



CORPORATE SOCIAL RESPONSIBILITY FOR ALL

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SUMMARY:

The research showed that in Croatia the government has almost no measures for CSR promotion. There are no additional standards requested from public companies with the exception of the anti-corruption policy. The only activity the government plans is the preparation of a CSR Strategy, to be prepared by the Ministry of Economy in charge for CSR but it is too early to know how successful the planned measures will be. There are also no regulations, policies or laws that would explicitly support CSR but there is legislation in the area of environmental protection, human and labour rights which set minimum standards in these areas but there are no mechanisms that would support the voluntary practice.

The only systematic promoters of CSR in Croatia are business organizations. The leader is the Croatian Business Council for Sustainable Development (HR BCSD) while there is also an CSR Association in CCE which is currently not active, and Global Compact whose activities are about to begin. The business sector expressed a very low interest for the participation in this survey which can be seen in the very low return ratio which is 4%. The reason is partially due to the low interest of the business sector in topics of Corporate Social Responsibility which results from the fact that the business sector still does not see a business case in CSR implementation.

The survey was executed on a relatively small sample which does not represent the average sample of Croatian businesses because it was expected that companies that already practice CSR or wish to improve their CSR practice are more likely to participate in the survey. The size of the sample also influenced the results in some sectors; therefore these results need to be taken with some reserve, more as directions than as exact indicators.

Results show significantly a large number of companies, mostly large companies that have knowledge about CSR, also companies that operate in environmentally intensive industries have a better knowledge of CSR (such as the mining and quarrying and manufacturing sectors). Finally, a better knowledge on CSR is found in companies that operate on foreign markets. Large companies also practice CSR for a longer period of time, while small and micro companies this practice only recently started, often within the last year.

The results of the survey are very positive and most of the companies have departments that practice CSR, companies expressed their responsibility towards employees, environment and community. Companies know CSR tools and a certain number of them are practicing them and also report about CSR.

The general impression is that the survey's results are better than expected and there is an assumption that part of the positive answers are based on declared CSR or single project activities rather than on the system in place. Therefore, education is needed to raise the understanding of good CSR practice and help companies get a realistic picture of where they stand in terms of CSR. Education is especially necessary for small, medium and micro companies which show worse results in CSR than large companies.



Due to the very low engagement of the state in the promotion of CSR, it is suggested that education should also include state officials and that the support is given to the government in creation of supportive measures and the framework for CSR so that it could be more significantly applied in practice. The participation of the public sector should be increased thorough supportive measures in public procurement, public support to CSR champions and their rewarding, support to existing initiative such as CSR Index, conferences, round tables, public discussions and similar activities that are already being organized. In the long term the pressure of the chain of value should be increased so that companies that operate dominantly on the domestic market should have a business case to invest more in the practice of CSR.



Table of Contents

SUMMARY:.....	2
I. INTRODUCTION	10
1. General information about the project and research.....	10
2. Consultancy.....	11
2.1. Brief description of Promocija Plus	11
2.2. Reference of Promocija Plus	11
2.3. Consultant (Research Coordinator).....	14
3. The time in which survey was conducted	15
4. Number of contacted companies.....	15
5. Number of completed questionnaires	15
II. COUNTRY PROFILE - CROATIA	17
1. Population	17
1.1. Population in thousands	17
1.2. Age structure of the population.....	17
1.3. Natural change in population rates (population growth rate).....	18
1.4. Life expectancy at birth	18
1.5. Urbanization.....	18
1.6. Gini Index.....	19
1.7. Population below the poverty line.....	19
1.8. Ethnic groups.....	20
1.9. Languages.....	21



1.10. Religions	22
2. Economy.....	22
2.1. GDP per capita.....	22
2.2. GDP – real growth rate.....	22
2.3. Five largest sectors of the economy and their proportion of GDP and employment.....	23
2.4. Foreign Direct Investments (FDI).....	23
2.5. Direct importance of foreign MNEs for the economy of the country.....	24
3. Labour market.....	25
3.1. Working age population.....	25
3.2. Labour force (active population).....	25
3.3. Employment ratio	26
3.4. Unemployment rate.....	26
3.5. Youth unemployment rate (15-24)	26
3.6. Percentage of those directly employed in the private sector versus the public sector	26
3.7. Percentage of the working population employed in the formal sector versus informal.....	27
3.8. Composition of the business community in terms of SMEs versus large companies.....	27
3.9. Percentage of wage and salaried workers employed directly by foreign MNEs	27
3.10. Composition of the business community by ownership type.....	27
III. NATIONAL CSR CONTEXT	28
1. CSR Context in Croatia	28
1.1. Relevant research.....	30
2. Legislative framework.....	32
2.1. Public procurement system	33



2.2.	Environmental protection legislation.....	34
2.3.	Community investment.....	34
2.4.	Sustainable development strategy of the Republic of Croatia	34
2.5.	Strategic guidelines for the green economy development in the Republic of Croatia.....	36
2.6.	Strategic CSR Guidelines	37
3.	INICIATIVES AND ACTIVITIES IN CSR PROMOTION.....	39
3.1.	Organizations	39
3.2.	Tools and handbooks	40
3.3.	Projects.....	43
3.4.	Other	45
IV.	COMPANY SURVEY RESULTS	46
1.	CHARACTERISTICS OF THE SAMPLE.....	46
1.1.	Structure of the realized sample.....	46
1.2.	Number of countries where companies have operations and/or exports	47
1.3.	Markets in which business partners operate.....	47
1.4.	Markets in which direct suppliers of the company operates	48
1.5.	Markets presence of company customers.....	49
2.	CORPORATE SOCIAL RESPONSIBILITY	49
1.	Familiarity with the term corporate social responsibility	49
2.	Time since company applies CSR	50
3.	The existence of the department managing company's social responsibilities and impacts.....	51
4.	Name of the department managing company's social responsibilities and impacts	52
5.	Areas of priority regarding CSR	52



6.	Commitment to employees	53
7.	Respecting human rights.....	56
8.	Community engagement.....	58
9.	Environmental activities.....	59
10.	Engaging with the supply chain.....	61
11.	Fair business behavior.....	62
12.	Providing legal redress	64
13.	Reasons for engaging in CSR	64
14.	Familiarity with CSR instruments, tools and initiatives.....	65
15.	Use of CSR instruments and tools	66
16.	CSR instruments or tools that are used in companies	66
17.	Participation in voluntary initiatives such as UN Global Compact or HR BCSD	66
18.	Time since company participates in Global Compact or HR BCSD.....	66
19.	Public commitment of a company to CSR.....	66
20.	Existence of a company's code of conduct	67
21.	Suppliers familiarity with the code of conduct of the company and expectations regarding application of the code of conduct by suppliers.....	67
22.	Following another company's code of conduct.....	67
23.	Public reporting on CSR activities	68
24.	Reporting approaches regarding CSR.....	68
25.	Consulting with external stakeholders regarding company responsibilities	68
26.	Who are external stakeholders which companies consult	68
27.	Challenges implementing CSR.....	68



28.	Familiarity with government initiatives, policies or measures regarding supporting or promoting CSR	69
29.	Government initiatives, policies or measures familiar to a company	69
30.	Usefulness of government initiatives, policies or measures.....	69
31.	Reasons of usefulness of government initiatives, policies or measures.....	69
32.	Need to support CSR through government measures	69
33.	Measures and activities that government should take	70
34.	Significance of CSR in a company in the future.....	70
35.	Areas of CSR that will gain significance	70
36.	Areas of training that should be in focus	71

V. IN-DEPTH INTERVIEWS WITH THE REPRESENTATIVES OF ACADEMIC, BUSINESS COMMUNITY, CIVIL AND PUBLIC SECTORS..... 72

1.	Introduction	72
2.	General evaluation of CSR in Croatia with a focus on the "most vulnerable" areas of CSR and supportiveness of an environment for the implementation of CSR.....	72
2.1.	“The most vulnerable” areas of implementing CSR in Croatia	74
2.2.	Support of the environment for implementation of CSR in Croatia and its main executors.....	76
3.	Individual contribution of stakeholders to CSR with special reference to government actions in supporting and promoting CSR.....	77
3.1.	Contribution to CSR from the academic community	78
3.2.	Contribution to CSR from the business community.....	78
3.3.	Contribution to CSR from civil society	80
3.4.	Contribution to CSR from the public sector.....	81
4.	Concrete measures and actions taken for the implementation of CSR, focusing on the reasons, motives and benefits as well as the major challenges in the implementation of CSR	82



4.1. Reasons, motives and benefits of using CSR.....	86
4.2. Challenges in the implementation of CSR.....	87
5. Key findings of in-depth interviews	88
VI. CONCLUSIONS AND RECOMMENDATIONS.....	90



I. INTRODUCTION

1. General information about the project and research

This research report is part of the EU funded project (Ref: EuropeAid/132438/C/ACT/Multi) led by the Turkish Confederation of Employer Associations (TISK). TISK's partners for this project are:

- The International Organisation of Employers (IOE)
- Croatian Employers Association (CEA)
- Business Confederation Macedonia (BCM)
- Montenegrin Employers Federation (MEF) and
- National Council of Small and Medium Sized Private Enterprises in Romania (CNIPMMR)

The project has two specific objectives: Firstly, to build awareness and capacity in partnership/with a network of employer organizations (EOs) in South East Europe regarding CSR in order to improve their participation in multi-stakeholder dialogue (as well as their influence on the public sector reform process) at national and international levels. Secondly, to create awareness and build capacity in the network of employer organizations (EOs) in the region in order to guide enterprises to have positive impacts on society and to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategies.

In order to reach the specific objectives of the project and to base the project activities on solid ground, the project entails the preparation of a National Review Report in each partner country. This National Review Report about CSR is foreseen to be one of the basic activities in this project. All other activities will be shaped based upon the findings of the national reviews which will be conducted in 5 partner countries. The International Organisation of Employers (IOE) provides the technical assistance regarding the conducting of the National Review Studies. The draft framework (including methodology, tools, data collection process, reporting outline, etc.) has been prepared by the IOE.

The National Review Report entails two main surveys; the country profile survey and company survey. The first is based on compiling available information, data and literature whilst the latter is based on applying a survey questionnaire to companies. This Croatian National review report has been prepared by independent research consultants in association with the Project Office experts at CEA (HUP). The research team together with PO experts reviewed the draft framework including methodology, tools, data collection process and reporting outline that the IOE supplied and made necessary adjustments and revisions. In all these efforts however, we kept the comparability of tools, data collection procedure and reporting format with that of participating countries intact.



In what follows, we will succinctly summarize the country profile that includes among others demographic, economic, labour market situation of the country as well as CSR activities in Croatia. In the following chapter, Chapter II, we outline the research and sampling procedures of the company survey. This chapter will shed light on the findings of the company survey. In Chapter III, we present the findings of our company survey in line with the IOE developed analysis methodology. Finally, we will conclude the National Review Report by pointing out how the rest of the project activities utilize the key findings.

2. Consultancy

Consulting services were conducted by the agency Promocija Plus Llc. Kruge 48, Zagreb in cooperation with Ph.D. Mirjana Matešić, the leading expert in CSR in Croatia. A brief description of the agency and Ms. Matešić's references are listed hereafter.

2.1. Brief description of Promocija Plus

In 1992 the Promocija agency was founded in Koprivnica and with its business activities it was focused on promotional activities. Three years later (1995) Promocija opened its office in Zagreb and expanded its business activities to market research. In 1997 Promocija changed its name to "Promocija Plus" with which is still active.

Promocija Plus is among three leading market research agencies with a 12% market share. As a member of the ESOMAR, Promocija Plus bases its work on the applicable quality standards and the ethical standards for carrying out market research projects. Promocija Plus's research activities are also carried out in the regional markets (Slovenia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia) through partner agencies according to the methodology established by our agency. The agency employs 11 highly educated employees, 4 external research consultants and 2 consultants for communications with the support of a network of over 1,000 trained field associates across Croatia.

2.2. Reference of Promocija Plus

Promocija Plus provides both online and offline market research services include sampling, programming and data aggregation as well as data analysis and reporting.

The agency is able to offer relevant data collection methods in a timely manner:

Techniques of quantitative research:

- Telephone interviews (CATI)
- Online interviews (CAWI)
- Personal interviews ("face to face")
- Central location



Techniques of qualitative research:

- Focus groups
- In-depth interviews

Promocija Plus provides services in the following areas:

- Automotive industry
- ICT industry
- Tourism
- Financial services
- Construction Industry
- Food Industry
- FMCG industry
- Logistics and transport
- Media
- State institutions
- Political parties
- Local and regional government
- NGOs

Promocija Plus has experience in the following type of surveys:

- Customer satisfaction
- Employee satisfaction
- Image barometer
- Customer loyalty
- Customer profile
- Evaluation of the effects of communication campaign
- Market segmentation
- Product positioning & tracking
- New product concept testing
- Pre-testing advertising messages
- Mystery shopping
- Price analysis and positioning
- Analysis of sales and sales force effectiveness
- Rating of political parties
- Organizational climate and corporate
- Business expectations
- Perception of entrepreneurs
- Tracking of issues



Part of our research projects:

Client: Transparency International Croatia
Study: Public procurement perception (2013)
Target audience: Companies
Method: CATI

Client: Croatian Employers' Association
Study: Business expectations in 2013 (2012)
Target audience: Companies
Method: CAWI, E-mail, CATI

Client: CAT Logistics
Study: Satisfaction survey in Renault Nissan sales network (2013)
Target audience: Companies
Method: CATI

Client: Hewlett Packard
Study: Security and IT environment risks (2012)
Target audience: Companies
Method: CATI

Client: City of Varaždin
Study: Perception of transparency and openness of the city of Varaždin (2013)
Target audience: general population (Varaždin)
Method: CATI

Client: Liburnia Riviera Hotels
Study: Destination and hotel service perception (2012)
Target audience: Guests, tour operators, Opatija, Opatija "opinion makers", hotel employees
Method: In-depth interview

Client: Podravka
Study: Employee satisfaction and organizational climate (2012)
Target audience: Employees
Method: Workshops at company locations

The above listed is a partial list of our projects. We are unable to show the rest of the projects due to confidentiality agreements with clients.



2.3. Consultant (Research Coordinator)

Ms. Mirjana Matešić is an engineer of ecology with a masters in business economy, a candidate with extensive experience in introducing CSR in Croatia. For nine years she has been leading the organization that introduced CSR in Croatian business and is the initiator of all major events related to CSR. She is the author or editor of a number of books and papers on CSR, sustainable development or environmental protection. Here are some references and the key qualifications of Ms. Matešić.

Education: Doctor of Science in Sustainable Development

Work Experience:

June 2004 -	Director of Croatian Business Council for Sustainable Development
2012	Member of the working groups for the development of the law on waste and law on environmental protection
2012-	Member of the managing board of the state agency for environmental protection
2011	Member of the working group for the development of the action plan for education on sustainable development of the sustainable development strategy
2011-	Member of the working group for the development of the strategy for the development of civil society
2010-	Member of the Economic Council of the President of the Republic of Croatia

Key Qualifications:

- management of projects related to various issues and topics of sustainable development and its implementation in business operations
- cooperation in the development of national policies and strategies as a representative of Croatian business
- advocating the implementation of sustainable development in the strategic development of Croatia
- development of educational programs for business representatives and others interested in sustainable development and corporate social responsibility
- organization of workshops, seminars and various projects in cooperation with other partners and partner organizations
- aiming to raise awareness on the importance of the implementation of sustainable development in Croatia with a special emphasis on environmental protection and corporate social responsibility
- participation in a large number of conferences organized by business, governmental or foreign organizations with expert presentations about sustainable development
- associate in the development of 'Honourably to Victory', the handbook of the UNDP for the implementation of corporate social responsibility in business
- associate in the translation of G3 Guidelines for sustainability reporting of GRI (Global Reporting Initiative) in the Croatian language and reviser and editor of the Croatian printed version of the Guidelines



- counselling and revision of sustainability reports of Croatian businesses prepared in accordance with GRI Guidelines
- initiator and editor of the quarterly newsletter of the Croatian BCSD, 'Business and sustainability' which has been actively promoting sustainable development since 2005
- co-author of seminar modules about sustainable development and corporate social responsibility of business, covering five different issues of sustainability, being practiced through partner organization (Association of Management Consultants)
- official representative of the Croatian BCSD in World Business Council for Sustainable Development (WBCSD) with which she closely cooperates, exchanges knowledge and experience and represents Croatia and Croatian business.
- English language business level; French communication level; Italian - passive

3. The time in which survey was conducted

The research of companies in the project 'CSR for All' was conducted from 11th July to 1st August 2013. In this period, for the purpose of the study, the questionnaire was sent to the email addresses of 2,491 companies from across Croatia.

4. Number of contacted companies

The questionnaire was sent to email addresses in three phases. In the first phase it was sent to 500 companies, followed by 300 in the second phase, and in the final phase to 1,691 addresses, which indicates an extremely low interest of companies to participate in the study. We can partly attribute this extremely low return of 4% to the summer months and the holidays, but surely the cause is also in lack of interest in this topic, or simply a lack of resources for any development issues and the issue of CSR.

5. Number of completed questionnaires

In the period from 11th July to 1st August, 2013, 100 completed questionnaires were returned; of which only one was completed "face to face" with a company representative. The structure of the sample is as follows:

Company size criteria

Company size	Respondent	Share
Micro	28	28.0%
Small	24	24.0%
Medium	19	19.0%
Large	29	29.0%
Total	100	100.0%



Five largest sectors (GDP) criteria

Five largest sectors	Respondent	Share
Manufacturing	16	16.0%
Wholesale and retail trade	20	20.0%
Mining and quarrying	4	4.0%
Real estate activities	4	4.0%
Construction	10	10.0%
Other	46	46.0%
Total	100	100.0%

Ownership type criteria

Ownership type	Respondent	Share
State	9	9.0%
Private	85	85.0%
Co-operative	0	0.0%
Mixed	6	6.0%
Total	100	100.0%

Company headquarters criteria

Company headquarters	Respondent	Share
Domestic	100	100.0%
Foreign	0	0.0%
Total	100	100.0%

Criteria of company with mainly domestic market versus companies with a mainly foreign market

Market	Respondent	Share
Domestic	78	78.0%
Foreign	12	12.0%
Equally domestic and foreign	10	10.0%
Total	100	100.0%



II. COUNTRY PROFILE - CROATIA

1. Population

1.1. Population figure

According to last Census of the Population in 2011, Croatia is populated with 4,284,889 inhabitants.

Source: Croatian Bureau for Statistics – Census of the Population 2011

1.2. Age structure of the population

Table 1. Age structure of the population according to age groups

Age group	Inhabitants	Share
0-4	212,709	4.96%
5-9	204,317	4.77%
10-14	235,402	5.49%
15-19	244,177	5.70%
20-24	261,658	6.11%
25-29	289,066	6.75%
30-34	294,619	6.88%
35-39	284,754	6.65%
40-44	286,933	6.70%
45-49	307,561	7.18%
50-54	320,502	7.48%
55-59	311,818	7.28%
60-64	272,740	6.37%
65-69	202,002	4.71%
70-74	212,401	4.96%
75-79	175,526	4.10%
80-84	108,104	2.52%
85-89	47,641	1.11%
90-94	10,758	0.25%
95+	2,201	0.05%
Total	4,284,889	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011.



1.3. Natural change in population rates (population growth rate)

Population growth rate was negative according to data for 2012, and was -2.3 per thousand inhabitants.

Source: Croatian Bureau for Statistics - Monthly Statistical Report Number 6, 2013.

1.4. Life expectancy at birth

Life expectancy - Men: 73.9 years

Life expectancy - Women: 80.1 years

Life expectancy (total): 77.0 years

Average age of population: 42.0 years

Average age - Men: 40.2 years

Average age - Women: 43.7 years

Source: Croatian Bureau for Statistics - Monthly Statistical Report Number 6, 2013. (Data for 2012)

1.5. Urbanization

Table 2. Number of towns and municipalities in Croatia

Towns/Municipalities	Number	Share
Towns	127	22.84%
Municipalities	429	77.16%
Total	556	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011

Table 3. Number of inhabitants in towns and municipalities in Croatia

Inhabitants - Towns/Municipalities	Inhabitants	Share
Number of inhabitants in towns	3,016,137	70.39%
Number of inhabitants in municipalities	1,268,752	29.61%
Total	4,284,889	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011



Table 4. Number of settlements and inhabitants according to settlement size

Settlements size	Settlements	Inhabitants	Settlements share	Inhabitants share
No inhabitants	150	-	2.22%	-
Up to 100 inhabitants	2,653	113,914	39.27%	2.66%
101 - 200	1,318	192,193	19.51%	4.49%
201 - 500	1,448	461,114	21.43%	10.76%
501 – 1,000	658	462,788	9.74%	10.80%
1,001 – 1,500	195	240,133	2.89%	5.60%
1,501 – 2,000	113	194,258	1.67%	4.53%
2,001 – 5,000	143	434,201	2.12%	10.13%
5,001 – 10,000	39	264,060	0.58%	6.16%
10,001 – 20,000	20	274,938	0.30%	6.42%
20,001 – 50,000	11	342,971	0.16%	8.00%
50,001 – 100,000	5	320,651	0.07%	7.48%
100,001 – 200,000	2	295,505	0.03%	6.90%
200,000+ inhabitants	1	688,163	0.01%	16.06%
Total	6,756	4,284,889	100.00%	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011

1.6. Gini Index

The Gini Index in Croatia according to the last calculation from 2011 was 0.31.

