

Corporate Social Responsibility in Russian Companies: Introduction of Social Audit as Assurance of Quality

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Abstract

*The concept of corporate social responsibility (CSR) has been under constant development since the beginning of 20th century. Of special interest is its influence on the quality of management and possible ways to increase the efficiency of social ties to the stakeholders. **The objective** is to determine how social audit impacts quality of CSR management on both micro and macro level.*

The paper is divided into three primary parts in addition to introduction and conclusion. The first part is dedicated to the literature overview of the concept, development and interrelation of social audit and CSR as well as their impact on quality of management. The second part is focused on the history and current condition of social partnership in Russia. Finally, in the last part the authors determine key problematic areas and offer practical solutions to resolve them.

Methods/Analysis: *the research includes analysis of social, CSR, and sustainable development reports of the top Russian corporations operating in various industries; it offers analysis of national legislative base and its comparison to the international sources. **Findings:** the paper confirmed considerable underdevelopment of social audit as the joining link between CSR management in companies and stakeholders with identification of the key issues.*

Application/Improvements: *the research is useful to both government agencies and business managers in identification of existing gaps in social partnership and their negative influence on the quality of communications between stakeholders.*

Keywords: *corporate social responsibility, social audit, Russia, the Russian Federation, quality of management system, social partnership, interaction with concerned parties.*

1. Introduction

Management systems in corporate structures nowadays are facing ever-increasing challenge posed by society and employees alike to allow for external influence and control of decision-making, especially when it comes to companies' socially responsible behavior regarding community, employees and government. Faced with such issue, business owners and managers strive to find innovative ways of analysis and evaluation of their achievements in the sphere of corporate social responsibility (hereinafter CSR). One of the key elements in the relationship between social sphere and businesses are civilian communities that take active part in the process via external monitoring and evaluation of how well the companies conform to the established standards of business behavior. Undoubtedly, social audit is a sound way of ensuring qualitative approach to CSR practices, particularly due to its transparent nature to all participants.

Social audit in Russia is currently in the state of lethargic development as foreign practices are adapted extremely slowly, despite its maturity in the neighboring European countries (Kim, Boretskiy, 2014). Social audit is closely tied to the concept of corporate social responsibility which as a business practice was either completely ignored or confused with charity by most Russian companies up until 2000. It is only in the beginning of

the century that some of the biggest national companies as well as international subsidiaries began to introduce CSR practices (Csrjournal.com, n.d.). Underdevelopment of CSR in the country is being further complicated by the issue of its evaluation due to the multitude of existing approaches and measures (Jankalova, 2015).

The focus of the paper is improvement of quality of CSR management and practices through the usage of various instruments and social audit in particular.

Thus, the following goals have been outlined in the paper:

- definition of the concept of CSR and social audit as well as its role in composition of qualitative management systems;
- analysis of development and government support of CSR and social audit in Russia, and specifically in comparison to the foreign practices;
- identification of ways and methods to enhance role of social audit as the instrument of quality assurance of general business practices and CSR, specifically in Russia.

2. CSR and social audit and their role in building of qualitative management systems

Both CSR and social audit stem from the concept of social partnership that was introduced by the International Labor

Organization in 1919 when it was working on the development and introduction of principles of tripartitus, a system of relationships between laborers, employers and state and local government bodies, the purpose of which was the alignment of interests of all parties involved (Meshkov, 2017). This type of partnership is considered by several scholars to be an effective way to develop public assets by private partners due to 'private, market-like management, which is known to be more efficient than public management', as pointed out by S. Cojocaru and L. Sfetcu (Cojocaru, Sfetcu, 2013).

Shortly after the introduction of tripartitus, the idea of corporate social responsibility started to take shape in the first half of twentieth century during the second phase of Industrial Revolution. It happened in the form of debates on whether companies should pursue both economic and social function that took place between business representatives and authors from leading business schools supported by professional magazines (Martínez, M. Fernández, P. Fernández, 2015). The first formal definition of the term was outlined by Bowen in his work in 1953, where he defined CSR as 'the set of moral and personal obligations that the employer must follow, considering the exercise of policies, decisions or courses of action in terms of objectives and values desired by society' (Bowen, 1953, p.6). What exactly is meant by society is further explained by Phillips, Freeman, and Wicks as they suggest five groups of stakeholders – recipients and controllers of CSR policies – financial control agents (e.g. shareholders), customers, suppliers, employees and communities. Another classification by Phillips provides a more detailed approach as it suggests the following groups: the government, environmental organizations, NGOs, professional critics or experts, the media and others in general (citizens, locals or those who affect or are themselves be affected by companies) (Phillips, Freeman, and Wicks, 2003).

The question of what exactly should be included in corporate social responsibility currently does not have a definitive answer. For instance, Committee for Economic Development proposes three primary functions of responsible company: a) distribution of products and services in such a way as to generate jobs and inject income into the community; b) production of products and services that meet expectations of the stakeholders; c) reduction of social and environmental imbalances (CED, 1971). World Commission on Environment and Development (WCED) highlights that the primary focus of CSR should be on elimination of the "main common problems that impact daily on society, like environmental contamination (pollution, non-renewable energy, lack of recycling, etc.) and social inequalities (poverty, hunger, underdevelopment within countries, etc.)" (Martínez, M. Fernández, P. Fernández, 2015). A more structural approach to definition of the essence of CSR activities is outlined by Carroll and Buchholtz as a four-layered formation of: (i) economic level (e.g. sustainable development); (ii) legal level, (e.g. compliance with legal requirements for products and services produced as well as general conduction of business activities); (iii) ethical level, (e.g. ethical consistency of an enterprise, activities compliant with social expectations); (iv) philanthropic level (e.g. charities, supporting art and education, improving the quality of social life etc.). (Carroll, Buchholtz, 2014).

