s audio card. Also, this program allows to display the information on the Braille screen; MAGIC — this program allows people with visual impairments to work on a computer. It enlarges the image on the screen and helps to perceive it, while duplicating the information with speech; TalkLibrary and others. Librarians of the department would acquaint readers with the rules of the inclusive reading room and provide expert help. All services are free of charge. Inclusive reading room serves readers from 11.00 to 18.00 without breaks. Services of the «Inclusive reading room» Sector: reproduction of information in forms accessible to the perception of people with low eyesight and blindness (speech synthesizer, image magnification, Braille font); Internet access using screen readers JAWS 11.0 and Braille Focus 40 Blue display; scan, zoom, sounding, reading texts on a portable magnifier OPAL and software Talklibrary, JAWS 11.0, MAGIC 11.0; request of literature from other service departments; participation in psychological trainings that promote rehabilitation of persons with limited functionality; email; search for educational and informational websites for visually impaired people; organizing rich
Questions for discussion:

(a) What kinds of corporate social responsibility includes implementation of public library projects?

Responsibility combines two types of responsibilities: responsibility as public reaction to the behavior of the company; responsibility as the system of answers to demands of society. One of the first manifestations of social responsibility is charity. It is presented as corporate charity carried out and managed on behalf of the company. In a broad sense of social responsibility it is represented by a system of values, actions and processes that are designed to spread the positive impact of the library on the economic, environmental, social areas both inside the organization and in the environment. The implementation of socially responsible strategies is focused on the reduction and prevention of negative processes in society and achievement of economic, environmental, and social effects. Library’s social responsibility contains procedures and practices of the following aspects of operation: 1) organizational management; 2) human rights; 3) labor relations; 4) ethical operating activities; 5) environmental protection; 6) consumer protection; 7) community development and cooperation, resulting in the organization of its activities and number of events, including the system of public-private partnerships.

(b) What additional projects can be prepared in public library?

As defined by the European Commission («Green Paper on Corporate Social Responsibility», 2001), Corporate Social Responsibility is «a concept whereby companies integrate social and environmental issues to their business operations and interaction with stakeholders on a voluntary basis»; thus, commercialization of a number of projects and strengthening cooperation with businesses towards education, improvement of socio-cultural level and professional training of specialists as one of directions to profit by simultaneously solving social problems can become one of the aspects of the concept.

(c) List approximate content of public library, give an idea of their possible schedule, budget, target audience, the mechanics of conducting, etc.

Socially responsible business should be perceived not as charitable activities, but rather as a purposeful shaping of stability in society, social protection of its members; deliberate influence on policy authorities and public administration, which will help to stabilize the
economy; implementation of effective safeguards property and the eradication of poverty. Those in the institution understand that it is impossible to build successful operation without a successful community. Since helping the region, in fact, lays the foundation for their own business in the future. Social Responsibility — is not a charity, but specific projects that require not only the funds but also organizational efforts. Often these are multi-year projects. In other words, at this point, social responsibility is a way of managing business processes to influence society. Therefore systematic work is perceived as establishing contacts with all representatives of the public sector (both government authorities and non-governmental organizations) that will implement projects at least once per month, followed by media coverage. The library is a place and a platform for projects and programs implementation, where the site features the announcement of the results and activities that have low budget (5 000 UAH — payment for utilities and remuneration to institution’s specialists per one event lasting 1 hour, or for 10 square meters of exhibition space for a month).

SOCIAL MARKETING – SUSTAINABLE DEVELOPMENT PRACTICES

_Lidiia Romanova*_
_Olha Mohylevska_**

Limited Liability Company «STARK INDUSTRY» was established in 2011. Initially the company was engaged in the production of high-tech grinding equipment, later it was involved in the import of innovative equipment of the leading foreign manufacturers for Ukrainian engineering companies. Ltd «STARK INDUSTRY» supplies metalworking equipment, grinding machines, accessories and spare parts for industrial machinery, metalworking tools, etc. As of today, the company has been successful both in domestic and foreign markets.

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The company’s mission is to modernize domestic mechanical engineering by supplying high-tech equipment that enables Ukrainian manufacturers to create competitive products and provide economic and social efficiency of business.

Business Strategy is aimed at improving the quality of life, achieving competitive advantages, expanding own production capacity, creating new jobs and forming core competency management, establishing long-term relationships with well-recognized foreign machine-building companies.


Problem. In the beginning of its establishment, the enterprise faced with a number of problems, including lack of competence in management when dealing with the international market, misunderstanding and rejection of top management feasibility for innovative changes in order to integrate with the European market, lack of the required image for the formation of international partnerships and social alliances.

To come up with a solution, one should take into account the global trends of economic development. Today, under the influence of global economic transformation, major changes in management and marketing are taking place. The last of the stated functions becomes the main integrating function and occupies a leading position in the management hierarchy, and marketing management takes the place of traditional management. Marketing, networking with customers and with all stakeholders provides business efficiency and competitiveness both within the country and beyond its borders. However, to perform its function, one must consider the transformation of marketing
1.0 and 2.0 to marketing 3.0, which relies on forming the base of activity around relations of trust and cooperation between all participants in the marketing exchange and which core component is the system of values and culture. In this regard, the role of social marketing increases and its impact has an internal and external component. Inside the inner operation of the company, it means to improve the competence of staff, their loyalty, improve corporate culture, environment and productivity.

External social impact is based on improving the image of the company, its social significance, expansion of opportunities to access new markets, relationships with new partners, improve product quality, customer satisfaction and loyalty. All of this ultimately will boost economic performance. Therefore, the company management decided to use social marketing tools in their work.

The main instruments that define social marketing are sponsorship, stimulation of sales by attracting consumers to assist those who need it, for example, charging a certain amount of sales of goods to charity. Another important tool is the subject of major brands shares in order to create a positive image. Fundraising as a tool of Social marketing applies to non-profit organizations solving social problems.

The first step in social politics of the company was sponsoring. Sponsorship is a mutually beneficial cooperation, targeted subsidies, investing capital to achieve mutual goals. The company’s management decided on and drafted a project of sponsoring a Federation «Ju-do of Ukraine.» The present project envisages investing in the purchase of the necessary sports inventory, and hosting Ukrainian and international competitions. This is a long-term project, which allowed the company to create its own image on domestic and foreign markets.

The XXI century is inherently creative when it comes to education of personnel with highly-competitive potential. Therefore, the role of leadership provides corporate training as an instrument of social marketing. Ltd «Stark Industry» invests in the education and training of its own personnel and Ukrainian partners in the leading foreign com-

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panies of Germany, Denmark, the Czech Republic, Italy, USA. For six years of its existence, 20 successful European training programs were adopted.

The company is also working on a project forming a strategic social alliance, which involves the integration of production, education and research. This will provide the opportunity to develop innovative technological and managerial solutions and cooperation with educational business establishments. The enterprise formulated the corporate culture based on social and ethical values, on developed special entrepreneurial mentality.

Results. The effectiveness of social marketing activities of the Company Ltd «Stark Industry» can be calculated as the following¹:

1. Establishing long-term relationships with suppliers on the principles of respect, mutual trust has provided the following result:
   1.1. The issue of delivery of goods from anywhere in the world. With that in mind, the savings of the client’s budget is 5.3 % because the company has exclusive contracts with more than 30 of the best Ukrainian and European transport companies.
   1.2. The company works with 10 brokerage companies and it provides confidence and safety for the client’s budget when it comes to customs clearance.
   1.3. Working with the enterprise on a regular basis, large plants in 1–2 months are expected to optimize their supply department. In addition, the budget for procurement import is reduced by at least 3–4 %.
   1.4. The company provides cost reduction by 1.5 times for the organization of activities with the Department of FEA.

2. The company implemented 100 projects regarding the modernization of Ukrainian engineering enterprises which provided significant social benefits. Thus, the growth of productivity of business partners (in separate operations up to 3–3.5 times) gave the potential to increase the social standards for the staff (in average 40 % additionally for wages in 2014–2016; expansion of social package).

3. Determination of income differences before and after events (2016 compared to the year 2014: net profit increased from 18.5 thousands to 33.4 thousands UAH).

Grankina, N. G. The indexes of implementation effectiveness of the socially-oriented marketing instruments by the company // Ekonomika. — 2014. — № 1.
4. The cost of providing information to one customer decreased by 4.3 times, cost of involvement of 1 client — 2.5 times.
5. Income on 1 client in relation to the cost of involvement and activity increased by 23 %.
6. Loyalty index of consumer attitudes (number of customers minus the number of loyal customers during the year and divided by the number of loyal consumer after the activity). Consumers mostly prefer products of the described company and loyalty index at the end of 2016 stands at 82 % from the possible maximum.
7. Index of involvement of new partners — relationship of the involved partners and those who are no longer involved (in the beginning of 2017 stands at 70 %).
8. The index of the presence of common social programs (projects) with partners to the total number of joint programs with partners (the level of execution in 2016 — 94.7 %).
9. The cost of the brand and its image (part of the image of the market value of the company for the past 3 years increased by 2.2 times and at the beginning of 2017 stands at 47 %).

Questions for discussion:
(a) In 2016 the company spent 92 thousands UAH on corporate training for staff of its Ukrainian partners — customers of innovative high-tech equipment of leading foreign companies, which lead to increased market shares and increased profitability by 21 %. Formulate through which marketing factors you can increase the return on sales and compare with the ongoing social activity in personnel training with the main consumers.
1) marketing activities;
2) advertising campaigns;
3) trade credit with deferred payment;
4) provision of technical equipment service, discount prices.
The use of social marketing activities provided: solution of social problems of the consumers and reduction of working capital cash gaps; improvement of product quality and management to European standards; increase goodwill of the company on domestic and international markets; activation of innovation through the participation of personnel consumers in developing advanced technological solutions; increase of confidence towards the company, establishing long-term relationships with partners.
(b) Sponsorship of the Federation «Judo Ukraine.» What are the implications / consequences of providing the sponsorship?
The increase in purchases of the company on the domestic and foreign markets, increase of the number of foreign partner companies,
recognition, improvement of brand image and value, increasing customer loyalty, overcoming industry barriers in the international market.

(c) Explain the correct choice made by the company when it decided on the instruments of social marketing.

The goal succeeded to be attained due to the arranged work of all the staff. The team of «Stark Industry» produced unique conception of collaboration with clients, based on social position. Positive results of commercial production and managerial activities of the enterprise favor the correctly chosen strategy.

CORPORATE TRENDS OF HR-REFORMS

Iryna Zhygley∗

DTEK is the largest energetic company in Ukraine. The company is owned by «System Capital Management» (SCM) Holdings. It is the largest private vertically integrated energy holding in Ukraine (DTEK n.d.) with 140 000 employees. The main DTEK’s business directions are coal production and preparation, electric power generation and electricity sales and supply.

Sector «Coal production and preparation» is represented by six largest companies in the industry: DTEK Pavlogradugol (10 mines), DTEK Dobropolyeugol (5 mines), DTEK Rovenkianthracite (6 mines), DTEK Sverdlovanthracite (5 mines), DTEK Mine Komomolets Donbassa (1 mine) and ALC Mine Bilozerska (1 mine). In addition, the coal preparation of DTEK consists of 12 preparation plants. Products of this sector are thermal and coking coal. The main consumers are the companies of generated DTEK sector.

Sector «Electric power generation» is provided by DTEK Shideenergo, DTEK Dniproenergo, Kyivenergo and DTEK Zahidenergo. This sectors product is electricity. All of the produced electricity is supplied to the wholesale electricity market of Ukraine.

Sector «Electricity sales and supply» is represented by DTEK Dniprooblenergo (DTEK owns 51,5 % shares), DTEK Donetskobleenergo (DTEK owns 71,34 % shares), DTEK Krymenergo (DTEK owns 57,49 % shares) and Kyivenergo (DTEK owns 72,39 % shares), DTEK Power Grid LLC and DTEK Energougol. The companies pur-

∗ Zhygley Iryna — professor at accounting and audit chair, Zhytomyr state technology university
chase electricity on the wholesale electricity market of Ukraine and supply it to end consumers: metal, coal, machine-building enterprises of Donbass and to the population.

DTEK exports electricity to 4 countries and coal products — to 31 world countries¹. Table 1 represents DTEK’s long-term strategy for 2030 year.

In 2007 DTEK joined the UN Global Compact. The company’s products have a clear social significance and the day–to–day lives of millions of people depend on their quality. That is why DTEK devotes serious attention to CSR precisely because of this, on the basis that its success depends on medium–to long–term solutions for sustainable development and the knowledge of how to implement them.

Table 1

<table>
<thead>
<tr>
<th>№</th>
<th>Development direction</th>
<th>Strategic development plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy</td>
<td>The main product of the Company is electricity. The energy business of DTEK will be based on the conventional power and heat generation with own fuel supply. The Company will strive to diversify its portfolio of generation, including renewable energy sources and hydro generation.</td>
</tr>
<tr>
<td>2</td>
<td>Society</td>
<td>DTEK will strive to become «the face» of the Ukrainian business sector. The Company will be supporting holistic social and economic development of Ukraine and regions of its presence. DTEK will promote the highest standards in the labor safety and environment protection.</td>
</tr>
<tr>
<td>3</td>
<td>People</td>
<td>People are the key driving force for DTEK’s progress and the source of our competitive advantage. DTEK will continue to actively invest in the development of its personnel and encourage advancement of the innovation culture.</td>
</tr>
<tr>
<td>4</td>
<td>Efficiency</td>
<td>The core of DTEK’s efficiency will be the efficiency of operations, efficiency of investments and efficiency of management.</td>
</tr>
<tr>
<td>5</td>
<td>Ukraine «PLUS»</td>
<td>Ukraine will remain the key market for DTEK whereas the list of priority regions for future growth will include Central and Eastern Europe and the CIS. The entering will be made through trading operations, and M&amp;A may follow.</td>
</tr>
<tr>
<td>6</td>
<td>Consumers</td>
<td>Electric power retail and auxiliary services to all categories of consumers will become an important part of DTEK’s business. The Company will actively develop its retail brand, DTEK.</td>
</tr>
</tbody>
</table>

DTEK’s socially responsible approach to business is based on the following principles: 1) meeting the needs of consumers of our products in a professional manner; 2) scrupulous observance of the law; 3) ensuring workplace safety and investing in human potential; 4) care for the environment; 5) effective investments in production aimed at increasing DTEK’s competitiveness in the interests of the Company and society; 6) taking into account the expectations and opinions of all stakeholders, a systematic approach to building trust-based and mutually beneficial relationships with them on an ethical basis; 7) investment in local communities, particularly by creating mutually beneficial social partnerships in the regions where DTEK operates; 8) openness and transparency, development of social reporting.

The principles of CSR are relevant for all of DTEK’s business processes. The Company applies them at all levels of management, both at the strategic planning stages and in everyday work. As regards risk management, the unconditional observance of basic principles serves as an effective instrument for preventing negative situations and minimizing consequences. CSR is an indispensible element of the corporate system for business planning, including forecasting spending on social projects, as well as optimizing and evaluating the rationale for such expenditures.

When working systematically in these areas, DTEK strives to work in accordance with international CSR standards, while remaining a domestic employer and social investor, aiding the social and economic development of the regions where it operates, and not replacing the functions of the 1.

Market presence practices results. DTEK is on the top–5 of the best employers of the country among industrial companies according to the version of the edition «Capital». The research comprised 500 companies and 150 of them were included into rating.

Interviews data that include the financial indexes and the information from HR–departments served as the base for designing top rating. Every company’s application form was compiled together taking into account the specific coefficients. The results were adjusted for the experts’ and students’ assessments.

The winners were awarded during the master class «HR–refor-mers. The Ukrainian best companies experience». Top HR experts shared the secret of their own success and defined the main tendencies of the industry under present–day conditions.

DTEK is on the top of employers’ rating «Capital 500» past two years. It is a high quality reward not only for HR–team, but also for the rest of DTEK’s team that consists of 140 000 employees. Getting such a reward proves that the company’s projects concerning management staff are meeting today’s needs. The achieved results are beneficial not only for DTEK, but also for the industry and country as a whole1.

Past years the coefficient of employees’ turnover has increased and the quantity of employees has decreased.

Highly qualified personnel form the basis for DTEK’s social development. The efficient management of human resources and a continuous increase in employees’ professional skills, motivation, health and safety are priority issues for the Company2.

According to DTEK’s management staff policy 2010, DTEK implies single approach concerning staff management, provides sufficient level of rewards and encouragement and identifies, develops and supports every employee (Table 2).

Table 2

THE MAIN COMPONENTS
OF DTEK PERSONNEL MANAGEMENT POLICY3

<table>
<thead>
<tr>
<th>The main components of management staff policy</th>
<th>The main aims and principles of DTEK’s human resources policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main aims</td>
<td>Recruit, motivate and retain talented and proactive employees</td>
</tr>
<tr>
<td></td>
<td>Constantly update knowledge and practices for fulfilling the Company’s current and future business goals</td>
</tr>
<tr>
<td></td>
<td>Develop management potential and ensure the highly professional and stable management of DTEK</td>
</tr>
<tr>
<td></td>
<td>Create good working conditions and protect the health of all workers</td>
</tr>
</tbody>
</table>

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Continuation of the table 2

<table>
<thead>
<tr>
<th>The main components of management staff policy</th>
<th>The main aims and principles of DTEK’s human resources policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The main principles</strong></td>
<td>Observe existing labor legislation and human rights</td>
</tr>
<tr>
<td></td>
<td>Provide competitive remuneration for employees, taking into account their professionalism, the complexity of work performed and level of responsibility</td>
</tr>
<tr>
<td></td>
<td>Invest in education and training for employees to help them to reach their potential and make a valuable contribution to the Company’s business successes</td>
</tr>
<tr>
<td><strong>Requirements for employees</strong></td>
<td>Professionalism</td>
</tr>
<tr>
<td></td>
<td>Acceptance of company’s corporate culture</td>
</tr>
<tr>
<td></td>
<td>Maximal coincidence of the necessary competence and goals</td>
</tr>
<tr>
<td><strong>The guarantees for reaching the aims</strong></td>
<td>Considering the candidates according to the requirements of all vacancies</td>
</tr>
<tr>
<td></td>
<td>Giving the preference to internal candidates who are familiar with development programs while opening vacancies. The group provides information about vacancies through available channels</td>
</tr>
<tr>
<td></td>
<td>The search of external candidates for all vacancies of corporate center and first and second level of management is performing centralized by the corporate center. Attracting of external parties is performing through the verification according to regulatory documents of the group</td>
</tr>
<tr>
<td></td>
<td>The rules of search and selection of top management are defined by the group</td>
</tr>
<tr>
<td></td>
<td>The group provides equal opportunities for candidates taking into account the requirements of the position. Any form of discrimination is forbidden</td>
</tr>
<tr>
<td></td>
<td>The group controls the absence of conflict of interests (family relations, business interests) and other factors that limit the effective performance of functions by candidates</td>
</tr>
<tr>
<td></td>
<td>The group performs the check of candidate’s compliance with duties and tasks</td>
</tr>
<tr>
<td></td>
<td>During the hiring candidates are provided with familiarization with corporate values of the group</td>
</tr>
<tr>
<td></td>
<td>Acceptance of candidates takes place under the system of authority. The size of remuneration determined by existed salaries and grades in the company</td>
</tr>
<tr>
<td></td>
<td>The group creates conditions for the fastest adaptation of new employees</td>
</tr>
</tbody>
</table>
DTEK invests heavily in the development and training of its employees. The Company has a corporate university, the DTEK Academy. Each year around 1,500 employees can undergo training on special programs. The Academy’s training embraces all levels of the corporate center employees and engineers of production entities. Training centers have an adapted training system for workers, and the lower managers can attend the «Production management» program.

By 2013 the Company aim was to fill at least 80% of vacancies for middle and senior management positions internally. To do this, DTEK has a program to create a pool of talented employees for future promotion. Employees from the corporate center and from company enterprises who demonstrate strong results at their annual appraisals and are successfully selected by the Development Centre are invited to participate. In addition, the Company has developed the «Top 50» program for filling high–level management posts.

DTEK places great significance on providing both material and non–material incentives to motivate employees and encourage them to greater productivity. In 2010 a new employee payment system developed by the international company Hay Group was introduced at DTEK’s production enterprises. Its key principles are fairness, motivation, competitiveness and flexibility.

To implement the goals set for DTEK in personnel management, the wellbeing of employees plays an important role. As the Company’s business involves difficult working conditions (primarily in coal production), DTEK enables its employees to rest and recuperate in exclusive Company facilities.

DTEK places great significance on providing tangible incentives for employees, increasing personal motivation and stimulating greater efficiency. This allows the Company to both ensure decent working conditions and attract the most qualified people on the market.

DTEK is committed to the principle of maximum transparency and objectivity in issues regarding salary. It is working actively to introduce a remuneration system using Hay Group methodology at its coal production, power generation and coal preparation enterprises. It focuses on describing, evaluating and piling positions according to grades as well as linking the salary policy with the labor market. As a result, salaries consist of basic pay, a monthly bonus linked to the results of the enterprise and employee, and any additional payments guaranteed by law. Such a system allows for clarity regarding salaries.

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and provides employees with a precise understanding of the link between the pay and work productivity. Alongside salary, material compensation includes combined measures for social protection and benefits, which are an important factor for the comfort of our employees.

Dynamics of average monthly wages at all DTEK enterprises during 2008–2013 years shows that growth was positive, namely 2008 — 3369.4 UAH; 2009. — 3767.9 UAH; 2010. — 4637.71 UAH; 2011. 5223.28 UAH (Report 2012); 2012. — 5382.2 UAH; 2013. — 6026.2 UAH. For example, as of 05.01.2013 the average salary at DTEK ZaTES was 6133 UAH and it is competitive in the field of thermal generation. While the average salary, which the State Statistics Committee, by region in 2013, namely in the Zaporozhye region in the month of May of 3122 UAH. Average monthly nominal salary of one full–time employee, the company is engaged in the mining of coal is the highest paid in the regional economy in the first half of last year amounted to 5351. In the period from 2009 to 2013 the number of qualified employees was as follows, namely: 2009 — 7071 people; 2010 — 7121 people; 2011 — 8885 people; 2012 — 27000 people; 2013 — 32 267 people.