Source: Croatian Bureau for Statistics – Poverty indicators 2011- Final Results (First Release 14.1.3)

1.7. Population below the poverty line

Table 5. At-risk-of-poverty rate in total and by age groups

Age group	Total
0-17 years	21.5%
18-24 years	21.8%
25-54 years	17.8%
55-64 years	20.6%
65 + years	27.3%
Total	21.1%

Source: Croatian Bureau for Statistics – Poverty indicators 2011- Final Results (First Release 14.1.3)

According to the Survey on Income and Living Conditions, the at-risk-of-poverty rate in 2011 was 21.1%.



1.8. Ethnic groups

Table 6. Ethnic groups in Croatia

Ethnic Groups	Inhabitants	Share
Croats	3,874,321	90.42%
Serbs	186,633	4.36%
Bosniacs	31,479	0.73%
Istrians	25,491	0.59%
Italians	17,807	0.42%
Albanians	17,513	0.41%
Roma	16,975	0.40%
Hungarians	14,048	0.33%
Slovenes	10,517	0.25%
Czechs	9,641	0.22%
Muslims	7,558	0.18%
Slovaks	4,753	0.11%
Montenegrins	4,517	0.11%
Macedonians	4,138	0.10%
Germans	2,965	0.07%
Orthodox	2,560	0.06%
Bosnians	2,059	0.05%
Ruthenians	1,936	0.05%
Ukrainians	1,878	0.04%
Russians	1,279	0.03%
Dalmatians	705	0.02%
Poles	672	0.02%
Other regional affiliations	572	0.01%
Kosovars	568	0.01%
Jews	509	0.01%
Chinese	492	0.01%
Romanians	435	0.01%
Goranci	428	0.01%
Americans	419	0.01%
Turks	367	0.01%
Bulgarians	350	0.01%
Yugoslavs	331	0.01%
Austrians	297	0.01%
French	273	0.01%
Others - Europe	265	0.01%
Other*	3,767	0.09%
Unknown	8,877	0.21%
Not declared	26,763	0.62%
Not classified	731	0.02%
Total	4,284,889	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011

*Note – other ethnic groups (59) with 0.00% individual share in population



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1.9. Languages

Table 7. Languages in Croatia

Languages	Inhabitants	Share
Croatian	4,096,305	95.60%
Serbian	52,879	1.23%
Italian	18,573	0.43%
Albanian	17,069	0.40%
Bosnian	16,856	0.39%
Romani	14,369	0.34%
Hungarian	10,231	0.24%
Slovenian	9,220	0.22%
Serbo-Croatian	7,822	0.18%
Czech	6,292	0.15%
Slovak	3,792	0.09%
Macedonian	3,519	0.08%
Croato-Serbian	3,059	0.07%
German	2,986	0.07%
English	1,644	0.04%
Russian	1,592	0.04%
Ruthenian	1,472	0.03%
Ukrainian	1,008	0.02%
Romanian	955	0.02%
Montenegrin	876	0.02%
Polish	639	0.01%
French	522	0.01%
Arabic	501	0.01%
Chinese	495	0.01%
Spanish	477	0.01%
Goranski	405	0.01%
Other languages	373	0.01%
Turkish	342	0.01%
Bulgarian	293	0.01%
Other*	994	0.02%
Unknown	9,329	0.22%
Total	4,284,889	100.00%

Source: Croatian Bureau for Statistics – Census of Population 2011

*Note – other languages (23) with 0.00% individual share in population



1.10. Religions

Table 8. Religions in Croatia

Religion Groups	Inhabitants	Share
Catholics	3,697,143	86.28%
Orthodox	190,143	4.44%
Protestants	14,653	0.34%
Other Christians	12,961	0.30%
Muslims	62,977	1.47%
Jews	536	0.01%
Oriental religions	2,550	0.06%
Other religions, movements and life philosophies	2,555	0.06%
Agnostics and sceptics	32,518	0.76%
Not religious and atheists	163,375	3.81%
Not declared	93,018	2.17%
Unknown	124,60	0.29%
Total	4,284,889	100.00%

Source: Croatian Bureau for Statistics – Census of population 2011

2. Economy

2.1. GDP per capita

GDP per capita in Croatia amounted to 10,205 EUR, according to data for 2011.

Source: Croatian Bureau for Statistics – Statistical information 2012

2.2. GDP – real growth rate

Real growth rate of GDP has been declining and the estimate for the first quarter of 2013 amounts to -1.50%, as compared to the same quarter of 2012.

Source: Croatian Bureau for Statistics – Quarterly GDP estimate for first quarter of 2013 (First Release 12.1.1/1.)



2.3. Five largest sectors of the economy and their proportion of GDP and employment

2.3.1. Five largest sectors by share in GDP

Table 9. Five largest sectors by share in GDP

Sector	Share in GDP	Share in employment
Manufacturing	13.30%	17.97%
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.50%	16.06%
Mining and quarrying	9.00%	0.48%
Real estate activities	9.00%	0.52%
Construction	6.80%	6.81%
Other	52.40%	58.16%
Total	100.00%	100.00%

Source: Croatian Bureau for Statistics – Statistical Yearbook of the Republic of Croatia 2012 (data for 2009.)

2.3.2. Five largest sectors by share in employment

Table 10. Five largest sectors by share in employment

Sector	Share in employment	Share in GDP
Manufacturing	17.97%	13.30%
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.06%	9.50%
Education	9.35%	3.80%
Public administration and defence; compulsory social security	9.22%	5.30%
Human health and social work activities	7.34%	4.00%
Other	40.06%	64.10%
Total	100.00%	100.00%

Source: Croatian Bureau for Statistics – Statistical Yearbook of the Republic of Croatia 2012 (data for 2009.)

2.4. Foreign Direct Investments (FDI)

Foreign Direct Investment in Croatia (according to recent data from the Croatian National Bank) in the first quarter of 2013 amounted to 460.2 million EUR, while the total FDI from 1993 to the end of the first quarter 2013 amounted to 27,303.8 million EUR.

Source: Croatian National Bank - Foreign Direct Investments in Croatia; first quarter 2013



2.5. Direct importance of foreign MNEs for the economy of the country

In theory, the following are the direct and indirect benefits of MNEs and FDI in general. Direct benefits are:

1. The increase of gross investments in the national economy;
2. The increase of employment and income of the domestic labour force;
3. The increase of tax revenues;
4. Positive impact on the balance of payments of the country;
5. Transfer of new technologies and knowledge.

Indirect benefits or so called "spill over effects" include various effects that affect the competitiveness and productivity of domestic companies such as the transfer of knowledge and experience in the organization of production, higher requirements in terms of quality and timely delivery, increasing demand for raw materials, energy and intermediate products, and the ability to substitute import with domestic production.

Negative effects are also possible, such as the downsized production of domestic producers. Also there can be a reduction in employment due to the crowding out of domestic companies or the rationalization of the labour force. There is also the possibility for multinational companies to withdraw the necessary knowledge and experts from their centres.

In a number of analyses and discussions about Foreign Direct Investments in Croatia, it is often argued that neither the size of investments nor its effects correspond to the needs and expectations regarding their role in the development of Croatia.

Despite the relatively high level of Foreign Direct Investment in Croatia, there is the absence of the usual positive effects on the domestic economy, employment growth, production growth and export, primarily due to unfavourable investment structure, since a very small share of foreign investments refers to greenfield investments. Foreign investments are mainly orientated towards services and highly profitable sectors with business focused mainly on the domestic market, while the investments in the manufacturing sector are significantly smaller.

We can say that there has been no increase in the employment of domestic labour force (number of employees has reduced and the number of unemployed has increased) there has been no improvement with the balance of payments or the substitution of import with domestic production. Increasing the productivity of domestic production is slower than the growth of productivity in developed countries. All of this has not led ultimately to qualitative changes in the economic structure nor taken effect of significantly increasing GDP.

***Note: the above mentioned conclusions are indirectly derived from the following mentioned sources



Sources:

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3. Labour Market

3.1. Working age population

According to the data obtained by the Labour Force Survey for the first quarter of 2013, Croatia has 3.792 million working age inhabitants.

Source: Croatian Bureau for Statistics – Labour force in the Republic of Croatia in first quarter 2013. (First Release 9.2.7/1.)

3.2. Labour force (Active population)

According to the data obtained by the Labour Force Survey for the first quarter of 2013, Croatia has 1.640 million actively working inhabitants. In the same period there were a total of 1.344 million employed persons.

Source: Croatian Bureau for Statistics – Labour force in the Republic of Croatia in first quarter 2013. (First Release 9.2.7/1.)



3.3. Employment ratio

According to the data obtained by the Labour Force Survey for the first quarter of 2013, the employment ratio was 35.4%.

Source: Croatian Bureau for Statistics – Labour force in the Republic of Croatia in first quarter 2013. (First Release 9.2.7/1.)

3.4. Unemployment rate

According to the data obtained by the Labour Force Survey for the first quarter of 2013, the unemployment ratio was 18.1%.

Source: Croatian Bureau for Statistics – Labour force in the Republic of Croatia in first quarter 2013. (First Release 9.2.7/1.)

3.5. Youth unemployment rate (15-24)

According to the data obtained by the Labour Force Survey for the first quarter of 2013, the youth unemployment ratio was 59.0%.

Source: Croatian Bureau for Statistics – Labour force in the Republic of Croatia in first quarter 2013. (First Release 9.2.7/1.)

3.6. Percentage of those directly employed in the private sector versus the public sector

Table 11. Persons employed in public versus private sector

Employees by sector	Number of employees	Share
Employees in public sector ¹	224,186	16.2%
Employees in private sector	1,163,781	83.8%
Total	1,387,967 ²	100.00%

Source¹: Ministry of Public Administration, Public Sector Staff Register (status on 8th August, 2013);

Source²: Croatian Bureau for Statistics – Persons in paid employment by activities, June 2013 (First Release 9.2.1/6.)

Note: Data about the number of employees in the private sector is derived as the difference between the data about registered employment from June 2013, and the number of employees in the public sector from the Public Sector Staff Register on the 8th August, 2013. Such derived information is an estimate.

There is no direct, final information (official statistics) that tracks the share of employment in the public sector versus the private sector.



3.7. Percentage of the working population employed in the formal sector versus informal

According to the estimate by Friedrich Schneider, one of the greatest experts for informal economy, the share of informal economy in Croatia for 2013 will be 28.4% in relation to the GDP.

Source: *The Shadow Economy in Europe 2013*, Professor Dr Friedrich Schneider, Johannes Kepler University of Linz, Austria; A.T. Kearney analysis

3.8. Composition of the business community in terms of SMEs versus large companies

Table 12. Active entities by number of employees (31st March, 2013)

Company category				Total
Micro (< 10)	Small (<50)	Medium sized (<250)	Large (250+)	
129.887	10.826	3.066	577	144.356
89.98%	7.50%	2.12%	0.40%	100.00%

Source: Croatian Bureau for Statistics – Number and structure of business entities, March 2013 (First Release 11.1.1/1)

3.9. Percentage of wage and salaried workers employed directly by foreign MNEs

Regarding this question, no official statistics are being conducted in Croatia nor there any relevant professional assessments.

3.10. Composition of the business community by ownership type

Table 13. Active entities according to ownership structure (31st March, 2013)

Ownership type					Total
State	Private	Co-operative	Mixed	No ownership	
1,048	118,118	2,032	1,404	21,754	144,356
0.73%	81.82%	1.41%	0.97%	15.07%	100.00%

Source: Croatian Bureau for Statistics – Number and structure of business entities, March 2013 (First Release 11.1.1/1)



III. NATIONAL CSR CONTEXT

1. CSR Context in Croatia

Corporate Social Responsibility became part of the European policy in 1993 with the White Paper of the European Commission on Growth and Jobs. In 2001, European Commission published the Green Paper "Promotion of European Framework for Corporate Social Responsibility" which defined CSR as "the concept of voluntary integration of social and environmental issues in a company's business practices and relations with owners, shareholders, employees, consumers, suppliers, the government, media and wider public" (EC, 2001). Following these documents, the Sustainable Development Strategy of the EU, was published in 2006, which emphasized the importance of the development of sustainable communities which are capable of the efficient management of the resources and usage of environmental and social potential for the development of business which will secure the development, environmental protection and social cohesion for the improvement of the current and future quality of living (European Communities, 2006). The latest document of the European Commission regarding CSR was "Communication on CSR" published in October 2011, which defined CSR as: "The responsibility of companies for their impact on society". With this communication, the European Commission strongly supports national governments in the creation of a motivating framework for the implementation of CSR, and the definition additionally widened the area of the responsibility of companies for all impacts and effects which their operations have on society at large. In the pipeline, there is also an EC Directive which introduces the obligation of non-financial reporting for large companies and an obligatory diversity policy of management boards based on a number of criteria.

Due to the extremely difficult political and economic context in the 90's, development of CSR in the business community in Croatia was practically non-existent. Nevertheless, we should mention the foundation of the Croatian Business Council for Sustainable Development (HR BCSD) which was founded in 1997, based on the Memorandum of Understanding with World Business Council for Sustainable Development (WBCSD) signed in 1995. The organization was founded by 18 Croatian companies, who were united in taking the public obligation of the implementation and promotion of sustainable business practices, aiming at environmental protection and the achievement of the sustainable development of the Republic of Croatia. Even though, HR BCSD is active still today, in the first years of its work, the organization was limited to cooperation with member companies and concentrated mainly on the communication with the public sector. With the beginning of the European integration process in 2001 with the signing of the Pre-accession Agreement, and becoming an EU candidate country in June 2004, the interest in EU practices rose and the promotion of the European political and market-economy model began. An important event took place at the end of 2004 when the first national conference of CSR was organized, called *Agenda 2005*; it gathered in one place more than 120 practitioners and researchers enabling the formation of common priority goals for the development of CSR in Croatia.



At the beginning, the practice of CSR in Croatia was mainly concentrated on environmental protection (mostly amongst industry producers). In second phase, the interest of the companies broadened to human resources and community development even though it's integration was not followed by management systems. Social responsibility is often perceived as the respect of all legal regulations, mainly in the area of highly regulated environmental protection and workers' rights which is understandable, taking into account that due to the weak implementation of legislation, the enforcement of regulations is not satisfactory. An important stimulus for the implementation of CSR is also export orientation which puts pressure on the implementation of the management standards for certain management systems. In the area of corporate management, CSR practice is weak, most likely due to the lack of outside pressure. Especially weak is the level of the development of the consumer's protection system despite the law on consumer protection adopted by the parliament in 2003.

The general view is that after almost ten years since the First National Conference on CSR, *Agenda 2005*, and business social responsibility became a very important part of the perception of successful business behaviour, to business representatives, academia, civil society organizations and other expert associations. There are indicators that there are the beginnings of multi-sector cooperation in the promotion of CSR such as the development of a multi-sector network: a National Platform on CSR. This network gathered representatives from the public, business and civil sectors. The general perception is that CSR is important for Croatian society, that it is an important topic promoted by the EU and many forms of cooperation are being developed, as well as many projects, educational programs and tools for the implementation of CSR. The most important and most visible tool for CSR promotion in Croatia is the methodology for ranking companies based on criteria of successful CSR implementation, called the CSR Index, developed by the HR BCSD and the Croatian Chamber of Economy (CCE). The methodology was developed by domestic experts and for five years so far, the HR BCSD and CCE have been awarding the best Croatian companies in the area of CSR practices. International tools are also being promoted therefore GRI Guidelines for sustainability reporting have been developed whilst the translation of the standard on social responsibility, ISO 26000 is being prepared. The transfer of good practices is mostly developed by the initiatives of the business sector whilst the role of civil society organizations and unions in the promotion of CSR is less systematic, whilst the lack of government initiatives in supporting good practices and punishing bad practices have resulted in CSR activities being present in mostly large companies, often of foreign ownership. Strengthening of the role of the government in the promotion of CSR in partnership with the business sector is in fact a crucial area of improvement for the next period.

In Croatia, for now, there is no legislation which explicitly promotes corporate social responsibility. On the other hand, there are other areas (environmental protection) which are strongly regulated and prescribe very high standards of business behaviour that do not leave much area for companies to apply voluntary practices above legislation. Due to the relatively weak economy and high standards, many companies still have problems with fulfilling the obligatory standards.



Newly formed civil society organizations are very often formed with the desire to influence public policies. In the context of CSR, civil society organizations could develop resolutions with the attempt to influence CSR application in the business sector. Even though, requests coming for the civil sector are often seen as unrealistic, they can strongly influence changes in the corporate management and business strategies. Nevertheless, civil sector organization or unions have not understood the importance of CSR implementation in business practices and they offer almost no support to its promotion. Environmental civil sector organizations are generally very keen to evaluate CSR practices as *green washing* and offer no support to such activities.

1.1. Relevant research

One of the most important recent researches into CSR practices in Croatia is comparative research *Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU* carried out by UNDP in 2007. This research has estimated that there are about 200 companies in Croatia which apply at least some form of CSR practices in one of the key areas (environmental protection, labour rights, community development, strategic or value orientation).

Other similar research was carried out as a master thesis (Matešić, 2008) on a sample of 12 companies, by the Delphi method. It showed that participants see legislative framework in Croatia unsupportive for CSR practice. In the same way they evaluated consumer awareness and their readiness to support responsible manufacturers. Participants evaluated CSR as a very strong tool to attract consumers, but at the same time they thought that consumers in Croatia were not aware enough. They also agreed that CSR and sustainable development education is not sufficient and that there is not enough evidence of CSR being a good investment for business competitiveness. They thought that more evidence would influence the increase in CSR practices. They also thought that the number of management boards that consider CSR in business strategies was not sufficient. The research in 2008 showed that participants recognized the importance of CSR whilst at the same time it was not significantly present in practice due to the lack of the justification of its value in the external environment. The lack of evidence about the profitability of CSR is the reason why this topic is still rarely on management boards' agendas and is left on the level of sporadic activities, mostly aiming at improving reputations.

Research showed that most of the companies have sustainable development or corporate social responsibility mentioned in the strategic documents of the company and most of them believe that their companies have integrated CSR on a strategic level. But, interviews have shown that most of these companies lack evidence of the existence of SD or CSR in operative documents and programs and that these topics are not quantified, defined by specific goals, there are no systematic evaluation of the achievements and when there are, it is mostly about sporadic activities which are not part of the systematic process.



This research has shown that even when there is theoretical knowledge and significant engagement in CSR implementation in the researched companies, a strategic approach is missing, as well as the participation of the management board and the integration of CSR into business planning processes on the management board level. All of these companies had declared CSR integration, but only a few of them had evidence of strategic integration, therefore only 58% of them had CSR programs in place, and if we take into account the nature of the research sample (companies were chosen that were assumed to have some form of CSR in place), we are talking about a relatively small number. Additionally, there are no systematic stakeholder analysis processes in most of these companies, which is opposite to what they declare, and shows a lack of these types of activities. A proactive approach which implements CSR on a strategic level in business processes is present in a small number of companies, mostly leading businesses in specific sectors, which often have visionary leaders as their managers. Research also showed a difference between the theoretical understanding of CSR amongst the company representatives questioned and implementation in practice. The declaratively of CSR importance has been recognized whilst implementation is on a much lower level. The reason is in fact that they understand the benefits which CSR has for society on the one hand and have the lack of real evidence of the benefits that CSR could have on business competitiveness that would lead to more CSR implementation on the other. There is very little evidence on the engagement of the public sector in the creation of the conditions for CSR implementation and most of the participants in the research have stated that public sector participation is not sufficient.

The latest relevant research of CSR in Croatia is the analysis of the results of the CSR Index, which was made based on five years of data collection, based on company participation in the CSR Index. This analysis was made in 2013 and it showed that there is a lower interest from the companies in CSR (98 participants in 2010 and 78 participants in 2012). The results showed significantly better economic indicators in companies that participate in the CSR Index, comparing to the average of Croatian businesses, based on the data collected by FINA (the Croatian Financial Agency). It is possible to see that the ratio of exports in CSR companies has increased even though the average export ratio has decreased, but also that the average income per employee has decreased comparing to the same indicator measured in 2009. The average gross of newly created value has increased compared to the results from 2009, but if this indicator is evaluated in comparison with CSR Index success, it can be concluded that the newly created value rises in parallel with the success in the CSR Index which is a definitive proof that corporate social responsibility and business success are both part of the unique successful business philosophy. Ratio of the female managers in the total number of managers also shows corporate social responsibility in the CSR Index participants. On the average level and when comparing to the success in the CSR Index, results show a positive trend. Research also shows better results in the CSR Index questionnaire for those companies which have a board, team or person in charge of CSR, who publish non-financial reports or who have certificates in various management systems. Many other indicators also show better performance in business and non-business senses in those companies which have some kind of CSR practice integrated. Nevertheless, the CSR Index, despite excellent business indicators in the participants and despite being the strongest CSR tool in Croatia, shows limited



interest to companies. Due to the lack of outside pressure and because of the lack of customer interest and non-existing public policies for CSR promotion, the interest in the CSR Index is not spreading.