One of the first perspectives that the business representatives consider before undertaking CSR activities is how the added responsibility affects efficiency of the company's processes, or in other words, how does it influence quality of its management systems. The positive effect was mentioned by DiMaggio and Powell in that social responsibility increases companies' adaptability. (DiMaggio, Powell, 1983). Strategic benefit of CSR translated into a competitive advantage if executed integrally with business strategy is pointed out by several authors (Baron, 2001), (Galbreath, 2009). According to Reinhardt and Stavins CSR practices can be 'indeed lucrative' (Reinhardt, Stavins, 2010) as they can result in 'greater customer loyalty, new products, sometimes productivity gains,

increased reputation and image along with surmounting sustainability' (Akdoğan, Arslan, Demirtaş, 2016). Another potential benefit of CSR practices is how the relationship between employees and the company is affected, specifically in organizational identification of the former, which is "a psychological state wherein one defines one's self by the same attributes that one believes define one's organization" (Lee, Park, Koo, 2015). According to scholars from Korea, employees might indeed develop stronger ties with the organization with strong CSR policies due to a) perception of external prestige of the company and b) personal involvement in CSR projects (Kim, Lee, Lee, Kim, 2010).

Several research papers also mention possible negative outcomes and characteristics of CSR. Two recent studies conclude, that those firms that engage in CSR practices are less likely to have a sound earning management (Chih, Shen, Kang, 2008) (Hong, Andersen, 2011). Other papers point out the possibility of CSR being abused to conceal poor earnings quality (Choi, Lee, Park, 2013) or to mask managerial opportunism (Prior, Surroca, Tribo, 2008).

The term 'social audit', according to the French researchers Martine Combemale and Jacques Igalens, was first introduced by Theodore J. Krepes, professor from Stanford University in the context of evaluation of social contribution of various business in 1940s (Combema, Igalens, 2005). Another notable contributor on this topic is Charles Medawar who was debating in favor of social audit application in two primary areas: health sector (especially regarding medicine policies and drug safety issues) and public sector (matters of corporate, governmental and professional accountability). He suggested that in a democratic society those who are responsible for making impactful for community decisions must be held accountable for the use of their power (Medawar, 1976).

Social audit can be defined as 'the process by which people, the final beneficiaries of any scheme, program, policies, and laws are empowered to review any scheme, policy, program, or law'. The items under review must be subject to inspection throughout all phases of their existence – starting from the planning and preparation, through implementation and until after the completion. According to the literature review carried out by M.Puri and Ch.Lahariya, social audit must conform to the following principles (Puri, Lahariya, 2011):

- Multi perspective/Polyvocal (must include all stakeholders);
- Comprehensive;
- Participatory (active participation of stakeholders);
- Transparency;
- Multidirectional (must focus on multiple perspectives);
- Regular basis;
- Comparative (against benchmark, other organizations and previous periods);
- Verified (must be carried out by experts with no vested interest);
- Disclosed;
- Accountability (information must be taken to stakeholders immediately on relevant actions or inactions).

Ter-Akopyan views social audit as the measurement of both how mature socially active community is and how mature the B2G (business-to-government) connections are. Additionally, social audit may have contribution in the process of renewal of management concepts. The relationship between government and business structures is perceived as mature if it creates environment with low corruption perception index, open for civilized competition. There are three primarily models of B2G connections relevant to social audit (Ter-Akopyan, 2010):

- Neoliberal.** Can be characterized by minimal involvement of government in market area which reduces the state involvement to tax and legal regulation only. In this case, social audit inly exists as metric of social consequences of business activities, such as employment, income level, professional edu-

cation and development etc. The problem with this approach is that overall community remains passive or indifferent to the debate between government and businesses and can take no active part in it.

□ **Optimal.** Primarily focus is on examination of business structures on operational level, such as validity of procedures or processes, its image, management performance etc. The government acts as an external consulting party that acts on voluntary basis and is responsible for preparations of professional and competent experts. The actual analytic work is being performed by the organization itself and therefore social audit is determined by prospects for expansion for specific organization rather than expansion into external social space which is one of the limitations of this attitude. The other problem is possible lack of reference materials (standards, regulations).

□ **Regulatory.** This system puts emphasis on informal institutional characteristics that do not involve any inert institutional forms and can be characterized by a highly competitive form of cooperation in area of social policies. Such system is

extremely tolerant but can be excessively free from bureaucracy and monopolization. It can only be made possible if two conditions are observed: on the one hand, government agencies responsible for structuring of noninstitutional environment must be highly respected by community and, on the other hand, the mechanism of lobbying must be institutionalized.

Impact of social audit on quality of managerial processes according to several scholars is mostly positive. Reduction of social risks makes it possible to maximize economic gains, while costs associated with social audit typically pay off fast. According to Hmelev, social audit benefits organization through: a) improvement of financial indicators, in part due to reduction of operation costs; b) improvement of corporate image and reputation; c) improvement of customer loyalty; d) reduction of employee turnover; e) improvement of access to credit and investments etc (Hmelev, 2010).

Thus, connection between the three elements discussed above – CSR management systems, recipients and controllers of CSR policies and social audit is presented in *Figure 1* below.