The number of ordinary workers: 2009 — 29,070 people; 2010 — 29 251 people; 2011 — 37 735 people; 2012 — 85 280 people; 2013 — 94 548 people. In the age category of workers split into groups less than 30 years, 30–50 years and over 50 years. In the first group in 2009 was 9509 people; 2010 — 9998 people; 2011 — 14052 people; 2012 — 31 524 people; 2013 — 30 556 people. In the second group in 2009 was 21,280 people; 2010 — 20 794 people; 2011 — 25 772 people; 2012 — 58 405 people; 2013 — 69 184 people. In the third

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5 In Luhanskaya region the average salary of a coalminer amounts to 5351 hryvna. [Electronic recourse]. – Retrieved from: http://www.citynews.net.ua/polit/print/page,1,27764-v-luganskoy-oblasti-srednyaya-zarplata-shahtera-sostavlyaet-5351-griven.html
Questions for discussion:

(a) Define the ratio between the salary of a particular DTEK’s employee and minimum salary in the country. What does it tell us?

Dynamics of average monthly wages at all DTEK enterprises during 2008–2013 years shows that growth was positive, namely 2008 — 3369.4 UAH; 2009. — 3767.9 UAH; 2010. — 4637.71 UAH; 2011. 5223.28 UAH (Report 20112); 2012. — 5382.2 UAH; 2013. — 6026.2 UAH.¹ For example, as of 05.01.2013 the average salary at DTEK ZaTES was 6133 UAH and it is competitive in the field of thermal generation². While the average salary, which the State Statistics Committee, by region in 2013, namely in the Zaporozhye region in the month of May of 3122 UAH³. Average monthly nominal salary of one full–time employee, the company is engaged in the mining of coal is the highest paid in the regional economy in the first half of last year amounted to 5351 UAH⁴.

The salary of a full–time employee amounts to 5351 UAH, which is 4,7 times more than the level of the minimum official wage for an employable person as of year 2013. The minimum official wage in 2014, starting from 01.01.2014 was 1218 UAH for an employable person. The minimum official wage in 2014 was ratified by the Law of Ukraine «On National budget of Ukraine for the year 2014» as of 16.01.2014 № 719-VII. According to the Law № 1165-VII from 27.03.2014 for the year 2014 the increase of the minimum official wage is not foreseen. The data on the minimum wage level does not give the precise numbers about the minimum official wage received by the beginner level employee, because during the calculations they


² Nowadays at all DTEK enterprises a new progressive remuneration of labor systems to be introduced. [Electronic recourse // Official webpage — Retrieved from: https://dtek.com/investors_and_partners/corporate_governance/]


⁴ In Luhanskaya region the average salary of a coalminer amounts to 5351 hryvna. [Electronic recourse]. —Retrieved from: http://www.citynews.net.ua/polit/print:page,1,27764-v-luhanskoj-oblasti-sredniy-zarplata-shahtera-sostavlyaet-5351-griven.html
use not only the workers’ wages but also the wages of all administrative workers and the top management ones. But it can be stated that even if the minimum wage level in 2014 will be risen, and also its following insufficient growth alongside with indexation will be provided, the wages level at the DTEK enterprises by all means will be higher taking into consideration the danger and the hard conditions of work.

(b) Consider DTEK’s HR–department policy. What economic consequences can it bring?

According to the 2010 employee welfare policy of the DTEK group a unified approach in this sphere is being applied at all enterprises of the group. DTEK provides sufficient level of rewards and bonuses for the employees and defines, promotes and develops the potential of every employee within the group.

To implement the employee welfare policy the following actions are being done by the Group:

- creates culture which is based on the mission and values of the DTEK, maintaining a high level of satisfaction, information awareness and involvement of the DTEK employees;
- holds a diversified search and recruitment process of the personnel according to the professional requirements and necessary competences;
- provides fair and transparent reward system, maintains a competitive and worthy wages level;
- accomplishes non-biased and fair employee activity evaluation, takes decisions on rewarding and development on the basis of the evaluation results;
- organizes and holds activities which help the employees in their professional growth;
- creates organizational structures which assist in the fastest decision making process and effective achievement of the results with the lowest losses;
- abides the labor legislation of Ukraine and the countries in which the enterprises of the group operate.

The employee welfare policy of such a big company as DTEK makes a huge impact not only on the local population but also on the whole employment level of the region. The presence of the above-mentioned policy has got a positive influence on the economically active population as it stimulates them, gives them a vision and a particular criteria of the candidates, and it all, as a result, eliminates all discrimination during the employment process. Also this policy deals with the questions of the social responsibility of the company; activi-
ties that deal with the professional growth of the employees are being held.

Education of the specialists and managers of the company is being held at the DTEK Academy — a company’s corporate university. Academy serves as a consolidated centre for managing knowledge at all enterprises of the company. The Company has developed and implemented the «Top 50» program for filling high–level management posts. For every participant of the program an individual plan of professional growth is prepared and a DTEK high-manager mentor is appointed.

The economic results of such programs are company’s provision of the qualified people on the market who have sufficient knowledge and opportunities for their personal growth and for the implementation of the company’s strategy. This policy guarantees the promotion and the boost in the management quality and in forming the staff reserve.

(c) Define the relationship of quantitative indexes of management staff and workers in DTEK.

According to the personnel data the quantity of employees has increased by one third for the past four years. The amount of workers has drastically exceeded the amount of managers, specialists and white-collars at the enterprise.

For the past year in the percentage ratio the amount of workers was 81 % of the total employee amount; this ratio remained as it is for the period of four years from 2008 till 2011.

This kind of ratio is adequate for such a big company as DTEK, the amount and the structure of the managerial branch has got a significant value. This kind of ratio is explained by the industrial and manufacturing orientation of the enterprise.

Analyzing the decision-making management body structure we can say that the biggest amount of workers is of the age from 30 to 50, and the smallest — less than 30 years. It means that when they choose a manager at the DTEK Company they take into consideration the experience of the candidate. Thus, the presence of the 30-year-old managers is a positive tendency, because the younger generation can find new ways of solving problems of the Company and new development strategies. As for the gender structure, we can see that men prevail and it is due to the specific activity of the enterprise. The employee welfare policy of the company prohibits any kind of employment discrimination.

(d) Give a characteristic of the employees’ structure by categories and analyze this information.

Having analyzed the age structure of the company it was defined that the biggest amount of workers is of the age from 30 to 50 years
old. This kind of tendency is there for the past four years. Workers of the age less than 30 years old exceed the amount of workers who are over 50, which means that the policy is aimed at the younger generation of specialists. Also the surplus of the young generation at the company is higher than any other category. The amount of men at the enterprise is one third more than women. Such procedure as education of the personnel is a vital part of the DTEK employee welfare policy.

The amount of facts of education and the advanced training of the employees is rising rapidly. According to the data the enterprise is in favor of the internal education of both higher and lower branches of the personnel.

(e) Does the company have the policy or practices of giving preferences while hiring the local population?

The DTEK Company has developed its own culture which is based on the mission and values of DTEK. On a regular basis they search for candidates with high professional level and necessary competences. It is also worth mentioning that the DTEK employee welfare policy stipulates the support not only for its own employees. The Local Development Agency saves the CV’s of the potential competent employees and takes into consideration those employees who work for other enterprises.

The personnel search and the recruitment process. Goals:
When the vacant positions are being filled, the Group hires an employee who:
• meets the requirements of professionalism;
• shares the corporate values of the company;
• is competent to his fullest in solving the tasks of the company.

To meet the goals the Group guarantees:
• estimation of the candidates according to the adopted requirements to all positions, functions and occupations;
• giving the priority to the inner candidates while filling the application forms. First of all they take into consideration those candidates that accomplished the development programs. The Group provides an in-time information with the help of active channels about open vacancies;
• the Corporate Centre is responsible for the search of the external candidates for all vacancies of a corporate centre and of managers of the 1st and 2nd company management
• the Group defines the rules for the recruitment of the top management;
• the Group does not allow any type of discrimination;
• the Group controls the absence of the conflict of interests (relatives, business interest) and other factors that will limit the efficient fulfillment of duties;
• the Group checks its candidates on compliance with their job descriptions and tasks;
• candidates get acquainted with the corporate values;
• the reward amount is applied according to the salary rates and grades;
• the Group creates a friendly and comfortable environment for the quickest adaptation of the new employees.

CSR-PRACTICES OF THE NATIONAL ASSOCIATION OF LAWYERS OF UKRAINIAN

Tetyana Shkoda*  
Iryna Vasylyk**

National Bar Association of Ukraine (UNBA) was founded 17.11.2012 on the basis of the Law of Ukraine «On Advocacy and Legal Practice.» It is the only official all-Ukrainian non-governmental non-commercial non-profit professional organization that brings together all of advocates of Ukraine to ensure the objectives of the advocates self-government, established on the basis of professional identity and self-governance¹.

The main objectives of UNBA are the following²:
— presentation of Advocacy of Ukraine in relations with public authorities, local governments, their officials and employees, enterprises, institutions and organizations regardless of ownership, public associations and the international institutions, delegation of representatives to the state authorities;
— protection of professional rights of advocates and ensuring guarantees of advocates activity;


* Shkoda Tetyana — PhD in Economics, Associate Professor Department of Personnel Management and Labour, Kyiv National Economics University named after Vadym Hetman
** Vasylyk Iryna — PhD in History, Associate Professor, Head of Centre for Research on the Bar and Law, Ukrainian National Bar Association
— access and openness of information about advocates of Ukraine;
— advanced training of advocates.

Number of UNBA members as of December 2015 was 33,151 individuals.

UNBA implements the following directions of CSR:

Provision of material support to advocates-UNBA members and their families who find themselves in difficult circumstances by means of separately created Charitable Foundation of Assistance to Advocates;

Scientific, methodical and educational activities in the field of advocacy and rights by efforts of the Academic and Methodological Centre for Research on the Bar and Law of the Ukrainian National Bar Association;

Professional activity of Committee on advocates’ professional conduct, Committee on protection of advocates’ professional rights and guarantees, Committee on coordination of legal assistance to participants of anti-terrorist operation, their families and internally displaced persons, Committee on protection of human rights etc.

CSR charitable practice of UNBA is the activity of the separately created Charitable Foundation of Assistance to Advocates. The All-Ukrainian Charitable Organization «Charitable Foundation of Assistance to Advocates» (it was created according to the Bar Council of Ukraine (BCU) decision on 28 February 2014) with the purpose of providing material support to advocates — UNBA members and their families who find themselves in difficult circumstances — illness, death of loved ones and relatives, burial of advocates who do not have families or whose families belong to vulnerable groups, damage or destruction of housing due to force majeure. It also promotes the development of advocacy and increasing the prestige of the advocates’ profession.

The idea has a serious basis, because due to the nature of our tax laws Ukrainian National Bar Association, as a not for profit organization has no right to distribute (allocate) funds available to it among its members, including providing financial assistance to advocates (Website of UNBA 2017).

Assistance to advocates by Charitable Foundation in 2015 is presented in the table 1.

CSR practice of interaction with society in UNBA is the activity of the Academic and Methodological Centre for Research on the Bar and Law of the Ukrainian National Bar Association (Centre), which was created on 06.04.20131.

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<table>
<thead>
<tr>
<th>№</th>
<th>Reason of providing assistance</th>
<th>Amount of assistance, UAH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Providing charity assistance due to the difficult financial situation, funds given for the treatment of a young daughter, who received severe bodily injuries caused by an accident.</td>
<td>4000,00</td>
</tr>
<tr>
<td>2</td>
<td>Providing charity assistance for medical treatment due to health status because of I group of disability.</td>
<td>1218,00</td>
</tr>
<tr>
<td>3</td>
<td>Providing charitable financial assistance for the burial of a member of Ukrainian National Bar Association, an advocate with years of experience — Chairman of the disciplinary chamber of Qualifications and Disciplinary Commission of Chernihiv region.</td>
<td>3000,00</td>
</tr>
<tr>
<td>4</td>
<td>Providing charitable financial assistance due to the difficult financial situation because of II group of disability, due to serious illness.</td>
<td>2000,00</td>
</tr>
<tr>
<td>5</td>
<td>Providing charitable financial assistance to veterans of the Great Patriotic War of 1941-1945 due to the action to Victory Day.</td>
<td>14 advocates by 1000,00</td>
</tr>
<tr>
<td>6</td>
<td>Providing charitable financial assistance due to treatment and rehabilitation after injuries received during a stay in the area of anti-terrorist operation near the city Amvrosiyivka.</td>
<td>5000,00</td>
</tr>
<tr>
<td>7</td>
<td>Providing charitable financial assistance due to the partial destruction of his house during the fighting in the area of anti-terrorist action in the city Lysychansk.</td>
<td>27000,00</td>
</tr>
<tr>
<td>8</td>
<td>Providing charitable financial assistance due to serious illness and staying on long-term treatment in the Republican Scientific and Practical Center of Oncology and Medical Radiology named after N. N. Aleksandrov (The Republic of Belarus)</td>
<td>40000,00</td>
</tr>
<tr>
<td>9</td>
<td>Providing charitable financial assistance to advocates, members of Ukrainian National Bar Association, who have immediate needs of material nature due to the action of Advocacy Day.</td>
<td>17 advocates by 1000,00</td>
</tr>
</tbody>
</table>

Centre implements the National Program «Perpetuation of the memory of Advocates of Ukraine» (the BCU decision № 193 as of 13.09.2016), designed to perpetuate the memory of Ukrainian advocates in the architecture of cities, the work of educational institutions, research institutions, bodies of the advocates self-governance, etc., and the popularization the results of the program for all segments of society.

Information about the National Program on the main directions of the Centre work is presented in Figure 1.

For example, among the successfully implemented awareness-building projects of the Centre under the National Program in 2016 it is necessary to admit the cooperation with Ukrainian national radio — radio cycle «Advocacy in the history of Ukraine», 5 radio-programs aired: 1) — «Advocates in Ukrainian revolution of 1917–1921», August 2016; 2) «Ukrainian advocacy of Polish-Lithuanian period (XV–XVII centuries).», September 2016; 3) the National Program «Perpetuation of the memory of Advocates of Ukraine» and researches on Ukrainian advocacy history of the Centre for Research on the Bar and Law of UNBA, October 2016; 4) «The advocate’s role in the church’s legal proceedings and canon law.», November 2016; 5) «Advocacy of the Hetmanate era (XVII–XVIII century)», December 2016.

Fig. 1. Implementation of the National Program «Perpetuation of the memory of Advocates of Ukraine» by the Centre for Research on the Bar and Law of UNBA, 2016

For example, among the successfully implemented awareness-building projects of the Centre under the National Program in 2016 it is necessary to admit the cooperation with Ukrainian national radio — radio cycle «Advocacy in the history of Ukraine», 5 radio-programs aired: 1) — «Advocates in Ukrainian revolution of 1917–1921», August 2016; 2) «Ukrainian advocacy of Polish-Lithuanian period (XV–XVII centuries)», September 2016; 3) the National Program «Perpetuation of the memory of Advocates of Ukraine» and researches on Ukrainian advocacy history of the Centre for Research on the Bar and Law of UNBA, October 2016; 4) «The advocate’s role in the church’s legal proceedings and canon law.», November 2016; 5) «Advocacy of the Hetmanate era (XVII–XVIII century)», December 2016.

The scientific work of the Centre is priority-oriented and the most large-scale, aimed at the study of «white spots» on the history of the advocates’ profession. It is realized in conducting advanced scientific researches, approbation and discussion of results among the scientific community, publication of scientific production in the form of scientific articles, books, collections of scientific papers etc.

In its turn the methodical work of the Centre includes all the latest scientific developments, their systematization and implementation in the educational process of secondary, vocational and higher educational establishments.

Questions for discussion:
(a) What kind of CSR practices is considered in this Case?
CSR practices considered in this Case belong to the charitable and society interaction practices. More information is disclosed in the answers to the following questions.
(b) What objectives of sustainable development does the analysed case cover?

The concept of «sustainable development» is a normative basis for the future development of society in general. According to the researches of L. P. Petrashko1, sustainable development, which includes economic, environmental and social sustainability, is one of the key components of the transformation model of the corporate responsibility of the global company.

In general, the concept of «sustainable development» includes 17 goals2. In particular, the analysed case covers the following goals of sustainable development:
• Goal 1. No poverty. UNBA improves the social protection of advocates — the association members through the mechanism of Charitable Foundation of Assistance to Advocates.
• Goal 4. Quality education. UNBA supports the realization of this goal through the cooperation with educational institutions of different levels within the framework of the National Program.
• Goal 11. Sustainable cities and communities. UNBA contributes to the implementation of this goal by activating efforts to protect and preserve the Ukrainian historical and cultural heritage within the framework of the National Program.

Goal 16. Peace, justice and strong institutions. UNBA provides access for the association members as well as for the whole community to the results in all areas of CSR. In particular, the Committee of human rights protection gathers violations in the criminal proceedings, organizes the provision of pro bono legal aid for victims.

(c) What type of public organizations does UNBA belong to?

According to the classification of NGOs proposed by V. O. Dementov, UNBA belongs to the professional nongovernmental organizations (associations of lawyers, doctors, social workers, etc.). That is, such public organizations are created by their statutes and work in the interests of a certain circle of people united by professional interests. In the case of UNBA the statutory objectives of its activity are real, not declarative. The organization is distinguished by professional orientation of its members, targeted activity focused on protecting its interests and a clear focus on specific professional decision making.

(a) What ethical problem in creating Charitable Foundation of Assistance to Advocates at UNBA can be determined on the basis of the Case material? How can it be solved?

The ethical problem for UNBA in the case of creating Charitable Foundation of Assistance to Advocates was that the association is a non-profit organization which under the law has no right to distribute the contributions among its members, including providing financial assistance to advocates. Therefore, the decision of the BCU № 6 as of 28 February 2014 made it possible to create a separate nationwide charitable organization and solve the important socially responsible task of assisting advocates—UNBA members and their families who find themselves in difficult circumstances, within the legal framework of Ukraine.

(b) What is the feature of the National Program referred in the Case? What additional measures to deal with it can you propose?

Adoption of the National Program «Perpetuation of the memory of Advocates of Ukraine» (the BCU decision № 193 as of 13.09.2016) (National Program 2016, pp. 1–10) has such a feature — a social and historical value of this program far exceeds its economic expediency, and has a nationwide character. The National Program is implemented by efforts of the Centre for Research on the Bar and Law of UNBA without the monetary support from the state, however, in close cooperation with local authorities.

The possible directions of improvement of the National Program may be an extension of its activity to the artistic sector, particularly on research and promotion of creativity of advocates-artists, advocates-writers, etc.

(c) What direction of the implementation of social investments by NGOs is realized by UNBA in this Case?

The main directions of implementation of social investments by community sector are¹: 1) provision of social services and social protection of population, especially socially vulnerable groups; 2) realization of social programs related to a wide range of tasks; 3) solving the most pressing problems of social and communal infrastructure, etc.

As UNBA is a non-profit professional organization, it is a representative of the public sector, which implements a number of social programs, namely: educational services (advanced training of advocates), activity in the revival of national history, science and culture (implementation of National Program). UNBA also with the help of Charitable Foundation provides social services to advocates-members of the association and solves issues of coordination of legal aid to participants of the anti-terrorist operation, members of their families and displaced people by the efforts of the appropriate Committee.

THINKING BROADLY.
ACTING GLOBALLY. HELPING PEOPLE

Olha Stepanenko*
Iryna Naumenko**

BrainBasketFoundation — non-profit non-governmental organization with a professional and reputable management that supports educational initiatives improving educational eco-system in Ukraine and aiming to prepare 100,000 new IT professionals by 2020².

Ukraine has always been associated as the world’s breadbasket, but now, besides having a strong agricultural sector, Ukraine has a chance to become a «brainbasket», exporting results of intellectual activity of our IT professionals.

———
² Stepanenko Olha — Sc.D., Professor of the Department of information systems in economy, Kyiv National Economic University named after Vadym Hetman
³ Naumenko Iryna — Ph.D., Associate Professor of the Department of information systems in economy, Kyiv National Economic University named after Vadym Hetman
That’s why in April 2014 initiative group of leading Ukrainian IT companies with the participation of the Ministry of Economy of Ukraine and Kyiv City Administration has decided to create BrainBasket Foundation that will be responsible for facilitating training of IT specialists and boosting educational eco-system.

Features of brainbasket foundation:
- an independent organization;
- public and fully transparent;
- a team of experienced professionals with full employment;
- lack of bureaucracy, rapid and effective decision-making;
- clear performance criteria for potential sponsors;
- maintaining standards of corporate social responsibility.

Tasks of brainbasket foundation:
- revise the curricula of universities and align them with the needs of the IT-industry;
- launch commercial educational programs on the basis of existing universities;
- make available distance learning programs from leading universities (Coursera, KhanAcademy);
- introduce scholarships, grants and loans for education to the best school graduates and students;
- to raise funds from Ukrainian and foreign institutions and sponsors for financing educational programs;
- expand vocational guidance programs for school leavers;
- run an advertising campaign that promotes the IT-professions.

BrainBasket Foundation is a nonprofit organization that runs owing to donations from companies, organizations, donors, ordinary people and by the time that volunteers provide. All funds are allocated among projects and operating expenses of the Fund, and our organization always looks for ways of optimizing costs by involving volunteers. The most valuable resource of any NGO is its volunteer «army». The more volunteers we can bring to our movement, the more projects, tasks and achievements we can get. And support that we need is really diverse — from teaching to design, from organizational help to mentorship and so on.

Projects of brainbasket foundation.

1. Technology Nation — is a pan-Ukrainian educational project that allows anyone to study computer programming for free.  

Ukraine has huge potential of becoming a world leader in information technology. Today IT is one of few industries that continue to

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1Technology Nation — is a pan-Ukrainian project that allows anyone to study computer programming for free. [Electronic resource] // Official webpage BrainBasketFoundation — Access mode: https://brainbasket.org/ru/homepage/
grow and develop despite turbulent times. No wonder that more and more Ukrainians want to switch to IT industry.

To provide an opportunity of making a first step in IT BrainBasket Foundation launches pan-Ukrainian program Technology Nation — a free course on computer programming delivered by world’s best technical universities. The course would allow anyone to learn fundamentals of most popular programming languages and get basis for further studying and employment.

Course would be held in blended learning format that combines online lectures with offline classes under mentors’ supervision on the premises of 100 libraries across Ukraine. Participating in the program doesn’t require any prior technical experience anyone can apply. The only criteria for enrolling is computer literacy and English language proficiency (upper-intermediate or higher).

1. **Hour of Code** — is the global initiative that engages dozens millions of students in more than 180 countries annually.

   Hour of Code is free international initiative to popularize IT among scholars by holding one interactive informatics lesson. During the initiative lifetime 140 million scholars have taken part in it!