Today, we could estimate that the number of companies which have some kind of CSR practice is smaller than the one estimated in the UNDP research in 2007. The trend in the increase of interest for CSR in recent years has stopped, primarily due to the many years of the recession in the Croatian economy which decreased human and financial resources therefore decreasing CSR capacities, while at the same time many companies went bankrupt and the number of large companies, which were primarily the leaders in CSR implementation, decreased (from approximately 500 in 2008 to approximately 250 in 2013). Interest in CSR remains in the sector leaders in the production and processing industries, financial and telecommunication sectors.

Comparing the results of previous researches, we can conclude that there is stagnation in the development of CSR in recent years. Even though previous researches have noticed the beginning of CSR being integrated into the corporate management and specific business processes, almost 6 years later we can see that this process is still at the very beginning, existing in very limited numbers, mostly in large companies. There is quite a large number of companies who declare their commitment to CSR but it is mostly a declarative approach which is based on specific projects or humanitarian donations while strategic approach is non-existing as well as CSR being absent in business and management processes. Still, there are a few companies, mostly in foreign ownership, which have been developing CSR practice for many years, which show excellent structures and best practices based on systematic development over the years.

The result of previous researches show that, even though there is a public perception that there is a lack of education in the business sector representatives who need to be better educated about the purpose and benefits of the CSR process, in this phase it would be more important to work on the public perception of CSR, the education of civil and public sector representatives and increase their engagement in the creation of a positive framework for CSR implementation. After an increase in outside pressure and the creation of a supportive framework for CSR, there will be stronger interest in education which needs to be performed simultaneously with implementation in practice. At this moment outside pressure is almost non-existent and therefore CSR practice is mostly based on foreign companies' policies which have been copied in their Croatian subsidiaries, the occasional good practice of leading local companies, leaders in their industry sectors, and the large amount of declarative CSR which does not have proof in reality and in the best cases is based on sporadic philanthropic activities.

2. Legislative framework

Despite the lack of specific a legislative framework for CSR, there are a number of relevant laws and regulations which regulate various aspects of CSR, including the privatization process, corporate management, public procurement, labour rights and safety at work, environmental protection and also even corporate donations. For some of these areas, we can easily say that they are highly if not too rigorously



regulated which is in contrast to the CSR philosophy that is based on voluntary practices aiming at the creation of individual business solutions and focusing efforts on important issues, based on specific conditions and surroundings which are unique for each system. By regulating large number of activities, the pressure is put upon the business and it lowers the capabilities of the companies to apply voluntary practices that are also much more expensive for the business and also for the state which has to impose the laws and oversee its implementation as well. Additionally, if we take into consideration the relatively weak supervision of the implementation of the law, there are a large number of companies which are not obeying the laws and regulations, and are not punished for it, which creates the environment of low motivation for businesses to obey regulatory frameworks and enrich them with voluntary standards.

Nevertheless, the framework of corporate social responsibility can be found in a series of legislations which arrange construction, building, transport, energy, energy efficiency and so on. Most of these regulations are aligned with EU standards, aiming at lowering the impact of the economy on the environment, renewable resources, non-renewable resources and climate change.

2.1. Public procurement system

Changes in the law on public procurement (NN 90/11) include several regulations relevant to CSR. For example, documentation which is required in the procurement process includes the declaration on environmental protection measures, in cases when it is justified considering the activities included. In Articles 73 and 74, the possibility that a public authority asks for evidence about the existence of relevant management systems for quality and environmental management, is included. The definition of “the most viable offer” includes two options – the lowest price of economically most viable offer according to the price and additional criteria of selection if such have been included in the procurement documentation. Even though social and environmental criteria by themselves are not mentioned under additional criteria for the economically most viable offer, Article 15 allows the procurer the right to reserve the bidding process in the public procurement to protected shops or to arrange the process in the contexts of protected employment programs if most of the employees are disabled people whose disabilities prevent them from working in regular conditions, if such regulation is made public during the procurement process, based on Paragraph 1 of the mentioned article.

The activities of the European Commission in this area in recent years are going in the direction of the promotion of so-called “green public procurement”. In Croatia, aiming at the promotion of a similar idea, in 2004, the UNDP published a Croatian translation of the handbook Procura+, named after the campaign operated by the ICLEI’s European secretariat in Freiburg, Germany. The campaign was developed for employees in charge of procurement processes and employees who are in charge of sustainability issues in public institutions and it is available at <http://www.procuraplus.org/> together with a number of practical examples. A link to this handbook is also available on the website of the Central Government Office for Public Procurement where there is also a link available to the project called Buy Smart+ which is being applied as



part of the EU program Intelligent Energy for Europe which was started in March of 2012. The main goal of this project is the promotion of the procurement of energy efficient products and services what would support changes in the behaviour of buyers in public and private sectors and support the production and usage of products which have a smaller impact on environment. According to the information available, green and sustainable public procurement processes have not yet been applied in practice.

2.2. Environmental protection legislation

Environmental protection regulation is very complex and has significantly changed in recent years due to the transposition of European legislation. With the law on environmental protection (NN 80/13), the law on nature protection (NN 80/13) and the law on sustainable waste management (NN 94/13) all key EU environmental directives were transposed into Croatian legislation such as: the Waste Management Directive, the Integrated Pollution Prevention and Control (IPPC) Directive, the Environmental Impact Assessment (EIA) and the Strategic Environmental Impact Assessment (SEA) Directives, directives which regulate special waste management such as packaging waste, electronic waste and so on. The systems imposed with these laws are mostly quite complex and expensive and they bring a significant burden on doing business, especially to some sectors of industry. Most of these laws are changing as we are writing this report and some rules imposed are only about to be put into operation so part of the implementation of these systems has yet to happen.

2.3. Community investment

Single tax benefit for corporate philanthropy is prescribed with the law on revenue taxation (NN [177/04](#), [90/05](#), [57/06](#), [146/08](#), [80/10](#), [22/12](#)). Companies and other legal persons can deduct up to 2% of their gross income for donations aimed at a wide range of activities supporting general social benefits such as culture, health, science, education, humanitarian activities, sports and religious activities. But, the level of the implementation of these measures is not clear, because government officials have not yet made a systematic analysis of the numbers of companies which use this deduction. This law also defines tax deduction of up to 75% of the amount to those taxpayers established with the purpose of professional rehabilitation and the employment of disabled people.

2.4. The sustainable development strategy of the Republic of Croatia

The basic document of the sustainable development of Croatia is the Sustainable Development Strategy (SDS) of the Republic of Croatia which was accepted by the Croatian Parliament in February, 2009. The Strategy and its acceptance were one of the preconditions which were signed by Croatia in the pre-accession agreement in the process of gaining full membership in the EU. The Croatian SDS is almost identical with the basic EU SDS text with some minor additions and changes. Even though the strategy sets out a number of goals and measures as well as indicators which should serve as measurement indicators, the responsibilities for the execution of these measures are not clearly set and the responsibility for the measurement and



evaluation of the strategy's execution over time periods is not set at all. Nevertheless, the strategy imposes the creation of the Action Plans for specific chapters of the strategy which should have set specific responsibilities, time frames, budget items of the responsible public institutions etc. To date, two such Action Plans for the SDS have been made, one of which has been accepted by the parliament (Action Plan on Sustainable Development Education) whilst the other is still waiting to be accepted (Action Plan of Sustainable Production and Consumption). How much these plans will serve as instruments in the execution of the sustainable development implementation is shown in the fact that there are no budget items planned for the execution of the proposed activities and there is no political will for their execution.

2.4.1. The Sustainable Production and Consumption Action Plan

The Sustainable Production and Consumption Action Plan (SPC Action Plan) is being prepared for a period of five years and it serves to execute programs aimed at the execution of the strategic goals of the SDS of the Republic of Croatia. Additionally, the Republic of Croatia with this Action Plan calls for the implementation of its obligation incurred by accepting the resolutions from Rio and Johannesburg and a series of regional and other agreements such as *The Barcelona Convention for the Protection of Sea Environmental and Coastal Area of the Mediterranean*. The process of the accession with the EU and transposition of the legislative *acquis* of the EU in the area of the environmental protection into legislation of the Republic of Croatia also had an impact on the SPC Plan, specifically in the area of production. The Action Plan is calling upon the acceptance of the measures such as a green (sustainable) public procurement system, even though it did not come to life and also calls for the increased role of an environmental protection label which does not function in practice either. The Action Plan itself prescribes goals such as climate change mitigation, an increase in energy efficiency and the use of the renewable energy resources, but it does not prescribe concrete activities, deadlines and measures. Most of the measures are based on the increase in capacity, education and promotion of knowledge in various sectors of industry and business. In the chapter Industry, 3.4.4 *Informative instruments* we highlight the measure (1) Increase of skills and knowledge of sustainable development in the business sector for which the responsible institutions are the HR BCSD, CEA and the CCE, then measures (2) Creation of the Educational Program about the Importance of CSR (organized seminars and trainings) for local government and business and (3) Promotion of the environmental management systems in industry (EMAS, ISO) for which responsible institutions are also business associations (the HR BCSD and CCE). Follows the measure (4) Implementation of the CSR Index and ISO 26 000 Standard and Sustainability reporting using international guidelines for which the same institutions are in charge. Also suggested is the strengthening of the Environmental Protection Label. In 3.4.5 *Support to the institutional development and tools for market transformation*, the suggested measures are (1) Creation of the environmental criteria for selected products (3 products minimum) which are public procurement subjects, (2) Creation of the suggestions to the national and county level about the promotion and development of CSR, (3) Support for participation in the CSR Index – special attention to small and medium enterprises (4) Support for CSR integration in small and medium enterprises and (5) Promotion of the ISO 26 000 integration. The general view is that the Action Plan is unrealistically complex while on the other hand it does



not have SMART goals, so they are not measurable, time limited, covered by budget items and the responsibilities are not clearly stated. Additionally, the SPC Action Plan has not yet been adopted even though the draft of the document had been created almost three years ago.

2.4.2. The Action Plan for Sustainable Development Education

This document in the introduction stated that at the university level, sustainable development education is present mainly at postgraduate levels if they are multidisciplinary and interdisciplinary, only at a few universities.

Informal SD education is more common and is mainly executed by civil society organizations, business associations and such like. Most often, these courses are one or two day modular workshops, seminars, discussions with the publication of leaflets, brochures and so on.

The Action Plan provides several measures which are relevant for the business sector such as formal education: (1.4) Foster alliances amongst various higher universities in the area of natural and social sciences, in informal education: (2.1) Enhance the skills and knowledge of sustainable development for the experts in charge of planning, managing and execution of development measures, (2.3) Enhance the skills and knowledge of sustainable development in the business sector (responsible organizations are business associations the HR BCSD, CEA, CCE, Croatian Chamber of Trades and Crafts , ministries, civil sector organizations, union), and in informal education (3.2) Secure possibility of the informal education of employees in the workplace (responsible CCE, civil organizations, Croatian Chamber of Trades and Crafts and others). In the chapter *Research and innovative approaches to the sustainable development education*, measure (5.1) suggests the development of inter-sector partnerships for SD education and network development on the country and international level.

From this overview of the Action Plan, it is obvious that the strengthening of the sustainable development capacities in the business sector is entirely in charge of business associations which by themselves have very limited resources for this area of expertise and even more importantly, business associations cannot by themselves create interest in this type of education if there is no outside pressure exists, especially from the public sector.

2.5. Strategic guidelines for the green economy development in the Republic of Croatia

The strategic document for the green economy development was adopted by the Croatian Parliament in September of 2011. This document brings an overview of the activities that need to be undertaken with the goal of lowering the use of fossil fuels. The document represents a situational analysis but as most similar documents produced in Croatia, it does not state clear responsibilities, duties, budget and timeline. Generally, most of the suggested activities are planned to be financed from the Environmental Protection and Energy Efficiency Fund, but it is clear that these activities are beyond the capacities of the fund. Additionally, the document concentrates on the strengthening of the capacity of the institutions in charge for



technological development, the development of production equipment and the development of the investments into renewable energy resources. As some of the priorities, the guidelines state green building, energy efficiency in building, energy certificates for buildings, support for the domestic environmentally friendly building materials, enhancement of the renewable energy resources capacities, environmentally friendly lighting, carbon capture and storage (CCS) and alike. The document is primarily an overview of the possible measures which could be undertaken for the lower emission target achievements for Croatia, but it does not deliver any concrete measures and it does not set priorities and it also does not pay much attention to private sector and private sector investments, it is rather more concentrated on production and savings in the energy sector. This overview of measures as expected did not bring any concrete activities and positive measures, especially not for the private sector in Croatia.

2.6. Strategic CSR Guidelines

As part of the two year project of the Development of the Croatian CSR Network, the CSR Network has met actively under the presidency of the CCE. One of the most important activities of the network was the development of the Strategic Guidelines for CSR. In two years of work, members of the network have developed a document called Strategic Guidelines for CSR which gives an overview of the possible activities and responsibilities of public sector institutions, especially the Ministry of Economy. The document suggested responsibilities such as:

1. Support an inter-sector network for CSR development and give public support to the development of CSR initiatives relevant for Croatia and become involved in the monitoring of implementation measures and development;
2. Strongly support the CSR Index Award process, enhance media visibility and public awareness of CSR importance and support to the responsible companies;
3. To address the question of so-called “green washing”, aiming to promote transparent and methodology based awards for responsible business. Develop strong support for existing standards and the development of new standards, labels and awards which efficiently support the understanding of the socially and environmentally responsible products and services aiming at their promotion supported by informative-educational activities for the business sector;
4. Support open public discussion with citizens, companies and other stakeholders on the role and capabilities of the private sector in the 21st century, enhance mutual understanding and expectations, conduct occasional research on the trust and positions towards CSR;
5. Together with stakeholders develop self-regulating responsible business codex to enhance the efficiency of CSR implementation. Experience says that self-regulation is the most efficient process if based on open analysis of key questions chosen by stakeholders, if the communication process is



moderated by public sector institutions. Indicators, surveillance methods and efficient grievance methods would be needed to be created;

6. Extend support of CSR to consumer associations, which will be a key method in developing a competitive advantage for responsible companies;
7. Enable the better integration of social and environmental issues into the public procurement process, not creating additional administrative impediments and not changing the rule of the financially most viable offer winning. To also consider the possibility of a tax system modification to empower responsible practice;
8. Support investment funds, the Croatian investment bank (HBOR) and other financial institutions to use ethical code and other responsible criteria methodologies and standards in the fund awarding process;
9. Support all sector companies in higher transparency in the area of social and environmental indicators and to publish information in the form of sustainability reports and additional non-financial information in standard financial reports. Support companies to use methodology for life cycle assessments in evaluating its environmental impact, as suggested by the EU. All private, public and civil sector organizations are encouraged to improve their transparency on social and environmental impacts;
10. Additionally give financial support to CSR education and training, individually or as part of the EU Program of *Lifelong Learning and Youth in Action* and work on the awareness raising of professionals and companies of the importance of CSR cooperation;
11. Support the action plan for CSR promotion and report to the EU about the implementation of the plan as part of the implementation activities for the EU 2020 Strategy;
12. Analyse efficiency of the tax deduction of 2% gross revenue for donations as stated in the law on revenue taxation;
13. Develop the implementation of the law on regulatory impact assessment to create efficient public discussion with non-state stakeholders including the business sector and to enhance the dialog and influence of non-state stakeholders on public policies;
14. Clearly define the responsibilities within the public administration in the development and support of programs for CSR, as part of the National Strategy of Sustainable Development. This would ensure the quality coordination of public services and private sector associations;



15. Continuously work on the judicial reform and the reform of public administration, as key preconditions of an efficient and just system and the further strengthening of institutional autonomy of specific offices of state administration, regulatory agencies and state inspection.

Although the Ministry of Economy has accepted a CSR Strategy based on these guidelines in June 2012, to date there has been no progress in the development and preparation of this document.

3. INICIATIVES AND ACTIVITIES IN CSR PROMOTION

3.1. Organizations

3.1.1. Croatian Business Council for Sustainable Development (HR BCSD)

The HR BCSD was founded in 1997 by a group of Croatian companies and civil sector organizations as a regional network member of the World Business Council for Sustainable Development (WBCSD) today consisting of about 38 member companies – mostly leaders in their sectors, middle-sized companies specialized in waste management and environmental protection equipment production, consulting companies specialized in environmental management, financial sector companies and others. In the first years, primarily, the organization's focus was on environmental protection (energy efficiency) but since 2004, the HR BCSD has been intensively included in CSR promotion (the translation of GRI Guidelines, join projects with the Association of CSR of CCE in the creation of the *Croatian Index of Socially Responsible Business and Sustainability – CSR Index*, the organization of workshops about corruption in the business sector with UNIDO etc.). From 1997 to 2006, the HR BCSD has cooperated with the weekly business magazine '*Privredni vjesnik*' in the publication of yearly special edition '*Sustainable Development*' which the represented key initiatives of the business sector in the area of CSR and sustainable development. Since April 2005, the HR BCSD has been producing its own quarterly newsletter '*Business and sustainability*' which is also available online at www.hrpsor.hr. The HR BCSD also develops and edits a number of educational style publications among which are also '*The Handbook of Good Practice in CSR*', '*The Sustainable Development Lexicon*', '*The Handbook on Packaging and Labelling*' and many others; it organizes educational seminars, roundtables, conferences, workshops on these topics and others.

3.1.2. The CSR Association at the Croatian Chamber of Economy

The CSR Association at the Croatian Chamber of Economy (CCE) was founded in 2005 as a response to the requests of various companies which participated at the First National Conference of CSR held in December 2004. The purpose of the CSR Association was to serve as a logistic support to CCE as part of a larger CSR program. The goals of the CSR Association are: (1) Enhance the understanding of the importance of the corporate social responsibility and the pool of knowledge about CSR in the context of the accession process with the EU and competitive advantage of the Croatian economy; (2) Contribute to the creation of the encouraging framework for corporate social responsibility depending on the various activities of the CCE as a



whole, with other business associations, government institutions, professional associations and the media; (3) Offer efficient support to single and joint initiatives of the CCE members aimed at the promotion and support of corporate social responsibility; (4) Support the exchange of good practice in CSR and the increase in quality of CSR implementation and in the number of companies who are practicing CSR; (5) Support for the concept and the Croatian examples of CSR in the professional and general public, therefore contributing to the recognition of the role of the business sector as the carrier of positive changes in the Croatian economy and society. The association began its activities in 2006 and all members of the association have signed the CCE Code of Ethics.

3.1.3. Global Compact Croatia

The *UN Global Compact* initiative began in 2000, during the mandate of the Secretary Kofi Annan to support the implementation of CSR and is still the largest initiative of its kind that brings together over 8,000 companies in more than 135 countries worldwide. Global Compact is a strategic initiative based on 10 basic principles in the areas of human rights, labour rights, the environment, and anti-corruption. In Croatia the initiative started in 2007 and today has 57 member organizations. Additional support for the development of the network occurred in September 2009 when the Secretariat that supports member organizations and the Management Board was founded with the support of the United Nations Development Program (UNDP) and the Croatian Business Council for Sustainable Development (HR BCSD). At the moment of the foundation of the Network in 2007, it had 79 corporate members but as the result of non-communication, which is mandatory for all member companies, some of the members were excommunicated. The Croatian Global Compact Network has chosen its strategic goals to be in the areas of the environment and anti-corruption. The plan is to organize a number of workshops and projects in these areas. A special initiative is to promote the green office practice but other initiatives are also supported when they come from member companies or from potential members. Institutionalization gave the Croatian Network the new energy to execute planned activities and *Global Compact* aims to build a platform for the exchange of knowledge which would use synergic results from its corporate members to promote corporate social responsibility – not as an additional expense in business operations, but as strategic target. The foundation of the Global Compact Croatia due to the mandatory report on progress towards the 10 principles has increased the interest of Croatian companies in non-financial reporting as well as for the use of the GRI Reporting Guidelines.

3.2. Tools and handbooks

3.2.1. The handbook '*With honour to victory*'

The corporate social responsibility handbook '*With honour to victory*' was published as part of the activities of the UNDP corporate social responsibility project. At the end of 2004, a coordination group was formed which had the task to adjust the handbook of Business in the Community (BITC), called '*Business in the local community*'. The task of the coordination group was primarily to take the local Croatian good practice and integrate it in the text of the handbook to make it more user friendly for Croatian users (in the areas of: the



environment, local community, trade and human resources) if such a practice existed. Where local practice wasn't available, original British examples were used. This handbook is the first printed handbook in the Croatian language which aimed to serve business sector practitioners in the understanding and exercise of corporate social responsibility. No information is available about how many companies have used this handbook for the introduction of a CSR program in their operation, but it has most definitely been used as an educational tool for CSR practitioners and experts in Croatia.