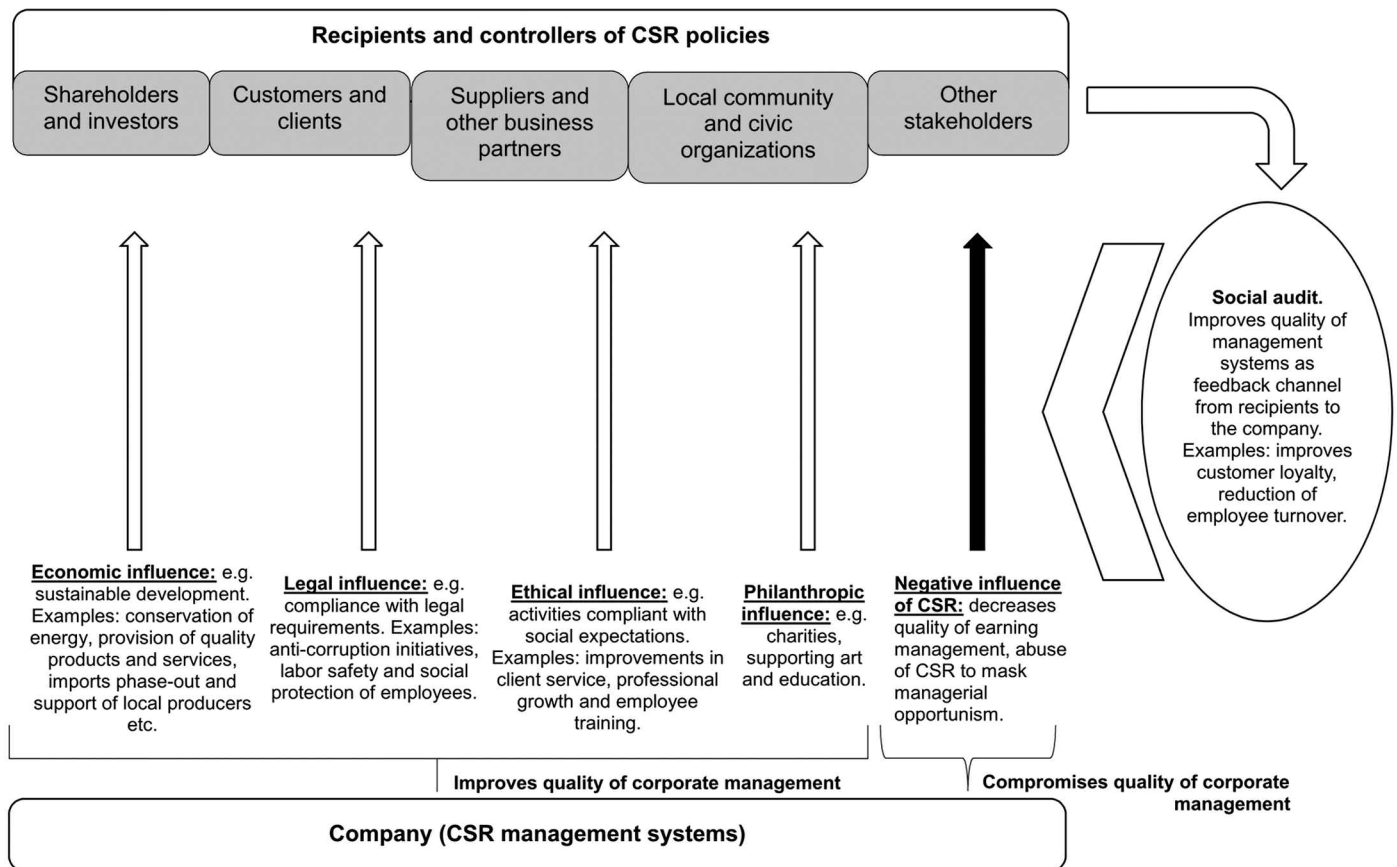


Figure 1. Interrelation of CSR management systems, recipients and controllers of CSR policies and social audit

3. Development of CSR and social audit in Russia

For the Russian Federation the matter of corporate social responsibility is both long familiar and new at the same time. It is familiar because enterprises in the USSR bore significant responsibility for social needs of local communities, starting from provision of housing for their employees and ending with maintenance of communal services. However, modern concept of CSR has little in common with its USSR version, because of the governmentally regulated prices on services for companies in the past. With emergence of new industries and transition to the market economy, the CSR in Russia slowly evolves.

Corporate social responsibility has been gaining increased attention in Russia in the last several years. Recent research on CSR carried out by the European University at Saint Petersburg

(EUSP) and the Center of SCR and Non-Financial Reporting of Russian Union of Industrialists and Entrepreneurs (RSPP) in 2013 showed that large Russian corporations are ready to discuss the issues of social responsibility and audit (Vedomosti, 2014). The main conclusion is that while big companies do indeed start to value CSR on the same level as financial or operational performance, the format of the social reporting leaves much to be desired as often little to no factual data is provided.

The 'Responsibility and transparency' index has been devised by the researchers that shows which areas of CSR are more fully and transparently described – see *Figure 2*. The average (mean) value of the index that is around 30% means that CSR holds prominent place in the structure of corporate reports. However, only a narrow number of organizations, primarily leaders of the national market, reveal detailed reports.

Thus, 72% of all disclosed data on CSR among top-100 companies corresponds to only 20 companies, such as Gazprom, Severstal, RZD, Lukoil etc. These companies compete on the global markets and mostly all of them operate in industries with apparent ecological risks. In other words, the leaders of the CSR data disclosure are those companies that benefit from it directly.

Values of 'Responsibility and transparency' index by areas

Source: EUSP, RSPP

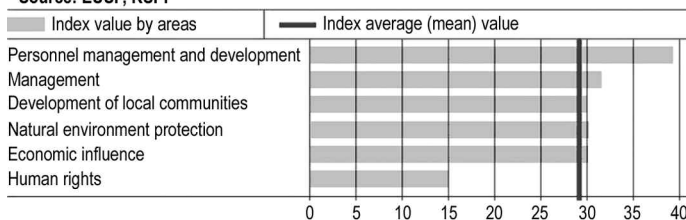


Figure 2. Values of 'Responsibility and transparency' index in Russian top-100 corporations (2013).

Source: Vedomosti, 2014

The degree of disclosure and transparency depends on the industry and the area itself. The highest value belongs to 'Personnel management and development' category – 40% compared to the average of 29%. The lowest value of 15% belongs to the 'Human rights' category.

In the framework of this study the analysis of reports published over the last 5 years has been carried out by the authors of the paper. The top companies in the oil and gas, finance, trade, metals and mining, and telecommunications have been studied. The results are shown in table 1.