2. **Coding for Future** for refugees and ATO participants.

   Project aims to help people that suffered from the military conflict in the east of Ukraine to adapt to new circumstances and to socialize quicker. Many of them have lost their jobs, some were injured and aren’t able any more to fulfill former duties. Within the framework of Coding for Future participants will study programming languages free of charge what will enable their employment in the leading IT-companies or freelance occupation.

   First wave (pilot) of project started in November 2014. Since that time foundation collected several thousands of applications from those who wish to switch to another profession, 70 participants were selected for the software testing studies. By the completion of the courses the most successful graduates were recommended for employment to companies-partners of the foundation, successfully passed interviews and received job offers at such companies as Astound Commerce, ClickMeln, Somyx, Branto, Visonic.

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1 Hour of Code — is the global initiative that engages dozens millions of students in more than 180 countries annually. [Electronic recourse] // Official webpage BrainBasketFoundation — Access mode: https://brainbasket.org/ru/hour-of-code-3/

2 Coding for Future — is a free social IT educational project for refugees and ATO participants in the east of Ukraine. [Electronic recourse] // Official webpage BrainBasketFoundation — Access mode: https://brainbasket.org/ru/coding-for-future-4/
On October, 7th 2015 the collection of applications for the second wave of the project started. Within the framework of the second wave participants from Kyiv, Kharkiv, Dnipro (Odesa is also on the list) will study the most popular programming languages.

3. BrainBasket Talks is a series of regular meetings with leading representatives of IT industry on the most relevant topics (trends, education, success stories, etc.).

Despite the turbulent period in Ukraine IT sector continues to grow and shows very good dynamics compared to many other industries. And if we talk about global trends — no one doubts that IT is inevitable of our future. So, no wonder that more and more people look toward to getting IT-profession, but they have a lot of questions: what kind of IT specialty to choose where to study, what are the peculiarities of IT market.

Therefore BrainBasket initiates a series of free meetings with renowned IT-personalities, who will share their experience and thoughts on the perspectives, trends and future of IT industry.

4. School Boost is a project that stands for improvement of the quality of teaching of the informatics and promotion of IT professions in schools.

Quantity of training hours, level of teaching and material support do not allow schools to teach and motivate students in information technology properly. That’s why BrainBasket Foundation identifies schools that need help the most and connects partners and funders, who can provide schools with used computers and gathers IT specialists who are willing to take part in teaching and organizes workshops for children as volunteers. Fund guarantees, that school will use the equipment for its intended purpose.

Development prospects. Ukrainian IT sphere is growing due to the large demand for Ukrainian engineers from the US and European side. In the future it will grow even more.

Ukraine wins due to the fact that we have a large number of trained engineers, who partially became programmers. Ukraine today is one of the IT outsourcing leaders in Europe.

In order to further consolidate us as a leader in IT development, we clearly need to increase the number of young professionals coming into the industry. This can nowadays be done quite simply. The second thing that can be made by the state — is simply not to touch the IT sector. Today it is developing mainly because the state did not play a role in it. Of course, the government can encourage by giving, such

1 School Boost — is a pan-Ukrainian free project for the informatics teaching quality improvement and promotion of the IT professions in schools. [Electronic recourse] // Official webpage BrainBasketFoundation — Retrieved from:https://brainbasket.org/ru/school-boost-2/
as tax benefits, giving more requests from universities training IT-specialists. Thus the most important thing for the state is not to play a destructive role in this industry.

For the IT-industry corporate social responsibility is important to ensure the functioning eco-system. Eco-system — is not just one law, one man, one infrastructure. This is a combination of different elements of the system, which together help to create a stronger industry and more quickly develop it. Clusters — is the formation of various companies, due to which there is a lot of synergy that allows industry a stronger increase. Techno-parks as physical objects for which a special law exists, of course, could also help Ukraine. But more important is to develop all elements of the eco-system for IT-sector.

Moreover, the IT market is a market with the lowest barrier of entry. Anyone, who has a basic knowledge of English, who has a great internal motivation, who has the desire to make a career and to develop can be a programmer. This seems to be a lot, but in fact it is not so. Today a high school student who has studied for few years and later got a technical speciality and did some further learning may become an IT person. This can also be done by means of additional courses or online self-education. People who are 40 years and over, who got another speciality by gaining additional qualifications can do this. This is possible even in Ukraine today.

That’s why IT will develop in the nearest future by leaps and bounds.

Questions for discussion:
(a) What recommendations would you give to the company for joining the Global initiatives in IT sphere?
(b) Name charity and volunteer projects in the IT sphere implemented in Ukraine known to you.

**ROUTES 2020 — DIRECTIONS FOR SUSTAINABLE DEVELOPMENT**

*Olha Yatsenko*°
*Oleksandr Iatsenko*”

Every day during the 140 years, Royal Friesland Campina provides millions of consumers all over the world with dairy products contain-
ing valuable nutrients. FrieslandCampina\(^1\) is one of the five largest
global dairy company formed by the merger of Royal Friesland Foods
and Campina in 2008, with annual revenue of 11.4 billion euro.

The Company’s central office is based in Amersfoort (Netherlands) FrieslandCampina’s activities are divided into four market
segments: consumer products, products for specialized producers\(^2\),
ingredients, semi-finished goods\(^3\).

Offices located in 32 countries \(^4\). FrieslandCampina has more than
22,000 employees. FrieslandCampina’s products find their way to more
than 100 countries. FrieslandCampina’s activities are divided into five
market-oriented business groups (Figure 1): Consumer Products Eu-

The Company is fully owned by Zuivelcoöperatie FrieslandCam-
ipna U.A., with 19000 member dairy farmers in the Netherlands, Ger-
many and Belgium, it is one of the world’s largest dairy cooperatives.

FrieslandCampina dairy products are exported worldwide \(^6\). Fries-
landCampina produces and sells consumer products. E.g. dairy-based be-
verages, infant nutrition, cheese and desserts in many European countries,
in Asia and in Africa via its own subsidiaries. In addition, products are
supplied to professional customers, including cream and butter products to
bakeries and catering companies in West Europe. FrieslandCampina sells
ingredients and half-finished products to manufacturers of infant nutrition,
the food industry and the pharmaceutical sector around the world.

Brandnames \(^7\): In Greece the company is known through the
NOYNOY brand. In Indonesia the company is known through the Fri-
sian Flag brand. In Malaysia the company is known through the Dutch
Lady brand. In Nigeria the company is known through the PEAK
MILK brand. Other brands include Yazoo milkshakes. Brands with
health benefit claims: Campina Optimel (Netherlands); Campina
Optiwell (Germany); Campina Vifit (Germany and Netherlands);

\(^{1}\) Our products find their way to more than 100 countries [Electronic resource] — Access
mode: https://www.frieslandcampina.com/en/organization/who-we-are/

en/organization/who-we-are/


\(^{4}\) FrieslandCampina organizational structure [Electronic resource] — Access mode:

\(^{5}\) Organogram [Electronic resource] — Access mode: https://www.frieslandcampina.com/
en/organogram/

\(^{6}\) Cooperative and farmers [Electronic resource] — Access mode: https://www.friesland-
campina.com/en/organization/cooperative/

Campina Fruttis (Russia); Campina Betagen (Thailand) — joint venture with Thai Advanced Food.

FrieslandCampina’s CSR policy is based on the ISO 26000:2010 «Guidance on social responsibility». Apart from ISO 26000, all FrieslandCampina production locations have environment and health and safety management systems in place, which comply with the ISO 14001 and OHSAS 18001 requirements. Additionally, FrieslandCampina has developed its own internal standard for this, being the Foqus SHE management system. This standardised risk analysis gives an overview of the environmental and health and safety risks at all locations and all locations annually report on this. The environmental and health and safety management system is guaranteed by means of internal and external audits. The Governance Board of the environment and CSR implementation teams are responsible for the development, coordination and ultimate responsibility for the FrieslandCampina CSR policy.1

FrieslandCampina has published in 2016 updated its strategy «route 2020» 2,3, with the aim of faster and more rapid response to dynamic global changes 4 in the world and dairy farming 5. With this update of the route2020 strategy FrieslandCampina formulated its purpose statement — «Nourishing by nature»: 1) better nutrition for the world, 2) a good income for our farmers (members of the dairy cooperative), 3) providing a comfortable environment of human existence now and for generations to come (table 1). For example, better products FrieslandCampina has paid ample attention to reducing the content of added sugar and salt in products over the past five years. The reduction of the sugar content goes beyond the brands, as it varies from infant products to indulgent desserts. The sugar content of all products will sooner or later be lowered to some extent. Actually, FrieslandCampina reduced the sugar contents of many of its products by seven to 44 percent in the past six years. Reduction of the salt content in cheese is an important point of attention as well. Cheese is a natural product the salt content of which can easily vary. Still, the cheese makers of FrieslandCampina have managed to achieve a salt reduction of 10 percent in Gouda 48+ cheese and Gouda foil cheese

with respect to 2010. One set of nutritional criteria was developed for all product groups of FrieslandCampina in 2015. In 2016, a new monitoring system will be set up in order to be able to determine which products need adjustment so as to make them meet these criteria.

Table 1

| COMMON KEY FIGURES OF CORPORATE SOCIAL RESPONSIBILITY IN FRIESLANDCAMPINA, 2015 |
|----------------------------------|-----------------|-----------------|
| **Indicator**                    | **Unit**        | **Year 2015**   |
| Net revenue                      | in millions of euro | 11265          |
| Profit                           | in millions of euro | 343            |
| Employees                        | average number of FTEs | 22049          |
| Number of lost time accidents    | per 200000 hours worked | 0.24           |
| Value creation                   | in euro per 100 kg milk | 3.53           |
| Milk price for member dairy farmers | in euro per 100 kg milk | 34.64          |
| Member dairy farms               | Number at end of year | 13542          |
| Emission of CO₂ equivalents at production locations | –6.7 %         |
| Accidents requiring sick leave   | –27.3 %         |
| Value creation for member dairy farmers | +20.5 %       |
| Compass for good business conduct |                      |
| Sugar content in Dutch products (compared to 2010) | –7 to –44 %    |
| Salt level in Goudse 48+ cheese and foil cheese (compared to 2010) | –10 %          |
| Green electricity in percentage of total | +22 %         |
| Integral quality system guarantee throughout the chain |                      |
| Meadow grazing member dairy farms | 77.9 %          |
| Healthy lifestyle education campaign for a healthy youth in Southeast Asia |                      |

Source: calculated based\(^1\)

\(^1\) FrieslandCampina-Corporate-Social-Responsibility-2016.pdf
FrieslandCampina again participated in a long-term study (Pro-Muscle) aimed at enhancing the vitality of older people in the Netherlands in 2015. In cooperation with universities, health insurance companies and health care institutions, FrieslandCampina is contributing to maintaining and improving the physical condition of older people. High-protein nutrition (dairy products such as soft curd cheese) and sufficient physical activity help older people to develop more muscle mass. They become stronger and remain more mobile.

Another example of creating added value. The key to corporate social responsibility is the creation of added-value in a sustainable and transparent way for both FrieslandCampina and society. This added-value can stem from new ways of thinking, new products, smarter production processes or cooperation with so-called non-government organizations (NGOs) and other stakeholders. The added-value becomes visible in financial value creation through development of new products or the strengthening of a relationship with customers. Social value can also be created by efforts aimed at improving health or combating undernourishment. FrieslandCampina’s CSR policy revolves around this shared value so that not only FrieslandCampina’s continuity is safeguarded, but also the health of people, animals, the environment and the future of dairy farming.

Sustainability is an important precondition for continuity. (table 2). Therefore the policy with respect to corporate social responsibility and sustainability has been fully integrated into the updated route2020 strategy.

Table 2

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>Year 2015</th>
<th>Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate-neutral growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>in GJ /ton end product</td>
<td>2.67</td>
<td>2.68</td>
</tr>
<tr>
<td>Water efficiency</td>
<td>in m³/ton end product</td>
<td>4.59</td>
<td>4.62</td>
</tr>
<tr>
<td>Re-use of waste</td>
<td>in % of total</td>
<td>72</td>
<td>67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td><strong>Greenhouse gas emission</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1: gas, diesel $^2$</td>
<td>kt tonnes CO$_2$ equivalent</td>
<td>757</td>
</tr>
<tr>
<td></td>
<td></td>
<td>793</td>
</tr>
<tr>
<td>Scope 2: electricity, steam $^3$</td>
<td>kt tonnes CO$_2$ equivalent</td>
<td>210</td>
</tr>
<tr>
<td></td>
<td></td>
<td>243</td>
</tr>
<tr>
<td>Scope 3: farm $^4$</td>
<td>kt tonnes CO$_2$ equivalent</td>
<td>12358</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11744</td>
</tr>
<tr>
<td><strong>Net greenhouse gas emission — Climate-neutral scope</strong></td>
<td>kt tonnes CO$_2$ equivalent</td>
<td>13325</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12780</td>
</tr>
<tr>
<td>Scope 3: purchasing of milk, milk powder, whey $^5$</td>
<td>kt tonnes CO$_2$ equivalent</td>
<td>4614</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4248</td>
</tr>
<tr>
<td><strong>Sustainable procurement of basic materials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of sustainable agricultural basic materials</td>
<td>in % of total</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>Green electricity</td>
<td>in % of total</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43</td>
</tr>
<tr>
<td><strong>Outdoor grazing</strong></td>
<td>% member dairy farms applying some form of outdoor grazing</td>
<td>77.9</td>
</tr>
</tbody>
</table>

Notes to table:

1. At the production locations of FrieslandCampina
2. Scope 1 greenhouse gases coming from natural gas and diesel used in milk processing and transport to production locations.
3. Scope 2 greenhouse gases coming from the purchasing of electricity and steam used by the plants in dairy production processes. This is including the reduction through the purchasing of green electricity.
4. Scope 3 greenhouse gases coming from the cows and milk production at the farms of the member dairy farmers in the Netherlands, Germany and Belgium. The calculations are based on the average greenhouse gas emission per kilogram milk as determined by WUR/LEI based on representative sampling.
5. Scope 3 greenhouse gases coming from the purchasing of milk, milk powder and whey.
6. Activities in the Netherlands only.

Source$^{1,2}$

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The pursuit of sustainable production affects competition from FrieslandCampina. We can give examples of concrete measures.

1. **Sustainable production.** FrieslandCampina aims for the year 2020 at reducing the use of water by the company or keeping this equal to the level of 2010.

2. **Animal health and animal welfare.** Through the Foqus planet programme, FrieslandCampina offers its member dairy farmers the instruments to run their businesses in a sustainable way and to produce safe and high-quality milk. Important aspects of this programme are improving animal health and animal welfare as well as lengthening the lives of the cows.

3. **Meadow grazing.** A cow grazing in the meadow as part of the traditional Dutch landscape is highly appreciated by the people. FrieslandCampina encourages member dairy farmers to put their cows and young cattle out into the meadows. The farmers are rewarded for this with a meadow grazing premium of gross 1.00 euro per 100 kilo of milk when their dairy cows graze in the meadows at least 120 days per year for a minimum of six hours a day.

4. **All daily-fresh dairy products** were given a new biobased packaging in the Netherlands late 2016. For biobased plastic biomass is purchased instead of fossil raw materials (oil). This stimulates sustainable production of renewable plastic and reduces the environmental impact of this packaging by 20 percent compared with the former packaging.

5. FrieslandCampina wants to use 100 percent sustainable energy from renewable sources, such as wind, sun and biomass, and generate as much as possible of this at the farms of the member dairy farmers in 2020.

The CSR strategy also complies with the technical requirements of the G4 guidelines of the Global Reporting Initiative (GRI). The route2020 strategy connects the daily activities and values that are important to FrieslandCampina. It gives guidance to the people involved and the operating processes through the entire chain. FrieslandCampina’s integrated CSR policy consists of various elements which together comprise the CSR strategy house. The strategy house centres on four priority areas:

*Better nutrition for the world*. FrieslandCampina wants to make a contribution to food and nutrients security with its high-quality milk and milk products. Additionally, FrieslandCampina wants to help reduce the growing number of obese people, in particular children.

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FrieslandCampina does this by making high demands on the composition of its products, by providing education and information about healthy food and a healthy lifestyle and by making it easier for the consumer to choose for healthy food.

_A good living for our farmers._ FrieslandCampina¹ aims at adding as much as possible value to the milk in order to make a maximum contribution to the income and the continuity of the dairy farms of its members. FrieslandCampina has over 140 years of experience in the world of dairy farming and uses the knowledge gained to further develop dairy farms in specific countries in Asia, Africa and Eastern Europe through, among others, the Dairy Development Programme.

_Now and for generations to come²._ FrieslandCampina has committed itself to climate-neutral growth. This objective covers the greenhouse gases released at the farms of the member dairy farmers, the transport from the farm to the production locations and the processing of dairy. FrieslandCampina is working on several initiatives for an efficient and sustainable production chain. This means sustainable dairy farms, purchasing sustainable (agricultural) basic materials and reducing the use of energy for the production of dairy products.

_Inolved employees._ FrieslandCampina attaches great importance to the involvement of employees in realising nourishing by nature ³. Therefore, the main purpose of strategy 2020 FrieslandCampina is to increase the company’s competitiveness by increasing value-added products, while the absolute realization of all farmers milk.

Implementation of the competitive practices within FrieslandCampina CSR policy. Some of them have a direct impact, and the other indirect ⁴.

_**Responsible competitive practices:**_

_To provide innovation._ Sustainability is an important drive in innovation projects. Saving energy and water in production processes and more effective use of basic materials contribute to achieving the sustainability objectives and increasing the competitiveness of agricultural producers.

_To provide the product quality and food safety._ The quality and food safety of milk and the products have top priority at Friesland-

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Together with the cooperative’s member dairy farmers, FrieslandCampina controls the entire production chain from farm to end product, from grass to glass. Therefore FrieslandCampina has its own integrated quality system, called Foqus, which guarantees the safety and quality of its products in the entire production chain. With Foqus FrieslandCampina guarantees consumers, customers and authorities that the products and production processes meet the high demands in connection with food safety, quality, safety, working conditions, fire safety and the environment. An extensive training programme and audits help the guaranteeing and continuous monitoring of Foqus at the production locations, on the farms of the member dairy farmers and with the suppliers of basic materials.

**Using of responsible marketing.** FrieslandCampina has committed itself to responsible marketing with respect to children. This implies that advertising aimed at children up to 12 years old is only allowed for products that comply with the strict nutritional criteria, thus stimulating the choice for healthier food.

**Compass — Code of conduct.** In 2015, FrieslandCampina updated its code for correct business conduct, Compass. This code of conduct and the corresponding policies provide the basic principles for respectful and transparent business behaviour of FrieslandCampina employees and third parties that FrieslandCampina cooperates with. Compliance with this code of conduct and the policies is supported by training, globally appointed confidential officers, an integrity committee and a 24/7 available reporting platform where employees can express their worries about a suspected violation of the code of conduct or policy on a confidential basis. Besides, the corporate manual provides procedures and guidelines in which responsibilities and authorities have been laid down.

**To provide the dialogue with stakeholders.** FrieslandCampina structurally maintains contacts with major stakeholders: the member dairy farmers, employees, customers, suppliers, governments, financiers, a number of NGOs and society in general for tightening the CSR policy.

**Choose and reward responsible partners: nourishing by nature award.** The program «Foqus planet» of FrieslandCampina stimulates the member dairy farmers to actively contribute to improvement of the environment and reduction of the use of energy, to animal welfare and animal health, to the environment and biodiversity and to grazing the cows.

**Promote dairy Sustainability Framework.** The international dairy sector uses the Dairy Sustainability Framework (DSF) as a model for
making the (increased) sustainability of the dairy sector measurable. As a member of the DSF, FrieslandCampina is involved in projects.

*Provide the transparent nutritional value labelling.* FrieslandCampina adjusted its standard for nutritional values on labels in 2014 in order to stimulate consumers to make healthier choices.

*To establish minimum standards through its own system «Foqus».* The quality monitoring is based on the legal requirements. Apart from this, additional demands are made. The various international standards, such as GMP+, HACCP, ISO 9001, ISO 22000, FSSC22000, OHSAS 18000 and ISO 14000 have been integrated into Foqus. In this way, both the buyers of FrieslandCampina and the consumers can be sure that the products are safe and of a high quality and that they have been produced in a responsible way. The Foqus requirements are reviewed every year and adjusted if necessary, making sure that the system is always in line with the latest knowledge and insights.

*Guidelines for suppliers.* FrieslandCampina makes strict demands on suppliers of basic materials, such as fruit concentrates, fruit, sugar, coagulant and many other ingredients used in the products of FrieslandCampina. FrieslandCampina believes that a good and open relationship with its suppliers is essential for obtaining a good overview of the safety risks and how these are monitored in the chain.

*To involvement of employees and member dairy farmers.* Employees and member dairy farmers of FrieslandCampina cooperate in implementing the CSR policy. They all play major parts in integrating the CSR policy into the organization.

**Questions for discussion:**

(a) are the main goals of FrieslandCampina’s «Route 2020» strategy? (Key indicators and tasks of Corporate Social Responsibility). Does the FrieslandCampina strategy respond to the main technical requirements of the G4 «Global Reporting Initiatives» (GRI) principles?

With this update of the route2020 strategy FrieslandCampina formulated its goals: 1) better nutrition for the world, 2) a good income for our farmers (members of the dairy cooperative), 3) providing a comfortable environment of human existence now and for generations to come.

Key indicators and objectives of corporate social responsibility of the company are listed in Table 1.

The CSR strategy also complies with the technical requirements of the G4 guidelines of the Global Reporting Initiative (GRI). The main directions of the strategy are:

1. Better nutrition for the world.
2. A good income for our farmers (members of the dairy cooperative).
3. Providing a comfortable environment of human existence now and for generations to come.
4. Employee Engagement.
   (b) Express your point of view. Are interconnected policies of corporate social responsibility and sustainable development. How does the desire to sustainable production impact on competition of agricultural enterprises? Give examples of specific measures.