3.2.2. Corporate Social Responsibility Index (CSR Index)

The HR BCSD and the CSR Association at CCE made joint efforts in 2006 to start a project of *Index of corporate social responsibility and sustainable development in Croatian business* which was to serve as the basics for the comparison, awarding and, most importantly, support of education and further development of CSR in the circle of the most successful Croatian companies. An expert group was formed to create the methodology for the evaluation of CSR practice in Croatian companies. The experts came from various fields, each one responsible for creating indicators in his/her area of expertise. As a basis for the methodology, a CR Award of BITC was used, although it was formed in such a way that each area of CSR was represented with a number of indicators chosen by its relevance in the Croatian environment. Selected indicators were translated into questions and a questionnaire was formed with 119 questions for large and medium and 60 questions for small companies, divided into six chapters: economic sustainability, CSR and SD as part of business strategy, working environment, market relations, environmental protection and community development. Each chapter amounts to a maximum of 100 points, and the three best companies in the categories of large, medium, small and public sectors are awarded each year with the CSR Index Award. The questionnaire is translated into an online application which evaluates answers by defined criteria and the companies who enter the competition for the award are additionally evaluated by a special expert commission which evaluates the quality of open answers. The ranking list is never published, only the names of the winners are published and the rest of the participants are available in alphabetical order. Every year the questionnaire is slightly modified based on the recognized weaknesses and suggestions made by the participants and also depends on new practices and trends. The award is being given at the National CSR Conference which was organized this year for the third time under the auspices of the President of the Republic of Croatia. In this time, the CSR Index is the most recognizable and the best accepted tool for the education and promotion of CSR in Croatia and it becomes a question of advantage for the leading companies to own one of the so-called "bricks" (the colloquial name for the CSR Index Award). The continuous development of the project, introduction of specific rules for participation, the possibility of repeated winning, the award for best improvement and development of the alternative awarding criteria have secured the interest of companies in this award. The completion of the questionnaire represents an excellent tool for self-evaluation and is the basis for development, while aggregated data represents an excellent source of information on the trends and interests and serves as a source of material proof on the benefits that CSR represents for business competitiveness.



3.2.3. CSR education

The first structured education about CSR was executed in the period of 2007-2008. The project was developed in a partnership between the private company MAP Consulting and the Association of Management Consultants (UPS-AMC) with the financial help of the Charles S. Mott Foundation and the UNDP in cooperation with the HR BCSD. A gathered group of experts developed teaching which consisted of five thematic modules about CSR which included topics such as: CSR and business ethics, quality of working place, environmental protection, community development and non-financial reporting. Educational modules were primarily offered to management consultants, managers, but also to all interested practitioners from other sectors. Modules were planned as single training seminars which could also be part of overall education about CSR. Training was carried out for a period of one year and all together two cycles were completed when due to changes in human resources but also due to the poor interest, the project was suspended.

3.2.4. Sustainable Development Lexicon

During the development of the CSR Index methodology, the expert group was often engaged in the discussions about the various terminology barriers and lack of Croatian terms for the translation of commonly used English words in CSR language. In parallel with the creation of the CSR Index, the expert group also developed a small dictionary of common expressions in the practice of CSR. Three authors, members of this group have decided to further develop this project by preparing a dictionary which would include all the relevant terminology used in the implementation of sustainable development methods, including corporate social responsibility. In 2012, a Sustainable Development Lexicon was published. It consisted of 414 terms from this area of expertise. 1,000 copies of the Lexicon were printed using EU funds and are distributed for free at various events and on demand. An online version is also available at the website of the HR BCSD. This is the first attempt to develop a unique terminology of corporate social responsibility in the Croatian language and to set a basis for learning and the development of skills in this area of expertise.

3.2.5. GRI Sustainability Reporting Guidelines

The Global Reporting Initiative (GRI) was founded in 1997 by the Coalition of Environmentally Aware Economies (CERES) and the United Nations Environment Program (UNEP) with the aim to increase the corporate reporting standards in the area of sustainable development to meet the level of reporting present in the area of financial reporting, specifically in terms of comparability, time relevancy, reliability, truthfulness and capability to verify presented information. The GRI Sustainability Reporting Framework was developed in cooperation with a number of companies, consulting firms, unions, investors and other stakeholders around the world. In Croatia, in 2006, a translation project was launched of the then available G2 guidelines and by the end of year the newly prepared G3 guidelines, into the Croatian language. This project was also led by the HR BCSD in cooperation with a number of organizations. Almost 1,000 copies of



the G3 guidelines were printed and distributed for free to all interested CSR experts and practitioners in Croatia. Also, in the same period, a number of training lectures were organized on how to prepare a non-financial report using GRI Guidelines, organized by the HR BCSD or by Global Compact Croatia. In Croatia, about fifteen respectable companies have been preparing sustainability reports for a number of years, using this most reliable global framework for integrated reporting and every year new companies prepare their reports for the first time. One part of the reporting companies in the meantime has given up reporting due to the lowering of budgets or due to the lack of stakeholder interest in the benefits that these activities have on business.

3.2.6. ISO 26000

In 2012, the Technical Board for social responsibility was formed at the Croatian Standards Institute. This Board had a primary goal to participate in the public discussion which was happening at the global level on the content of the Social Responsibility Standard ISO 26000. The Technical Board participated in the discussion with comments to the International Board responsible for the Standard which was published in its final form in October, 2011. After the Standard was published, the Technical Board began the process of translation of the Standard into the Croatian language. This process is still on-going. In the meantime, the English version of the Standard is accepted as the relevant Standard for the Republic of Croatia. The Croatian Standards Institute organized a two-day workshop during the preparation process of the Standard and it also took a delegation to the workshops organized in Vilnius, Latvia (2010) and in Riga, Lithuania (2011). During the execution of the project of the Development of the National CSR Network, a one-day workshop on ISO 26000 was organized.

3.3. Projects

3.3.1. Project of the Development of the National CSR Network

One of the most important activities of CSR promotion in Croatia has been the two-year project of the Development of the National CSR Network financed from the EU CIP Fund, carried out between July 2010 and July 2012. The project leader of this program was the Croatian Business Council for Sustainable Development (HR BCSD) and the partners were: the Croatian Employers Association (CEA), the Croatian Chamber of Economy (CCE), the Croatian Banking Association (CBA), Global Compact Croatia, the Croatia Union Association (CUA) and the Faculty of Economics and Business from the University of Zagreb with the support from civil society organizations: Green Action and ODRAZ, and the Ministry of Economy. During the project, seven activities were realized:

1. The National CSR Network was formed which met ten times during the project and under the presidency of the Ministry of Economy it continued to occasionally meet after the project had finished. During the Project, the Network prepared a document called *the Strategic Framework for CSR*, which had the purpose of serving as a foundation for the National CSR Strategy. The document



was handed to the Ministry of Economy to help them create the mentioned Strategy. The Ministry of Economy accepted to continue the project's activities, to take over the presidency of the Network and to develop a CSR Strategy. Two years after the project was closed, there are still no visible signs that something is moving towards the preparation of the Strategy. Within this project's activity, a website was created, www.dop.hr which has been planned to become a central portal of CSR information dissemination. Due to the lack of financing, this page is not developing as desired.

2. The CSR Index is a project which received an additional financial injection from the CSR Network Project and promotional and educational activities were increased. In two years the CSR Index was carried out and awarded twice, it noted an increase in the interest from companies, partially due to the ten educational workshops about the CSR Index questionnaire which were executed in this period. 159 company representatives from 102 companies were trained. Funds were also invested in the promotional campaign.
3. CSR training was carried out through five different thematic modules for which topics were chosen based on a survey carried out at the beginning of the project. In two years, ten seminars were held, in which 212 company representatives participated from 154 companies. There are one sectoral and four thematic topics. The sectoral topic was created for the financial sector and was called: CSR in the financial sector. Two such seminars were held, hosting in total 23 participants. The second module was called CSR in the working environment; three modules were held in training 42 participants in total. The third module was called: CSR and Community Development, it was held twice and trained 14 participants. The next module was called: Company participation in the public policy development – the example of environmental protection. This module was held twice and trained 41 participants in total. The last module was called ISO 26000 and it was held once, training 26 participants. The average grade of all seminars was 4.53 out of 5.
4. A publication with 20 case studies about CSR, prepared in cooperation with students from the Faculty of Economics and Business of the University in Zagreb and 600 copies were published.
5. A study tour of project partners was held. Ten project partners spent a week in Brussels studying European CSR practices.
6. Two National CSR Conferences were organized in this period both under the auspices of the President of the Republic of Croatia at which 386 participant from 142 companies participated.
7. A Sustainable Development Lexicon was prepared and 1,000 copies were printed. It contains 414 terms from the area of sustainable development and corporate social responsibility and it serves for defining the unique terminology of CSR processes which in Croatia are at the beginning stage.



3.3.2. European CSR Award

From October 2012 to July 2013, a project was carried out in Croatia which awarded the first ever European CSR Award Scheme. This project was initiated by the European Commission; it was carried out in 29 European countries under the leadership of the European organization CSR Europe. This consortium of leading CSR organizations in Europe, took the responsibility to organize, conduct and award the *European CSR Award Scheme for Partnership, Innovation and Impact*. In Croatia a leading partner for this project was the HR BCSD. At the end of 2012, each country conducted an application process, which collected applied projects. The projects had to present a partnership between business and non-business partners, working on solving community problems, bringing at the same time both, benefits for society as well as for the business organizations involved. During this process, the HR BCSD collected 12 applications; five in the SME category and seven in the category of large companies. The evaluation process followed which selected winners, and this process was conducted with two multi-sectoral commissions each consisting of five members, experts in CSR. Evaluation consisted of day-long evaluation processes, one for each category during which each project received one hour to present, answer questions and for the commission to make a decision. The categories in which evaluations were made were: innovation, management, leadership, resources, communication, social benefits and business benefits. Based on the number of points won, the winners were awarded at the Fourth National CSR Conference, while the European Awards were donated at a ceremony held in Brussels on 25th June 2013.

3.4. Other

In the last years, CSR has been recognized as an important topic which should be discussed at the series of business and expert conferences, such as the annual assemblies of the Croatian Public Relations Association, European Entrepreneurs Day organized by the Association of SMEs or at the Environmental Fair, EMAT. The regional CSR forum for SMEs in SEE organized by the Ministry of Economy in cooperation with UNIDO in March 2006 represents the first case of international and inter-sectoral discussion about the promotion of CSR policies which was initiated by the government, so far without any proceeding activities.

Media

Even though the CSR issues are still marginal subjects in the media, over the last few years there have been increasing numbers of specialized reports and thematic newsletters about CSR in leading business weekly magazines such as the *Euconomist*, *Business.hr*, *Lider* etc., often in cooperation or with sponsorship from interested organizations. Unfortunately, due to the crisis, two of the mentioned magazines have stopped publication. The weekly business magazine *Privredni vjesnik* also published a yearly special edition called *Sustainable development* in cooperation with the HR BCSD until 2006 and it was the only specialized edition in leading business monthly. Since it stopped, the HR BCSD has started publishing its own quarterly newsletter *Business and sustainability* being published in about 1,200 copies and also available online on the HR BCSD's website.



IV. COMPANY SURVEY RESULTS

1. CHARACTERISTICS OF THE SAMPLE

1.1. Structure of the realized sample

Table 14. Size of companies

Company size	Respondent	Share
Micro	28	28.0%
Small	24	24.0%
Medium-sized	19	19.0%
Large	29	29.0%
Total	100	100.0%

The sample consists of 29% of large companies, 19% middle and 52% of small and micro companies. The companies were also sampled according to their ownership (85% private; 9% state and 6% mixed ownership) then according to the sector of their operations, type of registration, and finally according to the dominant market in which the companies operate, while all companies that participated in the survey are based in the Republic of Croatia.

According to the sectors, the sample is divided dominantly into the following representatives: manufacturing (16%); wholesale and retail trade; repair of motor vehicles and motorcycles (20%); mining and quarrying (4%); real estate activities (4%); construction (10%) and other (46%). Due to the relatively small number of participating companies, it should be stated that the results for specific sectors will not necessary show exact results for the sector so they need not be taken for granted.

Also, due to the relatively small number of state companies and the small number of companies that operate on foreign markets, the results need to be taken only as guidelines and not as exact data.

Table 15. Companies with predominately domestic markets versus companies with predominately foreign markets

Market	Respondent	Share
Domestic market	78	78.0%
Foreign market	12	12.0%
Equally on domestic and foreign markets	10	10.0%
Total	100	100.0%



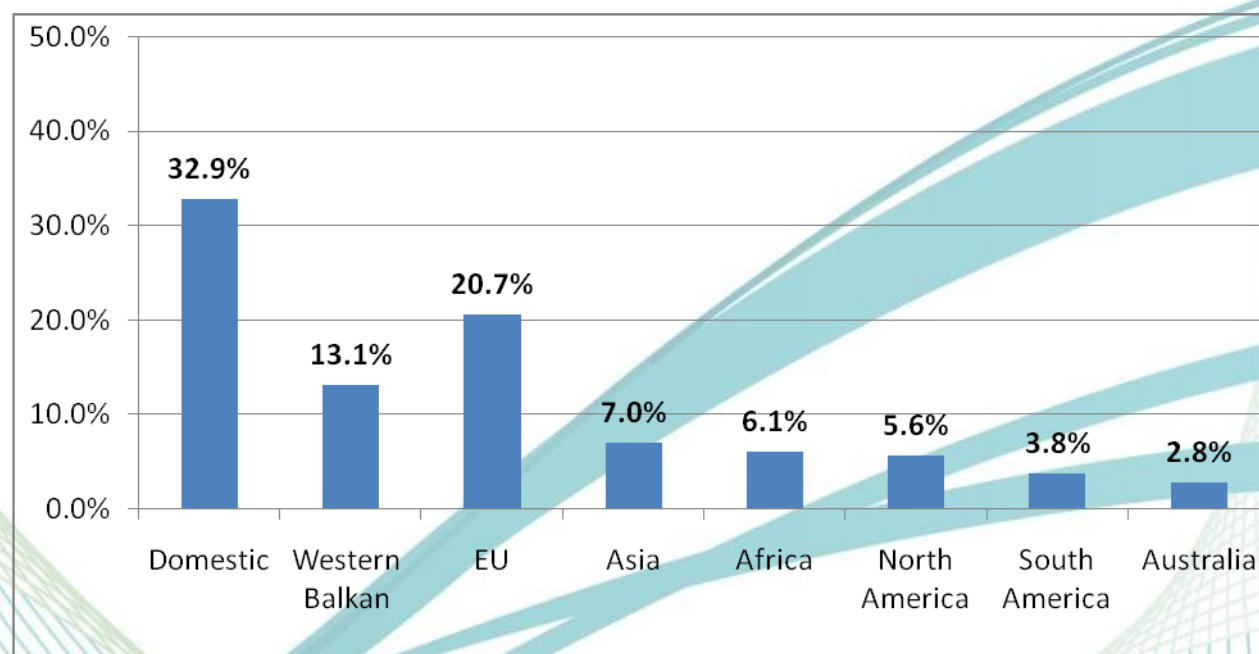
1.2. Number of countries where companies have operations and/or exports

Most of the companies that earn profits on foreign markets (37%) export to a single foreign country whilst the following 36% export in less than 7 countries. Small and micro companies more often have a market in just one foreign country whilst large companies more frequently have more than one export market. Also the majority state owned companies more often have an export orientation to only one foreign company whilst in private and mixed ownership companies this number varies. In an overview by sectors, companies in the manufacturing industry export to one foreign country or more in a similar ratio, whilst companies in the construction and mining and quarrying sectors are, as expected, oriented to fewer export markets.

1.3. Markets in which business partners operate

Most of the companies conduct business with partners from the domestic market (32.9%), whilst 13.1% have partners in the Balkan region, and 20.7% from the European Union.

Diagram 1. Market share of the partners by region



Compared to the size of the company, the market share of partners by region is similar to the previous data, with the exception of micro companies which operate predominantly with domestic partners. Also, state owned companies more frequently conduct business with domestic partners than private companies and those of mixed ownership. Divided by sectors, expectedly, real estate activities conduct business mostly with domestic partners, whilst domestic partners are also more common in the construction sector and mining and quarrying sector. Common to all companies is a preference towards Western Balkan partners and



European Union partners. Companies which predominantly make profits on the domestic market also have domestic partners whilst companies which make profits mainly at foreign markets have partners predominantly from the European Union and the Western Balkans.

1.4. Markets in which direct suppliers of the company operate

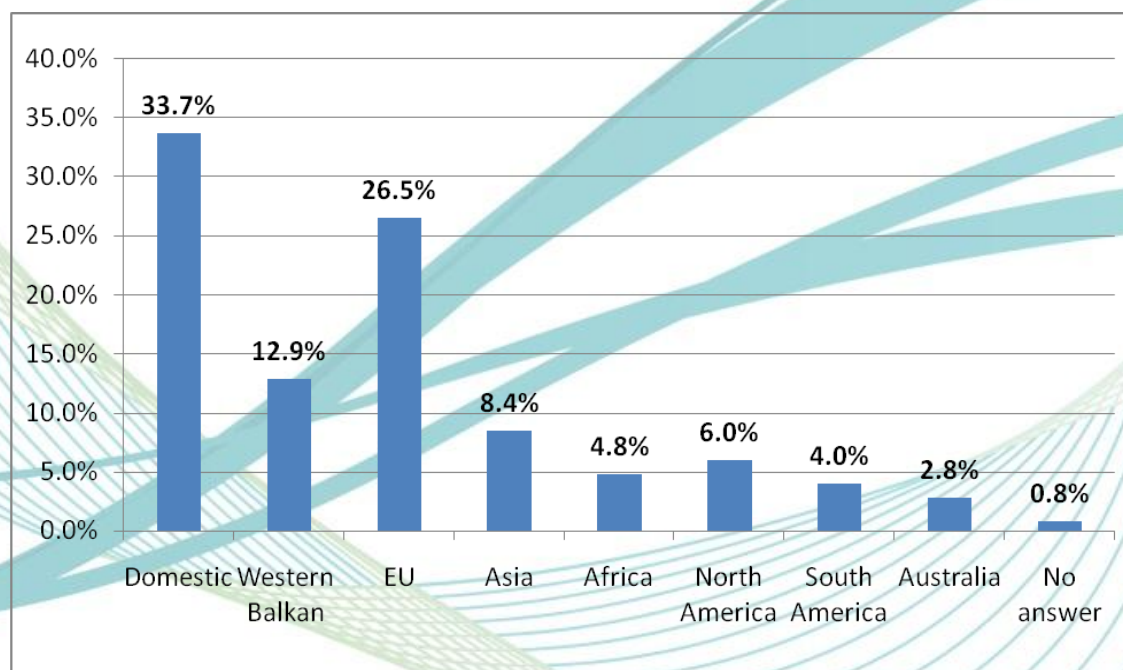
When talking about suppliers, companies from the sample are mostly oriented at domestic suppliers (33.7%) while suppliers from the European Union are used in 26.5% of the cases and Western Balkan suppliers in 12.9% of cases.

The larger the company, the higher the tendency towards doing business with various suppliers, so micro companies prefer domestic suppliers, small companies use the same number of domestic and suppliers from the EU, while medium and large companies use more suppliers outside Europe and the ratio of domestic, comparing to regional and European suppliers, decreases.

The question of ownership does not play a vital role in the process of choosing suppliers. Divided by sectors, real estate activities and mining and quarrying sectors primarily use domestic suppliers and those from the Western Balkans, whilst the rest of the sectors have suppliers from outside Europe as well.

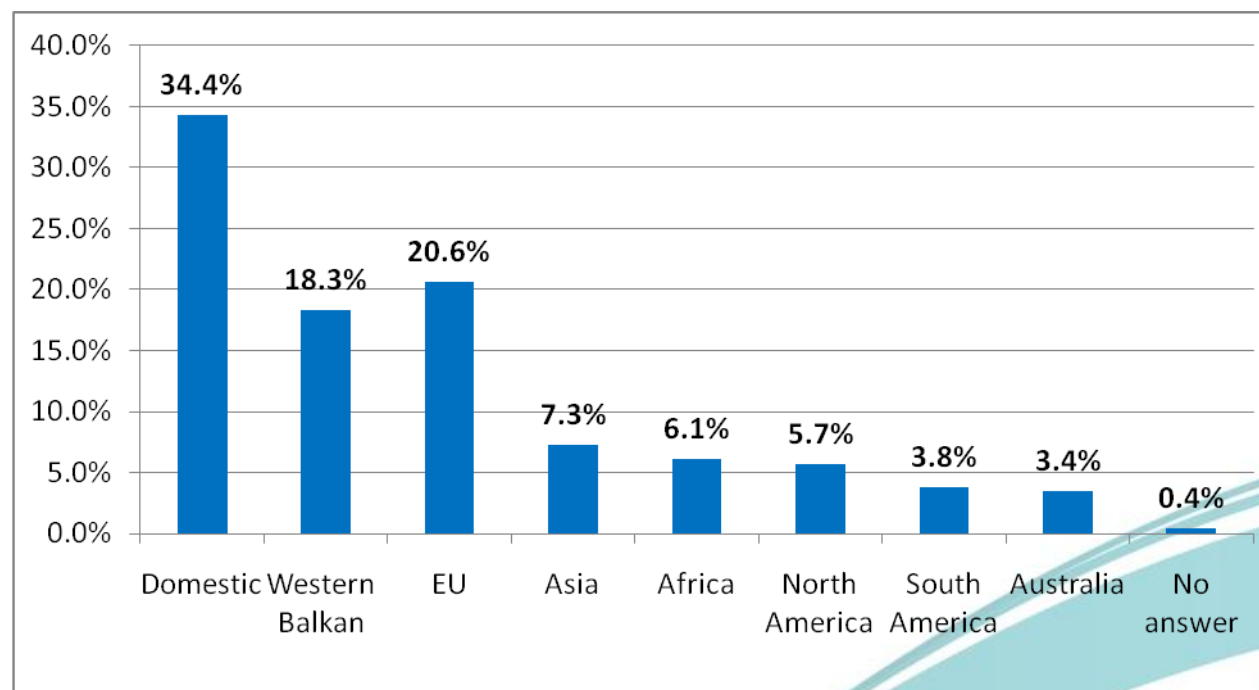
Companies which make profits on domestic markets have mostly domestic suppliers, whilst companies which mostly make profits in foreign markets have suppliers from all over the world, predominantly from the EU.