The obvious problem is promiscuity of data in various companies, in other words, that the same categories are described with different indicators. For example, 'Professional growth and employee training' can be described by total costs of training, cost per employee, percentage of employees who went through training in a year, or other parameters. Another problem is that the indicators are rarely connected to the corporate performance targets or strategic goals. And lastly, the indicators have no connection to each other, for example, there is no analysis of how employee trainings affect their performance.

However, not only big corporations are developing their CSR policies. Research by Grant Thornton, Experian Business Strategies Limited and Harris Interactiv conducted in 2017 shows, that medium-sized companies also start to show interest in social responsibility (Ria-stk.ru, 2008). The main conclusions of the research are:

- The main motivation for medium business to conduct CSR activities is to attract and retain qualified personnel (78% respondents in Russia, 65% globally), with costs management (68% in Russia, 63% globally) and public opinion of brand reputation (64% in Russia, 56% globally) being second and third respective;
- Only 27% of respondents in Russia mentioned government pressure as probable reason for introduction of CSR practices, which is significantly different to the global value of 38%. In other words, Russian entrepreneurs do not have to deal with as strict government regulations regarding CSR as majority of their counterparts in developed countries do;
- Another area where there is a notable difference between national response and global is relationship with investors – 59% of Russians consider this to be a good incentive for CSR practices, while as global the value is only 39%.

Despite that, Russian medium sized businesses still engage in CSR practices rather rarely compared to major corporations, while as CSR for small business is considered unnecessary if not outright dangerous endeavor.

Management attitude to social aspects of business has changed significantly after the events of financial crisis of 2008-2009. This lead to a more rational approach to incorporating

social aspects with adequate costs. Additionally, the relation of CSR and strategic goals has become more apparent in Russian practice. Lastly, emergence of a few international documents and standards has also left an impact. The information on usage of international standards is shown on figure 3 below.

Introduction of International standards in corporate management regarding CSR



Note: The sum of answers is above 100% because respondents could select more than one answer

Source: Association of Managers, 2013

Figure 3. Usage of international standards in corporate reports regarding CSR based on interview of 80 Russian companies.

Source: Report on social investments – 2014

(Association of Managers 2013)

Only 16.9% of respondents use ISO 26000:2010 in their CSR reports, while 33.8% do not use any standards at all. Some portion of companies use only those standards that cover CSR only in some areas, such as relations with employees (ILO standards – 22% of companies) and relations with stakeholders (AA 1000SES and AA 1000AS – 15.3% of companies) (Report on social investments, 2014). Thus, there is still no common framework of how the companies compose their social reports.

The influence of social audit on the sphere of corporate social responsibility is discussed in the reports of the companies in the chapters on 'Interaction with concerned parties'. The list of potential shareholders includes over 20 potential parties, such as:

- employees;
- managers;
- board of directors;
- business owners and investors;
- local communities;
- civic and non-commercial organizations;
- customers and clients;
- suppliers and other business partners;
- media sources;
- professional associations, especially those responsible for standard development;
- competitors;
- audit companies;
- political parties;
- regional and Federal government agencies;
- educational and academic institutions etc.

However, of the most importance are those stakeholders that are identified as 'primary' by companies. The list of most important stakeholders identified by Russian companies is, according the report on social investments – 2014, as follows:

- 1) Employees. This stakeholder category is most recognized – 96.6% of companies admit that employees influence the company significantly and 94.8% – that employees themselves are influenced by the company;
- 2) Local communities – 82.2% and 77.6% respectively;
- 3) Consumers – 69.0% and 77.6% respectively;
- 4) Suppliers and other business partners – 60.3% and 72.4% respectively;

5) Business owners and investors – 51.7% and 48.3% respectively.

It is important to notice that only half of respondents list investors and shareholders as concerned party of CSR, and while 74.1% include management as one, only 60.3 also mention board of directors. Thus, many Russian companies still do not understand connection between CSR strategy and shareholder interests who represent core concept of business.

Another point of interest is primary objectives of communication with concerned parties which can be seen on *Figure 4* below.

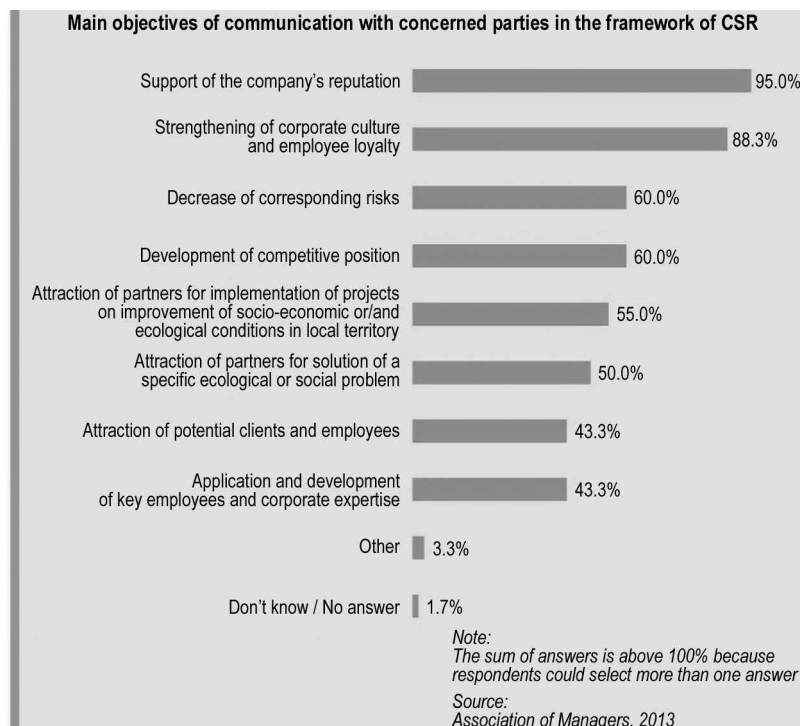


Figure 4. Main objectives of communication with concerned parties in the framework of CSR.