Sustainability is an important precondition for continuity. Therefore the policy with respect to corporate social responsibility and sustainability has been fully integrated into the updated route2020 strategy. (table 2)

Examples:
1. Sustainable production
   FrieslandCampina aims for the year 2020 at reducing the use of water by the company or keeping this equal to the level of 2010.
2. Animal health and animal welfare
   Through the Foqus planet programme, FrieslandCampina offers its member dairy farmers the instruments to run their businesses in a sustainable way and to produce safe and high-quality milk. Important aspects of this programme are improving animal health and animal welfare as well as lengthening the lives of the cows.
3. Meadow grazing. A cow grazing in the meadow as part of the traditional Dutch landscape is highly appreciated by the people. FrieslandCampina encourages member dairy farmers to put their cows and young cattle out into the meadows. The farmers are rewarded for this with a meadow grazing premium of gross 1.00 euro per 100 kilo of milk when their dairy cows graze in the meadows at least 120 days per year for a minimum of six hours a day.
4. All daily-fresh dairy products were given a new biobased packaging in the Netherlands late 2016. For biobased plastic biomass is purchased instead of fossil raw materials (oil). This stimulates sustainable production of renewable plastic and reduces the environmental impact of this packaging by 20 percent compared with the former packaging.
5. FrieslandCampina wants to use 100 percent sustainable energy from renewable sources, such as wind, sun and biomass, and generate as much as possible of this at the farms of the member dairy farmers in 2020.
6. FrieslandCampina pays a lot of attention to biodiversity. Dairy farmers who actively commit themselves to the preservation of nature and landscape have been financially.
(c) Which FrieslandCampina Competitive Responsibilities do you consider to be the best? Justify your answer.

The implementation of FrieslandCampina’s competitive practices is within the CSR policy framework. Some of them have a direct impact, while others are mediated.

Responsible Competition Practices (all):
- To provide innovation.
- To provide the product quality and food safety.
- Using of responsible marketing.
- Compass — Code of conduct.
- To provide the dialogue with stakeholders.
- Choose and reward responsible partners (nourishing by nature award).
- Promote dairy Sustainability Framework.
- Provide the transparent nutritional value labelling.
- To establish minimum standards through its own system «Foqus».
- Guidelines for suppliers.
- To involvement of employees and member dairy farmers.

TEENAGERS REQUIRE «ADRENALINE»

Liudmyla Shtanko*  
Anna Minenko**

The Ukrainian Institute of Humanities (UHI) is a non-state higher education institution of the III level of accreditation in the city of Bucha. It began its activities in 1999. The educational institution is subordinated to the Ministry of Education and Science of Ukraine in the educational and methodological plan. The financial and economic activity of the Institute is carried out independently under the leadership of the founders. The mission of the educational institution is to prepare students for a conscious active service to God and society through the realization of their personal and professional qualities, formed and acquired through academic, scientific and educational programs based on the Christian philosophy of education1 [2].

* Shtanko Liudmyla — PhD, Rector of the Ukrainian Humanities Institute  
** Minenko Anna — Ukrainian Humanities Institute

In 2014, the UGI team was awarded with an honorary certificate of the Association of Ukrainian Educational Institutions of Private Form of Ownership for the qualitative professional training and upbringing of student youth, built on high spiritual and moral principles. Also, the team was awarded the diploma of the Ministry of Education and Science of Ukraine for the purposeful work and adoption of the pedagogy of tolerance in the educational process.

The organizational structure of the educational institution is presented schematically in Figure 1.

UHI is an educational institution based on Christian moral and ethical values. Charity or social work is conducted in two directions:
1. External activities
2. Actual upbringing of the students

The main initiator of projects is usually a student council, which falls under the jurisdiction of the socio-educational department. In the annual budget of the educational institution, a certain amount (not permanent) is set for this type of activity.

Ukrainian Humanitarian Institute cooperates with the following organizations:
• «ADRA» — the Worldwide Adventist Relief and Development Agency
• Red Cross Society
• Public organization of disabled people «Response»

In addition, in the field of philanthropy and social work, there is a close interaction between the institute and the city government, and in particular the Ministry of Education and Science.
Table 1

<table>
<thead>
<tr>
<th>Program name</th>
<th>Definition</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>«School of autonomy»</td>
<td>Volunteer work with disabled children. «School of Autonomy» — a project of out-of-school and club work with disabled children and their parents, created by the «Response» organization in order to provide training and development for children with disabilities, physical, psychological, social rehabilitation, meaningful leisure.</td>
<td>In general, there is no need to invest, except for organizing some holidays for children. Sources of funding (giving gifts / sweets) in this case is the student church and «ADRA».</td>
</tr>
<tr>
<td>Preventive and educational program for schoolchildren «Adrenalin»²</td>
<td>Training Promoting a healthy lifestyle.</td>
<td>Funded by the Institute. The estimate depends on the topic and number of the audience.</td>
</tr>
<tr>
<td>Cognitive-entertaining game for children «Country of Health»³</td>
<td>The basis of this game is 8 principles of Healthy Lifestyle — water, sun, air, food, exercise, leisure, spirituality. The purpose of the event is to prevent the harmful habits in the population, to promote Healthy Lifestyle, to conduct leisure activities for parents with children.</td>
<td>Financed by customers.</td>
</tr>
<tr>
<td>Language camp</td>
<td>10-day camp for children learning English and German</td>
<td>Funded by sponsors and the institution, partly by parents. Organizers and employees are volunteers.</td>
</tr>
</tbody>
</table>

The most popular is the program «Adrenaline». It is held annually since 2003. Observing the work of students in the program «Adrenaline», the Buchansk City Council in 2013 invited UHI to conduct an annual international «16 Days Against Violence» celebration in the schools. Students have been doing it for two consecutive years.

³ Shevchenko S. Description of the program «Adrenaline»: electronic document. From personal archive.
In 2014, students with the program «Adrenalin» won a grant in the competition of the charitable «Foundation of the Preirpin community». The program «Adrenalin» is a synthesis of several projects («Generation NEXT selects...», project «The reverse side of life», project «Joint activity», etc.). Purpose of the program: prevention of harmful habits; raising the moral culture of youth, promoting healthy lifestyles, in a cognitive and interesting way show young people the destructive impact of external stimulants in the form of alcohol, drugs, etc. on human health, relations with people and the realization of person as an individual in society; show how to get «adrenaline» and have a good time without resorting to external stimulants¹.

The program is conducted in the form of an interactive talk show.
The project consists of 4 main themes, each of which is designed for 1 meeting. Number of participants in the program: from 20 to 100 people. Designed for students in grades 9-11.

The first meeting: «Pleasant troubles» — the first topic we are considering is premarital sex. Worth It or Not? From what age can you? How many partners can you have before marriage? What problems can you meet? How to avoid...²

The second meeting: «In the mirror image» (theme: «Alcohol») — the audience is presented with very exciting and interesting videos showing the effects of alcohol, a discussion is under way that aims to bring young people to understand the detrimental effect on the life of the stimulant. How Does Alcohol Affect Human Health? Is it easy to get rid of alcohol addiction? — These and similar issues are raised on this day.

The third meeting: «Smoke Bomb» — one of the most common problems of society — smoking. In a humorous form, this theme is presented in order to look at yourself and laugh at yourself, which also makes you think. Questions that are raised in the discussion: why do people start smoking? Is it safe to do anything under the pressure of your company? Smoking — a habit or addiction?

The fourth meeting: «The Road to Nowhere» — the theme of the disastrous and destructive impact of drugs on the life of a young person. What do drugs do with our body, our intelligence? Is it possible to have fun with drugs? What is the life expectancy of a drug addict?³.

¹ Shevchenko S. Description of the program «Adrenaline»: electronic document. From personal archive

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The peculiarity of the program is that it is conducted exclusively by students, and therefore, students who feel such equality speak openly to «unpopular» topics.

Responsible for the organization of the program is the Minister of Social Affairs of the Student Council, and at the level of the city department of education and science — the vice-rector for the social-educational work of the educational institution.

Approximately 150 students take part in the training every year. There is a close relationship between the departments of education and UHE. The Department of Education invites the Adrenalin Group to the schools where it considers it is appropriate to conduct a training.

«The organization of social work is interesting, but not simple. The biggest problem that we face is funding. When events are conducted on the initiative of a student church or ADRA, it is easier, there is a sponsor, and students do the necessary work. When the organizer of the project is the institution itself, the situation is somewhat more complicated, because there are no large amounts of funds in the social-educational department. Of course, students do not stop working with what they have. But everyone understands that with more money — more opportunities, better quality «— says Nazariy Prodnyuk, member of the student council. The results of the work of the UHI in the field of social projects for 2014–2015 years are presented in Table 2.

Table 2
RESULTS OF THE WORK OF UHI
IN THE FIELD OF SOCIAL PROJECTS FOR 2014–2015

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Program budget, UAH</th>
<th>Number of volunteers participating in the program</th>
<th>Number of events</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>«School of autonomy»</td>
<td>2500</td>
<td>35</td>
<td>2 weekly events; 3 festive events</td>
<td>60</td>
</tr>
<tr>
<td>Preventive and educational program for schoolchildren «Adrenalin»</td>
<td>6450</td>
<td>16</td>
<td>7</td>
<td>150</td>
</tr>
<tr>
<td>Cognitive-entertaining game for children «Country of Health»</td>
<td>32500</td>
<td>70</td>
<td>5</td>
<td>971</td>
</tr>
<tr>
<td>«School of autonomy»</td>
<td>240000</td>
<td>36</td>
<td>1</td>
<td>120</td>
</tr>
</tbody>
</table>

The business model of the «Desna» boarding house is an example of the social entrepreneurship. It is entrepreneurship with the following factors: the focus on solving or mitigating social problems at the expense of profit from their own activities; the presence of measurable visible results; and the availability of projects and resources that can have a long-term impact on society.¹

The managers formulate the mission of the boarding house as follows: «We show a better and healthier lifestyle. We pay attention not only to the medical procedures, but also teach our clients to prevent illnesses by natural means».² Anyone who is interested can take a recovery course in the boarding house.

The course of treatment is affordable even for people with low income. The resort receives small financial assistance from the sponsors. But the main source of funding is the owner’s personal funds. The Boroduk family (the owner of the «Desna» boarding house) also deals with the cultivation of agricultural crops. Part of money was invested in the construction of «Desna», which lasted six years. Profit from the sale of agricultural products helps to develop «Desna» today. The owners explain their sacrifice by the fact that they are religious people and want to serve people. Besides investing money in the development of the boarding house the owners occupy the positions there. Thus, Denis holds the post of director, his wife Tamara is an instructor and mother Valentina is responsible for cooking. Denis’s younger brother — David, inspired by this business, is getting ready to enter Medical University.

The number of permanent employees is 16. Among them there is a doctor who assigns procedures and takes care of the patients’ state of

¹ Kobysk A.Yu. The gum that heals the body and soul. — The newspaper «New horizons.» — Korop, 2015, p. 13–15
health; instructors who carry out procedures, paying particular attention to the strengthening of the spiritual component of health; and staff. All employees reside on the same territory in separate homes or dormitories. They are obliged to adhere to the principles of healthy lifestyle which the boarding house promotes.

The boarding house is located on the banks of the Desna River, which prevents the harmful effects of urban noise and gas pollution. The infrastructure of the institution includes the main building with procedural rooms on the ground floor and the lecture hall and the rooms of the rest on the first floor, a kitchen-dining room, a swimming pool, a sauna, a hostel and a house for employees, and household facilities. Building is still in progress: garden is being planted and the landscape is being decorated.

Boarding house «Desna» is the only institution of this type for the whole Northern region of Ukraine with the treatment program NEW START * [Table 1].

<table>
<thead>
<tr>
<th>Name</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>The diet should consist of products of vegetable origin. All dishes are cooked with a minimum amount of oil and salt.</td>
</tr>
<tr>
<td>Exercise</td>
<td>Insufficient physical activity can cause cardiovascular disease, diabetes, osteoporosis, cancer and depression.</td>
</tr>
<tr>
<td>Water</td>
<td>Regular daily use of pure water (about 2 litres) is a guarantee of healthy life and longevity.</td>
</tr>
<tr>
<td>Sunlight</td>
<td>The ultraviolet rays of the sun contribute to the production of vitamin D in our body, killing fungi and bacteria that parasitize our skin.</td>
</tr>
<tr>
<td>Temperance</td>
<td>Harmful habits prevent a person from developing both mentally and physically. Each of these habits causes a heavily curable addiction.</td>
</tr>
<tr>
<td>Air</td>
<td>In the long neglected rest in the fresh air, the inevitable human body loses its ability to work. The brain is extremely sensitive to the lack of oxygen, which leads to the development of increased fatigue and the appearance of headache.</td>
</tr>
<tr>
<td>Recreation</td>
<td>A person who decided to have a rest, can do much more work in a short time more qualitatively, effectively and safely.</td>
</tr>
<tr>
<td>Trust in God</td>
<td>Trust in God, even in the worst times, will help a person to maintain a spiritual balance.</td>
</tr>
</tbody>
</table>
The NEW START* program comes from the Weimar Institute for Healthy Living, USA. It is characterized by simple and safe means of treatment, that with proper and skilful use can have a healing effect on the human body. The course lasts 10 days. Finally, the patient stays satisfied with the treatment1.

The doctor prescribes treatment individually to each patient depending on the testimony. That includes the following: contrasting trays for the extremities, wet wraps, circular showers, visits to the bath and swimming pool, use of herbal teas, massages, therapeutic exercises, etc. In addition to the course of the above procedures patients attend lectures on the prevention of the most common diseases of the century and the culinary class on the preparation of healthy food. According to statistics 90% of patients experienced a significant improvement in their well-being, which was confirmed by the results of medical examinations. Often, patients report normalization of blood pressure and blood sugar levels.

Not only Ukrainians come to the boarding house, but also foreign guests. «Many holidaymakers come from Belarus because Chernihiv has a convenient rail link with Minsk,» said Denis, «they all leave a lot of warm reviews.» One of them was shared by Alla Lakomskaya: «There is a very unusual atmosphere here. You feel loved and worried about. I am glad that there are such people who serve others so devotedly»2.

In spite of the unstable financial and political situation in Ukraine the boarding house continues to evolve. At this stage «Desna» expands its qualification to a kind of methodical centre. In the nearest future a project, called the Medical Missionary School, will be held on the basis of «Desna», one of the tasks of which is the training of skilled employees for such establishments.

The activities of the boarding house «Desna» improve the lives of neighbouring villages. For example, new asphalt road is used both by vacationers and locals to get to their work in agricultural complexes of the farm. The promotion of a healthy way of life through local channels of mass communication and improvement of the village serve as a kind of advertisement for the whole Korop district.

The practice of social entrepreneurship requires a large amount of resources. Instead, the owners of this business are satisfied with moral needs, a sense of belonging to non-indifferent people. In our case, mo-

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2 Kobysk A.Yu. The gum that heals the body and soul. — The newspaper «New horizons.» — Korop, 2015, p. 5
ivation is the result of the spirituality and religiousness of the founders’ family. The results of the boarding house’s activities in the social sphere and in the development of the infrastructure of the nearest settlements are presented in the Table 2, 3.

Table 2


<table>
<thead>
<tr>
<th>Indicators</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals of tourists, units</td>
<td>25</td>
</tr>
<tr>
<td>Number of vacationers, persons</td>
<td>550</td>
</tr>
<tr>
<td>Created new jobs, units</td>
<td>22</td>
</tr>
</tbody>
</table>

Table 3


<table>
<thead>
<tr>
<th>Measures</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building of the paved road from the village of Radichov to the village Ivankiv</td>
<td>Improved communication between villages, as well as between villages and boarding house</td>
</tr>
<tr>
<td>Conducted a gas pipeline to the boarding house «Desna»</td>
<td>The possibility of joining for new users is open</td>
</tr>
<tr>
<td>Lighting in the village Radichiv</td>
<td>Central street of the village has illumination</td>
</tr>
<tr>
<td>The forests are cleared of debris</td>
<td>Environmental conditions and aesthetic appearance are improved</td>
</tr>
</tbody>
</table>

The official date of birth of the company «Zeeland» is 1900. In 1950 the company received the title «Royal». The company «Zeeland» is a producer of high-quality raw materials for the bakery and confectionery industry. The mission of the company is to create honest business that will not harm partners and clients and produce qualitative and non-harmful products.

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2 Ibid.
«Zeeland» operates in more than 70 countries of the world. The headquarters of the company are located in the city of Zerikesse, the Netherlands. In Ukraine, the subsidiary company ZEELANDIA was founded in 2003, it is a manufacturer of a wide range of raw materials and ingredients for the bakery and confectionery industry. The main purpose of establishing its own subsidiary in Ukraine is a direct cooperation with the producers, the possibility of providing operational technological support, studying the possibility of establishing local production. Products from Zeeland are in high demand among baking and confectionery industrial enterprises, medium and low-capacity enterprises, catering establishments, supermarket chains.

Currently, Brovarsky branch of the company employs over 100 people of all ages. Approximately 50 are volunteers.

In Ukraine charity and business seldom sound together. But despite military actions and an unstable economy «Zeeland» continues to help people who need it. Charity in «Zeeland» is a big project that is distributed to various areas of assistance between affiliates in many countries around the world. It was the help to children that became the work of the Ukrainian branch of «Zeeland». «Perspective 21/3» is the first and the main project.

The objectives of the «Perspective 21/3» project:
• In the 21st century children with special needs can feel comfortable in three spheres of life: education, work, and residence;
• Psychologically prepare managers of companies and companies to act as employers for people with special needs.
• Society should tolerate people with special needs, should be open to cooperation.

The Perspective 21/3 project is designed to help children with Down syndrome and children who need mental health correction. Within the framework of this project various measures were implemented in cooperation with the Kyiv Centre for Early Development, aimed at improving children’s lives. One of the most important directions is the organization of three classes, in which children with Down syndrome and other developmental difficulties can study. In 2013 the Yoshio Band’s Dutch orchestra was invited to Ukraine to attract attention to people with special needs and to emphasize that they can also develop and have the potential.

The project «Children for children. Growing together» is a special project, because the main role in its realization was assigned to children-schoolchildren of the city of Brovary, not adults. Children themselves identified who needed help, studied the problems and needs of

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1 Zeelandia [Electronic resource] // Official site — Access mode: zeelandia.ua

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children with disabilities who lived and studied alongside them. The main Dutch office has provided funds for 10 years of this project, but namely the schoolchildren of the city of Brovary doubled this amount, through holding fairs, auctions, flash mobs, charity performances. Also, a volunteer team was created from schoolchildren.

Brovarsky Fund «Source of Mercy» provides assistance in three projects from employees of «Zeeland». Every year they prepare Christmas presents for children with disabilities and organize special visits for the rehabilitation of children. Also, the project «Specialists for children» continues with the financial support of the company «Zelandia». Within the framework of the project two speech therapists help in the development of children. Thanks to this project many children learned to speak and read. And the third project «Summer Camp» allows children rest in nature.

There is a number of small projects that Zeeland embodies. Project «Our Sabbaths». For the third year in a row the company’s employees, together with their families are actively assisting the «Brovarsky Rehabilitation Center for Disabled Children» to organize the surrounding area, playground and buildings.

There is also a small project «Children’s Hospital in Brovary», the main purpose of which is the arrangement of chambers in a children’s hospital.

The company «Zealand» has set the goal to conduct charitable activities, thus shaping the trend for the Ukrainian business.

**Questions for discussion:**

(a) How does a local farmer keep friendly relationship with the community? What other social responsibility measures could you offer in this situation?

The main results of the implementation of the social responsibility policy of the business is the creation of the infrastructure used by the local community — road, gas pipeline, lighting. In the future it is necessary to consider the issue of access of local residents to the recreational infrastructure. This could ensure increased stakeholder loyalty.

(b) Compare two examples of charitable practices of social responsibility. What project is conceptually more promising and why?

The benefit of «Zeeland» social responsibility projects is to be engaged in the preparation and implementation of community projects, especially for children. Thus, the company creates stronger ties with local residents, providing community loyalty, shaping the position of responsibly conscious citizens, rather than passive consumers of charitable assistance.
FILLING WITH POSITIVENESS
ON THE WAY OF LIFE!

Iryna Kulaha∗
Olena Tkachenko**

«Organization should behave ethically. Organization’s behave should ground on such values as honesty, justice and integrity. This values mean caring of people, animals and environment in mind as well as duty to react on the impact its actions and decisions cause to the stakeholders interests »1.

PJSC «Galnaftogas» — is a leading Ukrainian company which runs the chain of OKKO filling complexes2. Its structural divisions and branches deal with marketing of consumer and related goods in cafes and shops at the filling stations, big and small oil wholesale, provide services on fuel expertise, storage and transportation of petroleum products.

There were 395 filling complexes in all Ukrainian region working under OKKO brand in 2013, company’s market share at national market accounted to 15% with the headcount of 9 810 people. Till 2016 it was planned to extend the market share for 1-2% as well as increase the amount of filling complexes to 550.

«OKKO» chain’s concept is building multifunctional complexes not only for filling the car but buying necessary goods, having meal and receiving technical maintenance of the car.

Since the creation of «Galnaftogas» shareholders as well as management of the company have common vision of the enterprise activity: «Galnaftogas» is a progressive, modern, open and transparent company oriented on the best European and world standards in its activity.

∗ Kulaha Iryna — PhD, Associate Professor of the Department of Political Economy, Kyiv National Economic University named after Vadym Hetman

** Tkachenko Olena — PhD, Associate Professor of the Department of Political Economy, Kyiv National Economic University named after Vadym Hetman


Since 2008 «Galnaftogas» regularly publishes its financial reports and since 2012 this reports are conducted with the GRI methodology and requirements1.

In 2013 «Galnaftogas» was included in Top-10 Ukrainian inspiring businesses. Considerable attention is paid to customers’, society and employees’ communication systems, as the company has actively developed this direction with understanding that it will provide the ability to react on the market challenges and customer needs quickly.

Such communication is mutually useful as it provides the stakeholders with an opportunity to become the participant of company’s work flow more frequently. They gain the opportunity to initiate the changes and innovations, estimate the level of service, be our partners in social projects and this, as a result, forms a feeling between the company and the world of being one unit.

«Corporate social responsibility is an inherent part of global development strategy of our company. We try to base our activity in CSR on our experience and principles as well as taking into account leading trends in the global market and social initiatives. CSR in our understanding is a cooperation of all stakeholders with the aim of improvement the society we live and work in.»

PJSC «Galnaftogas» President Vitalii Antonov

Thesedays the company’s level made the CSR-activity an inherent part of its business processes. This means, that constructing and building the filling station, conducting the procurements, planning the budget the impact on social environment of every decision taken is accounted. Big business all over the world accepts this approach for a very long time already. A positive fact is that more and more Ukrainian companies realize the need to go beyond the borders of their own professional field and to promote the fundamental changes in the world.