Diagram 2. Market share of the direct suppliers used by companies in the sample



1.5. Markets in which company customers are present

Diagram 3. Market share of the company's customers



The markets on which companies' customers operate are mostly domestic (34.4%), whilst the EU is represented by 20.6%, and the Western Balkans by 18.3% of the share. The remaining areas of the world are equally represented. As in previous cases, micro companies mostly deal with domestic customers, whilst other companies have equal shares of customer operations on the domestic, Western Balkans and European markets. Ownership has no influence on the region in which companies have customers, while divided by sectors, as in previous cases, the activities of the real estate sector is oriented on domestic market customers, mining and quarrying has customers from the Western Balkans and the EU whilst other sectors conduct business equally with customers from all over the world.

2. CORPORATE SOCIAL RESPONSIBILITY

1. Familiarity with the term corporate social responsibility

The largest part of the sample (84%) confirmed that they are familiar with corporate social responsibility. If divided by the size of the company, (Table 3), we can see that all large companies are familiar with the term CSR, 89.5% of the medium, 83.3% small and 64% micro companies which confirms that the size of the company has a significant influence on the familiarity with corporate social responsibility.



Table 16. Overview of the familiarity with the term CSR according to the size of the company

Familiar with the term "CSR"	Micro (n=28)	Small (n=24)	Medium (n=19)	Large (n=29)
Yes	64.3%	83.3%	89.5%	100.0%
No	35.7%	16.7%	10.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

In the same way, companies of mixed ownership all answered positively to this question, while to the same question 82% private and 88% state owned companies gave a positive answer. These results come as a surprise because it was expected that the larger percentage of private companies will be familiar with CSR than state owned companies. Here we can presume that the relatively small sample of the state and mixed owned companies (9% and 6%) influenced these results.

Regarding division by sectors, the worst knowledge of CSR was declared in the real estate activities sector whilst the manufacturing and mining and quarrying sectors gave positive answers in 100% cases which tells us that environmentally more intensive industries, due to the pressure of the environmental standards, began earlier to show interest in voluntary practices of social responsibility because of risk management and reputation.

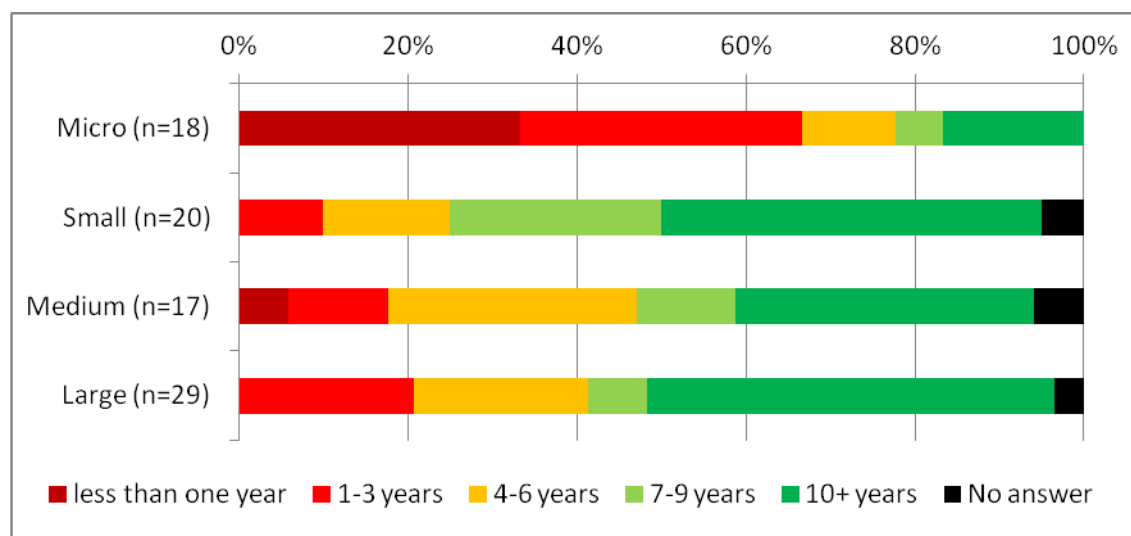
As expected, companies which operate on foreign markets all know about CSR whilst those that operate on domestic markets gave a positive answer in 80% of the cases.

2. The period for which companies apply CSR

A large percentage, 38%, of the questioned companies applies CSR for a period of 10 or more years. 19% of them apply CSR for between 1 and 3 years, and the same percentage does it for 4 to 6 years. Since only 8% of them began with implementing CSR within the last year, we can conclude that there is stagnation in the interest in the practice of CSR in Croatian business. Most of the large companies (48%) replied that they practiced CSR for 10 or more years, while none of the large companies began with CSR within the last year. In the sample of micro companies, 33% responded saying that they had started the implementation of CSR within the last year. Also, interest for CSR in the last year was shown only in the private sector and the sectors of wholesale and retail trade and construction. We can also conclude that the companies which are doing business exclusively on domestic markets began showing interest in CSR later than those working on foreign markets, so most of them had begun integrating CSR within the last year (11%). The longest lasting interest in CSR was shown by companies with mixed markets so 50% of them began more than 10 years ago. These results show that larger companies began CSR practices earlier whilst small and medium size companies began later. More interest in CSR is also shown in the private sector, environmentally intensive sectors and in companies which work in foreign markets.



Diagram 4. The periods for which companies apply CSR according to their size



3. The existence of a department managing a company's social responsibilities and impacts

To the question about the existence of department in charge of managing responsibility towards CSR, 55% of them gave a positive answer. The percentage increases as the size of the companies increase, therefore 90% of the large companies have a department in charge of the company's social responsibilities and impacts; while on the other hand, only 11% of micro companies have defined the same responsibility (Table 4).

Table 17. The existence of a CSR department according to a company's size

The existence of a department	Micro (n=20)	Small (n=18)	Medium (n=17)	Large (n=29)
Yes	11.1%	25.0%	76.5%	89.7%
No	88.9%	70.0%	23.5%	10.3%
No answer	0.0%	5.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

In this question, there is an unexpectedly large percentage of state and mixed owned companies that gave a positive answer to the question of defined responsibility for CSR which can be explained by a small percentage of companies from these sectors in the research sample. Divided by sectors, again the best results are found in the sectors of manufacturing and mining and quarrying which can be explained by the rigorous environmental standards which motivated these industries to start CSR implementation earlier than companies in other sectors. The weakest results are found in the sector of real estate activities where no



positive answers were given. There were also more positive answers received from companies which operate on foreign markets than from those working primarily on domestic markets.

4. The name of the department managing a company's social responsibilities and impacts

Those companies that declared the existence of a department responsible for CSR were asked the name of this department, responsible for company's social responsibility and impacts. Most of the companies have this responsibility transferred to the Department for Corporate Communications and Public Relations (28.3%); then the Office of the Executive Manager (19.6%); a team of the people coming from various key departments (13%), followed by a department which is specifically organized for corporate social responsibility (6.5%), Environmental Protection Departments (4.3%) and others.

5. Areas of priority regarding CSR

By far the largest number of answers to the question of what are the most important areas of CSR, were given to the area of the responsibility towards employees which was chosen by 62% of the companies, followed by the responsibility towards the local community with 27% of the answers, and fair business practices with 26% of the replies. On a total ranking list, most of the companies chose the area of the responsibility towards employees with 27.7% of the answers followed by securing jobs and human rights with 10% each.

Analysing the perception of companies according to their size, all of them gave more votes to the responsibility towards employees. But, whilst second place in micro, small and medium sized companies was given to the fair business practices, the large companies chose responsibility towards the environment, while responsibility towards the local community is third and fair business practices was the fourth chosen area.

Regardless of the ownership, the most votes in all companies was given to responsibility towards employees, but while state owned companies gave second and third place to the responsibility towards local community and environment, private companies gave second place to fair business practices.

All sectors prefer responsibility towards employees the most, whilst mining and quarrying in second place chose anti-corruption behaviour, manufacturing in second place chose the environment and real estate activities in second place chose human rights.

Divided into the markets on which companies predominantly operate, there is a larger interest for anti-corruption behaviour in companies operating mostly on domestic markets, whilst companies operating on both, domestic and foreign markets show more interest for environmental protection.



6. Commitment to employees

6.1. Support for the work-life balance of employees through flexible working time arrangements and/or childcare and other measures

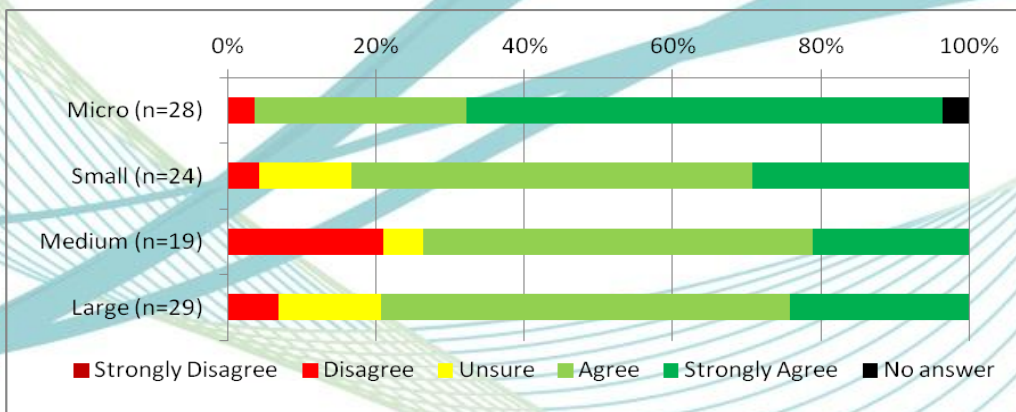
The claim that companies give support to the work-life balance of employees supported was completely or just supported by 36% and 47% companies from the sample. 8% of the surveyed companies did not agree or were not sure.

If the answers are analysed according to the company's size, it can be seen that the majority of the interviewed representatives from medium sized companies does not support this claim, whilst support for the work-life balance was confirmed by representatives from micro and small companies. It seems also that most support for employees' work-life balance was declared by private companies where this claim was not confirmed or not at all confirmed by 7% of the companies in each category, followed by state owned companies with 11% and 22% of those who do not agree or are unsure. Finally, 33% of the representatives from the mixed owned companies did not agree with the claim about the support for work-life balance of employees, whilst 16% were unsure.

According to the sectors, the best conditions for employees were declared in the sector of mining and quarrying where there were no unsure or negative answers and the wholesale and retail trade with only 5% unsure. The worst conditions were declared in the sector of real estate activities where 25% of the representatives did not agree with this claim.

Interestingly, most of the companies that did not support this claim operate on the foreign markets. Nevertheless, we can conclude that there is an exceptionally high percentage for the concern of the work-life balance of employees in terms of flexibility of working time arrangements and/or childcare and other measures.

Diagram 5. Commitment to employees according to the size of the company



6.2. The existence of the continuous training of employees

Almost 95% of the interviewed companies agreed (50%) or completely agreed (45%) with the claim that the company they represent continuously invests in their employees' training. Uncertainty with this claim was stated more frequently by micro (3.6%) and small (8.3%) companies and also state owned companies in 11% of the cases.

Also, divided by sectors, least certainty with this claim was expressed by the real estate activities sector (25%) and companies that operate on foreign markets (8.3%).

6.3. The existence of measures for the recruitment and employment of disabled people

With this claim 31% of the companies disagreed or completely disagreed whilst 34% were unsure of the answer. On the other hand, only 22% of the companies agreed with the claim and 7% agreed completely. A more frequent positive answer to this question was given by representatives of large companies, so the answers are mostly positive in large companies and mostly negative in micro and small companies.

Private sector companies disagreed more frequently with this claim, where 8.2% completely disagreed whilst 29.4% disagreed. In state owned companies there are more of those who disagreed but also those who completely agreed with this statement.

If divided by sectors, companies have worse results in the real estate activities sector where no one agreed with the statement. Most of the companies who agreed with the statement belong to the mining and quarrying sector.

The best results are found in the companies that operate on both domestic and foreign markets where only 10% of the surveyed companies did not agree with the statement whilst the worse result was recorded in the companies that work only on foreign markets where 35% negative answers were recorded.

6.4. The promotion of healthy and safe working environments

Similarly to the importance that companies in the sample gave to the responsibility towards employees and employee training, the area of healthy and safe work environments achieves excellent results. Therefore 57% of the company representatives said that they completely agree whilst 39% agree with the claim that the company they work for promotes healthy and safe working environments.

5.3% of the survey participants from the medium sized companies did not agree with this claim and 8.3% from small companies were unsure of this claim. 11% of the employees from state owned companies were unsure of the claim as well as 25% of those employed in the real estate activities sector. 10% of employees from the construction sector also did not agree with this claim. Finally, there is a small percentage of those who were unsure or did not agree (2.6% and 1.3%) in companies that operate mostly on domestic markets.



6.5. The existence of policies to ensure non-discriminatory behaviour with regards to gender, age, ethnic background, religion and sexual orientation

This indicator has excellent results because in the entire sample as many as 66% of the participants said that they completely agree and additional 28% said that they agree with this statement. The percentage of those who did not agree or completely did not agree is only 1%.

If dividing the sample according to the size of the company, then in the category of medium companies 5.3% of respondents did not agree with the statement, while in small companies there are 4% of those who did not agree or were unsure. In large companies as well as in micro companies all respondents confirmed that they agree with the statement. Surprisingly, most of the negative answers were recorded in the state owned companies (11%) and again in the real estate activities sector, where 25% of respondents did not agree. Also, in the construction sector 10% of the company representatives completely disagreed with the statement.

Disagreement with the claim was recorded only in the companies that operate on the domestic market.

6.6. The existence of feedback mechanisms such as employee hotlines that allow employees to submit issues of concern to management

66% of the survey participants agreed or completely agreed with this claim, which means that most of the companies have some form of consultation or communication mechanisms with their employees. Still, there are 16% of those who expressed that they are unsure if there are communication mechanisms existing in their companies. Additionally, there are 16% of those who did not agree or completely disagreed with the statement.

When looking at the sample according to the size of the companies, then expectedly the best results were recorded in large companies where there were no negative answers recorded whilst 20% of the survey participants were unsure of the answer.

In small and micro companies the situation is similar and there are around 17% of those who are unsure while in the medium size companies 26% replied that they disagree. Ownership does not play a significant impact on the existence of these mechanisms whilst the best results sector-wise were recorded in the mining and quarrying sector where no disagreement or unsure results were recorded regarding the existence of these mechanisms.

The best results were also recorded in the companies that operate on foreign markets as there were no disagreements recorded on the existence of these mechanisms.



6.7. Respecting worker's rights to establish and to join organizations of their own choosing and engage in social dialog processes

Table 18. The existence of worker's rights to establish and join organizations and engage in social dialog

The level of agreement	Respondent	Share
Strongly Disagree	0	0.0%
Disagree	4	4.0%
Unsure	12	12.0%
Agree	36	36.0%
Strongly Agree	43	43.0%
No answer	5	5.0%
Total	100	100.0%

In large companies all have confirmed the right of association and dialogue, while in medium-sized enterprises 21% of respondents expressed their uncertainty in the existence of these rights. Somewhat worse is the situation in micro and small companies where there is a part of the respondents who were unsure and additionally 12.5% of small and 3.6% of micro companies thought that these rights are not respected.

6.8. Effective child labour abolition

When it comes to the child labour, 81% of the company representatives claim that their company does everything in their power to secure the abolition of the child labour while additionally 13% agreed with this claim. Only 2% of the company representatives did not agree, and they all work for small and medium companies from the wholesale and retail trade and construction sectors which operate on the domestic market.

7. Respecting human rights

7.1. Respecting human rights is a priority of the company

This statement was strongly agreed to by 59% and additionally agreed to by 37%. Only 3% of the survey participants were unsure and there are none who disagreed with the statement. Unsure participants came from the micro and small companies, more often state owned than private, from the wholesale and retail trade sector and real estate activities sector which operate on the domestic market.

7.2. The company has a public commitment to respect human rights

Here, 54% agree strongly and additionally 30% agree with this claim. 10% of the questioned companies were unsure while 5% gave a negative answer to this statement. The worst results were recorded in the micro companies where all the negative results were recorded. Those are both private and state owned companies



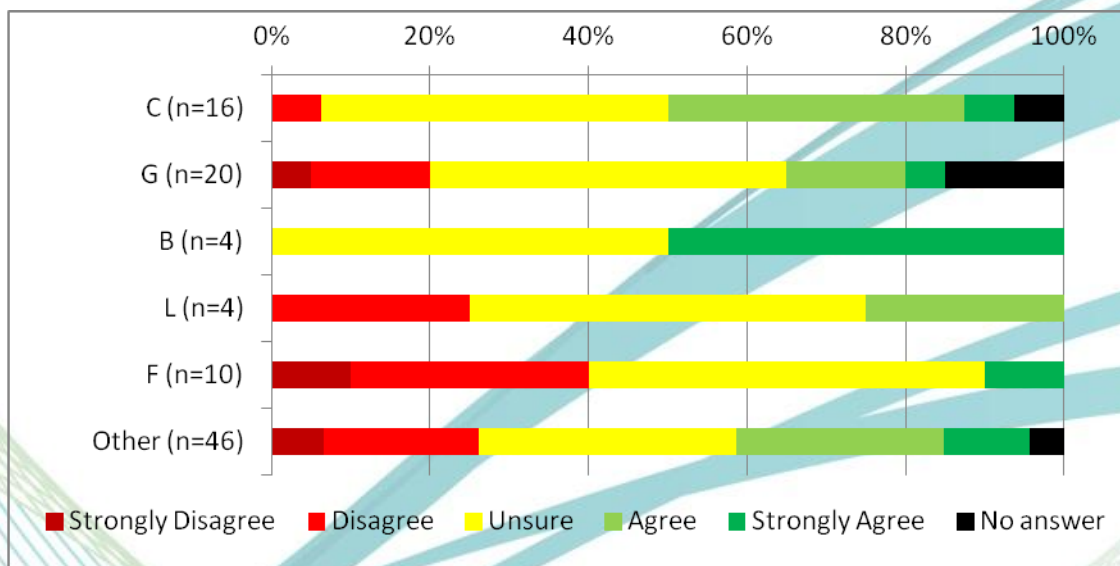
from the wholesale and retail trade and real estate activities sectors and they all operate on the domestic market.

7.3. Engagement in due diligence and human rights impact assessments

To the question which included a strategic approach to human rights impact assessment, the results were significantly worse than in the previous two questions. Only 32% of the survey participants agree or agree completely (22% and 10%) with this statement. While 40% were unsure, with this statement completely disagrees or disagrees 22% of the survey participants (5% and 17%).

As expected, the best result was recorded in large companies where there were no participants who completely disagreed with the statement while the results in medium, small and micro companies are similar. The results are also worse in private companies although not significantly and divided by sectors, the expectedly worse results were recorded in real estate activities, construction and wholesale and retail trade sectors (Diagram 6). The worse results were also recorded in the companies that dominantly operate in domestic markets.

Diagram 6. Engagement in due diligence and human rights impact assessments according to the sectors



8. Community engagement

8.1. Support for social initiatives

Surprisingly good results to this question show that 66% of the survey participants support local social initiatives (20% completely agree and 42% agree). 22% were unsure how to answer the question while 9% of entire sample gave a negative answer.

According to the size of the company, expectedly large companies did not give a negative answer as well as medium size companies where there is a significant number of unsure (42%). Most of the negative answers were recorded in small and micro companies in a similar ratio of 15%. Even though it was expected that the best results will be recorded in large companies, it is very interesting to see that all sizes of companies in the survey are somehow included in local non-government initiatives.

If divided by ownership, negative results are equally recorded in private and state owned companies in real estate activities and wholesale and retail trade sectors only in companies that generate income on the domestic market.

8.2. Support of cultural projects

54% of the companies invest in cultural projects (16% of the survey's participants agreed completely and 38% agreed with this statement). Unsure of this statement were 22% of the survey participants while 17% of them gave a negative answer.

As expected better results were recorded in large companies even though surprisingly, the results were better in state owned companies. The best results were recorded in the manufacturing sector and the worst in the real estate activities sector. Somewhat worse results were recorded in the companies that operate in the domestic market.

8.3. Support of education and training institutions and initiatives

70% of companies support education and training institutions and initiatives (31% of the survey's participants agree completely and 39% agree with this statement). Unsure of this statement were 19% of the survey participants whilst 9% of them gave a negative answer.

Better results were recorded in large companies and become worse as the size of the companies decreases. Also, somewhat worse are the private company results and in the real estate activities and construction sectors whilst the best are in the manufacturing sector. The markets in which companies operate did not significantly influence these results.