Source: Report on social investments – 2014 (Association of Managers 2013)

The main concern of CSR policy in the companies is reputation (95.0%) which belongs in mid-term perspective. Another equally strong objective is strengthening of corporate culture and employee quality (88,3%) which is not surprising considering how much the companies are generally focused on attraction and retention of qualified personnel.

4. Suggestions on improvements of social partnership in Russia

After review of theoretic aspects as well as current situation of CSR and social audit in Russia it is possible to make conclusions on those areas that demand the most attention from both organizations and stakeholders – see *Table 2*.

The most prominent areas where the suggested improvements of social audit can directly benefits CSR management are as follows:

□ Enhancement of legislation base. This primarily affects the relation between companies and government bodies as well as shareholders and investors. The authors suggest introduction of:

- Standardized reporting form on expenses associated with corporate social responsibility, either submitted separately or as part of accounting statements. Primary purpose is to prevent fraud of masking unrelated expenses;
- Federal Law on CSR and other regulatory acts the primary purpose of which is to determine the scope of

organizations to be accountable for social responsibility. As of now, only the organizations that operate in industries with high ecological risks (oil and gas, mining etc.) must submit mandatory reports on ecological impact of their activities. The composition of regulation acts must cross-reference other documents that regulate specific areas of CSR practices;

- Strengthening of regulatory mechanisms associated with lobbying;
- Development of guidelines on criteria and indicators of CSR reporting specific to industry.

□ Introduction of government monitoring agencies. This primarily affects the relation between companies and government bodies. The authors suggest introduction of either: a) a separate CSR office that combines features of tax and statistics offices or b) departments within already existing government offices. Suggested functions are:

- information collection through CSR-specific reports or/and independent study;
- actualization of regulatory acts (legislative function);
- persecution of CSR-related crimes in collaboration with other agencies (for example, cases of land and forest pollution to be jointly examined with Federal or regional offices of Ministry of Forestry);
- communal work and collaboration with local community, complaint handling.

□ Introduction and support of civic monitoring agencies. This primarily affects the relation between companies and civic organizations as well as customer and clients. The authors suggest necessity of supporting development of socially-active community on the whole and CSR-focused civic organizations in particular through:

- education supported through universities and other higher education institutions;
- based in the CSR office mentioned above;
- as masterclasses from the leading CSR-active companies (public awareness campaigns).

□ Development of socially-active community. This primarily affects the relation between government and civic organizations as well as community on

the whole. Suggested format is the same as above, with the purpose of stimulation of dialogue between local communities and businesses.

Expediency and practicality of the above suggestions can be further examined in subsequent studies. And while some of the suggestions seem to create additional budget costs, it is imperative to remember that efficient CSR systems are capable of relieving government sector of significant social burden.

5. Conclusions

Despite strong academic and practical interest shown by the Russian community aimed at the comprehension and development of social audit and corporate social responsibility, they still mostly remain in embryo state. The necessity of social partnership in business is still something that business owners and managers are skeptical about.

As could be seen in the paper, and especially *Table 1*, there are several companies who attempt (some of them successfully) to disclose information in social reports in accordance with international practice. However, the lack of solid legislative base, socially-passive civic and business community, and relative novelty of the subject amount to rather unimpressive results. Another principal issue is the lack of reliable monitoring system that removes any sort of guarantee of reliable information disclosure and therefore can undermine any competitive advantages gained from the introduction of CSR practices.

Thus, the authors suggest strengthening of social audit as means of insurance of not only quality of the CSR data disclosure, but also the communications with the stakeholders which invariably leads to improvement of management quality in corporations. Social audit serves as both feedback and controlling tool, acting as enabler of transparency in the partnership between businesses, community and government.

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Table 1. Review of social audit and CSR reports in Russian corporations

No	Company name	Company's profile	Source of information on CSR and social audit	Economic level of SCR (e.g. sustainable development)	Legal level, (e.g. compliance with legal requirements for products and services produced as well as general conduction of business activities)	Ethical level, (e.g. ethical consistency of an enterprise, activities compliant with social expectations)	Philanthropic level (e.g. charities, supporting art and education, improving the quality of social life etc.)	Is social audit included as part of CSR? If yes, in what form
FINANCE (BANKING SECTOR)								
1	Sberbank (Sberbank of Russia)	A state-owned Russian banking and financial services company headquartered in Moscow. As of 2014 it was the largest bank in Russia and Eastern Europe, and the third largest in Europe. First place in ranking of Russian banks by net assets.	Corporate social responsibility report 2014. Prepared in accordance with GRI standards.	Development of socially oriented products; Support of small business etc.	Anti-corruption management; Compliance risk management; Social protection of employees; labor safety etc.	Improvements in client service; Finance literacy lessons for population; Professional growth and employee training; Provision of access to handicapped people. Promotion of eco-friendly behavior etc.	Contribution and investments in socially important projects etc.	Yes. 1) Community on the whole – via crowdsourcing, analysis of media; 2) Employees – via feedback sections of intranet; hotline with the bank's President; 3) Customers – satisfaction and loyalty surveys, analysis of complaints and inquiries.
2	Alpha-bank	The largest private commercial bank in Russia headquartered in Moscow. 7th place in ranking of Russian banks by net assets.	Social report 2016	Not mentioned in the source.	Not mentioned in the source.	Education of young people, support of talented youth, international educational programs (exchange student grants); Finance literacy lessons for population.	Line of life – charity program for severely ill children; Support of art (music concerts, exhibitions etc.); Corporate volunteering (help for children and patriotic events); Support of WWF programs.	Yes, although disclosure of information for stakeholders wasn't revealed separately in the report. 1) Employees – intranet, corporate magazine, road-shows, personal and digital communications from management. Yes, although disclosure of information for stakeholders wasn't revealed separately in the report. 1) Customers – analysis of complaints and inquiries; 2) Employees – via feedback sections of intranet; hotline with the bank's President.
3	AO Citibank	100% owned by Citigroup. As of 2015, the bank has over 50 offices in 12 Russian cities, over 1 million of private and 3000 corporate customers. 22d place in ranking of Russian banks by net assets.	Annual report 2014, section dedicated to 'Social investments of Citi in Russia'.	Development of entrepreneurship, including micro businesses and social enterprises.	Not mentioned in the source.	Education of young people, including children from troubled families.	Investments in start-up businesses in various regions; Corporate volunteering.	Yes, although disclosure of information for stakeholders wasn't revealed separately in the report. 1) Customers – analysis of complaints and inquiries; 2) Employees – via feedback sections of intranet; hotline with the bank's President.
OIL & GAS								
4	Gazprom	Russia's state-run natural gas monopoly, world's biggest gas exploration and production company.	Ecological report 2016; Report on sustainable development 2015. The latter prepared in accordance with GRI standards	Sustainable development includes growth of shareholder value in the framework of organic growth (avoidance of ecologically harmful activity), provision of ecologically effective products, investment in more efficient technologies etc. Investments in development of local communities (infrastructure)	Responsible business activities and strict adherence to contract conditions; Labor safety and social protection of employees; Anti-corruption management.	Management of environmental activities, including impact control, preventive measures, support of advancement of eco-friendly technologies. Investments into regional infrastructure and technologically significant projects.	Support of art (theatre); Corporate volunteering (clean-up events);	Yes. 1) Government – national reports (on ecological impact), participation in law drafting, presentations etc.; 2) Shareholders – events, direct communications; 3) Business partners – conferences, summits, branch associations; 4) Employees – internal communications network;