He mission in the company is defined like: «Our mission is to fill you with positive on your life way! We, as a company, work for conducting our activity qualitatively and inspiring so that our customers, society, partners and employees could receive the positive charge in any situations and perceive us as a reliable partner, whom they could always cooperate with»2.

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The company strictly adheres the requirements of regulation, ethical norms of business conduct and its financial and investment obligations. It is laid in the Corporate management code, which was developed and implemented in 2009 (new-2013) and defines the principles of responsible management taking into account the companies activity impact on society and environment.

The business ethics is a complex of legal and ethical provisions and rules that define the relations between the business entities and the stakeholders of the business environment as well as companies relations with its employees and their attitude towards the company.

The company has successfully implemented a range of inner compliance procedures and continues to advance them. The mentioned procedures provide continual monitoring of changes in existing legislation, analyses of business processes and business projects concerning their conformity with regulatory and ethical requirements, continual dialogue with state authorities. Compliance with this principles enabled «Galnaftogas» and its structural division to obtain the status of reliable partner among the international investors and creditors and to gain the respect of a company which runs its business complaining with the ethical principles and rules. With the aim of avoiding the legal and reputational risks, the company has established the obligatory procedure of counterparties check done by the principle «Know your customer», according to which the agreements are signed only with those counterparties, who are in line with certain reputational and legal criteria.

**Responsible procurements**. Taking into account the peculiarity of the sphere, corruption trends of oil market, the issue of openness and transparency in procurement sphere becomes very important for the company.

Since 2009, having completed the reorganization, «Galnaftogas» implements a complex strategy which is directed to open and transparent activity and pass-through control. In the framework of the strategy, the tender department, set up in 2009 on the open, clear and transparent bases, chooses the counter agents for further cooperation. The advantages of setting up the tender department for the company are: costs saving, procurement optimization and decision making objec-
tiveness. Such a working principle nullifies the possibilities for corruption or malversation. Tender based procurement process is an additional transparency for the company in decision making process, openness for cooperation and picking the best goods and services for Ukrainian market.

In 2013 there was an active period of investment and building filling stations, which affected the procurement activity of the company. The procedure of procurement centralization was implemented, according to which settlements with contractors are done in the framework of tender arrangements of the company controlled by tender department. During this year, the tender department has done 532 procurements of goods and services, that has twice exceeded the amount of procurements in 2011. So, judging from significant increase in procurement activity amount, the main task of tender department in 2013 was minimization of paper work and continual search for optimal decisions.

With the aim of rip-off and bribery avoidance and corruption prevention or malversation at all company levels, the own security service and inner audit department works, which regularly conducts financial and economic audit. This system of measures is directed to financial malversation prevention and improving cash flow procedures.

*Responsible communications*. In the corporate governance sphere, the company orientates to best world practices and standards, steadily complies with the legal norms, its constitution, inner regulations and Codex of corporate governance, fully provides the rights and interests of its shareholders and investors.

Being an open and transparent business, «Galnaftogas» pays great attention to communication with all stakeholders inside the company as well as outside it. It is convinced that if the society clearly understands the strategy, philosophy and values of the company then the trust to the company’s brands will increase. That is why continual communication with stakeholders in the framework of already existent communication channels takes place, as well as new are happening (Table 1).

In 2013 the company continued the practices of direct dialogue with their customers and with public. They have been more involved into the strategic and govern processes in the company. One of effective tools of such dialogue is FISHKA loyalty program.

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Table 1

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Communication channels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hot line</td>
</tr>
<tr>
<td>Customers</td>
<td>+</td>
</tr>
<tr>
<td>Employees</td>
<td>+</td>
</tr>
<tr>
<td>Providers</td>
<td>+</td>
</tr>
<tr>
<td>Investors and share holders</td>
<td>+</td>
</tr>
<tr>
<td>Creditors</td>
<td>+</td>
</tr>
<tr>
<td>Expert environment</td>
<td>+</td>
</tr>
<tr>
<td>Public</td>
<td>+</td>
</tr>
<tr>
<td>State agencies</td>
<td>+</td>
</tr>
<tr>
<td>Media (journalists)</td>
<td>+</td>
</tr>
</tbody>
</table>

* IT-ServiceDesk is created for inner

Since 2012 the program participants have been involved to the service assessment at the OKKO filling stations. In 2013 this results replaced the «secret customers», who had checked the operation of filling stations. Their assessments are now one of the criteria when counting the service index that is given to all OKKO filling stations once a month, quarter, year. Index directly influences the amount of salary and bonuses of every filling station. In 2013 the company has continued the practice of e-survey on quality and service level in the chain of OKKO filling stations and has expended in to the chain of A laminute, PastaMia and HotCaféMaxi restaurants.

As about 10000 people work in «Galnaftogas», the majority of them outside the main office — at the filling stations, in the restaurants and cafes, one of the main tasks for communication department in 2013 was to establish effective communication among all of them. With this aim, the inner communication audit for advancing the existent channels and creation of the new one, which could improve the communication, was established.
In 2013 «Galnaftogas» conducted a wide discussion of its non-financial report in expert and business environment as well as inside the company for the first time. With the results of this discussions, where more than 50 expert from different spheres were involved (business, CSR, public organizations and municipal authorities representatives), the main priorities of the company in sustainable development were formed — responsible communications, environmental protection, security and corporate volunteering. Moreover, a lot of suggestions and comments of CSR experts were considered when doing 2013 report.

Labor relations. «Galnaftogas» labor relations policy is built on compliance with all the regulations of current legislation, international standards of human rights and equal opportunities for every employee for promotion. The company strictly comply with gender, religious and racial equality. The company considers their employees to be have appropriate remuneration for the work they do so that they could be socially protected and have safe work conditions. The company invests in their training and professional development.

There is an organizational development and training department functioning in the company where 3 professional trainers with appropriate skills and experience for wide range of courses work — management, organizational programs as well as learning OKKO chain standards and specific processes in feeling stations operation. When trouble situations occur, with the aim of their examination, training programs writing and realization external trainers are involved.

In 2013 the department dealt with 308 enquires from other departments for training courses organization and made those trainings (by themselves or with external trainers involvement) which is almost 4 times more than in 2012. The educational innovation was the training program for Head Quarters and Regional Offices at filling stations employees where 54 people took part in 2013.

This program provided the participants with the opportunity not only to understand the basic business processes and feeling stations functioning more comprehensively but offered the ways of company’s business processes optimization and improvement. The program resulted in service standards change and some other operation processes. Judging from the need of holding the control of the quality of customer services according to the standard system developed (Table 2), the workers receive the mark after the training as well as in the process of further work (Table 3).

1 PJSC «Concern Galnaftogas» non-financial report https://www.okko.ua/uk/sustainability
<table>
<thead>
<tr>
<th>Action</th>
<th>What should be said</th>
<th>What should not be said</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customer greeting</td>
<td>«Hello, could you please make an order?»</td>
<td>«Good evening» «Good night» «Hi»</td>
</tr>
<tr>
<td>2. Receiving the order</td>
<td>«Where your car is situated?» «May I help you with your choice?» «May I advise you?» «What would you like exactly?»</td>
<td>«Listening to you» «Make an order» «How many liters would you like?»</td>
</tr>
<tr>
<td>3. Active fuel sale</td>
<td>«Would you like to have your car fully filled?» «Would you like Pulls 95» «Would you like to try Pulls Diesel?» «It is a good choice» «Would you like to try Pulls Diesel?»</td>
<td>«For how much would you like to have your car filled?» «For 100 hryvna?». Expecting the client to choose the Pulls himself. Stop asking and sale the petrol which the customer said.</td>
</tr>
<tr>
<td>4. Confirming the order and clearing out the payment method</td>
<td>«You ordered 20 liters of 95 Petrol at the 3 filling machine» «Would you like to pay with credit card of cash?»</td>
<td>Not confirming the order</td>
</tr>
<tr>
<td>5.1. Fishka loyalty program: Finding out about the Fishka card possessing</td>
<td>«May I have your Fishka card, please?»</td>
<td>Keeping silence</td>
</tr>
<tr>
<td>5.2. Fishka loyalty program: Offering the customer a card in case of its absence</td>
<td>«Would you like to receive a loyal follower card today?» «With Fishka card, the hryvnas you have spent bring you the benefits»</td>
<td>Not offering a customer</td>
</tr>
<tr>
<td>6.1. Active sales Offering a customer</td>
<td>«Would you like French hot-dog?» «Would you like some pastry?»</td>
<td>«What else?»</td>
</tr>
<tr>
<td>6.2. Active sales Informing the client on current promotion ad n offers, offering non-promotional gods or services</td>
<td>«We have just baked pastry, would you like some?» «Our hot dogs are made with crispy French bread and natural sausage» «We offer sweet bakery with berries filling»</td>
<td></td>
</tr>
</tbody>
</table>
Continuation of the Table 2

<table>
<thead>
<tr>
<th>Action</th>
<th>What should be said</th>
<th>What should not be said</th>
</tr>
</thead>
<tbody>
<tr>
<td>«We offer nutritious bakery with cabbage, meat, poultry, mushroom and cheese filling»&lt;br&gt;«Would you like to buy a window cleanser...?»&lt;br&gt;«We have a special offer...»&lt;br&gt;«У нас проводиться акція...»&lt;br&gt;«We have a special promotion...»</td>
<td>«That’s all?»&lt;br&gt;«Would you like some juice?»&lt;br&gt;«Don’t you want to buy some water?»</td>
<td></td>
</tr>
<tr>
<td>6.3. Active sales</td>
<td>«Would you like to have it packed?»</td>
<td>Not offering</td>
</tr>
<tr>
<td>Offering a customer an OKKO or EXOL plastic bag when buying more than 4 goods and when buy big goods, toys, bottled goods, oils, cleansers or other liquids</td>
<td>«The total of your order is 65 hrn. 20 cop.»</td>
<td>Keeping silence, not informing the client on the total to pay</td>
</tr>
<tr>
<td>7. Informing the customer of the total of the order</td>
<td>«Your 100 hryvna»</td>
<td>Putting the banknote into the cash machine</td>
</tr>
<tr>
<td>8. Receiving money, confirming the banknote value, placing the money at the well observed place (cash desk), scanning the Fishka card, placing the money in to the cash machine.</td>
<td>«Here is your 34 hrn. 80 cop. change»&lt;br&gt;«You have 100 points»</td>
<td>Throw the receipt to the rubbish bin</td>
</tr>
<tr>
<td>9. Giving the change to the customer, inform about the points amount on the Fishka card</td>
<td>«Thank you for using our services! See you later!»&lt;br&gt;«Please pay at the cash desk. Thank you for using our services»</td>
<td>Keeping silence or saying «Good bye» first</td>
</tr>
<tr>
<td>10. Thanking the customer and saying «goodbye»</td>
<td></td>
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</tr>
</tbody>
</table>
### Table 3

**FORM FOR LEARNING CUSTOMER SERVICE STANDARDS AT THE OKKO FILLING STATION CASH DESK ZONE**

<table>
<thead>
<tr>
<th>The results of processing customer service skills according to OKKO standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making an eye contact</td>
</tr>
<tr>
<td>Smiling</td>
</tr>
<tr>
<td>Greeting</td>
</tr>
<tr>
<td>Receiving the order</td>
</tr>
<tr>
<td>Clearing out the filling machine number</td>
</tr>
<tr>
<td>Clearing out the fuel type</td>
</tr>
<tr>
<td>OfferingPulls -95</td>
</tr>
<tr>
<td>Confirming the order</td>
</tr>
<tr>
<td>Offering «Fishka» card</td>
</tr>
<tr>
<td>Keeping up to «Fishka» program standards</td>
</tr>
<tr>
<td>Offering a promotion</td>
</tr>
<tr>
<td>Offering coffee and hot dog/ coffee and pastry/ coffee and chiabatta///</td>
</tr>
<tr>
<td>Offering additional goods</td>
</tr>
<tr>
<td>Offering an OKKO or Exol plastic bag</td>
</tr>
<tr>
<td>Clearly said the total of the order</td>
</tr>
<tr>
<td>Saying the value of banknote received</td>
</tr>
<tr>
<td>Clearing out the method of payment when having the car fully filled</td>
</tr>
<tr>
<td>Giving the receipt, said the amount of change</td>
</tr>
<tr>
<td>Thanking for the buying at OKKO</td>
</tr>
<tr>
<td>Inviting to the OKKO again</td>
</tr>
</tbody>
</table>

The training process of operators (shop assistants), for example, provides: finding out about customer service standards developed in the company (Table 2, Table 3). Except inner trainers assessment, «secret customers» are involved into the process of customer service by shop assistant according to OKKO standards, this impacts their changeable part of the salary.

It needs to be mentioned, that the company constantly works on salary system advancing because the material compensation as well as
its clear mechanisms of charging and payment is an important motivation part.

The company always considers keeping fair level of salary, coming from the market trends, inner corporation criteria of fair and individual achievements of employees. Since 2007 there has functioned a grade system in the company which defines the place of the employee at the corporate career ladder.

The grade of the position depends on the competitiveness level, responsibility and difficultness of duties. The more duties you have — the more grade the position has and a higher level of salary.

Such an approach, among others, guarantees gender equality in employees remuneration issues. At the same time KPI system is established in the company. The amount of the variable part of salary depends on key activity indexes. In 2013 more than 75 % of employees received the variable part of the salary according to KPI principle.

*Environmental policy*. The peculiarity of the sphere of activity is concerned with significant environmental impact, that is why, «Galnaftogas» continually works on establishment of effective and reasonable processes that reduce environmental impact. It is steadily concerned with the quality of goods in the company as it is thought that quality oil products not only guarantees reliable work of the car but also impacts on the air quality, especially in the cities.

That is why nowadays at OKKO filling complexes only A-95 standard certified imported fuel is being sold. In this way, less sulfur compounds and aromatic hydrocarbons which are harmful for people’s health pollutes the environment. Before being delivered to the consumer, it is put through 3 stage review.

The environmental part also finds reflection in product policy, logistic plans, construction, program and technological decisions. Environmental safety principles are implemented in all directions of activity: at petroleum-product storage and filing complexes, in the office as well as in public events and communication with partners and customers.

In 2013 it was 5 years since «Galnaftogas» has accepted voluntary duty to care about environment, having signed the GoGreen declaration.

*The history of environmental policy establishment and its key priorities*:

In 2007 «Galnaftogas» joined UN Global agreement.

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In 2008 Vitalii Antonov, a President of the company, signed Go-Gren declaration. Environmental protection department was established and the Green Office establishment order was taken. For this reason the containers for paper collection were placed in the company, informational stickers with reminding about the necessity of resource saving (turning off the water taps, the light etc.) were spread. The dispatching of company’s transport was advanced together with the accounting of the resources that are consumed and handed to the recycle.

In 2009 Green Office project has been spread among 9 company branches and filling stations. The containers for waste sorting were placed at 6 filling complexes in Kiev and 5 in Lviv. The project of petroleum-products storage facilitating with gas ventilation installation, which catch and return the petroleum-products evaporation to the reservoirs was implemented. Thanks to this the volume of evaporation which are thrown into the atmosphere was 50 % reduced.

The range of educational companies were hold in the way of «Galnaftogas» experience in Green Office implementation publishing in the book «Green Office: taking care about the environment with the benefit for the business» — the first book in Ukraine on this subject. The case on Green Office implementation in «Galnaftogas» wins Ukrainian competition in CSR with the nomination «Environmental protection».

In 2010 the development of souvenir and polygraph goods with GoGreen symbols was begun with the aim of environmentally friendly initiatives popularization among the employees, partners of the company and public. Construction correctives in the filling complex building plan were made with the aim of natural light increasing.

In 2011 energy audit has been done in the company and energy management system was established. The project of LED lightning placement at filling complexes was started and separation of wrapping papers — from papers, polyethylene and PET at 207 OKKO filling complexes.

In 2012 the renew of oil transporting car park was started for upgrading it with less fuel consumption technologies, as a result today 30 % of the car park consists of modern and economical and environmental cars. The first point of electricity filling station was established at OKKO for electro cars in Kiev.

Sun energy collectors and geothermal pumps have been used in new OKKO filling complexes construction. The project of copy technic outsource was implemented in Head and regional offices (accounting advancing and printing volumes reducing). The containers for al-
ready used batteries were placed in Head and regional offices of the company. Paper and eco bags were started to be sold at filling complexes in 2013. Containers for PET packaging separate collection were placed at 17 filling stations in Zakarpatsky region. The company has almost (90 %) moved to high quality Euro-5 standard fuel realization.

At the moment implementation Green Office principles in the company has grown into environmental management and investment system which allows to develop the business in harmony with environment. The company realizes that it is impossible to fully avoid the negative environmental impact due to oil product use. However the company tries to save the environment for successions cleaner and cozier. Care about people and environment now is one of the four basic corporate values of OKKO filling stations chain.

Questions for discussion:
(a) «Galnaftogas» reliable procurement policy considered tender committee activity optimization with the aim of procurement transparency increase and anti-corruption activities in 2013. Please define the actions which should facilitate realization of this aim?

For ensuring the transparency of procurement and with the aim of corruption fight the electronic tender system was established in 2013. The sales and communication with all contractors are 99 % done by e-mail. At the same time, fixing price practice, when the supplier has a right to supply the goods next time in case of their price kept unchanged, is implemented. Situations, connected with procurement are very different, that is why continual advancement of procurements is necessary. The second edition of Procurement order regulation was implemented in 2013, which includes specifications and additions to the rules and procedures of procurements. In the frame of this edition, the order and duties during procurement process was specified, when conducting tender or sales is elaborated or impossible and in case of unusual occasions affirmation procedure.

(b) «Galnaftogas» responsible communication policy considers continual search of communication advancing with all the stakeholders — inside the company as well outside. Establishing regular and effective communication relations — is one of the main tasks of communication department that aroused in 2013. With this aim inner communications audit was started in the company to advance current channels and creating new ones so that they could improve the communication. Based on the Chart 1 analyses define whether all the
communication contacts are involved in interference with stakeholders. How expedient the creation of the new channels is?

Establishment of new communication channels is expedient. When relying only on one communication channel, for example hot line or trust box, this may be not enough to avoid subjectivity in company’s work assessment.

(c) Could the creation of new communication channels overcome subject assessment of the company problem?

Expanding communication channels and their complex use provides an opportunity for comparative analyses increases the level of objectivity. Incidents management system (IMS) — a new technologic platform which helps to consolidate and systematize the signals about the chain work, which are received from every channel — via hot line, social networks, letters, — became a new communication channel, established in 2013. So, the work with complaints and offers becomes systematical, helps to solve problems quicker and to reduce the time of potential idle period of filling stations. The deadlines of reaction to the signal are defined, the responsible people are named, who have to solve different incidents, and those who will control the speed and quality of problem solving. Thanks to such advanced process none of the signals is left without attention. Operational direction employees practice customers’ optional calls for those customers who turned to the company to check the effectiveness of solving the complaints by the workers. All the inner requests of the employees concerning any extraordinary situations at the filling stations are registered in SUI (technique out of order, customer complaints about petrol or service, etc.). It allows to make managerial decisions quicker.

(d) Please define which of the communication channels are the most suitable for solving the problem of interference with employees, considering the fact that due to the expansion of company activity their amount increases.

The most suitable for solving the company employees interaction problems is an inner service channel IT-Service Desk, developed by company’s IT department. This service for employees online maintains apparatus and software from 8.00 in the morning and till 22.00 in the evening with no weekends. To use it, the letter with the problem’s description is to be e-mailed or a hot line phone call made. A ticket is issued based on the request and the ID is assigned to it. This channel is the most suitable as due to the company’s activity expansion in the country and increasing quantity of the employees (about 10000 people), respectively, the majority of
who work outside the main office — at the filling stations, cafes and restaurants, it allows to establish regular and effective communications among all. The question concerning defining whether all possible communications are involved in interaction with stakeholders is creative and requires independent search of new ways of communication by students.

(f) **Basing on the data of the Chart 2 please define which ethical norms were broken when developing the customer service standard in the trade hall and operator actions?**

When developing the customer service in the trade hall standard chart and recommendations on shop assistant’s actions ethical problems arose due to the «Active sales» technology implementation, which is concerned about products imposition and active pressure to chose what was offered. For example, see instructions to service standards implementation (chart 2). In the part «What should not be done»: «Waiting for choosing the Pulls customer himself. Keep silence and fill with the fuel the customer has asked.» Moreover «Active sale technology» is not «environmental» from the psychological point of view as it ignores customer’s inner state and his real needs.

(g) **Which changes in the service standards and recommendations for them should be done to avoid ethical problems?**

The changes in the company’s standards were decided to be provided with the aim of ethical norm braking avoidance by transition from «Active sale» technique to «Creative sale». Series of educational «Creative sale» trainings were conducted for the employees. At these trainings, the participants learnt to apply creative approach at any standard sale stages. Participants’ victories in inner corporate competitions, self development and pleased customers are the results of the trainings.

(h) **Is the involvement of secret customers ethical towards the assessment of shop assistant’s work?**

Shop assistant’s assessment educational and work results by checking the conformity of his actions with the algorithms (chart 3) does not allow to assess the result and effectiveness of his work. «Secret customers» involvement in shop-assistant’s work assessment is ethical only in case when the results of his assessment are combined with other results from different sources, for example customer responses, sales volume indexes, KPA. It allows to avoid personalism when assessing employees work and allows to connect variable salary part with the results of his activity.

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(i) What other ways to control the quality of service could be implemented for comprehensive assessment?

The practices of direct dialogue with the customers and public were continued by the company in 2013. They became to be more involved in strategic and managerial processes of the company. FISHKA loyalty program is one of the most successful instrument of such dialogue. FISHKA program participants became to be involved in the service assessment at OKKO filling complexes since 2012. In 2013 they have replaced the «secret customers», who used to check the filling stations’ work. Their assessment now are one of the criteria when defining service index, which is give to all OKKO filling complexes in the end of the month, quarter, year. The index dimension directly influences the salary level and bonuses of each filling station complex. In 2013 the company continued electronic poll practice on service quality in OKKO filling complex chain and expanded it to A laminate, PastaMia and HotCafeMaxi restaurant chain. Based on the results of such poll, catering chain conducted additional staff training and repairing of some equipment, which did not work, customers’ offers were also took into consideration when the changes for the menu were made.

(j) What duties does the company take joining the UN Global Compact?