8.4. Support for amateur sports associations

51% of companies support amateur sports associations (20% of the survey's participants agree completely and 31% agree with this statement). Unsure of this statement were 22% of the survey's participants whilst 24% of them gave a negative answer. Results are also better in large companies and are getting worse as the size of the companies decreases. Also, somewhat worse are the private company results and surprisingly the worse results are recorded in the mining and quarrying sector. As in previous questions, the markets in which the companies operate did not significantly influence these results.

8.5. Support for professional sports associations

26% of companies support professional sports associations (8% of the survey's participants agree completely and 18% agree with this statement). Unsure of this statement were 26% of the survey's participants whilst 44% of them gave a negative answer. Results are also better in large companies and are getting worse as the size of the companies decreases. Also, somewhat worse are the private company results and the worse results are recorded in the real estate activities and construction sectors. The market in which the companies operate did not significantly influence these results.

8.6. Support for particularly small infrastructure initiatives

42% of companies support small infrastructure initiatives (11% of the survey's participants agree completely and 31% agree with this statement). Unsure of this statement were 35% of the survey's participants whilst 18% of them gave a negative answer. Results are somewhat better in medium size companies whilst the worst are in the micro companies. Also, somewhat better are the results in private companies, whilst the least support for the small infrastructure projects was recorded in the real estate activities and wholesale and retail trade sectors. Companies which predominantly operate in foreign markets invest more often in local infrastructure.

9. Environmental activities

9.1. Energy consumption reduction as one of the company's priorities

An extremely large number of the survey's participants agree with this claim and 92% gave a positive answer (53% agree completely and 39% agree). Only 5% of the survey's participants were unsure of the answer whilst 1% stated that they disagree and 1% completely disagrees. Only about 4% of small and 4% micro companies gave a negative answer. In large and medium size companies, participants agreed with this claim or were in a smaller percentage unsure.

Somewhat better results were recorded in the state owned companies whilst in private companies 2.4% of negative results were recorded. Although not a significant number, this result still is surprising. As expected the worst results are recorded in the real estate activities sector while in the category of 'other' most of the negative results were recorded. Companies operating in domestic markets have bad results as well.



9.2. Systematic efforts to reduce the use of natural resources

A large number of positive answers was also recorded in this question and 81% of the survey's participants stated that their companies systematically support a reduction in the use of natural resources (33% completely agree and 48% agree). 17% of the survey's participants did not know how to answer this question whilst only 1% gave a negative answer.

Negative answers were only recorded in small size companies, privately owned in various sectors (category 'other'). As expectedly, all of these companies operate in the domestic market.

9.3. Pollution emission reduction measures

78% of the survey's participants carry out pollution emission reduction measures. This claim is completely supported by 42% of the survey's participants whilst 36% support it. 18% of the survey's participants were unsure while 3% gave a negative answer.

Here, the size of the company also influenced the positive measures for the environment and negative answers were recorded in small and micro companies whilst part of the survey's participants in large companies were unsure (3.4%). The worse results were recorded in private companies where all the negative answers were given whilst the wholesale and retail trade and 'other' are the worse sectors. All companies who disagree with this statement operate in the domestic market.

9.4. Waste recycling policies

Waste was separated and recycled by 89% of the surveyed companies (49% are completely sure, whilst 40% agrees with this statement). Unsure of the answer were 7% of the survey's participants whilst 3% gave a negative answer. All the negative answers were recorded in small and micro companies. Medium and large companies have similar percentage of uncertainty (7% and 4%). Results are worse in private companies where all the negative answers were recorded. The negative answers are not sector specific but they mainly operate on foreign markets.

9.5. The existence of environmental management systems (ISO 14001 and EMAS)

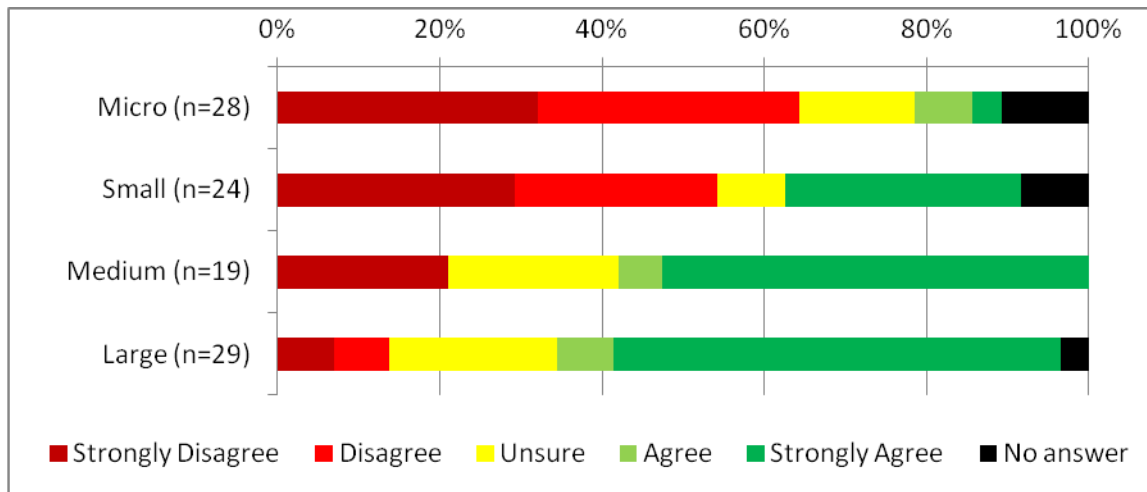
39% of the surveyed companies have the environmental management system ISO 14001, 16% of the survey's participants did not know how to answer this question whilst the rest gave a negative answer.

The largest number of certificates was recorded in large companies whilst this number decreases as the company size decreases (Diagram 7).

As in most of the questions, the results are better in state owned companies whilst all companies in the mining and quarrying sector have certificates. The smallest number of certificates was recorded in the wholesale and retail trade and real estate activities sectors. A somewhat smaller number of certificates was recorded in the companies that operate in the domestic markets.



Diagram 7. Number of ISO 14001 certificates according to the size of the company



10. Engaging with the supply chain

10.1. The integration of ethical, social and environmental criteria in purchasing, distribution and contracting policies

A very large percentage of the survey's participants (75%) stated that ethical, social and environmental criteria are integrated into purchasing, distribution and contracting policies. 19% of the participants were unsure while 4% of them gave negative answers. As expected, negative answers were recorded in medium, small and micro companies while in large companies all the participants confirmed the existence of these criteria in business policies. Private companies had a larger percentage of positive answers to the existence of ethical, social and environmental criteria in purchasing, distribution and contracting policies whilst the best results were recorded in mixed owned companies.

If divided by sectors, the best results are recorded in the mining and quarrying sector, while the worst results were in the real estate activities sector. The non-existence of ethical, social and environmental criteria in purchasing, distribution and contracting policies was also recorded just in companies that operate in the domestic market.



10.2. The existence of audits of social and ecological performance of its suppliers

Slightly more than half of the survey's participants (55%) declared that the companies they work for have audits of social and environmental performance of their suppliers. While 20% of them were unsure, 23% of the companies gave a negative answer to this question.

According to the size of the company, the existence of the supplier audits based on non-financial criteria grows as the size of the company grows so that 7% of the large companies gave negative answers to this question, 10% medium and 25% small companies while 39% of the micro companies do not have supplier audits.

The situation is better in state owned than in private companies meaning that 33% of the state owned companies have this type of control, 24% of private whilst 22% of private companies were unsure. The best results were recorded in the mixed owned companies.

The mining and quarrying sector companies have the best systems of supplier control, while the worst situation is in the real estate activities sector. Most of the companies without supplier control operate in the domestic market.

10.3. The existence of training on social, ecological, human rights and OSH issues to suppliers

Some form of supplier training was recorded in 31% of the surveyed companies whilst 37% do not have that kind of training. 29% of company representatives were unsure.

More often large companies have training where 13.8% stated not having some kind of training, whilst 21.3% of the medium companies do not have training, 50% small and 60.7% micro companies. Training is rarer in private companies although the difference is small, whilst the best result was recorded in mixed owned companies.

If divided by sectors, companies in the mining and quarrying sector again have the best results again whilst a somewhat smaller percentage of companies in the manufacturing sector have training. The worst are results in the real estate activities sector and wholesale and retail trade and construction sectors. Also worse are the results in the companies that do business in the domestic market.

11. Fair business behaviour

11.1. The identification of risks from corruption and the implementation and maintenance of policies and practices that counter corruption and extortion

75% of the survey's participants confirmed that they completely agree or agree with the existence of the policies for the identification of risks from corruption and the implementation and maintenance of policies



and practices that counter corruption and extortion. Whilst 18% did not know the answer, only 5% of those surveyed declared the non-existence of anti-corruption measures.

All large and medium size companies gave a positive answer to this question with the exception of those who were unsure. In small and micro companies only 8 and 10% do not have similar policies. Despite the anti-corruption measures taken by the government, the results in the state owned companies are worse, so there 11% of them do not have this policy. Private companies gave a negative answer in 4.7% of the cases.

The largest number of negative answers was recorded in the real estate activities sector while the best results were in the mining and quarrying sector where no negative answers were recorded. Excellent results were also recorded in the manufacturing and construction sectors. Again, all the negative answers were recorded in the companies that dominantly operate in the domestic market.

11.2. The existence of rules regarding responsible political involvement and contributions, and how to deal with conflicts of interest

69% of the questioned companies confirmed the existence of the rules regarding responsible political involvement and contributions, and ways to deal with conflicts of interest. With 26% unsure answers, there were 4% of those do not have similar policies.

Regarding the size of the companies, these policies are not noted in the small and micro companies whilst the situation is better in private companies where the policies are not noted in just 3.6% of the cases, whilst this percentage is larger in state owned companies, 11.1% of them do not have the policy.

All companies have these policies in the mining and quarrying sector, while the worse results are in the real estate activities sector with 25% of negative answers. Still, it needs to be stated that these sectors are represented by small samples. Other sectors recorded better results, whilst all negative answers are recorded in companies that operate predominantly in the domestic market.

11.3. The existence of procedures to prevent anti-competitive behaviour

Around half of the surveyed companies (52%) confirmed the existence of the procedures for the prevention of anti-competitive behaviour. 36% of the surveyed participants were unsure, while 10% gave negative answers.

The non-existence of these procedures was recorded only in small and micro companies, although more often in micro (25%) than in small companies (12.5%).

The situation is slightly worse in private companies than in state owned, whilst the best situation was recorded in the mixed owned companies.



Divided by sectors, the best situation is in the mining and quarrying sector where no negative answers were recorded, even though, 25% of the surveyed companies were unsure. In the construction sector there were also no negative answers but 60% of the participants were unsure. Most of the negative answers were recorded in the real estate activities sector. Again, all negative answers were recorded in the companies that dominantly operate in the domestic market.

12. Providing legal redress

12.1. Insurance of legal redress in cases of human rights abuse

In 52% of the cases, company representatives declared that they agree or completely agree with the statement that there exists legal redress in the case that the company causes the abuse of human rights.

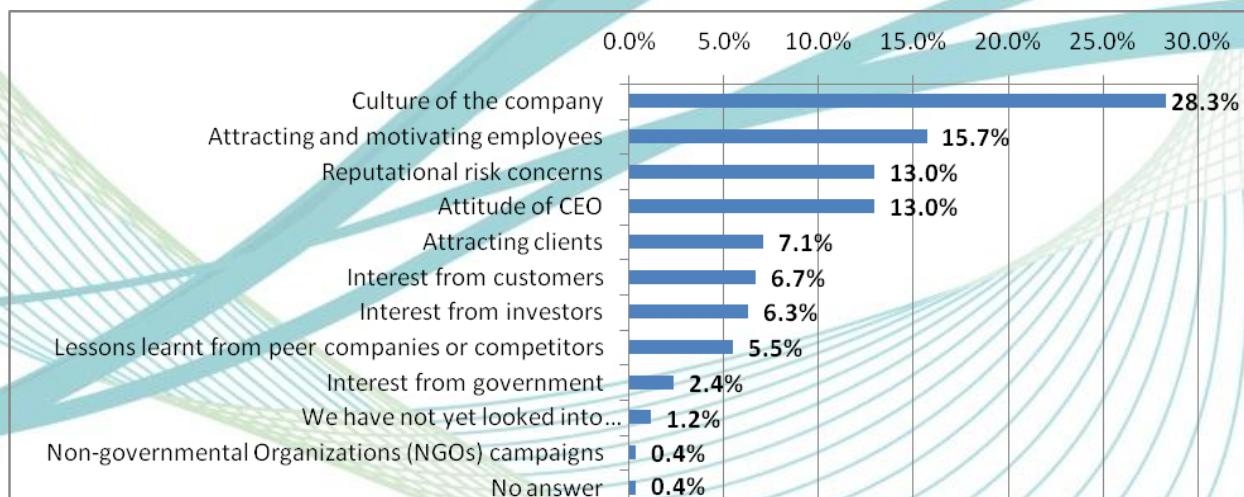
These procedures are not noted in all sizes of companies although less in large companies (3.4%), while somewhat more in small companies (12%). These procedures are also more common in private companies so 7% of them declared not having them whilst state owned companies don't have them in 11% of the cases.

Divided by sectors, the best results are recorded in the manufacturing sector where 74% of the surveyed companies confirmed the existence of legal redress in cases of human rights abuse. In the mining and quarrying sector there were no negative answers but 25% of the surveyed companies did not answer the question. Again, these procedures don't exist only in the companies that operate in the domestic market.

13. Reasons for engaging in CSR

To the question what was the reason that companies engaged in the implementation of CSR the companies answered in the following ways:

Diagram 8. Reasons why companies engage in CSR



If divided by the size of the company, the ranking list is very similar, meaning that all companies in the first two places chose 'culture of the company' and 'attracting and motivating employees'. But, while small and medium companies in third place chose 'attitude of CEO', large companies chose 'reputational risk concerns'. Additionally, only large companies (1%) marked 'civil sector organization's campaigns' as one of the reasons to implement CSR. This information tells us that the pressure of the civil sector has influenced large companies and their policies because the civil sector is mainly focused on large companies. Also, the government's activities are ranked quite low on the ranking list, which means that the government's influence is practically non-existent. Also it is noted that the largest percentage of micro companies are those that still did not accept CSR practice and that the influence of the buyers has some impact on the implementation of CSR in medium and large companies.

Regarding the ownership, a similar rank of motives is recorded with the exception that private and mixed owned companies in second place chose 'reputational risk concerns'; the same reason is ranked very low in the state owned companies. This was expected because private and mixed owned companies operate on the open markets while state owned companies often do not.

Divided by sectors, all sectors in a specific way follow outside pressure, some from the investors, and some from buyers and thirdly even from clients, but it is always the pressure from the chain of value in which companies operate. There is an obvious lack of interest for employee motivation in the real estate activities sector, whilst the same motivation is relatively high in the mining and quarrying sector, manufacturing and wholesale and retail trade. Also, the 'attitude of CEO' has a significant impact in all sectors with the exception of the real estate activities.

In companies that predominantly operate in foreign markets, there is a higher percentage of 'employee motivation and attraction' as well as 'attitude of CEO', whilst in companies that operate in the domestic market a higher percentage was given to the 'reputational risk concerns'. The same case is with the mixed owned companies.

14. Familiarity with CSR instruments, tools and initiatives

To the question of familiarity with CSR instruments, tools and initiative, 68% of the companies declared to be familiar with some of the CSR instruments while 2% are not familiar with a single tool or instrument. A large percentage of the companies (30%) did not answer this question.

The most well-known CSR tool to the surveyed companies is the UN Guiding Principles for Business and Human Rights (21.2%), followed by the CSR Index (20.7%). UN Global Compact, GRI and ISO 26000 were chosen by more than 10% of the survey's participants. A furthermore 6% listed the OECD Guidelines for Multinational Corporation as the tool they were familiar with. The rest of the tools and instruments were chosen by a very small number of companies.



15. The use of CSR instruments and tools

The survey participants confirmed in 57.4% cases that the companies they work for use some of the offered CSR tools or instruments, while 39.7% gave a negative answer.

16. The CSR instruments or tools that are used in companies

The most commonly used CSR instrument is the CSR Index, which is being used by 25.6% of companies whilst 23.1% use UN Global Compact and GRI which is used by 19.2% of the surveyed companies. The rest of the tools and instruments were used by less than 5% of the companies.

17. Participation in voluntary initiatives such as UN Global Compact or the HR BCSD

Only 30% of the companies confirmed membership in the voluntary initiatives such as UN Global Compact or the HR BCSD while 60% stated that they were not part of any voluntary initiative.

Although, when divided by size of the company, 72% of the large companies participated in voluntary initiatives, 36.8% of medium companies stated the same and 8.3% of the small companies. Micro companies do not participate in voluntary initiatives in which more often mixed owned companies participate (66.7%), 44.4% of the state owned and 25.9% private.

Companies from the manufacturing sector and mining and quarrying sector participate most in voluntary initiatives, which confirms the theory that environmentally intensive industries have a longer tradition in the implementation of voluntary instruments such as CSR.

Finally companies which operate in both domestic and foreign markets participate more commonly in voluntary initiatives, while the rest of them participate in these initiatives in approximately 26% of the cases.

18. Time spent participating in Global Compact or the HR BCSD

It can be concluded from the answers given that 20% of companies have participated in one of the voluntary initiative for 10 or more years. Since UN Global Compact has been active in Croatia for only 6 years, it is clear that the companies in question are either founders of the HR BCSD or join the HR BCSD in the years after the foundation of the organization. The greatest interest in voluntary initiatives has been recorded in the last 6 years when more than 60% of the companies joined, mostly due to the formation of UN Global Compact Croatia. 3.3% of companies showed interest in this initiative in the last year, which tells us about the drop in interest, mostly due to the recession.

19. Public commitment of a company to CSR

32% of companies publicly commit to their obligation to CSR, while 62% of companies do not publicly commit. This kind of commitment is usually undertaken by large companies which have done this in 58.6% of



the cases. They are followed by medium companies with 26.3% of public commitments, while there are more micro (21.4%) than small companies who have accepted this obligation (16.7%).

The public declaration of a commitment to CSR is more common in state owned and mixed ownership companies than in private companies whilst the most common public obligation is found in the mining and quarrying sector (75%), followed by the manufacturing (56.3%), whilst the wholesale and retail trade, construction and real estate activities sectors have declared commitment in very few cases or even not at all. Somewhat larger is this percentage in companies which operate predominantly in foreign markets than in companies which operate in mixed or domestic markets.

20. The existence of a company's code of conduct

A code of conduct exists in 55% of the companies, mostly large (86.2%) and this number drops as the size of the company drops so this code is held in 63.2% of the medium and 54.2% of the small companies. Mixed and state owned companies more often than not have a code of conduct than private companies.

Again, the best results in terms of sectors are from the mining and quarrying sector with codes of conduct in 100% of the cases, whilst a significant number of 83.1% of codes have been declared in the manufacturing sector. The rest of the sectors have codes of conduct in less than 40% of the cases. Similar figures of codes of conduct have been declared in companies that operate in foreign and domestic markets, with a slightly larger percentage amongst companies that operate in both.

21. Supplier's familiarity with the code of conduct of a company and expectations regarding the application of the code of conduct by suppliers

In 72% of the cases companies introduce their suppliers to their code of conduct and all of the companies which have their own code of conduct (100% of them) expect their suppliers to act accordingly to this code.

22. Following another company's code of conduct

88% of the surveyed companies have declared that they follow the code of conduct of another company. This was stated by all large and medium companies and by 91% of small companies.

Ownership had no influence on the decision of whether the company follows the code of conduct of another company. This is also the case in most of the sectors whilst negative answers are more common in the real estate activities (25%) and the wholesale and retail trade sector (5%).

Negative answers to this question were given only by companies that operate in the domestic market (9%).



23. Public reporting on CSR activities

There is the same number of companies which report about CSR (46.4%) to those who do not report (46.4%). Public reports are prepared by 82.8% of large companies, 52.9% of medium and 25% of small companies. All private companies also report and 75% of those in state ownership. Sectors do not influence significantly on reporting, but it is somewhat more common in the manufacturing sector and those companies that operate in both domestic and foreign markets most commonly report.

24. Reporting approaches regarding CSR

The most common approach to reporting is online reporting which 29.1% of the surveyed companies use. It is followed by CSR reports which 19% of surveyed companies prepare while integrated reporting and meeting with stakeholders is practiced by 16.5% of the companies.

25. Consulting with external stakeholders regarding company responsibilities

51% of the companies consult with external stakeholders regarding company responsibilities, whilst 38% do not consult with stakeholders. 89.7% of large companies also practice consultations, 73.7% of medium, 33.3% of small and only 10.7% of micro companies. All mixed owned companies consult stakeholders, 77.8% of state owned and 44.7% of private companies.

This practice is most common in the manufacturing sector and mining and quarrying sectors whilst it does not at all exist in the real estate activities sector. A slightly larger number of companies consult stakeholders if they operate in foreign or mixed markets than those active only in the domestic market.

26. Who are the external stakeholders which companies consult

Most often companies consult with business associations (26.1%) and media (19%). 8.3% of companies consult with union associations whilst 13.7% of companies consult with civil sector organizations, additionally 9.8% of them consult with the government.