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5	Lukoil	One of the largest global producers, headquartered in Moscow, Lukoil is one of the largest public companies.	Report on sustainable development 2013-2014. Prepared in accordance with GRI standards.	Sustainable development includes conservation of energy, investments in technological advancement, focus on provision of quality products and services, development of motorway filling station network.	Labor safety; Salary and pension programs; Corporate museum and exhibitions.	Ecological safety programs aimed at prevention, reduction or elimination of negative influence on environment, waste management; Professional growth and employee training, attraction of young personnel (up to 30 years old); Cooperation with trade unions.	Charity programs aimed to support: orphans, educational programs, medical organizations, social and cultural projects; preservation of cultural and historical heritage, religion, sports etc.	town hall meetings etc; 5) Local communities and social agencies – joint projects etc. Yes. 1) Customers – hotline, complaints reception, polling; 2) Shareholders and investors – reports, meetings and events etc; 3) Employees – helpline, town hall meetings, intranet; 4) Government – participation in programs, presentations and reports; 5) Business partners – events etc; 6) Local communities and social agencies – control of procurement procedures, presentations and reports, joint projects.	
6	Rosneft	Integrated oil company majority owned by the Government of Russia headquartered in Moscow, Rosneft is Russia's leading extraction and refinement company	Annual report 2016. A separate chapter on sustainable development is included in the report.	The concept of sustainable development includes: growth with consideration of ecological issues (prevention, reduction or elimination of environmental threats); implementation of energy efficiency and preservation programs; imports phase-out and support of local producers (suppliers for Rosneft).	Salary, social protection and pension programs; Labor safety.	Professional growth and employee training; Partnership with universities and student internship programs.	Charity programs (regional development, support of war veterans, disabled people; educational projects; ecological projects; culture and sport).	Yes, although disclosure of information for stakeholders wasn't revealed separately in the report. 1) Shareholders and investors – meetings, conferences, calls (hotline); 2) Other stakeholders are not specifically mentioned in the report.	
METALS AND MINING									
7	Severstal	Russian company mainly operating in the steel and mining industry, centered in the northern city of Cherepovets. As of 2009, it is the largest steel company in Russia according to the Metal Bulletin.	Corporate social responsibility policy 2013; Report on sustainable development 2014. Prepared in accordance with GRI standards and recommendations of World Steel Association.	The company policy views socially responsible behavior with inclusion of the following priorities: a) create value for shareholders; b) develop eco-friendly and efficient technologies; c) contribute to socio-economic and cultural development of local communities etc.	Development of compliance system; Labor safety; Contribution in development of local legislative acts on environmental protection;	Collaboration with national research agencies and civic organizations on eco-friendly technologies; Professional growth and employee training; Attraction of young personnel.	Charity or partial funding of public programs (regional development of infrastructure, WWF projects, SME support, indigenous communities, sponsorship of sports events),	Yes. All stakeholders are invited to participate in round tables in regions of presence (no specifics provided for each category of shareholders).	
8	Normickel (until 2016 the name of the company was "Norilsk Nickel")	Russian nickel and palladium mining and smelting company. Headquartered in Moscow and is the world's leading producer of nickel and palladium. It is ranked among the top ten copper producers.	Annual report 2013, a separate chapter on sustainable development is included in the report. Four parts are highlighted in the report: personnel, social investments, labor safety and	Not mentioned in the source.	Collaboration with trade unions on protection of worker rights, especially collective employment agreements; Labor safety; Prevention, reduction or	Attraction of young personnel, including interns, support of working students; Partnership with universities; Professional growth and	Grants and co-financing of socially important projects;	Not mentioned in the source.	