Global compact is a base for cooperation of the UN with business at all levels and with business representatives who want to coordinate their activity, strategy and mission with 10 main principles, which received public acknowledgement in human rights compliance, labor relations and environmental protection. Joining the Global Compact means publicly declare your acceptance of 10 multipurpose principles of this initiative. The company, which takes such duties, has to: initiate changes in their entrepreneurship activity so that Global compact’s and its principles could become an essential element of their managerial and entrepreneurship strategy, culture and everyday activities; publish how the company support the Global compact and its principles («information about the progress achieved») in their annual or some other public report; publicly support the Global compact and its principles applying such communicative opportunities like press-realizes etc.

(k) Please define what volunteer duties has «Galnaftogas» taken in the context of GoGreen declaration and, according to them, what are the main issues of environmental policy?

In the framework of GoGreen declaration implementation «Galnaftogas» has voluntarily taken duties concerning reasonable resource
usage, waste reduction, Green Office and active environmental and educational activity implementation. According to this, the components of environmental policy are: green office, quality petroleum products, ecomanagement system, eco investment.

(l) Have all the duties been fulfilled by «Galnaftogas» and what new opportunities are opened for the company thanks to participation in UN Global Compact?

The duty has been completely fulfilled. The new opportunities are: the opportunity to use the advantages of participation in the way of involvement in political dialogue, educational forums and partnership activity. They have the opportunity not only to show the high civil and social responsibility but to exchange the experience and knowledge with companies and organizations which keep up to those principles; develop the cooperation with other companies, state agencies, unions, NGO and international organizations, customers, partners; develop partner relationship with UN organizations, including International Labour Organization, UN environmental program, UN Development program; to use the market opportunities as completely as possible with the help of wider social factors accounting when strategic development deciding and responsible management methods of business implementation; participation in dialogues concerning the most sharp problems of nowadays world, as a private business in conflict zones, for example.

(m) Concerning the peculiarity of the sphere, is enough attention paid by the company to implementation of pollution struggle environmental policy?

Yes. The peculiarity of the company’s sphere of activity considers vital impact on environment, that is why «Galnaftogas» continually works on effective and rational processes which reduce the environmental impact. It is steadily cared about products quality in the company as it is believed that quality petroleum product not only ensures durable work of the car but influences the air quality as well, especially in the cities. That is why only EURO-5 imported certified fuel is being sold at OKKO filling complexes. As a result less sulfur compounds and aromatic hydrocarbons, harmful for the nature and people’s health get into the environment. Before being delivered to the customer, it undergoes 3 stage check. Moreover, thanks to gas ventilation installation, which catch and return the petroleum-products evaporation to the reservoirs, the volume of evaporations that get into the atmosphere has 50 % reduced.
State authorities should create an environment for more active development and establishment of the social responsibility for business (hereinafter — SRB). Therefore, key bodies of the SRB regulation in Ukraine are the central and local authorities. Society and the state in particular always gets additional benefits from the socially responsible business.

Ways of the government influence on the social responsibility of business shown in Figure 1 below

| International standards for social responsibility |
| National policies of sustainable development |
| Recommendations and stimulations | Mandatory requirements |
| Public-private partnership | Privileges for doing business | Standards, guarantees and norms establishing, the violation of which provides for liability |

Fig. 1. The influence of authorities on SRB

Source: author’s development from the publication

Absence of unified formal government assessment of corporate social responsibility is the reason for the SRB practices by businesses non-establishment and noncompliance with certain standards. This is the obstacle of government direct impact on SRB in Ukraine. Adop-

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1 Zhyber Tetiana — PhD, Associate Professor of the Department of Finance, Kyiv National Economic University named after Vadym Hetman
ted in 2014 new Law of Ukraine named «On Standardization» defines the yardstick for putting criteria for evaluation but proposes guided by the international standards.

Public authorities can assess the level of SRB implementation by two key measures:

- the amount of funds allocated by business to social initiatives;
- the qualitative indicators establishment and implementation (for example, measuring the level of employees and consumers satisfaction with the business activities).

The small and medium enterprise’s in Ukraine formation factor of mentality is domestic economy with high import dependence. Professor S.M. Makukha noted, «irresponsible government policy was the root cause this problem». Doing business circumstances in Ukraine after signed the Declaration of independence shown in Figure 2

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**Fig. 2. Government economic policy features in Ukraine**

The SRB practices implementation peculiarities correlated with the enterprises activity circumstances in Ukraine, among them:
- the garbage sorting system and utilization of hazardous waste (batteries, lamps, detergents, etc.) hardly developed;
- widespread plastic packaging culture — bottles, packages and film. Often it will not be collected, sorted and processed after use;
- symbolic punishment for the damage of environment, the garbage dumping in unidentified places, the waste and dry grass burning;
- the standardization, the storehouses, production sanitary conditions, the food products storage and sale poorly controlled;
- widespread practice of illegal purchase the medical certificates and medical examination results for employees;
- poor labor efficiency, the alcohol and drug addiction problem.

Despite activity of small and medium business in Ukraine had strong regulatory guidance, social activity significant development did not happened. The Ministry of Economic Development and Trade of Ukraine lifted 41 % of permit documents, removed 100 regulatory barriers and had shortened the registration period to 2 days during the announced deregulation in 2015¹. But at the 22.12.2016 lately established State Regulatory Service of Ukraine pointed the non-fulfillment and failure for the one-third of Deregulation Business Plan for 2016–2017 years in provided evaluation reports².

Table 1 show some entrepreneurship activity examples in Ukraine, when business works «with a negative result» for the social responsibility on the contrary, harms the consumer and society in a whole. Although such entrepreneurs have been violating the Law of Ukraine «On Advertising» sometimes for example, but their activity at the state regulation level mostly allowed.

The SRB promotion by the Government in Ukraine have been focused mainly on the tax incentives. Figure 3 shows the tax levers that stimulate SRB, in accordance with the Tax Code of Ukraine, the Law of Ukraine «On Charity and Charitable Organizations», the Law of Ukraine «On Environmental Protection» and other normative documents.

Fig. 3. Financial levers of SRB stimulation through the public policy

Source: author’s development from the Tax Code of Ukraine.

Table 1

HARMFUL TO THE SOCIETY ENTREPRENEURIAL ACTIVITY IN UKRAINE SAMPLES BY REASON OF THE GOVERNMENT POLICY DISADVANTAGES

<table>
<thead>
<tr>
<th>№</th>
<th>Field of activity</th>
<th>Activity essence and social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fraudulent services (for example, pseudo-medical «treatment» of incurable illnesses by expensive false drugs or devices). <strong>Example: «Movement without Pain» campaign.</strong></td>
<td>Targeted mostly retirees massive advertising company have been provided through the public radio, the press and television channels. The «doctor» from advertising several times per day had offered make a phone call, get a consultation free and finally buy a panacea for a number of common incurable diseases. Who phoned then had received the medical consultation fee requirement and the threats after. Who ordered the drugs — received worthless instruments or ointment for 3000 UAH (nearly $380). The self-medication with that stuff had lethal consequences sometimes.</td>
</tr>
</tbody>
</table>
### Continuation of the Table 1

<table>
<thead>
<tr>
<th>№</th>
<th>Field of activity</th>
<th>Activity essence and social impact</th>
</tr>
</thead>
</table>
| 2. | The fraudulent sales:  
  1. Distance selling without reservation. The seller have sent on personal addresses letters marked as «Confidential», «Urgent» and «You have won».  
  For example, «Family Club» http://rodynna.com/  
  For example, Desheli, Nuga Best. | 1. Target audience — the retirees who do not understand marketing. The letter, certified by the personal signature of the company representative and marked «Payment approved», contains a statement that you have won hundreds of thousands ËAH. However, in order to pick up the prize, you have to buy goods from the catalog for more than 239 ËAH urgently within 7 days. This fraud is very widespread, the letter contains a whole package of documents and high-profile statements with masking as official ones, such as «Your winning had approved at the Board of Supervisors Meeting».  
  2. Target audience — retirees, housewives. Organized «communities» lease the premises, where, with the help of influence technologies on the consciousness of people «experts» forced the guests to buy (often on credit) extremely expensive things of unproved efficiency. |
| 3. | Shifty advertising that has had all the signs of fraud.  
  For example: 1. The mobile Internet offer from Kyivstar company;  
  2. «Cognitive Programs» at the Ukrainian Radio: «The World of Health» etc. | 1. The interference in personal life of customers had no lead to direct responsibility of the companies, which have been advertising their services in Ukraine. For example, companies' representatives called by personal phone numbers at evening and holidays (the phone numbers list had sold to the all interested persons is additional issue). Also such an advertisement often contained the words «discount», «concessional terms», which in reality not existed.  
  2. Another way — the form of hidden advertising as cognitive programs or publications with invitees «experts». According to the law, the end of such programs or articles should note «as advertising». |
| 4. | Irresponsible natural resources using.  
  For example, deforestation, amber mining, hunting and prohibited in the world tourism (like auto quests in forests). | State policy does not stimulate local government and community to preserve the natural environment. Natural resources are greatly destroyed by everyone who has physical access and opportunities. Authorities does not even receive legal taxes in full from this activity because a shadow business. |
Continuation of the Table 1

<table>
<thead>
<tr>
<th>№</th>
<th>Field of activity</th>
<th>Activity essence and social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Kiosks, cafes, mobile cafes with no sanitary waste collection points. <em>For example, floating restaurants.</em></td>
<td>Established cafes in green areas with the sewage disposal in the natural water bodies, floating eating places without properly sewage connection too. Mobile coffee houses with technical water from the fire hydrants in plastic reusable bottles, the same about kiosks. Such establishments often have throwing its garbage and impurities spontaneously wherever. Kiosks are located on the grass or interfere with the safe pedestrian movement.</td>
</tr>
</tbody>
</table>

Source: author’s development.

The Law of Ukraine «On Charity and Charitable Organizations» provides for benefits largely introduced in tax legislation. However, stipulated by the Law of Ukraine «On Environmental Protection» exemptions in taxation of innovative technologies, as well as accelerated depreciation in order to reduce, for example, the production energy intensity were applied obscure. Therefore, such privileges in profit of enterprise taxation are not applied in fact. VAT incentives had been envisaged for enterprise purchase equipment for switching to the types of fuel alternative to gas until 2019. Environmental taxation would also be a significant advantage for failure, for example, from plastic «one-time» supermarket packages (such an initiative is being introduced in the EU).

Not surprisingly, a philanthropy in Ukraine is the most widespread activity aimed at the SRB manifestation. But it is a great field for fraud at the same time, because charitable foundations could work apart, collect the personal donations from crowd just at the streets. These entities do not even belong to the certain corporations’ structure, so the charitable could cover begging for the personal needs. Religious organizations do not pay a land tax, which caused the large number of people emergence wants to get plot of land for construction the religious buildings complexes within the residential neighborhoods of the city (capital).

Main implications ways for the increase social responsibility of the civil servants providing public services to small and medium businesses summarized in table 2. These criteria relate to licensing services, tax services, interest protection, investment or financial support.
Table 2

<table>
<thead>
<tr>
<th>The social responsibility criterion</th>
<th>When paid little attention to the social responsibility</th>
<th>When social responsibility is a prerequisite for the professional competencies of the civil servant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding the appointment of a civil servant</td>
<td>Low motivation to the result in favor of the businessperson, high dependence on the desire to obtain personal benefits.</td>
<td>Motivation to understand theirs role importance and purpose, work in favor of the taxpayer and whole society.</td>
</tr>
<tr>
<td>Work procedure</td>
<td>Bureaucracy for a certain purpose, which is always far from facilitating the business.</td>
<td>An optimal service procedure for the business.</td>
</tr>
<tr>
<td>The state service performance level</td>
<td>Lack of interest in improving their own competencies.</td>
<td>High competence, training and advanced training, interest in optimizing the provision of services.</td>
</tr>
<tr>
<td>The public services provision development</td>
<td>Methods of service rendered worse on the simulating changes background as unsystematic requirements approved by regulatory documents.</td>
<td>Changes to procedures and documentation formalize procedural steps that have proven to be effective.</td>
</tr>
</tbody>
</table>

Source: author’s development.

It should be noted that in most developed countries there are two vectors of influence on the state decisions regarding the regulation of the social responsibility of business, as shown in Figure 4.

![Diagram showing two vectors of influence](image)

Fig. 4. Impact on the regulation of social responsibility in the state
Source: author’s development.

The stimulating effect on SRB carried out by such a powerful tool as public-private partnership. Its capabilities shown in the Table 3.
# Table 3

## POSSIBILITIES OF USING PUBLIC-PRIVATE PARTNERSHIP IN UKRAINE

<table>
<thead>
<tr>
<th>Social responsibility variety in PPP</th>
<th>The form of Public-private partnership</th>
<th>Opportunities (possible consequences)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Private Partnership</td>
<td>Primary and secondary education bodies integration into public-private partnership.</td>
<td>The government defines and provides a basic list of educational services. The institutions as legally autonomous bodies have the right to receive payment for educational services beyond the basic public package of services, provide alternative services and compete for the students.</td>
</tr>
<tr>
<td>Public Social Private Partnership</td>
<td>The development of transport, building affordable housing, joint destruction of fraudulent businesses stimulating through the creation of alternative services for protection and assistance to the community.</td>
<td>The authority cannot control and maintain services like BlaBlaCar, more likely the main function of the state authority here is punishing unscrupulous participants.</td>
</tr>
<tr>
<td>Global International Public Social Private Partnership</td>
<td>Common international priority goals setting, such as energy saving, waste management.</td>
<td>The government helps to buy and distribute the latest know-how. The authorities working on joint benchmarking.</td>
</tr>
</tbody>
</table>

Source: author’s development from the publication1.

**Questions for discussion:**

(a) How do you see the public authorities (at the central and regional level) role in creating the prerequisites for SRB? The authority’s interference with SRB implementation should be active or minimal? Which levers for SRB promoting should be prioritized in Ukraine: mandatory rules or only recommendations for the social responsibility strengthening?

(b) Should national or international (European) SRB standards be developed and used in Ukraine? Please state the criteria for assessing SRB level of development taking into account the domestic business peculiarities.

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(c) Should central government and local authorities use tax levers to stimulate SRB? How could realize this more effectively at the regional level (the «rubbish from Lviv» problem, for example)?

(d) Which ways you could offer for the strengthen SRB in small and medium-sized businesses with the public-private partnership?

(e) What criteria of civil servants qualification do you see in their dealing with business?

Since public authorities are responsible for the SRB development general conditions, their intervention determined by the business environment peculiarities of the certain country. Until now, the social responsibility of small and medium-sized businesses needed the stimulation by the government in Ukraine. For example, local authorities can directly contact entrepreneurs by engaging in the partnerships for implementing useful initiatives. Governments can create initiative groups that will follow the advancement of ISO standards, such as ISO 26000. However, mandatory rules may have greater corruption risks and market threats than same recommended rules. The creating opportunities possibility more needful than forbidding actions.

Ukraine should develop national standards for corporate social responsibility taking into account the experience gained from the European Union at the level of domestic business development. These conditions have own peculiarities, and the situation requires targeted adjustment in spheres where the problems are absent or not acute in the other countries. May be the one explanation for the low-level implementation of international standards in purely domestic companies — them have not entered the international market yet. Protection of consumer rights, environmental friendliness (including energy efficiency), and legal conditions for hired workers should be the domestic criteria for SRB. Taxation of the business activity results (profits) in Ukraine still defective, so the fines for unfair business should be primary. Business which strives adhere to the social responsibility criteria, namely creates appropriate conditions for hired workers, should receive preferences.

The local authority’s special role — close cooperation with small business, which lacks start-up capital, knowledge or skills. For example, for «wastes from Lviv» it was necessary to remove the corruption component in the local authorities, which prevented the waste processing plants construction or other business activities for the garbage disposal. A transparent public-private partnership in the field of small-scale trade, the promotion of the small business enterprises establishment could help to get rid of ugly kiosks and adapt existing retail space to the small business’s needs.
THE HONESTY PARADOX

Olena Titova∗
Tetyana Veremiyenko**

«Many individuals and organisations
were deeply affected by what happened
at Enron. But Arthur Andersen, at its best, was
a firm that was founded and managed on the basis
of quality and objectivity
by world-class people with world-class training»

Mark Vorsatz,
CEO and Managing Director at WTAS LLC

Arthur Andersen LLP, based in Chicago, an American holding company and formerly one of the «Big Five» accounting firms among PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG, providing auditing, tax, and consulting services to large corporations. Arthur Andersen, who headed the firm until his death in 1947, was a zealous supporter of high standards in the accounting industry. A stickler for honesty, he argued that accountants’ responsibility was to investors, not their clients’ management. During the early years, it is reputed that Andersen was approached by an executive from a local rail utility to sign off on accounts containing flawed accounting, or else face the loss of a major client. Andersen refused in no uncertain terms, replying that there was «not enough money in the city of Chicago» to make him do it. For many years, Andersen’s motto was «Think straight, talk straight.»

In the 1990’s business was growing very slowly due to the increased competition and large number of mergers. As a result, it led to a negative influence on Andersen’s corporate culture, which

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enabled Andersen to be more interested in its own revenue growth through ethical and legal misconducts, such as accounting irregularities and fraud.

In 2002, the firm voluntarily surrendered its licenses to practice as Certified Public Accountants in the United States after being found guilty of criminal charges relating to the firm’s handling of the auditing of Enron, an energy corporation based in Texas, which had filed for bankruptcy in 2001.

On June 15, 2002, Arthur Andersen, which traces its history back to 1913, was charged with and found guilty of obstruction of justice for shredding the thousands of documents and deleting e-mails and company files, which were covering up billions in losses at the Enron energy firm, that tied the auditors to the Enron company itself. The conviction was later reversed by the Supreme Court, the impact of the scandal combined with the findings of criminal complicity ultimately destroyed the firm. Nancy Temple (Andersen Legal Dept.) and David Duncan (Lead Partner for the Enron account) were cited as the responsible managers in this scandal as they had given the order to shred relevant documents.

Although only a small number of Arthur Andersen’s employees were involved with the scandal, the firm was effectively put out of business; the SEC is not allowed to accept audits from convicted felons. The company surrendered its CPA license on August 31, 2002, and 85,000 employees lost their jobs. The conviction was later overturned by the U.S. Supreme Court due to the jury not being properly instructed on the charge against Andersen. The Supreme Court ruling theoretically left Andersen free to resume operations. However, the damage to the Andersen name has been so great that it has not returned as a viable business even on a limited scale. The firm sold most of its American operations to KPMG, Deloitte & Touche, Ernst & Young and Grant Thornton LLP. The damage to Andersen’s reputation also destroyed the viability of the firm’s international practices. Most of them were taken over by the local firms of the other major international accounting firms.

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2 Thomas Cathy Booth (2002) «Called to Account» Time: Archived from the original on 2010-10-17.
In the 2001 scandal in which energy giant Enron was found to have reported $100bn in revenue through institutional and systematic accounting fraud, Andersen’s performance and alleged complicity as an auditor came under intense scrutiny. The Powers Committee (appointed by Enron’s board to look into the firm’s accounting in October 2001) came to the following assessment: «The evidence available to us suggests that Andersen did not fulfill its professional responsibilities in connection with its audits of Enron’s financial statements, or its obligation to bring to the attention of Enron’s Board (or the Audit and Compliance Committee) concerns about Enron’s internal contracts over the related-party transactions».1

The Andersen indictment also put a spotlight on its faulty audits of other companies, most notably Waste Management, Sunbeam, The Baptist Foundation of Arizona and WorldCom. The subsequent bankruptcy of WorldCom, which quickly surpassed Enron as the then biggest bankruptcy in history (and has since been passed by the bankruptcies of Lehman Brothers and WaMu in the 2008 financial crisis) led to a domino effect of accounting and corporate scandals.

On May 31, 2005, in the Case Arthur Andersen LLP vs. United States, the Supreme Court of the United States unanimously reversed Andersen’s conviction due to what it saw as serious flaws in the jury instructions2. In the court’s view, the instructions were far too vague to allow a jury to find obstruction of justice had really occurred. The court found that the instructions were worded in such a way that Andersen could have been convicted without any proof that the firm knew it had broken the law or that there had been a link to any official proceeding that prohibited the destruction of documents. The opinion, written by Chief Justice William Rehnquist, was also highly skeptical of the government’s concept of «corrupt persuasion»—persuading someone to engage in an act with an improper purpose even without knowing an act is unlawful.

Enron. Enron was created in 1986 by Ken Lay to capitalise on the opportunity he saw arising out of the deregulation of the natural gas industry in the USA. What started as a pipelines company was transformed by the vision of a McKinsey consultant, Jeff Skilling, who had the idea of applying models used in the financial services industry to the deregulated gas industry.

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He persuaded Enron to set up a Gas Bank through which buyers and sellers of natural gas could transact with each other using an intermediary (Enron) whose contractual arrangements would provide both parties with reliability and predictability regarding pricing and delivery. Enron duly recruited him to run this business and he rapidly built up a major gas trading operation through the early nineties.

Skilling’s vision was to transform Enron into a giant, asset-light operation, trading power generally and his next target was trading electricity. Lay was lobbying Washington hard to deregulate electricity supply and in anticipation he and Skilling took Enron into California, buying a power plant on the west coast.

The rapid expansion had run well ahead of Enron’s ability to fund it, and to address the problem, it had secretly created a complex web of off-balance sheet financing vehicles. These, unwise, were ultimately secured, and hence dependent, on Enron’s rapidly rising share price.

The fraud of the company was in the following: in its accounting operations. The complex scheme was designed and implemented into life by the highest management of the company. Its main aim was to conceal some specific data not only from publicity, but also from stakeholders and investors. It was done with the purpose of misstatement of the original financial state of the company.

Thousands of legal entities, mainly offshore ones, were opened. For example, on Cayman Islands there were 692 affiliated to the energy giant entities registered to one legal address (Georgetown, p/b 1350). But they were not just shill companies.

All these off-shore companies were opened legally, all necessary reports to the USA tax services were submitted. Moreover, all off-shore activity of Enron was approved by the Board of Directors of the Company, its lawyers and external auditors — The Arthur Andersen Company.