27. The challenges implementing CSR

Most common challenges in the implementation of CSR, in the opinion of 12.4% surveyed companies, are the lack of clear social and environmental standards in the legislation.

The lack of time and resources troubles 11% of the companies whilst 10.6% of them have difficulties in communication with various key departments in the company. An additional problem is the lack of influence on business partners (9.6%) while 9.2% see problems in the too weak anti-corruption measures and social and environmental legislation.

Smaller companies more often state that they find problems in a lack of resources and time and unfamiliarity with CSR policies whilst large companies more often see problems in the lack of influence on business



partners, the lack of clear environmental and social criteria in the legislation as well as conflicts of interest groups. Private companies more often see problems in lack of time whilst state and mixed owned companies see more problems in the unclear CSR policies and lack of available guidance in the Croatian language. Mixed owned companies also state that they see problems in the lack of clear criteria and the lack of influence on business partners.

The manufacturing sector sees problems in the lack of influence on business partners; the wholesale and retail trade mentioned the lack of time, the mining and quarrying sector see problems in the weak legislation whilst the retail estate activities sector sees a lack of time and resources.

The lack of time is chosen as the major problem in companies which operate in domestic markets whilst those that operate in foreign markets state the limitation in the legislation and the leverage over business partners which is limited.

28. The familiarity with government initiatives, policies or measures regarding the supporting or promoting of CSR

Most of the companies (73%) are not familiar with government initiatives, policies or measures regarding the supporting or promoting of CSR. Large companies state more often that they are familiar with such measures (41.4%) and these measures are also more often known to the mixed owned companies.

The mining and quarrying sector also knows about government initiatives (75%) as well as those companies that operate in domestic and foreign markets.

29. Government initiatives, policies or measures familiar to a company

The most common government initiative is the anti-corruption policy which was mentioned by 15.8% of the companies. Mentioned by less than 10% of companies (7.9%) are the Preparation of CSR Strategy, and the Waste Management and Sustainable Development Strategy.

30. The usefulness of government initiatives, policies or measures

80% of the interviewed believe that the government measures are useful.

31. Why are the government initiatives, policies or measures useful

Companies believe that the government's measures are useful because they increase awareness of CSR and represent a good foundation for a company's CSR policies.

32. The need to support CSR through government measures

92% of the surveyed companies think that government support for CSR is useful and that the government should inform, raise awareness and introduce awards and tax reductions. This is the opinion of companies of



all sizes, ownership and sectors while a part of the companies that operate in foreign markets claim that government support is not needed.

33. The measures and activities that the government should take

Companies mostly state tax refunds as measures that the government should take. Also more than 10% of companies think that the government should work on awareness raising, information and awarding.

34. The significance of CSR in a company in the future

Most of the companies stated that the significance of CSR in the future will grow (73%) while it is more often the opinion of large companies (96.6%) and this perception becomes rarer as company sizes decrease.

The future of CSR significance is decreasing in the perception of private companies as well as the real estate activities sector, whilst it is mostly seen increasing by companies from the manufacturing sector.

35. Areas of CSR that are gaining significance

The greatest significance will be gained in the future of the following areas:

Table 19. Future CSR significance according to the area of importance

Area	<i>f</i>	Share
Responsibility with regard to the environment	54	16.3%
Responsibility towards employees	50	15.1%
Responsibility towards the local community/region	45	13.6%
Fair business behaviour	40	12.1%
Securing jobs	35	10.6%
Respecting human rights	35	10.6%
Anti-corruption behaviour	31	9.4%
Engaging with the supply chain	27	8.2%
Support for culture, science and sports	14	4.2%
Total	331	100.0%

Large and medium companies tend to give the greatest importance to environmental issues, small to local communities and micro to the employees. Ownership, sectors or market have no significant influence on this opinion.



36. Areas of training that should be in focus

57% of companies stated their interest in participating in additional training in CSR whilst the area of interest varies; most interest is expressed in the following areas:

Table 20. Areas of interest for additional training

Area	<i>f</i>	Share
Responsibility towards the local community	7	8.2%
Responsibility with regard to the environment	7	8.2%
Anti-corruption behaviour	5	5.9%
Responsibility towards employees	3	3.5%
Fair business behaviour	3	3.5%
Respecting human rights	2	2.4%
Securing jobs	2	2.4%
Other	56	65.9%
Total	85	100.0%



V. IN-DEPTH INTERVIEWS WITH THE REPRESENTATIVES OF ACADEMIC, BUSINESS COMMUNITY, CIVIL AND PUBLIC SECTORS.

1. Introduction

In-depth interviews with the representatives of four stakeholder groups in Croatia represent the qualitative part of the research conducted through the project 'Corporate Social Responsibility for All'. The goal of in-depth interviews, as well as additional research activities with desk research and company surveys, was to acquire a comprehensive overview of the national context of CSR thinking through four representative stakeholder groups. In-depth interviews were conducted by the "face-to-face" method, using an unstructured plan with key themes and issues.

Thirteen in-depth interviews were conducted with the representatives of four stakeholder groups: academic community, business community, the civil sector and public sector. The participants were the representatives of their organizations and competent to talk about CSR on behalf of the organizations they represent.

This research included 13 participants of whom 1 is a representative of the academic community, 5 representatives of the business community, 4 representatives of the civil society and 3 representatives of the public sector.

The in-depth interview was divided into three key topics:

- 1. General evaluation of CSR in Croatia with a focus on the "most vulnerable" areas of CSR and supportiveness of the environment for the implementation of CSR*
- 2. Individual stakeholder contribution to CSR with special reference to government actions in supporting and promoting CSR*
- 3. Concrete measures and actions taken for the implementation of CSR, focusing on the reasons, motives and benefits as well as the major challenges in the implementation of CSR*

2. General evaluation of CSR in Croatia with a focus on the "most vulnerable" areas of CSR and supportiveness of the environment for the implementation of CSR

By using in-depth interviews we examined the experience, observations and opinions of the participants of corporate social responsibility (hereafter CSR) and its application, problems and challenges in Croatia.

According to most interlocutors, CSR in Croatia is still not sufficiently recognized and developed. Large multinational companies are mostly mentioned as good examples of the usage of CSR, while in small and medium companies good examples do exist but in much smaller proportions.



"CSR is mostly used by companies which are in a way obliged to use it, members of multinational corporations which have obligated themselves by signing specified standards of business behaviour which their management has to follow and report on the results of their implementation."

(Representative of the civil sector)

"Those are mostly multinational companies, but I'd like to add Končar here, which also does good work in CSR. There are a number of small companies that are also doing a good job."

(Representative of the academic community)

Most of the interlocutors evaluated CSR's position in Croatia as very low, blaming it on the low awareness in the importance of implementing CSR.

"Perhaps the weakest link is our ability to understand how to act in a socially responsible way and what it means for the entire community. We do not act in a way to support and reward socially responsible behaviour, we do not support socially responsible manufacturers by choosing the products they make. It also lacks promotional activities."

(Representative of the civil sector)

They also mentioned the problem of the misunderstanding and misusing of CSR, treating it as a part of hidden marketing or PR.

"CSR is not considered as something that contributes to the entire society, it's just another PR attempt to repair a company's image in public."

(Representative of the business community)

"Companies still don't see their responsibility; they look at it as just another part of "undercover" marketing."

(Representative of the civil sector)

Some interlocutors claim that there is a misunderstanding of CSR as being philanthropic which is measured through giving donations to charity. According to them, CSR should be a strategic and integrative view of a company's business and its role in society.

"It's very important to say that CSR is never philanthropy, it's an integrative view of managing the company and its role in the community. That's why the most successful companies in the world have recognized that they can base their business models on CSR."

(Representative of the academic community)



"CSR is mostly connected to donations to charity, it's not connected to business itself. The public opinion is that we should be against the industry, companies and business as if they were something evil, as if they don't do anything but pollute."

(Representative of the business community)

"In Croatia, CSR has a lot of great visibility, but is not well thought out. We should move away from philanthropy that many companies are using and we should strategically start thinking about CSR. There is nothing wrong in donations to an association or a cause in general, but investing in the community only in this way does not have sufficient weight of social responsibility. We should think and act comprehensively; to invest in our employees, in relation to employees at the workplace, in the relationship with the environment and in fair market practices."

(Representative of the business community)

Some of the interlocutors, mainly from the public sector, think that the implementation of CSR in Croatia is slowly improving, following a part of European trends and making an effort to apply them. This reflection is particularly noticeable with representatives of the public sector who are more "optimistic", positive in their evaluation compared to the other stakeholders in the interviews.

"A good environment for CSR has been developing in Croatia over years. Many companies have improved their awareness about CSR and have started using it as a part of a strategy and their business policies."

(Representative of the public sector)

"I think we're working hard to implement CSR and we are still learning. You can see the improvement but it will take time for us to adopt it completely. I believe that with time it will improve and reach a higher level. At this point, there are some who do it perfectly, some who are trying and some who aren't doing anything at all."

(Representative of the public sector)

2.1. "The most vulnerable" areas of implementing CSR in Croatia

When evaluating "the most vulnerable" areas of implementing CSR in Croatia, the answers varied from those interlocutors who did not give a concrete answer because they think they lack information and are not informed enough to be sufficiently versed in the areas of the application of CSR in Croatia, to those who specified "most vulnerable" areas.

"I must say I haven't dealt with those questions and I don't have that information but the main point is for the principles of social responsibility to be implemented into the business strategy and



management of the company. That way the company influences the environment, human rights and the local community."

(Representative of the business community)

"I don't have that kind of information but I'm glad you asked because those facts are very hard to come by, and we can't judge if we don't have the facts."

(Representative of the civil sector)

The interlocutors who gave us concrete answers mostly mentioned anti-corruption behaviour (high perception of corruption), workers' rights, the attitude towards the environment and the local community.

"Respect for workers. It's hard to talk about responsibility towards community, if you're not responsible for workers. Then I would mention environment issues."

(Representative of the civil sector)

"We are those who see corruption as the main business barrier. We can't win a job on a public tender if the entire society is corrupt. That's why we see corruption as the main reason we aren't competitive on the market."

(Representative of the business community)

"My opinion is that there is room for improvement in the area of corruption, but we all have to work on it, do our best to work as transparently as possible so no one can even assume we are doing something illegal. I have experience in local government where the main problem is that there is lack of people who handle these questions, who understand where we should be going."

(Representative of the public sector)

"The general perception is that the most vulnerable areas are corruption and workers' rights. It's very hard to find a union in private companies, and even if you do find it, its activities are very limited."

(Representative of the civil sector)

Also, some interlocutors claim that in some areas of CSR the legal framework is defined very well, for instance environmental issues.

"When it comes to the care for the environment, which has been confirmed with our EU acceptance, our laws are the same as in Germany, Austria, or anywhere else, only the system is different."

(Representative of the business community)



"Legislation will force you to relate to the environment. Nowadays you cannot do something the way you could have 15 years ago because of the different legislation, there are penalties if you do not do things the way you are prompted." (Representative of the business community)

2.2. Support of the environment for the implementation of CSR in Croatia and its main protagonists

When speaking about a stimulative environment for the implementation of CSR in Croatia, the interlocutors generally believe that the implementation of CSR in Croatia is insufficiently recognized with a lack of support for its development, but some think that it's slowly improving and that the awareness of its importance is growing. The representatives of the public sector were more positive about this issue, while the business community was a bit negative and critical.

"The situation is improving; the awareness is growing each year."

(Representative of the public sector)

"CSR is still invisible to most of the companies, but some larger companies have recognized it and have started working on it."

(Representative of the civil sector)

"The situation is very bad and people just don't recognize CSR. When we have the situation that companies implement CSR, then their activities are focused on donations for children with disabilities because such projects are highly visible and making a good impression for the donor."

(Representative of the business community)

According to the most interlocutors, the main subjects in creating a supportive environment for CSR in Croatia are the public sector and the business community with the key role of government in creating the legislative and institutional framework.

"It is certainly the public sector. The government is the one who decides whether the frame is stimulated or not. It defines "the rules of the game" somehow not just for CSR, but for most of the other themes important for companies. That is absolutely a connection." (Representative of the business community)

"In my opinion, it should be the government and the Ministry of Economy. Our leading structures still haven't connected the responsibility of the employers with the responsibility of the business, corporate social responsibility and responsibility towards the environment."

(Representative of the civil sector)



“...but if we say we live in a neoliberal system, the responsibility is on the companies themselves and they should recognize the importance of their actions. Companies should be applying social responsibility.”

(Representative of the civil sector)

One interlocutor from the business community believes that the key protagonist for creating a supportive environment for CSR is the civil sector, while the representatives of the public sector see the solution in the equal contribution of all stakeholders.

“The civil sector should give concrete pointers on how to implement CSR, people don’t care enough and that’s what stops the process of implementing CSR.”

(Representative of the business community)

“This subject should be a national consensus in a way. Everyone should contribute to this matter, the business community, the civil sector, the public sector, everyone.”

(Representative of the public sector)

“We need synergy of all three segments. The government is here to form a normative and institutional “frame” which will enable the administrative and technical criteria for creating something like CSR and the private sector is here to create, for example, its own employment policy inside that normative ‘frame’.”

(Representative of the public sector)

3. The individual contribution of stakeholders to CSR with a special reference to government actions in supporting and promoting CSR

One interlocutor’s opinion is that CSR should be approached as being integrative. It should be applied through the partnership of different stakeholders; the business community, the civil and public sector.

“I believe that progressive initiatives in society can happen only through three quality partnerships; between the business community, the civil society and the public sector. In that perspective, when speaking about CSR, this perspective is ultimate.”

(Representative of the academic community)



Who is the most responsible for CSR?

"All business subjects, subjects of the civil society and public sector, because if we just sit around and wait for encouragement, we can sit around like that forever. We should all take responsibility for our own sector."

(Representative of the business community)

"We need to go into cross-sectoral, partnership projects between the business community, the civil society and the public sector, which is the only way a good project can be done, if we all put our heads together. For instance, if we are talking about the protection of water, we should listen to what the civil sector organizations have to say, where the biggest problem with water is and how to solve it. All sides need to be heard. That's the only way a good project can be done. Business cannot take another's role."

(Representative of the business community)

3.1. The contribution to CSR from the academic community

According to an interlocutor from the academic community, scientific methods have been applied in business. The presentation of good practices during educational modules is increasing, plus the interest for CSR modules is growing, more and more students are signing up. The academic community includes all professors and students who are the future of CSR. The interlocutor believes that economic science has the greatest responsibility in implementing CSR.

"From the top to the bottom. All my colleagues have to contribute, but primarily my students who must be aware that they are the ones who will initialize and that their future depends on how successfully they will use the knowledge from this area. We used to beg people to come and give short presentations at our faculty, but now more and more people are calling us to present some good examples."

However, economic science has the most influence on society which is why it has the most responsibility."

(Representative of the academic community)

3.2. The contribution to CSR from the business community

Representatives of the business community see their contribution to CSR in implementing socially responsible principles into the management strategy and a company's decisions in general. They see improvement in the fact that a large number of companies participated in a project that aimed at the identification of CSR implementation at the national level, a creation of a website for CSR and the further development of the CSR Index. Some interlocutors think that the main part of CSR is evaluation and risk management.



"Interest in companies exists and it has been proven by the interest they expressed for participation in the National CSR Network Development project. More than 250 companies participated in the educational modules and the interest in the CSR Index increased by 30%."

"What we want to achieve in the business sector is that social responsible behaviour becomes a part of management strategy. That's essential."

(Representative of the business community)

"Business planning and risk analysis are the foundation and I believe that every serious company works that way. It's the precondition for CSR. Every company that does risk analysis is socially responsible. Every company that has supervision over their employees which secures their safety and their constant improvement is socially responsible. Not because it is required by law. It's one thing when your law says you must apply protection at work and another thing when you turn it into something that motivates your employees to a better job."

(Representative of the business community)

"One of the indicators of social responsibility is also that by implementing CSR they are evaluating their employees and their influence on them."

(Representative of the public sector)

3.2.1. Leaders of CSR in the business community

Except for the MNEs, companies such as Zagrebačka Banka, Končar and Holcim Hrvatska are considered as leaders and examples of the good practice of CSR in Croatia.

"Except for the multinational corporations, I'd like to point out Končar which also does a good job. Holcim is also a very good example. There are some aspects of CSR which aren't so "popular", for instance when it comes to donations, Zagrebačka Banka does a great job."

(Representative of the business community)

"Holcim is a good example because they decided to give their contribution as a private sector, they started using a low carbon strategy. Zagrebačka Banka is also a very good example."

(Representative of the civil sector)

"I remember Holcim was very engaged and informed on this issue, which is logical considering that they are a very successful company that has the time and will to deal with something like CSR. Končar Electrical Engineering Institute went with a very advanced project that integrates both the labour market and educational system through scholarships and the opportunity for the advancement of



young people. At the end it has a multiplicative-synergistic effect that motivates the company, provides innovation and employs young people.

(Representative of the civil sector)

3.3. The contribution to CSR from the civil society

Interlocutors from the civil sector see their contribution to CSR by offering programs that help companies focus properly on resources, but also through a kind of monitoring of the implementation of CSR in the business community.

"I think the civil sector is crucial in helping CSR to be understood, and to supervise that process on one side, and disclose cases when it's just "undercover" marketing."

(Representative of the civil sector)

The interlocutor also believes that the civil society should contribute to CSR in the continuous communication with and informing of the public about the existing problems.

"Often the problem is that the public doesn't know what's going on, they are not informed enough or not informed at all. They get the information at the last minute when the problem has already become huge. That's why continuous communication is a great idea and it has shown great results in Great Britain."

(Representative of the civil sector)

One interlocutor from the business community pointed out that the civil sector is delaying the development of CSR by not supporting any decisions of the public sector and business community, and that it's using the general passivity of society.

"If you are fighting over garages in the centre of the city, you are fighting over someone's point of view. People see cars as something that helps their lives. If you have some obligations to take care of in the centre, for example if you need to organize a new passport, you want to get to the centre, do what you have to do and move on to your other obligations, the garage will help you. However, the civil society will be against the garage."

The civil society is the one that should give corrective guidelines respecting the elements which are available in our surroundings. If you say "no" to everything that comes from public administration, if you say "no" to everything that comes from the economy, well then you say "no" to everything in general."

(Representative of the business community)



3.4. The contribution to CSR from the public sector

The interlocutor from the public sector claims that the government can contribute to CSR by making its work transparent and by insisting that the public bodies also do their work as transparently and responsibly as possible and that fighting against corruption is the only possible perspective.

"The government can contribute with the laws it creates and by being transparent and socially responsible itself. It should insist that the ministries and public companies also do their work as transparently and responsibly as possible. This way corruption would be reduced, stopped and detected right from the start. These are some things that the government is doing and should continue doing."

(Representative of the public sector)

"At this point, the government should take more control, stand out, take the lead role, find out with other ministries where to push more, for instance in public procurement, and do everything in order to strength the practice of CSR in Croatia. This way our companies would become more competitive in the European markets and our entire country would have more opportunity to develop and of course to open up new jobs."

(Representative of the business community)

"The government should take responsibility over CSR. If the Ministry of Economy is responsible, than CSR should be a priority for minister Vrdoljak." (Representative of the business community)

"This interaction should be more intensive than it is. I am not saying that the economy should dictate to the government what to do but there should be a dialog in order to recognize whose position is what and what must be resolved to make it even better."

(Representative of the business community)

Some interlocutors gave a spontaneous and positive evaluation of the role of the Croatian president when it comes to CSR.

"I have a very positive opinion about the president's role when it comes to CSR, I'd evaluate his engagement with something between very good and excellent in terms of school grades"

(Representative of the civil sector)

"It's important to mention that CSR has the president's support. Prof. Ph.D. Ivo Josipović, the President of Croatia, was the sponsor of the fourth national conference about corporate social responsibility." (Representative of the public sector)



One of the criticisms from the business community towards the public sector was that the laws and standards they have to apply change too often and that not everyone respects them equally.

"It's not an issue of whether we have or don't have regulations, what matters is how they are implemented. For regulations to be applied successfully there has to be a great dose of strategic planning. The problem is not in changing the constitution to help everyone; the problem is in changing the constitution just because it would help someone at that time."

(Representative of the business community)

Interlocutors from the civil sector have also been critical of the lack of public sector initiatives, especially the government and the Ministry of Economy in the implementation of CSR.

"My opinion is that the government is not doing enough, everything is on the back of the private sector. There is no system or stimulus that could help companies recognize CSR as something valuable and something they could profit from. As far as I'm informed, the Ministry of Economy has no proactive role towards the companies."

(Representative of the civil sector)

"When it comes to the government, I'd say that there is no support, understanding or action. The government should be encouraging and showing that CSR is important, creating directives, making sure the public is informed enough. After they create a strategy, they should make sure that the directives are applied. They should increase the dialog. The government should definitely be more involved. "

(Representative of the civil sector)

4. Concrete measures and actions taken for the implementation of CSR, focusing on the reasons, motives and benefits as well as the major challenges in the implementation of CSR

When it comes to concrete measures and actions which are being carried out, our interlocutors pointed out their participation in international projects such as the UN Global Compact. They also mentioned their participation in projects such as the CSR Index, the National Network for CSR and their cooperation with the HR BCSD (Croatian Business Council for Sustainable Development) and the CCE (Croatian Chamber of Economy). It is important to mention the knowledge and experience these projects contain.