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9	Evraz	Multinational vertically integrated steel making and mining company headquartered in London, United Kingdom. It has operations mainly in Russia.	Annual report 2016, a separate chapter on CSR is included in the report. The focus of the chapter is on: a) health, safety and environment; b) energy-saving measures; c) social policy; d) anti-corruption.	Energy-saving measures are part of sustainable growth and include the switch to less energy-intensive equipment and its more efficient usage, shutting down of temporarily unnecessary equipment.	elimination of environmental threats Labor safety with focus on treatment of occupational diseases; Prevention, reduction or elimination of environmental threats; Collaboration with trade unions on labor regulations; Development of compliance system with focus on anti-corruption procedures.	employee training; Focus on moral and psychological stimulation of personnel. Professional growth and employee training	Support of special needs children, veterans and the elderly, children's homes; Support (sponsorship) of cultural, educational and sport projects; Investments in local infrastructure;	Not mentioned in the source.	
TRADE									
10	X5 Retail group	The largest food retailer in Russia. As of 31 March 2017, X5 had 9,817 Company-operated stores.	Annual report 2015, separate chapters 'Safety and quality of products' and 'Social, corporate and ecological responsibility' contain relevant information.	Recycling and waste utilization are part of sustainable growth program and contribute to income from additional sources; Energy-saving and energy efficiency technologies.	Product safety and high quality is assured through audit of suppliers (internal and external), participation in legislation processes, analysis of customer complaints, development of specification on quality standards; Labor safety.	Ethical hotline for employees; Professional growth and employee training.	Fundraising in shops and direct financing of charity projects (support of severely ill children primarily); Food aid for low-income families; Support of war veterans (discounts, gifts); Support of art.	Not mentioned in the source.	
11	DIXY	Russia's third largest food retail company. The Moscow-based company and its subsidiaries specialize in sale of food and everyday products. DIXY is a subsidiary of Mercury Group.	Annual report 2015 and 2016. There are separate short (2-3 A4 pages) chapters dedicate to CSR in both reports.	Focus on purchasing from local suppliers; Energy-saving and energy efficiency technologies; Separate collection of waste for further recycling;	Not mentioned in the source.	Professional growth and employee training, support of gender equality	Food aid for low-income families; Blood drive days; Support of education programs, especially in orphanages; Eco-friendly events (Day of Earth etc.);	Not mentioned in the source.	
12	Leroy Merlin	French headquartered home improvement and gardening retailer. Operations in Russia started in 2004, and as of 2017 has 67 shops. The biggest DIY and decorating stores network in Russia.	Corporate social responsibility report 2014.	Separate collection of waste for further recycling; Optimal water and electricity usage	Not mentioned in the source.	Professional growth and employee training, Comfortable working conditions (corporate holidays; educational trips etc.)	Corporate volunteering	Not mentioned in the source.	
TELECOMMUNICATIONS									
13	Mobile TeleSystems (MTS)	The largest mobile operator in Russia and CIS with over 102.4 million subscribers as of 31 December 2009.	Report on sustainable development 2015.	Economic and sustainable progress is seen possible due to: Provision of quality services equally distributed among all customers; transition to data-company; Popularization of modern technologies; search and support of innovative products; The company sees elimination of digital inequality as one of primary goals of CSR policy; Energy-saving and energy efficiency technologies, waste	Analysis of customer complaints; Confidentiality of personal data is highlighted as top priority in accordance with national Federal Laws and other regulative acts; Labor safety.	Internal communications: corporate radio and intranet; Employees motivation: events, recognition of service record; Professional growth and employee training; Attraction of young personnel, including disabled people; Focus on non-material motivation and provision of social guarantees.	Support of severely ill children; Support of art and culture (veterans, music, theaters); Corporate volunteering; Support of start-ups; Educational projects (internet-literacy among older population as well as their parents on safe usage of the Internet);	Yes. Disclosure procedures are discussed for each of the shareholder types: - Customers (contact centers, online coms); Shareholders and investors (online and offline coms); Employees (opinion surveys etc); Local communities; Government agencies (consulting and work teams, events);	

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	<p>recycling etc.</p>	<p>Economical portion of CSR includes: Provision of high quality services, especially 3G and LTE; Transparent tariffs; Development of mobile financial services and cloud technologies; Development of services for the needs of small and medium businesses; Energy-saving and energy efficiency technologies, waste recycling etc.</p>	<p>Confidential information security; Analysis of customer complaints; Anti-corruption principles in all aspects of business activities, especially in contracts with suppliers; Informational transparency regarding share value etc. in accordance with regulation acts; Labor safety and social protection for employees; Collaboration with trade unions.</p>	<p>Development of technologies specifically for the needs of disabled people; Development of technologies for the search of missing people; Development of technologies on mobile health; Professional growth and employee training; Employees motivation including non-material methods</p>	<p>Sponsorship of art, music and culture, as well as sport habits; Support of innovation projects; Support of disabled people and events for the integration in society; Educational projects (internet-literacy among older population as well as their parents on safe usage of the Internet); Corporate volunteering; Support of education (schools and higher education institutions).</p>	<p>Business partners and suppliers (survey 'Voice of Supplier'). Yes. Disclosure procedures are discussed for each of the shareholder types: - Customers (call-center, selling points, social networks); Shareholders and investors (website, reports etc.); Employees (online coms, meetings with managers, intranet, opinion surveys etc.); Local communities (volunteering projects, external technical expertise); Government agencies (participation in legislation process, conferences, events); Business partners and suppliers (meetings, associations).</p>	<p>Business partners and suppliers (survey 'Voice of Supplier'). Yes. The stakeholders and methods of communications are: Clients (service centers, media etc.); Shareholders (meetings and road shows, financial reports, Q&A, conferences and forums etc.); Personnel (meetings, corporate internal media, trade unions); Business partners (meetings, events, procurement procedures); Government agencies (events, joint projects); Local communities (events, media); Civic organizations (expert analysis).</p>
<p>14</p>	<p>VEON (Formerly known as VimpelCom)</p>	<p>Global provider of telecommunication services founded in 2009. Most of the company's revenue comes from Russia (39%). Known by the brand 'Beeline' in Russia and CIS</p>	<p>Corporate social responsibility report 2013. Prepared in accordance with GRI standards. Key priorities: focus on life-changing technologies, investments in personnel, environmental protection.</p>	<p>Economical side of sustainable development is seen in: responsible taxpaying; development of telecommunication infrastructure; support of local producers; contribution to the project 'Electronic government'; support and investments in innovative technologies and education; provision of high quality telecommunication services; elimination of digital inequality; provision of services for small and medium businesses as well as socially oriented products; Disclosure of total payment for top-managers. Environmental programs.</p>	<p>Corporate social responsibility report 2014.</p>	<p>Corporate social responsibility report 2014.</p>	<p>Corporate social responsibility report 2014.</p>
<p>15</p>	<p>Rostelecom</p>	<p>Russian telecommunication company majority owned by the Government of Russia. According to the company's data, it provides services to over 100 million citizens.</p>	<p>Professional growth and employee training; Attraction of students for internships and graduates;</p>	<p>Corporate volunteering; Support of educational projects in collaboration with civic organizations; Support of art, cultural projects and sport; Charity projects for orphanages, sick children; war veterans.</p>	<p>Professional growth and employee training; Attraction of students for internships and graduates;</p>	<p>Professional growth and employee training; Attraction of students for internships and graduates;</p>	<p>Professional growth and employee training; Attraction of students for internships and graduates;</p>