Special purpose entities. Enron used special purpose entities — limited partnerships or companies created to fulfill a temporary or specific purpose to fund or manage risks associated with specific assets. The company elected to disclose minimal details on its use of special purpose entities. These shell companies were created by a sponsor, but funded by independent equity investors and debt financing. For financial reporting purposes, a series of rules dictate whether a special purpose entity is a separate entity from the sponsor. In total, by 2001, Enron had used hundreds of special purpose entities to hide

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its debt. Enron used a number of special purpose entities, such as partnerships in its Thomas and Condor tax shelters, financial asset securitization investment trusts (FASITs) in the Apache deal, real estate mortgage investment conduits (REMICs) in the Steele deal, and REMICs and real estate investment trusts (REITs) in the Cochise deal.\(^1\)

The special purpose entities were used for more than just circumventing accounting conventions. As a result of one violation, Enron’s balance sheet understated its liabilities and overstated its equity, and its earnings were overstated. Enron disclosed to its shareholders that it had hedged downside risk in its own illiquid investments using special purpose entities. However, investors were oblivious to the fact that the special purpose entities were actually using the company’s own stock and financial guarantees to finance these hedges. This prevented Enron from being protected from the downside risk. Notable examples of special purpose entities that Enron employed were JEDI, Chewco, Whitewing and LJM.

In 1993, Enron established a joint venture in energy investments with CalPERS, the California state pension fund, called the Joint Energy Development Investments (JEDI). In 1997, Skilling, serving as Chief Operating Officer (COO), asked CalPERS to join Enron in a separate investment. CalPERS was interested in the idea, but only if it could be terminated as a partner in JEDI. However, Enron did not want to show any debt from assuming CalPERS’ stake in JEDI on its balance sheet. Chief Financial Officer (CFO) Andrew Fastow developed the special purpose entity Chewco Investments limited partnership (L.P.) which raised debt guaranteed by Enron and was used to acquire CalPERS’s joint venture stake for $383 million.\(^2\) Because of Fastow’s organization of Chewco, JEDI’s losses were kept off of Enron’s balance sheet.

In autumn 2001, CalPERS and Enron’s arrangement was discovered, which required the discontinuation of Enron’s prior accounting method for Chewco and JEDI. This disqualification revealed that Enron’s reported earnings from 1997 to mid-2001 would need to be reduced by $405 million and that the company’s indebtedness would increase by $628 million.\(^3\)

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Whitewing was the name of a special purpose entity used as a financing method by Enron. In December 1997, with funding of $579 million provided by Enron and $500 million by an outside investor, Whitewing Associates L.P. was formed. Two years later, the entity’s arrangement was changed so that it would no longer be consolidated with Enron and be counted on the company’s balance sheet. Whitewing was used to purchase Enron assets, including stakes in power plants, pipelines, stocks, and other investments. Between 1999 and 2001, Whitewing bought assets from Enron worth $2 billion, using Enron stock as collateral. Although the transactions were approved by the Enron board, the asset transfers were not true sales and should have been treated instead as loans.

In 1999, Fastow (the chief financial officer of Enron Corporation) formulated two limited partnerships: LJM Cayman L.P. (LJM1) and LJM2 Co-Investment L.P. (LJM2), for the purpose of buying Enron’s poorly performing stocks and stakes to improve its financial statements. LJM 1 and 2 were created solely to serve as the outside equity investor needed for the special purpose entities that were being used by Enron. Fastow had to go before the board of directors to receive an exemption from Enron’s code of ethics (as he had the title of CFO) in order to manage the companies. The two partnerships were funded with around $390 million provided by Wachovia, J.P. Morgan Chase, Credit Suisse First Boston, Citigroup, and other investors. Merrill Lynch, which marketed the equity, also contributed $22 million to fund the entities.

Enron transferred to «Raptor I-IV», four LJM-related special purpose entities named after the velociraptors in Jurassic Park, more than «$1.2 billion in assets, including millions of shares of Enron common stock and long term rights to purchase millions more shares, plus $150 million of Enron notes payable» as disclosed in the company’s financial statement footnotes. The

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special purpose entities had been used to pay for all of this using the entities’ debt instruments. The footnotes also declared that the instruments’ face amount totaled $1.5 billion, and the entities notional amount of $2.1 billion had been used to enter into derivative contracts with Enron.¹

Enron capitalized The Raptors, and, in a manner similar to the accounting employed when a company issues stock at a public offering, then booked the notes payable issued as assets on its balance sheet while increasing the shareholders’ equity for the same amount. This treatment later became an issue for Enron and its auditor ArthurAndersen as removing it from the balance sheet resulted in a $1.2 billion decrease in net shareholders’ equity.

Eventually the derivative contracts worth $2.1 billion lost significant value. Swaps were established at the time the stock price achieved its maximum. During the ensuing year, the value of the portfolio under the swaps fell by $1.1 billion as the stock prices decreased (the loss of value meant that the special purpose entities technically now owed Enron $1.1 billion by the contracts). Enron, which used a «mark-to-market» accounting method, claimed a $500 million gain on the swap contracts in its 2000 annual report. The gain was responsible for offsetting its stock portfolio losses and was attributed to nearly a third of Enron’s earnings for 2000 (before it was properly restated in 2001).²

Financial audit. Enron’s auditor firm, ArthurAndersen, was accused of applying reckless standards in its audits because of a conflict of interest over the significant consulting fees generated by Enron. During 2000, ArthurAndersen earned $25 million in audit fees and $27 million in consulting fees (this amount accounted for roughly 27 % of the audit fees of public clients for Arthur Andersen’s Houston office). The auditor’s methods were questioned as either being completed solely to receive its annual fees or for its lack of expertise in properly reviewing Enron’s revenue recognition, special entities, derivatives, and other accounting practices.³


Andersen’s auditors were pressured by Enron’s management to defer recognizing the charges from the special purpose entities as its credit risks became known. Since the entities would never return a profit, accounting guidelines required that Enron should take a write-off, where the value of the entity was removed from the balance sheet at a loss. To pressure Andersen into meeting Enron’s earnings expectations, Enron would occasionally allow accounting companies Ernst & Young or PricewaterhouseCoopers to complete accounting tasks to create the illusion of hiring a new company to replace Andersen. Although Andersen was equipped with internal controls to protect against conflicted incentives of local partners, it failed to prevent conflict of interest. In one case, Andersen’s Houston office, which performed the Enron audit, was able to overrule any critical reviews of Enron’s accounting decisions by Andersen’s Chicago partner. In addition, after news of U.S. Securities and Exchange Commission (SEC) investigations of «Enron» were made public, Andersen would later shred several tons of relevant documents and delete nearly 30,000 e-mails and computer files, causing accusations of a cover-up.1

Commentators attributed the mismanagement behind Enron’s fall to a variety of ethical and political-economic causes. Ethical explanations centered on executive greed and hubris, a lack of corporate social responsibility, situation ethics, and get-it-done business pragmatism.2 3 4 5 6 Political-economic explanations cited post-1970s deregulation, and inadequate staff and funding for regulatory oversight.7 8 A more libertarian analysis maintained that Enron’s collapse resulted from the company’s reliance on political lobbying, rent-seeking, and the gaming of regulations.9

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8 Staff of the Committee on Governmental Affairs (2002) United States Senate «Financial Oversight of Enron: The SEC and the Private-Sector Watchdogs» (7). pp.16-18
The AA/Enron case caused a massive amount of discussions and controversies amongst publicity.

The flaws in Enron should have been spotted from early on, and indeed were periodically commented on by various observers from the early nineties onward. If independent ethical and corporate governance surveys had been conducted by independent parties they would have highlighted the growing problems.

At some point in June 2000 a survey was held but its conclusions showed that neither customers, suppliers, financiers nor local communities rated Enron’s morality in terms of business ethics; customers and local communities thought they were breaking regulations; customers and suppliers thought they were probably bending their own rules; customers, shareholders, suppliers, financiers and local communities thought they were not truly honest.

Questions for discussion:

(a) What issues were not brought to a focus during global consideration of problems of Enron and Arthur Andersen, and why?

Falsification of financial statements, use of various financial and offshore schemes, deliberate destruction of business documents by the company Arthur Andersen were the main subject matter of the global consideration of the Enron case. However, observance of human and professional ethics as essential and the highest duty of each auditor, manager and employee of the audit company remained a secondary issue. Significantly, until deployment of scandalous events the company Arthur Andersen occupied the 5 place in the ranking of the largest auditing and consulting firms in the world and worked in 84 countries. Auditing services of Arthur Andersen were sought by 2.4 thousand companies among those registered by the United States Securities and Exchange Commission. Reliability of Arthur Andersen caused no doubt or suspicion. The question of morality, honesty, business ethics incorporated in the main motto of Arthur Andersen — «Think straight, talk straight» were overturned by paradoxical actions of the largest accounting and consulting firm in the world: fraud, deception, misleading investors, satisfaction of selfish interests through treacherous enrichment.

(a) What basic ethical principle was violated by the company Arthur Andersen? What actions of AA show its unethical behavior?

1 Applied Corporate Governance (WEB) [Electronic recourse] // Retrieved from: http://www.applied-corporate-governance.com
The company ArthurAndersen violated the fundamental ethical principle — the Code of Honor of Auditor. The employees of the audit company ArthurAndersen, being participants in the scam, developed schemes of fraudulent transactions themselves. On the eve of the disaster they destroyed a huge amount of documents. The company ArthurAndersen was found guilty of obstructing justice. Then one of the world’s leading audit firms virtually ceased to exist.

(c) Why was Enron conceded to knowingly unfair business practices?

From the beginning the company was created as a monopolist in the market, and its co-founders did not pursue any purpose other than personal enrichment. After all, the Skilling’s name is associated not so much with a change in the company profile or even with a fall in shares, but with the destruction of the most sacred — the corporate spirit. Instead of the atmosphere of comradely support («we are a friendly team of like-minded people»), the culture of mercenary cutthroats («you die first») established itself in Enron. The Enron Corporation successfully mastered the market of energy futures and derivative securities. Subsequently, it provided considerable financial maneuverability. Being a corporation of national scale, it could not stay away from politics. It had broad connections in political circles, especially in the Republican Party. Suffice it to say that the president of Enron Kenneth Leigh was considered a personal friend of George W. Bush. And, in fact, the corporation was the number one sponsor of the US president in his political career in general and in the election campaign in particular.

Money contributions were generously distributed for the election needs of various political figures: both Republicans and Democrats. The experts estimate that only during the period of 1989-2001 about 6 million dollars were allocated for these purposes. The corporation donated more than 600 thousand dollars only for the needs of George W. Bush, even during his governorship, and another 300 thousand — for the inauguration. The management of Enron included many high-ranking officials of the US President in the past.

Therefore, it is not surprising that the company received an unprecedented share in state electricity supplies and large tax benefits. In addition, it had the last word in choosing the persons responsible for regulating the energy market (those who were called upon to oversee the corporation itself).
The Ukrainian Social Investment Fund (hereinafter — the ‘Fund’) is a non-profitable organization, founded by the Resolution of the Cabinet of Ministers of Ukraine No.740 from 28 April 2000, aimed to prepare the execution of the joint Project of the Government of Ukraine and the World Bank, one of the biggest players of activity courses and financial scope into the social sphere of Ukraine. The highest governing body of the Fund is the Supervisory Board. The Chairman of the Supervisory Board is the Minister of Social Policy of Ukraine.

The Supervisory Board panel is approved by the Cabinet of Ministers of Ukraine upon the presentation, filled by the Chairman of the Interdepartmental Working Group on Coordination and Monitoring of the Preparation and Execution of the Project. The Supervisory Board consists of representatives of concerned ministries and other central executive bodies, of the Administration of President of Ukraine, public organizations, people’s deputies of Ukraine (upon consent).1

The Fund is entitled to:

• own and use property assigned there to in accordance with its activity aim and pursuant to the legislation of Ukraine;
• enter into civil agreements;
• independently organize operative and perspective activity;
• receive in the established order under Ukrainian legislation from central and local executive bodies, local governments, enterprises, institutions and organizations of all ownership forms the information, documents and materials; and from the bodies of Statistics — statistical data necessary to carry out relevant tasks;
• accumulate financial, material and technical resources, use and manage thereof during its activity.

The Fund Strategy is to maintain resolution of the priority social problems of communities and vulnerable groups of population and to support local initiatives, aimed at poverty reducing and social isolation prevention.¹

The Fund was founded as an effect to the following causes:
• the need to support the most socially vulnerable segments of the population (the disabled, orphans, the aged people, etc.) to improve the quality of life;
• the need to create working places by promoting entrepreneurship within the realization of the named Project of the World Bank, aimed to support and develop the initiatives of local communities and civil society organizations;
• the need to improve the mechanism of access of local communities and civil society organizations members to obtain basic types of social and other services (education, health keeping, housing and utilities, etc.);
• the need to expand opportunities on-site to provide social and other services;
• the need to promote the development of small enterprises, involved in the execution of the contracts, financed within the subprojects of the main Project of the World Bank «Ukrainian Social Investment Fund.»

The aim of the Fund is to mobilize resources and focus thereupon improving of the social and communal infrastructure and social services. A partnership among central and local government, communities and private and public organizations provides the resolution of the urgent needs of local communities in an efficient and transparent manner, promotes community consolidation and maintains in building of the regional capacity for effective program implementation at the community level, aimed at social development.²

The tasks of the Fund are:
• to reproduce the social infrastructure objects by financing of the sub-projects, implementation thereof will meet the needs of the most socially vulnerable segments of the population;
• to grant local governments, territorial communities and public organizations technical, advisory assistance in the preparation and execution of the subprojects;
• to form and develop the jobs skills within the market economy of the entrepreneurs, involved to execute the social oriented subpro-

jects; to introduce the new approaches to provide social and other services at the local level;

- to create working places by attracting small enterprises to execute the subprojects;
- to involve of all parties concerned to provide the social and other services to the local communities and civil society organizations members to promote development of the competition in the provision of the abovementioned services.¹

Principles (directions) of activity are:

- to promote the reformation of social services (the drafting of legal documents and guides, aimed at regulating the activities of social services, presented to the vulnerable groups of population);
- to create the innovative models of social services for vulnerable groups of population (disabled, orphans, homeless, aged people, victims of violence, etc.);
- to repair social and communal infrastructure objects in the countryside (kindergartens, schools, health posts, water supplies, roads);
- to develop the potential of local communities in solving problems of the local level, to activate their participation in decision-making (through the implementation of projects at community level, the Fund focuses mostly on the modern technologies of energy saving and efficiency).²

The programs (projects) of the Fund:

1. «To promotion of the Social Infrastructure Development». It is implemented by a grant provided by the Government of Germany (through KfW — German state development bank). This project envisages the construction of 93 micro-projects, including 24 kindergartens, 46 schools, 11 water pipes, 6 primary health care, 4 cultural centres, 2 libraries (currently 46 institutions have already been built). Area of implementation includes Vinnitsia region, Kirovohrad region, Lviv region. The project cost is calculated as 8 395.0 (eight thousands three hundred and ninety-five) EUR, including the grant — 7000.0 (seven thousands) EUR. Implementation period: 2013 — 2016 years.

2. «The Modernization of the Population Social Support.» It is implemented at the expense of the World Bank and the Government of Ukraine. This project envisages to implement measures to improve the quality of life of orphans and disabled children. Area of imple-

mentation includes Zhytomyr region, Chernigiv region and two more areas have not been defined yet. The estimated cost of the components to be implemented the Fund is calculated as 5 000 000.00 (five million) USD. Implementation period: 2015 — 2018 years.

3. «The Promotion of Social Infrastructure Fund Development (5-phase project).» Currently two phases has been designed: I phase — the restoration of the Eastern region of Ukraine. It is implemented by a grant provided by the Government of Germany (through KfW — German state development bank). Grant of the Government of Germany is calculated as 9 000 000.00 (nine million) EUR. This project envisages to provide housing, rehabilitation and expansion of the proportion of objects (kindergartens, schools, hospitals) for the internally displaced persons with the participation of the communities, taking part in volunteer activities, and construction of three institutions of social protection for vulnerable groups of population. Area of implementation includes Dnipropetrovsk region, Kharkiv region, Zaporizhia region. Implementation period: 2015 — 2018 years.

Phase II — «The Maintenance of the Kindergartens and other institutions for children». It is implemented by a grant provided by the Government of Germany (through KfW — German state development bank). Grant of the Government of Germany is calculated as 5 000 000.00 (five million) EUR. This project envisages the creation of additional places in kindergartens in Kyiv and housing object and kindergarten in Lviv. Area of implementation includes Kyiv and Lviv. Implementation period: 2015 — 2016 years.

Interaction with the stakeholders: The Fund cooperates with the Administration of the President of Ukraine, the Cabinet of Ministers of Ukraine, the Verkhovna Rada of Ukraine, the Ministry of Social Policy of Ukraine, Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine, the Ministry of Justice of Ukraine, the World Bank experts. These governmental organizations contribute in solving priority problems of society and vulnerable groups of population, support local initiatives to fight poverty and prevent social isolation.

The Donors of the Fund in different years were the World Bank, the Government of the United Kingdom (DFID), the S Government of Sweden (Sida), the Government of Japan (JSDF), the Government of Germany (KfW), the Charles Stewart Mott Foundation, the Canadian International Development Agency, International Fund «Renaissance», and UN.

The results of the charity (investment) activity of the Fund:
- the Project «The Promotion of Social Infrastructure Development” was implemented. An additional component «Pilot event»
«Urban Space» (sports infrastructure of secondary schools and institutions of social protection in Kyiv and Lviv was improved);

- the Project «The Promotion of Social Infrastructure Development in the Luhansk and Donetsk regions» was implemented (contributions to long-term economic and social development of small settlements were made, the quality of life, affected by military action, was improved);

- the Project «Social Investment Fund» (for the entire territory of Ukraine) was implemented (the system of social and communal services in the countryside was implemented, innovative social services for vulnerable groups of population were created, system of social services was reformed, the powers of local communities to resolve social issues were expanded);

- the Project «The Development of the Potential of the Poorest Communities in Ukraine» was implemented (the opportunity of poorest local communities in identifying priority needs and problems was presented thereto, their participation in decision making was activated, the necessary resources were examined and mobilized);

- the Project «The Development of the System of the Fund’s Micro-projects Implementing to Provide Innovative Social Services» was implemented (trainings and consultations in Ukraine and Sweden for leaders of social micro-projects, social service providers, employees of regional departments of labour and social protection of population were provided, the opportunity to promote potential development of the Regional Resource Centre in Khmelnytskyi was given, training activities to improve the professional skills of social workers were organized and coordinated, the audit and monitoring of the quality system in the provision of social services was organized and coordinated, the current experience and the results of micro-projects was distributed).\(^1\)\(^2\)

Questions for discussion:

(a) How to execute tasks set by the Found in the process of realization of this Project?

Nowadays there are many unresolved problems to be urgently solved, namely, the promotion of the social services reform (drafting of regulations and guidance documents aimed at regulating the activities of social services to vulnerable groups of population); the creation


of the innovative models of social services for vulnerable groups of population (disabled, orphans, homeless, aged people, victims of violence, etc.); the repair of social and communal infrastructure objects in countryside (kindergartens, schools, health posts, water supplies, roads); the development of the local communities potential to solve problems at the local level, the activation of their participation in decision-making process (in the implementation of Projects at the community level Fund mostly focuses on modern technologies of energy saving and energy efficiency).  

In addition it is necessary to improve a collaboration with the Administration of the President of Ukraine, the Cabinet of Ministers of Ukraine, the Verkhovna Rada of Ukraine, the Ministry of Social Policy of Ukraine, Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine, the Ministry of Justice of Ukraine, World Bank experts. Fruitful work with the governmental organizations shall contribute in solving priority social problems of the society and vulnerable groups of population, the support of the local initiatives to combat poverty and prevent social isolation.  

Also to decide tasks it is necessary to attract specialists for realization of complete estimation of the Project performance, including: the reproduction of social infrastructure objects by financing of the sub-projects, implementation thereof shall meet the needs of the most socially vulnerable groups of the population; the granting to the local governments, local communities and public organizations technical and advisory assistance in the preparation and implementation of sub-projects; the formation and development of skills in a market economy of the entrepreneurs, involved in the implementation of sub-projects of social orientation, the introduction of new approaches to the provision of social and other services at the local level; the creation of the working places by attracting small enterprises to execute the sub-projects; the involvement of all concerned parties to provide social and other services to members of local communities and public organizations, to promote competition in the provision of the aforementioned services.  

(b) Which social and cultural factors affect to the functioning of the Ukrainian fund of the social investments and how the above-mentioned Projects may be implemented?

Cultural factors reflect the widely recognized norms and values that determine the general principles of behaviour and social life. In order to identify the most significant opportunities and threats on the side of cultural factors, one shall consider present issues and trends, identify the most urgent ones and those that require quick and immediate resolution. Namely, cultural factors highlight the main problems to be faced by socially disadvantaged groups of population.¹

On creation and implementation of such Projects is affected by the such cultural and social factors as living conditions and development of population, the attitude to work, the level of education and intelligence communities, purchasing power, that form the general population welfare indicator. The financial support, received from foreign investors, is the driving force, aimed at solving the major social problems in Ukraine. The said factor is to be taken into account and these Projects are to be realised, and the principles and norms, inherent for the European conditions of society are to be settled.² ³

These Projects are to be aimed at ensuring people who currently do not have proper conditions for a normal life, improve their social status, level of culture, education, purchasing power. To provide this there is to be available a wide range of social and cultural services, health care, infrastructure and etc.⁴

(c) Which actions are to be done to achieve necessary results during the implementation of this Project?

The Project implementation envisages the achievement of the following results:

- in the 50 most socially troubled areas of Ukraine the condition of social and economic infrastructure is to be improved;
- the access to existing social services is to be improved and the new ones are to be founded;
- an effective and transparent mechanism of social services funding is to be introduced;
- the experience, gained within the Project, is to promote the performance of social sector reforms in Ukraine;

• the participation of communities in solving their own social problems is to be observed;
• the conferences and round tables, aimed at the sharing of the experience, gained within the implementation of innovative services at the community level are to be held;
• the basis for the introduction of state quality standards into the current practice is to be created;
• the mechanisms of forming services adequate to the needs of vulnerable groups of population are to be implemented;
• the boundaries of social services are to be determined;
• the professional competence of social service providers is to be developed;
• evaluation of the requirements regarding personnel to be involved into the working with vulnerable groups of customers are to be formed;
• the image of NGOs as an equal partners in the delivery of social services is to be improved;
• the possibility to attract additional resources is to be demonstrated to local citizens and authority bodies.

OPPORTUNITIES AT THE BOTTOM OF THE SOCIAL PYRAMID

Olena Martyniuk∗

Diageo†, the world’s largest spirits company and one of the major beer and wine producers, has a powerful portfolio of brands and strong distribution networks in many developed markets.

Diageo traced its origins to Grand Metropolitan Public Ltd (Grand Metropolitan) and Guinness PLC (Guinness), which were major players in the global beverages market. Both the companies held ownership of brands whose inception dated back to the 16th century. These included the Johnson and Justerini partnership that dated back to 1749 and a brewery established by Arthur Guinness in Dublin.