"We can observe our actions from two sides: On one side, we participated in the development of the CSR Network through UN Global Compact and on the other, we cooperate with the private sector"



(Representative of the civil sector)

"We began cooperating with the HR BCSD and we still are working together. What we have now as an upgrade is that we are holders of the Global Compact, the UN initiative for CSR. From 2010 to 2012 we've had a whole set of activities. While 7 institutions were working on the CSR Network project, 5 modules were also carried out. For the first time you could find all the information about CSR on a web portal. A national network of CSR was established as a form of "think tank" where we are able to discuss how to improve further. The third and fourth national conferences were held. Most importantly, a proposal for a CSR strategy was finalized".

(Representative of the business community)

"I've been participating in the final evaluation of the CSR Index for the past few years, led by the HR BCSD and Chamber of Economy. I've also been participating as a moderator in workshops where the main goal is to stimulate the public on participating in the implementation of the IPPC directive in Croatia, a proposal for a directive on industrial emissions."

(Representative of the civil sector)

Members of the civil sector mentioned their organizations and their role in connecting the civil sector and business sector, emphasizing the need for the integrative approach to CSR.

"Companies often have a budget they intend to spend on CSR; our role is to be their connection with the civil sector and to form their ideas so that they will be acceptable to the private sector using the reputation of our organization. We use our power to establish the NGO sector on one side, and on the other we're trying to help the private sector to invest their money somewhere where it makes sense."

(Representative of the civil sector)

"Our actions are always or usually directed to all sectors, not just to the business community. We all need to contribute and that's the point. Only with the interaction between all sectors and their respect are we able to develop CSR."

(Representative of the civil sector)

In terms of the activities their companies apply for CSR implementation, representatives of the business community emphasize the link with civil society and the local community which they support.

"We cooperate with the civil society by financing some of the projects which support our values. Besides that, for two years we've been included in two projects about corruption and one of which was very human rights related."



We have very good cooperation with the local civil sector in Lepoglava. People there are aware that we employ lots of people which would be unemployed without us, so they know they need us."

(Representative of the business community)

"Speaking about investing in the community, we have four strategic goals: protecting the water and water potentials, investing in youth development, investing in healthy lifestyles and helping with natural disasters. We adjusted our local investments to the traditions of Croatia, because we believe that our company is a Croatian company and through such programs we will show both consumers and stakeholders that we take our business seriously and that we want to be a part of the local community."

(Representative of the business community)

Representatives of the business community also emphasize their activities such as the protection of employees and the investments in them, caring for the environment, energy efficiency, fair market behaviour and innovation in the implementation of CSR.

"Our investments in our employees have shown great results. We've created experts that we can't always keep but they find other jobs very easily. We know that we are good at investing in our people and our production. Our energy efficiency is really efficient because it lowers our costs."

I think we are very innovative in Croatia, no one started the fight against corruption the way we did. We're very innovative when it comes to creating sponsorship contests. We are very innovative when it comes to our reporting. We can't be socially responsible if we don't influence our public policies."

(Representative of the business community)

"We're trying to reduce our influence on the environment as much as possible. We're constantly doing our best to lower the amount of water and energy that's necessary for producing our drinks, investing in new technologies, introducing new standards, investing in refrigerators that don't endanger the ozone layer."

We try to give to our employee's conditions that will enable them to develop and grow to their fullest potential, treating them with respect and respecting their human rights."

We carry our good practices to our chain of suppliers. It is essential for us that suppliers treat their workers with respect and that they have introduced quality standards which will enable the quality of our products. We also take care about dealing fairly in the market."

(Representative of the business community)



As far as the academic community is concerned, the interlocutor did not have information on concrete measures and activities implemented by the academic community in terms of CSR, but he pointed out that they are mostly personal initiatives and engagements.

"As far as I know these measures are purely down to individual initiatives and personal commitment. This means that at the university level, the implementation of CSR in the curriculum varies considerably. I heard that the university is considering a Sustainability Report but for now the whole story is in the initial phase and they have only informally contacted me. Otherwise the situation is the same everywhere in the world and in that sense we are in some activities even ahead of the world average."

(Representative of the academic community)



"This Project is funded by the European Union"

Representatives of the public sector as their efforts towards implementation of CSR emphasize particular efforts towards reducing corruption and increasing the transparency of their work, while they also emphasize their actions in handling anti-discrimination behaviour in the labour market, and in general. One interlocutor also points out the activity of his ministry as one of the integrative factors connecting different sectors in 'spreading' CSR in Croatia.

"We contribute in a way that all of our contests for which we work and all decisions we have made are transparently published with the known requirements, deadlines and so on."

(Representative of the public sector)

"Our office organized a discussion about implementing CSR both in the public and private sectors. The discussion was very well received. The last document we published was the National Program for Promoting and Protecting Human Rights for four years. There are 30 priorities, one of which is the protection of the most vulnerable groups (disabled people, people with mental disorders, older people). Measures for the suppression of discrimination on the labour market are focused on these groups and are presented throughout the whole document. In this way this is a contribution to CSR."

(Representative of the public sector)

"The ministry is in the position of chairing the National Network for CSR which is made up of public, private and civil organizations, gathering different stakeholders interested in CSR. The ministry actively follows and supports all activities involved in the process of developing CSR in Croatia. This year the ministry has supported the fourth national conference on CSR. It has co-financed the collection of projects nominated for the 2013 European CSR award, published by the HR CBCSD. The ministry has also started taking its first activities connected to the creation of a CSR Strategy."

(Representative of the public sector)

4.1. The reasons, motives and benefits of using CSR

The opinion of the interlocutors about the reasons, motives and benefits of using CSR are divided. Most representatives of the civil sector claim that corporate social responsibility isn't implemented as a result of a high awareness level towards society, but because it's another form of 'undercover' marketing, image management and the obligation of domestic companies to their foreign parent companies.

"The other side of the story is implementing CSR for 'undercover' advertising. Unfortunately it's the most common reason for implementing CSR."

(Representative of the civil sector)



"I think it's a thing that contributes to a company's image and ultimately when you enter into a business relationship that it is not irrelevant. When you are choosing a partner it is not irrelevant who it is, what kind of image does it have, how transparent it is, whether its financial results are publicly available."

(Representative of the public community)

"I'm sorry to say that the most of it does not come from high awareness but from the obligations towards the parent company which also leads these standards."

(Representative of the civil sector)

On the other side, academic and business communities agree that companies apply CSR with the aim of a stable and successful business where they are taking into account the human, environmental, financial and ethical issues.

"Speaking about the motives, we use the CSR processes as management processes. There are some systems of quality and value testing through the 360 system. It's our control system without which we couldn't be able to estimate how much we have improved in a certain field and make plans for business and corporate development."

(Representative of the business community)

"Our job as managers isn't to be better than the Pope; it's to make sure that our company is working stably. That's the main goal. We cannot allow our trucks to endanger the lives of the ones driving them or the ones walking on the street. A human victim would be a very hard business blow."

CSR, if it's really based in the strategy planning of the company, can only bring benefits, but we cannot ignore that the market from outside dictates the terms to which we must be able to answer. If you are the only one working this way and everyone else around you is working illegally, you can't be competitive. Not because you're socially responsible but because the market tolerates the ones who aren't."

(Representative of the business community)

4.2. The challenges in the implementation of CSR

Speaking about the challenges in the implementation of CSR, the interlocutors noticed the need to introduce CSR primarily to small and medium-sized companies, to raise awareness of its importance, and also to transfer knowledge and existing examples of good practices.



The interlocutors recognized the problem of how to transfer CSR policy into business processes in a way that they become the long term solution. Poor economic conditions leave no resources for many companies to invest in CSR, and also many do not know how to properly invest these resources.

The fight against corruption certainly takes an important part in the activities in order to provide an equal market "competition", because otherwise, the competitiveness of companies will be significantly reduced. In the next step, reduced competitiveness threatens the stability of companies, which certainly affects the CSR performance of a company.

What is the greatest obstacle currently when implementing CSR?

"The functioning of the market, because if someone gets a job with a small bribe, how can I keep myself from doing the same thing and get a job, at least once in my life? Predictability, transparency and accountability. We must have the predictable development of a situation, because then only with strategic planning do you reply to the challenges of the market. If it changes to how someone wants it to be, then you cannot predict, and you just wait and see what someone will decide. So you give them a great importance in the system which they actually do not have."

(Representative of the business community)

5. Key findings of the in-depth interviews

- The supportiveness of the environment in Croatia is evaluated negatively and not supportive the with remark that the situation is getting better, but too slowly, not as a result of local innovation but much more as a result of the transposition of foreign know-how.
- Public and private sectors are marked as key subjects for the creation of a supportive environment, emphasizing the primary role of the public sector in creative legislative framework which will directly create "rules of play" when implementing CSR in Croatia
- Integrative approach, inter-sectoral collaboration is evaluated as extremely important and the only way that can enable the adequate development of CSR practices in Croatia
- The government is expected to have much more initiative, unlike the current inert and passive position
- The current legislative framework is evaluated as incomplete and deficient with the observation that the existing legislation which indirectly defines the scope of CSR, is often not implemented



- Implementing CSR is perceived as being extremely important for the stability of business, but emphasizing that the current practice is too often 'left' to some individual cases, not as a result of systematic practice in Croatia
- 'Leaders' of good CSR practice are mostly big foreign companies who are transferring knowledge and practice automatically in their Croatian subsidiaries
- The CSR practice in Croatia is generally described as a result of a short-term image and reputation 'facelift', and not as a result of actual awareness and a long-term way of thinking
- Some interlocutors claim that CSR is too often understood solely through the prism of philanthropy, not in its integrated form
- The insufficiently recognized importance of CSR requires strong promotional activities



VI. CONCLUSIONS AND RECOMMENDATIONS

The business sector expressed a very low interest for participation in this survey which can be seen in the very low return ratio which is 4%. Even though we can find more possible reasons for such a low interest as, for example, summer vacation or the relatively large number of similar researches and surveys which engage the same employees in companies which can create significant pressure and a lack of time, but nevertheless the reason for such a low return ratio must also be based on the low interest of the business sector in topics of Corporate Social Responsibility which results from the fact that the business sector still does not see a business case for the implementation of CSR.

The survey was performed on a relatively small sample which does not represent the average sample of Croatian businesses because it is expected that companies that already practice CSR or wish to improve their CSR practice are more likely to participate in the survey. The size of the sample also influenced the results in some sectors, (such as the mining and quarrying and real estate activities, the state owned companies and those that operate exclusively in foreign markets) therefore these results need to be taken with some reserve, more as directions than as exact indicators.

The results show a significantly large number of companies, mostly large companies that have knowledge of CSR, also companies that operate in environmentally intensive industries have a better knowledge of CSR (such as the mining and quarrying and manufacturing sectors). Finally, a better knowledge of CSR is found in companies that operate in foreign markets. Large companies also practice CSR for a longer period of time, whilst in small and micro companies this practice has begun only recently, often within the last year.

Departments which are in charge of CSR issues exist in most of the large companies and in less than one quarter of the micro companies. Even though percentage-wise, state owned companies show better results in this issue, because of the very small sample, there are a large number of private companies which have departments in charge of CSR. Also when divided by sectors, companies in resource intensive industries and companies which operate in foreign markets show the best results. Departments in charge of CSR are most frequently corporate communication and public relation departments followed by the Office of the Executive Director. This is because most of the companies still do not know what the proper way to implement CSR is so often it is not part of business strategy but rather a question of communications and reputation.

The priority CSR topics in Croatian companies are firstly the responsibility towards employees, followed by the responsibility towards the local community and fair business practices. Large companies, after employees, care mostly about environmental issues whilst small and medium companies prefer fair business practices over the environment.

Most of the large companies believe that employees receive proper care in terms of a work-life balance through flexible working time arrangements and/or childcare and other measures, in terms of education whilst somewhat worse results when it comes to the employment of disabled people even though relatively



large number of the surveyed companies gave a positive answer. The percentage is large of those who believe that their companies care for health and safety in the workplace and support an anti-discriminatory policy. A significant number of companies also consult with their employees. In Croatian companies it is generally allowed to establish and to join organizations of their own choosing and engage in social dialog processes and child labour is forbidden. It seems that there is relatively high percentage of answers related to the employment of disabled persons even though civil sector organizations that work on the employment of people with special needs have a much worse experience than it was showed here. Again, we believe that the results showed here need to be taken with some reserve because the survey's participants may not have had enough knowledge about the standards of good practice when they evaluate their company's practice.

Human rights issues are almost completely respected, as stated by the survey's participants, and companies in many cases have human rights policies of their own and human rights are included in the strategic evaluation in the business planning processes. Even though, in Croatia, there is no significant violation of human rights or just because of it, it is surprising that there is such a high percentage of human rights policies declared as well as a high involvement of human rights issues included in business planning processes. National statistical data on issues such as equality of gender or the rights of whistle-blowers tell us that when it comes to the human rights or the employment of disabled persons, the survey's participants don't have enough knowledge on best practices so they don't include many human rights violations which are not existential such as gender equality, women's rights and many others. We believe that education is needed and a raising of awareness about human rights issues is what may help a better understanding of this issue and in the future maybe more realistic results in the survey.

All large companies confirmed their investments in local social initiatives and this number is expectedly lower as the company size decreases. As in all socially responsible initiatives, the worse results in are non-productive sectors and companies that operate in domestic markets. Companies in a larger percentage invest in education and amateur sports than in culture and professional sports. They also invest in local infrastructure projects.

There is a high perception in the importance of environmental topics, so 92% of companies invest in energy efficiency, especially large and medium companies, industry sectors and exporting companies. 81% of companies care about resource efficiency, again medium and large, more often those in state ownership as well as export companies. 78% of companies have environmental impact reduction measures, more often large companies, state owned and those that operate in foreign markets. Similar results are found in the waste recycling systems and environmental management systems where certificates are owned more by large companies, manufacturing and exporting companies. This is the same as in the question about human rights and the employment of disable people, it is possible that the positive answers are sometimes based on specific activities and not necessary on systematic good practices.



There is a very large percentage of survey participants who stated that ethical, social and environmental criteria are part of business policies in buying, selling or contracting. The very high percentage 75% should be checked to see how much systematic these processes are and how high is the influence of these criteria on final evaluation of suppliers, buyers and partners. In the same way, the following question showed that 55% of the companies stated that they evaluate their suppliers on the basis of social and environmental impacts and that this information should be verified by defining the existence of real criteria which are being used in the evaluation process. One third of the companies and even two thirds of the large companies stated that they have some kind of supplier's education or training in CSR areas. Again these results are the best in industrial sector companies which operate in foreign markets.

Two thirds of the companies evaluate risks of corruption and implementation and maintenance of policies and practices that counter corruption and extortion and have procedures against conflicts of interest. More than half of the companies also have anti-competitive behaviour procedures in place and more than half have the insurance legal redress in cases of human rights abuse.

Companies mostly implement CSR due to the 'culture of the company' and the 'motivation of employees'. Small and medium companies in third place placed 'attitude of CEO', while large companies chose 'reputational risk concerns'. Also only large companies state in a smaller percentage that the reason for CSR practice is the civil society organization's campaigns. The government and its activities do not significantly influence the implementation of CSR while CSR is more common in large companies and it is always a response to outside pressure no matter if they come from clients, buyers, investors or elsewhere.

Two thirds of companies are familiar with at least some of the instruments of CSR. The best known are the UN Guiding Principles for Business and Human Rights, followed by the CSR Index. They are also familiar with Global Compact, GRI and ISO 26000. Little over half of them use some of these tools, mostly the CSR Index, then Global Compact and GRI. 30% of surveyed companies participate in voluntary initiatives, and these are mostly large companies and the manufacturing sector. The highest interest in voluntary initiatives is has been expressed over the last 6 years, part of them (20%) joined voluntary initiatives 10 or more years ago.

32% of companies publicly declared their commitment to CSR, 55% of them publish a code of conduct (86% of large companies), and again mostly industry sectors. Most of them introduce their codes of conduct to their suppliers and all of them require for the suppliers to follow this code.

46% of companies report about CSR, mostly using online tools, 19% of them produces special CSR reports. External stakeholders are consulted by 51% of the companies, mostly large, while stakeholders are mostly consulted by business associations, media, unions, NGOs consult 13%, whilst the 9% of the companies consult the government.

The most common challenges are the lack of clear social and environmental standards in the legislation. Small companies listed the lack of time and resources as a challenge whilst the large claim that the problem



is in their inability to influence their partners and conflicts of interest groups. Part of them confirmed their knowledge of government policies but when they had to list what are the policies they are familiar with, they stated the environmental policy and CSR Strategy which is only in a stage of preparation. The only policy of government practice, which comes under CSR topics, is the anti-corruption policy but it is directed towards public companies and state owned companies. A more significant support for CSR by the government in Croatia is not detected; there are no clear CSR criteria in the business projects supported from state budget such as the funds donated by the Croatian Development Bank or the Ministries of Entrepreneurship and Economy. Besides the formal responsibility for CSR located in the Ministry of Economy, almost no activities in that sense are recorded. Government initiatives are generally considered useful because it is the way to raise awareness. Companies expect the government to introduce support measures such as tax refunds, information dissemination or CSR awarding. The most important phase for the increase in CSR implementation in Croatia is the strengthening of the government's role and government policies for CSR implementation.

In the future, the importance of CSR will grow, as well as its influence, mostly in the areas of environment, employees, and the community and fair business practices. Companies also expressed their interest to additional training on these topics.

The general impression is that the results of this survey show the excellent state of CSR in Croatian business but it is hard to evaluate how much the statements given are followed by implemented systems and how much these statements are based on sporadic, unsystematic cases. Our experience and the levels of positive practice expressed in Croatia, tell us that at least part of the answers is based on the latter case. This is why we can conclude that, regarding that companies participating in the survey are mostly those who already practice some level of CSR, that the knowledge of CSR instruments and tools is insufficient which is the reason why there is a large amount of declared good practices even when it is based on sporadic, rather than systematic procedures and practices. The additional education of these companies on key CSR topics would help better understand good practices because the declared level of CSR implementation is much higher than we believe is the case, what is partially due to the insufficient understanding and knowledge of CSR.

In parallel with the education process, it would be necessary to make improvements in governmental supportive measures to create a positive framework which would together with CSR education help the implementation of CSR in practice. Therefore, for the improvement of CSR practice in Croatia, it is necessary to increase awareness, develop a support mechanism for which the government is mostly responsible and the engagement of public sector should be systematically increased in terms of supportive measures such as the public procurement system, public support for the best companies and awarding processes, support for existing initiatives such as the CSR Index, conferences, roundtables, public discussions and similar activities aiming to support CSR which are presently organized mainly by business associations. Business associations are so far the only motivators and supporters of CSR with the exception of large multi-national corporations whose number is limited although they have export orientation and therefore they follow international



initiatives and trends for longer time periods of time. Additional education should be, apart for the business sector, organized for key experts from key ministries such as the Ministries of Economy, Entrepreneurship, Environmental Protection, Education, Finance and others. The educational cycles should be followed by strong media campaigns which will raise the awareness of the wider public about the importance of CSR and the acceptance of CSR tools by companies which will raise the importance of winning awards such as the CSR Index or produce special sustainability reports.

Research has showed that CSR implementation is more common in large companies which means that resources are an important element, so awareness raising and education on how CSR can bring competitive advantages to business, more resources for these activities will be allocated in small and medium companies. Therefore education is mainly necessary for small and medium companies. Also, stronger CSR implementation in environmentally intensive companies tells us that higher regulatory standards are supportive for CSR implementation as well as the other outside pressures such as value chain measures, therefore higher CSR implementation levels are found in export companies. In the long term, the chain of value pressure should be increased so that companies operating predominantly in domestic markets should find their business case to invest in corporate social responsibility.

KEY FINDINGS

1. CSR is more common in large companies, those in manufacturing and resource intensive sectors and export companies. Education should be oriented to small and medium companies.
2. The survey results show CSR implementation levels higher than expected. It is our presumption that companies that participated in the survey already consider or practice CSR and that part of the positive answers are based on single good examples rather than on systematically defined practices which also calls for more education about the topic.
3. Additional education is needed for representatives of public sector and creators of public policies from not just the area of CSR but also about tax policy, public procurement and other important areas for socially and environmentally positive practices. This would strengthen the capacities of the public sector to create positive mechanisms to support CSR.
4. It is important to strengthen the importance of CSR in government institutions and public companies and to introduce CSR criteria to the distribution of funds from the Croatian Development Bank or the Ministries of Entrepreneurship and Economy. It is necessary also to strengthen the government's supportive measures because the survey shows that CSR develops mostly as a result of outside pressure such as buyers, investor, suppliers or clients. Government influence can be very important through the creation of supportive measures; green public procurement, tax refunds or through support awarding, better information or general awareness raising about the business case for CSR.



5. It is necessary to strengthen promotional activities such as the existing conferences, the CSR Index, the publication of handbooks and guidelines, newsletters, special thematic editions in weekly business newspapers and support the role of the public sector in these activities to raise awareness on the importance of CSR implementation.





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