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Table 2. Problematic areas of CSR and social audit in global and Russian practice and suggested solutions

No	Problematic area	Comment	Suggested solutions
Issues and challenges in global practice			
1	Abuse of CSR to conceal information from stakeholders	Costs associated with social responsibility can be used as 'cover' for poor earnings management, managerial opportunism and other expenditures.	All expenditures on social responsibility must be fully disclosed in a standardized manner. Authors suggest introduction of a separate report or inclusion of CSR expenditures chapter in existing accounting reports to be submitted to tax office or a separate bureau (see point 8).
2	Disconnection of CSR goals and strategic priorities	If CSR activities are not performed integrally with strategic goals, there is the risk of them not generating or even subtracting from value for shareholders	Presence of strong expert community represented in civic organizations creates ways for dialogue between the community and businesses. Authors suggest stimulation of formation of CSR-focused civic and expert organizations on government level or as part of education or scholar institutions.
3	CSR cannot exist or is limited in economically and socially immature environments	If some part of or whole community is socially passive, or if the legislative initiative is insufficient, the process of communication of CSR results is one-sided and vulnerable to falsification.	While there are no easy ways to jump-start development of socially active community, educational initiatives still deserve a separate mention. Also, the requirements for existence of regulatory form of B2G connections relevant to social audit must be adhered to (see chapter 2 above), namely 1) structuring of noninstitutional environment highly respected by community, and 2) institutionalized mechanism of lobbying.
Issues and challenges specific to the Russian practice			
4	Very few companies fully disclose information in their CSR reports	The most transparent reports belong to the national juggernauts in primarily raw materials industry who also compete on international markets. Therefore, disclosure of CSR data benefits such companies directly. Other companies either do not disclose CSR information or provided few details.	Equal disclosure of CSR must be legally stated for all corporate businesses. Authors suggest additional development of standard GOST R ISO 26000-2012 to account for national specifics and include a more detailed explanation of some problematic areas described in this table accompanied by introduction of either Federal Law or laws of lower tier that are mandatory for corporations.
5	Information on various aspects of social responsibility is disclosed unevenly	Information on employee benefits, training, labor conditions etc. is disclosed most transparently in Russian practice. Some other areas, however, are barely touched upon in majority of social reports (such as human right).	Authors suggest production of guidelines on standardized parameters and indicators by industry that companies must use. This way there could be no subjectivism in determination of how much information to disclose.
6	No standardized indicators	The same areas in various companies can be described by using different indicators	Chapter 4.3 of GOST R ISO 26000-2012 only suggests transparency in methods and criteria of data acquisition. Suggestion is similar to point 5 above. This way it will be possible to better compare CSR performance of companies in the same industry.
7	No cause-and-effect connections between indicators	The influence of one set of parameters on the other is not examined, for instance, how much training and personnel development affects service quality or customer satisfaction.	Inclusion of not only reporting but also analysis of the data in the reports (on the basis of time/previous periods, relation to other indicators etc.) This can be achieved by legislative recognition of either internal or external analysis of provided in social reports data.
8	Government pressure regarding CSR is lower than in other developed countries	This could mean either that state authority is not as interested in the topic, or that legislative acts are not as developed when compared to other countries.	Composition of social reports for majority of companies currently is viewed as the act of good will. The strengthening of legislation on CSR and creation of CSR offices similar to tax offices or statistical bureau (or combination of both) may provide sufficient foundation for improvement in this area.
9	Nonoccurrence of CSR in small and medium businesses (SME)	CSR is primarily associated with corporate businesses. The benefits of running a socially responsible business are not clear for entrepreneurs.	The inclusion of CSR practices with SME is briefly described in chapter 3.3.4 of GOST R ISO 26000-2012. There are no concrete measures described in how to attract SMEs to social responsibility. The authors suggest educational programs for SMEs originated either from corporations-leaders of CSR or municipal or regional government bodies. This will also further promote social audit of corporation from entrepreneurs.
10	Little reference to international standards on non-financial reporting	About one third of corporations do not use any standards at all, while as only about 17% use ISO 26000:2010	Apart from the GOST standard mentioned above, there are numerous Federal Laws that control only one area related to CSR, such as Federal Law 135 from August 11 th , 1995 'On charitable activities and philanthropy organization' and many others. Such disconnection of national laws creates additional barriers for companies to compose comprehensive social reports.
11	Shareholders are considered primary stakeholders by only half of the companies	Russian companies still do not understand connection between CSR strategy and shareholder interests	Non-obviousness of shareholders role is primarily determined by the fact that share ownership and other forms of corporate investment are domain of corporate and not public interactions. For as long as the community not interested in participation as shareholders, this aspect will remain stagnant. General development of socially-oriented community and financial education of population will resolve this problem with time.
12	Prevalence of monologue in communications with stakeholders	In communications with concerned parties, majority of companies use monodirectional types of informing, such as media spots, corporate websites, conferences etc.	Encouragement of businesses participation in dialogues or multi-directional types of communication, such as joint expert projects and committees, involvement with public chambers etc. This can be achieved with development of more prominent social position of stakeholders, and a more socially development community overall – see point 3.

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