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Grand Metropolitan and Guinness entered into a merger deal valued at £21 billion in 1997. The merged entity was named as Diageo PLC. It was a food and drinks conglomerate headquartered in the UK and was listed on the London Stock Exchange in December 1997. Its product portfolio included a collection of some renowned drinks, which had been in existence since the 17th century.

The products of one of Diageo’s parent companies, Guinness, had been available in the African market since 1827, when it started exporting beer to Sierra Leone. Guinness’s subsidiary, Guinness Nigeria, was established in 1950 and its first brewery outside its home country was built in Lagos, Africa, in 1963.

Guinness Nigeria was listed on the local stock exchange in 1965. Guinness recorded steady growth in Africa and its products Guinness Stout and Hart Lager became very popular. It established four breweries by 1982. Guinness’ Tusker lager was popular in many African countries. Some of the popular products of Guinness in Africa included Guinness Foreign Extra Stout, Guinness Extra Smooth, and Malta Guinness.

In 2000, Diageo underwent a strategic realignment and decided to concentrate only on the beverages business. In 2000, the company, along with Pernod Ricard, acquired Canada-based Seagram’s spirits and wine business for US$ 5.62 billion, with Diageo paying £ 3.7 billion of the total. This acquisition brought in brands like Captain Morgan rum, Crown Royal Canadian whiskey, Seagram’s 7 Crown American whiskey, and Seagram’s VO Canadian whiskey into Diageo’s fold.

By 2004, however, many of these mature markets were becoming saturated. Emerging markets, on the other hand, were growing quickly, and the company saw an opportunity in them.

But there were also difficult questions: which market should it target? What were the needs of customers at that market? And how could it deliver the right value proposition to those customers, knowing full well that tackling an emerging market would present challenges that differed greatly from those it faced in the developed world?

Africa provided an attractive target. Its population had been growing at more than two per cent per year, and it had an average age of 19.7 years. The middle class was well over 250 million people in 2000, and the number was increasing rapidly. But the continent also presented its fair share of challenges.

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Many existing products were too expensive for the African middle class. Others, developed for western markets, did not address the specific needs of the African population.

In Kenya, traditionally, people made their own fermented beverages. Almost all the ethnic tribes in Kenya had their own beverage which was brewed locally. In Africa, many customers consumed locally brewed hooch made from bananas, watermelons, root vegetables, sorghum, honey, sugarcane, etc. A study by the World Bank showed that in Tanzania, more than half of the total alcohol consumed was informally brewed.

The challenge for Diageo was to produce commercial alcoholic beverages that profitably met local needs. To achieve its targeted growth, the company needed to innovate across its entire value network. New products, manufacturing setups and distribution systems, tailored to the specific commercial needs and opportunities of the region, would have to be created.

Diageo first had to decide whom it would serve to achieve that growth. The company was producing and selling a beer called Tusker in Kenya at the time through an equal partnership with a local company, East Africa Breweries Ltd (EABL). Tusker and its rivals were sold at prices well out of the reach of most Kenyans.

EABL then decided to develop a product to cater to the needs of the consumers, which would help the company increase its market share and also address the adverse effects of illicit brews. A multidisciplinary team with employees from the production, sales, marketing, research, finance departments and even an external marketing agency was created. The team conducted a pilot study for six months in Kenya to determine the factors that supported the idea of a low cost beer. The team visited urban and rural areas in the country, places where people met to have drinks, and also the homes of consumers to learn about the drinking habits of the people.

The company developed a process to make beer without the costly and difficult-to-source hops. This left a strategic segment underserved: those who drank but for whom branded beer was too expensive. The poor consumed homemade brews sold illegally. These illicit products were often contaminated with methanol, fertilizers or battery acid, and caused blindness and even death. This presented a big opportunity for Diageo. Providing a safe, ultra low-cost beer to compete with illegal supplies could play a crucial role in both resolving alcohol-related health problems and in achieving the targeted growth for Diageo. The company created a new product — a beer called Senator
Keg — to tap the approximately 60 per cent of consumers who drank only illegal alcohol. EABL initially tested the drink in a few areas in Nairobi. It found that people in the urban slums were initially skeptical about the drink. At the same time, there were a few people who liked it and started drinking it regularly.

Senator Keg was launched in November 2004 and was targeted at low income consumers who could not afford commercial beer and often resorted to consuming illicit liquor brewed locally. It was sold at a price that was one fourth of the price of Tusker, but was priced slightly more than the illicit liquor. At the same time, it was stronger than Tusker. Senator Keg contained 6% alcohol. In several African countries, the per capita alcohol consumption was high, but most of the alcohol consumed was illicitly brewed. The locally brewed and homemade drinks were not very hygienic and posed a health risk. To make matters worse, chemicals like methanol were often added to the brew to increase the alcohol levels.

Senator Keg offered potential consumers not only a safe drink but also a stepping-stone to a new, aspirational drinking experience. Diageo had to rethink its entire value chain. It would have been impossible to produce beer at a profit using the company’s traditional sourcing, manufacturing, marketing, and distribution mechanisms. So, virtually every part of the network was redesigned to reduce cost.

First, Diageo engineered its sourcing and manufacturing operations to significantly reduce the cost of producing Senator Keg beer. Most beers are produced from two primary ingredients — barley and hops — which are combined with yeast and water to induce fermentation. The company chose to source barley from local growers and to produce the beer at its subsidiary, EABL. This took advantage of low labour costs in Africa while minimizing transportation and other expenses associated with sourcing from afar. More interestingly, the company developed a process to make beer without the costly and difficult-to-source hops. This drastically reduced the beer’s production cost. The pioneering process of brewing a lager from only barley was the world’s first and recognized internationally.

Diageo also needed to distribute the product cheaply while keeping it safe. The lack of a formal distribution infrastructure — and even formal retail outlets — forced Diageo to use Kenya’s «shadow economy» to distribute its product. Diageo provided its product to a few

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1 Katrin Wilewska, Cory Oliver, Brenda Herrera, Ankeet Bajaj Bottoms Up [Electronic resource] — Access mode: https://www.businesstoday.in/magazine
dozen distributors, who then distributed it to the tens of thousands of small bars and roadside establishments that make up the drinking scene for some of the country’s poorest citizens.

The company announced a formalization process to enable licensing of outlets that previously sold illegal alcohol, making them exclusive Senator Keg outlets. Diageo then trained the staff of its retail outlets — free of charge — how to rotate kegs and wash glasses to maintain freshness and flavour, how to serve and even how to deal with customers who had had too much. This ensured that customers got high-quality beer in hygienic conditions at outlets and prices accessible to them. By using a two-level distribution system, which involved selling to one tier (the distributors) but educating the second tier (the retail outlets) to maintain product quality and safety, Diageo was able to get its product delivered cheaply to a broad market while maintaining control over the customer experience.

Finally, Diageo needed to find a way to minimize the cost of packaging. Most beers were served in bottles, which added appreciable cost to a product that was intended to sell for around 10 pence (about six rupees) per serving. A significantly cheaper approach would involve packaging the beer in kegs to eliminate the expense associated with single-serving containers. Diageo also distributed a specially-designed hand pump and plastic hardware along with the kegs to circumvent the need for expensive beer dispensing hardware.

Market research done in 2003 by Diageo showed the optimal pricing for Senator Keg needed to be between 20 and 30 Kenyan shillings (Rs 13 to Rs 18) a glass (300 ml). When finally introduced, at 15 to 20 shillings a glass (around Rs 9 to Rs 13) Senator cost a fifth the price of Diageo’s mainstream beer, Tusker, and was only slightly more expensive than illegal alcohol. By pricing Senator Keg at this level, Diageo offered consumers a product that was safe, and yet competitive with homemade spirits.

In October 2013, East African Breweries Limited (EABL), the Kenyan subsidiary of UK-based Diageo PLC (Diageo), introduced a low cost spirit ‘Jebel Gold’ (Jebel) priced at about 10 shillings in Kenya. The company started selling Jebel on a trial basis in 300 outlets across the country, after a revision in taxes forced it to hike the price of its popular low-cost beer, Senator Keg.

The price of 300 ml of Senator Keg went up from Sh 30 to around Sh 50, which according to EABL, could bring down sales, as the consumers at whom the product was targeted were not in a position to absorb the rise. Senator Keg was earlier exempted from excise duty but from June 2013, it attracted tax at the rate of 50%.
Diageo made other significant efforts to reduce the price. It put forward a proposal to the Kenyan government to reduce taxes on Senator Keg to decrease its price and attract budget drinkers away from illicit brews. The government reduced excise duty on Senator Keg, and later was so happy with the health benefits that it waived the tax altogether.

No expensive billboards were used to launch the product. Instead, live shows were held in informal settlements to dispel any misconceptions about the product and recognize the importance of this market segment. There was also substantial focus on point-of-purchase advertising.

In 2008, the re-election of Obama as the President of the US stirred up the sales of Senator further. By then, the Kenyans had started calling Senator Keg ‘Obama’. At that time, in Nairobi alone, the consumption of Senator Keg was 8,000 kegs a day, with each keg containing 50 liters. During the year, Senator Keg overtook Tusker in volume terms, to become the highest selling beer from EABL in Kenya.

Innovative and functional offers highly relevant to the target consumer, like solar-powered mobile chargers, were used for promotion. Senator Keg has proved an enormous success by any measure. Since its launch, the brand has gained 40 per cent of the Kenyan beer market, and EABL dominates the country with a 97 per cent share. More broadly, emerging markets now contribute nearly 40 per cent of Diageo’s net sales (Pound 10.76 billion in 2012), up from 20 per cent in 2005. Africa alone contributes 14 per cent of Diageo’s revenue. The company expects emerging markets to make up half of its net sales by 2020.

So, Diageo’s brands are made with pride, and made to be enjoyed — responsibly[^1]. When consumed moderately and responsibly by adults who choose to drink, alcohol can be part of a balanced lifestyle and play a positive role in social occasions and celebrations.

The misuse of alcohol, however, can cause serious problems for individuals, communities, and society. Diageo care passionately about reducing alcohol-related harm through their own programmes and through partnership and collaboration with others — and they seek to provide consumers with the information and tools they need to make informed choices about drinking or not drinking.

Questions for discussion:

(a) What lessons do they learn from Diageo’s success in Kenya?

When spirits maker Diageo faced slowing growth in developed economies, it started expanding in emerging markets. It sniffed an opportunity at the bottom of the pyramid in Kenya. Poor people in this East African nation could not afford expensive branded beer and drank illicit, homemade products instead, despite the health risks. This study looks at how Diageo developed a safe, cheap beer to win over this price-sensitive market.

(b) What made the Kenyan low-end beer market with its limited average income and complicated distribution model appeared attractive to the Diageo top management?

This case demonstrates how understanding customer needs and delivering on these throughout the value chain created a roaring success. But it took guts, determination and maybe even humility from the company. Instead of copying business models from developed markets, Diageo re-invented its entire value chain. The Senator Keg distribution system, the training of the staff of the retail outlets on how to wash glasses to secure intended product quality are examples of the company’s true differentiators.

Senator Keg also answered an unmet need: a safe, affordable beer to lure users away from illicit brews. It is unusual to get tax benefits from the government based on health benefits of alcohol.

The promotional activities also were fuelled by consumer insights. Senator Keg drinkers were actively participating in the brand experience by deciding on label design and enjoying live shows arranged by the brand. If you get in the heart of your customers, you build a reservoir of trust and liking. This leads to brand preference, sales, and the likelihood of being forgiven in the case of a breakdown or occasional failures. Even the best strategies can be copied. But excellent execution is the gem of any company.

There is every reason to believe in the future success of Senator Keg. The target group is part of a growing economy; the brand is aspirational and close to the consumers. But Diageo must never stop investigating customer needs and must adapt its value chain accordingly. Real insight of markets drives business results.

(c) What enabled Diageo to reimagine the entire value network?

Diageo saw a huge opportunity to re-imagine products from multinational corporations (MNCs) for people who needed, but could not afford, them. They have become advocates of looking at emerging economies not just as markets but also as sources of innovation. Senator Keg is an excellent example of an MNC innovating for the lower part of the pyramid of consumption.
Providing a safe replacement for the home brew required not only developing a new product, but an entirely new delivery concept. The best BOP examples re-imagine the entire value network, not simply the products. More interestingly, Diageo convinced important stakeholders of the benefits, which led to a tax waiver on excise duties. The Kenyan government was not collecting anything from the home brews. By converting these transactions into the accounted commercial sector, there will be enough opportunities later to consider imposing a small duty.

Often companies are hesitant to introduce lower-priced products because of the fear of cannibalization. What makes Senator Keg so interesting is that Diageo positioned it to an entirely new segment. However, for Diageo, Senator Keg will be a truly resounding success only if this idea can be taken from Kenya to other markets. Income-constrained aspirational consumers exist in large parts of the world, if not everywhere.

THE CODE OF CONDUCT AS A BASIS FOR CREATING COMPETITIVE ADVANTAGES OF THE COMPANY

Petro Petráško∗
Egor Kyan∗∗
Yulia Novyk∗∗∗

Louis Dreyfus Holding B.V., through its subsidiaries, engages in the agricultural commodities and asset management businesses in the Netherlands and internationally. The company also engages in forestry and renewable energy production and distribution. Its agricultural commodities business includes merchandising and processing of agricultural goods. The company’s asset management business engag-

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∗∗ Kyan Egor — professor’s assistant International Management Department, Kyiv National Economic University named after Vadym Hetman
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es in developing and managing alternative investment products for various institutional clients. Its forestry and renewable energy production and distribution business engages in managing forests in France, as well as renewable energy projects. The company was founded in 1851 and is headquartered in Amsterdam, the Netherlands. Louis Dreyfus Holding B.V. operates as a subsidiary of Akira Holding Foundation.\(^1\)

Louis Dreyfus Commodities Ukraine LTD is a subsidiary company Louis Dreyfus & Co. — global leader in agricultural products processing and sales of various products. The company exports wheat, barley, corn, sunflower seeds. The company Louis Dreyfus Commodities Ukraine LTD was established in Ukraine since 1998 and it is engaged in agribusiness, exports of grains and oilseeds. It is the largest exporter of Ukrainian grain to foreign companies.

To achieve and retain leadership positions in a global business environment, the company maintains a good reputation regarding ethical corporate behavior. In this way it builds a relationship of trust with its stakeholders: customers, suppliers and partners worldwide. The basis of the code is a commitment to the principles and values of the family corporate culture of the company. The code of corporate ethics was created with the support and guidance of all employees to apply these principles without compromise in business ethics and no breach of legislative requirements which, by definition, regulating business conduct.

The company has positioned itself as global. The company created its own Code of Conduct, according to function in different cultural, legal, political and economic environment. This Code provides working conditions for employees, especially information security and personal rules of conduct for employees.

Rules for personal behavior of employees are listed in the Code of Conduct and include the following\(^2\):

- To act with maximum responsibility, prudence, dignity and respect to colleagues and business partners according to our values and
- To fulfill our mandate, legal and contractual obligations in accordance with professional standards, terms and conditions that meet the long-term interests of the Group and Group Companies
- Not to participate in dishonest trade transactions; should not be considered or implemented any agreements with competitors for the benefit of anticompetitive position

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\(^1\) Official website of Louis Dreyfus Holding B.V. [Electronic resource]. — Access mode: www.louisdreyfus.com

Employees are prohibited in person or through a third party to offer, promise, authorize, and receive from clients, public officials and other partnerships an improper financial incentives or receiving any other benefit, and in this respect you should always rely on existing legislation and orders.

Gifts and entertainment may be offered and received to strengthen business relations only in case of moderate cost and according to local business practices, laws and policies. In case of any doubt, employees must obtain permission from the management.

Louis Dreyfus Holding B.V. decided to introduce for its employees testing that includes potential and actual situations that workers may face in the work process in the company, to check the employees understanding of the Codes of business ethics of the company. The essence of the test is that there is a situation and worker must choose among options one that would be the best solution to this situation or reactions to it. Example of such testing, conducted by the company, listed by the Table 1.

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| 1  | During the last few years you have formed good relationship with a supplier. He knows that you a passionate fan of football, and told you that his firm has tickets for the final of the World Cup 2014 in Brazil. He invites you and your wife for a week and pays for a room in a five-star hotel, pays all road expenses. How will you behave in this situation? | a) You will, without hesitation, say «Yes»!  
   b) You have doubts and ask your manager for advice.  
   c) You will think over and say «No»! |
| 2  | We leased a new warehouse and are increasing its capacity. This morning, when you were walking to work, you noticed that some employees of the subcontractor look too young. What will be your reaction? | a) You decide to inform your manager of health, safety and environment.  
   b) This is the case of subcontractor. LCD does not take any responsibility for this. |

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<td>3</td>
<td>You received an email: Subject: Let's talk? Content of letter: Hello, friend! I thought, how about regular meetings for the exchanging of data about our sales and discussing the condition of the market? Can this be useful for both of us? What do you think? PS: Agreement for the lunch next Monday is still ok? See you soon, Peter. What will be your reply?</td>
<td>a) Hi, friend! I think this is a great idea! Let’s do so! PS: Of course, plans for the lunch are still in force!! b) Hi, friend! I don’t think that it is a good idea… PS: Of course, plans for the lunch are still in force!!</td>
</tr>
<tr>
<td>4</td>
<td>Talking with potential customers on the phone, you receive the question: «It is not for the record of proceedings. What can you say about the recent changes in the Chicago’s market?» What answer do you think is suitable?</td>
<td>a) With pleasure, but you must ensure that it is really not for the record... b) I couldn’t tell you this information by myself, but let me speak to someone who could. c) I am sorry, unfortunately I couldn’t.</td>
</tr>
<tr>
<td>5</td>
<td>We are organizing warehouses in the country, where local players smaller than we and they are dominating. Usually, workers hired on a daily basis throughout the season through an agency and therefore they are not employees of LDC. You have found out that personal protective equipment, even if it will be granted, will not be used because the staff feels uncomfortable to work with it. Apart from this, you know that security measures will lead to the emergence of our expenses, which in turn will make our position disadvantageous regarding competitors. What do you think about this?</td>
<td>a) Principles of occupational safety, safety and environmental protection of LDC should strictly be followed by all enterprises that are controlled by LDC, and for all those who work in our rooms. b) Regulations of Principles of occupational safety, safety and environmental protection apply only to LDS employees.</td>
</tr>
<tr>
<td>№</td>
<td>Question</td>
<td>Answers</td>
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| 7  | You are descended from farm family whose land which is currently managed by your uncle is located near LDC factory. Farm production is sold out to three local firms, including LDC. What do you think about this? | a) It is useful: the exchange process of information between LDC and your uncle is accelerating.  
b) This situation represents a conflict of interest so you need to inform about it management.  
c) This situation represents a conflict of interest so should not be allowed. |
| 8  | Why do we need Code of Conduct?                                                                                                                                                                             | a) According to new law, it is required in each company that has more than 100 employees.  
b) Because it looks good on the Internet.  
c) In the field of company’s growth and necessity to formulate values and behavior models. |
| 9  | Complete this phrase from our Code of conduct: Employees are forbidden to... both directly and through third parties, any improper tangible or intangible benefit, and according to this they should keep to active laws and regulations. | a) Offer  
b) Promise  
c) Grand power  
d) Make  
e) Receive  
f) In favor/from  
g) Customer  
h) Supplier  
i) Government officials  
j) Others business contacts and partners |
| 10 | The main objects of attention of our Code of Conduct in connection with the rejection of child and forced labor:                                                                                       | a) Our company  
b) Our relationships with supplier of service, partners and subcontractors  
c) Relationships of our subcontractors with others their clients |
| 11 | A journalist is waiting for your comments about recent events. Who has to give permission to answer to journalist’s questions?                                                                           | a) Nobody, because you refer to relevant information that is in general access.  
b) Your leaders  
c) Regional Executive Director  
d) CEO of LDC |
| 12 | You are in Japan and your Japanese partner offers you a pen in a case. Your actions:                                                                                                                     | a) You can accept it: in this country it is a tradition. However, you should inform about it your manager.  
b) You should not accept it: it can be considered as a bribe. |

Source: internal company's information, official website of the company\(^1\)

Key: 1) c, 2) a, 3) b, 4) a, 5) a, 6) a, 7) b, 8) c, 9) All answers are correct, 11) a,b, 12) c, 13) a

\(^1\) Official website of Louis Dreyfus Holding B.V. [Electronic resource]. — Access mode:www.louisdreyfus.com
Questions for discussion:

(a) **What do you think is an advantage of the Code of Conduct?**

The Code of Business Conduct is aimed to ensure conformity of behavior within and outside the company. It helps ethical solve existing and ripened conflicts of interest in professional and personal relationships. Also it assists privacy of corporate and personal information. It forms peculiarities of building relationships with suppliers, investors and competitors.

(b) **Which rules of personal behavior in your opinion should be added into the Code of Conduct?**

- Please, do not disclose inside information to any person outside the company, unless such disclosure is required in accordance with the provisions of law or for business purposes and when appropriate measures are taken to prevent any misuse of such information.
- Please, never do not encourage and do not direct employees to achieve business results through concessions to the principles of ethical conduct or compliance with the requirements of this Code and legislation.

(c) **Do you think that company has to create own test for each region taking into consideration regional peculiarities? If you think so, why?**

For each region the company should change the test that aimed at checking understanding and knowledge of the Code of Conduct, adding questions that take into account regional differences. This is due to the fact that what are in one region inappropriate for employees in others regions are acceptable. For example, for Ukraine it is customary to discuss own salary within the company, while for other regions such information spread reluctantly.

(d) **Please, give examples of others company that have similar Code of Conduct?**

A Code of Conduct has such companies as Coca-Cola, Bosch, Unilever, Shell, P&G and a lot of others transnational corporations.

(e) **Please, offer potential situation that can arise during the working process and should be included into the testing for its improving.**

- Sales Manager prepares a presentation for the new advertisement campaign. She is delighted by the plan and wants to discuss it with a friend who is not a company employee. Can she discuss such issues with her friend?
- You have just changed the job and have come from competitors and have brought a lot of information, which, in your opinion, would be useful for the company. Since this information relates to the work in which you took part, can you share it with my new colleagues?
- You have received mistakenly via email letter, where was attached information about salary of a few of our employees. Can you share this information with others colleagues?
EUROPEAN BUSINESS-PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY: CASE STUDY

Edited by professor L.P. Petrashko, associate professor O.V. Martyniuk

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