



CSR: INVESTMENT IN THE FUTURE

Russian companies are increasingly investing in corporate social responsibility.

Why CSR?

“Corporate philanthropy has always played a very prominent role in Russia, both in financial terms and in terms of influencing the development agenda of the charity sector on the whole,” said Maria Chertok, Director at Charities Aid Foundation (CAF) Russia. “As far as money is concerned, the Skolkovo Business School and UBS estimate that corporates contribute close to one half of total philanthropic support for projects in Russia (net of government financing).” According to her, oil and gas majors invest about a quarter of this amount, or RUB 100–120 bn, while the rest of Russia’s top 30 companies contribute between RUB 60 bn and RUB 100 bn a year. However, overall the amount of charitable giving in Russia is half of that seen in European countries.

A SUCCESSFUL BUSINESS REQUIRES LOYAL EMPLOYEES, A FAVOURABLE SOCIAL ENVIRONMENT ACROSS ITS FOOTPRINT, AN IMPECCABLE REPUTATION AND STRONG GOVERNMENT RELATIONS – ALL OF WHICH CSR HELPS TO ADDRESS

In terms of impact, many Russian companies do not only support existing initiatives set up by charities, but they often run their own large-scale programmes, focusing on culture, education or other areas.

For companies, CSR is becoming an important part of the agenda related to business sustainability and the management of non-financial risks. A successful business requires loyal employees, a favourable social environment across its footprint, an impeccable reputation and strong government relations – all of which CSR helps to address.

According to a survey by CAF, 75% of respondents believe that Russian companies should contribute to supporting their local communities, while 58% note that they would be more willing to buy a product or service from a company that donates to charity or supports local communities. “So, CSR is really becoming an important pre-requisite for doing business in Russia, which is quite encouraging,” concluded Maria Chertok.



Participants of the SIBUR Formula for Good Deeds volunteer project planting nursery trees.

Corporate social responsibility is a major consideration for consumers and investors alike, who use special ratings to gauge how seriously companies take it, with ESG ratings being one of the most important tools in this respect. Investors use a company's ESG rating to identify and assess the environmental, social and governance risks and opportunities facing it, and also to determine its long-term viability. CSR initiatives are also assessed by experts. For instance, Metalloinvest's transparency was recognised as the industry's best and received a special mention from WWF experts. "We closely engage with municipal and regional administrations, local communities, volunteers and activists. We contribute to solving the most pressing challenges for local communities, such as improving quality of life and creating a comfortable environment, increasing the accessibility and quality of education and healthcare, or fostering sports and culture," said Julia Mazanova, Social Policy and Corporate Communications Director at Management Company Metalloinvest.

SIBUR believes the petrochemical industry has a major role to play in addressing the climate agenda. In addition, the Company focuses on fostering a culture of equal opportunities and protecting human rights in the workplace. In his speech at the plenary session of the Second Annual National Sustainable Development Forum (held in late 2020), Pavel Lyakhovich, Member of the Management Board – Managing Director at SIBUR, said that SIBUR had integrated ESG factors in all its business processes and emphasised that eco-friendliness and sustainability were becoming a long-term competitive advantage for companies. Therefore, SIBUR considers ESG risks throughout its investment project planning. In the longer term, apart from the traditional environmental safety of its facilities, the Company sees the climate agenda and circular economy as its topline priorities.

SIBUR also focuses on social policy and sustainability across its footprint, seeking to foster active urban communities and corporate governance. Along with its Formula for Good Deeds social investment programme, the Company generously invests in the training and professional growth of its people. SIBURINTECH, an innovative educational centre for the petrochemical industry, was established to consistently address the tasks of upskilling the industry's professionals, providing career guidance and opportunities for young talent and building their skills and competencies. In addition, the Company focuses on fostering a culture of equal opportunities and protecting human rights in the workplace.

Philanthropy in Russia

The concept of corporate social responsibility emerged in the United States in the 1950s and 1960s and was brought to Russia in the mid-1990s. CSR coaching programmes were not introduced in Russia until the 2000s, based on ideas that were fully developed in the West. Today, according to CAF, Russian companies, especially larger ones, do not just keep pace with their foreign counterparts, but

actually outspend them on philanthropy by a significant margin. “Foreign charity budgets usually do not reach 1% of profits, while in Russia they can be as high as 5% to 8%, something that is particularly true for major local employers,” explains Chertok. “All this given that, until this year, we did not have any tax incentives for companies engaged in philanthropy.”



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But it is important not only to consider the amount invested but also to assess the actual social impact, said Mitya Aleshkovskiy, Chairman of the Board of the Help Needed Charitable Foundation. Until recently, businesses could only donate to a non-profit organisation from their net profit, i.e. after paying all taxes, which was extremely discouraging for businesses that did not make millions in profits. It was only in May 2020 that the State Duma passed a bill offering tax relief for companies that support non-profit organisations. The tax deduction for businesses involved in philanthropy, abolished in 2005, has been reinstated with the donation amount now treated as an expense, allowing it to be deducted from revenue and, accordingly, from the taxable base.

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Nevertheless, Russian businesses strongly embrace the social agenda. “Today, forward-thinking companies are incorporating volunteering goals into the individual development plans of their executives, going beyond financing and actively engaging in social projects,” said Alyona Geit, an expert on employment relations. “CVs of top managers often mention projects or foundations they support by giving their time rather than a donation (money is rarely mentioned),” she noted. “Investing time without expecting any immediate returns, such as a salary, is a fashionable trend seen at all large companies and among executives who are advancing their

careers.”

For years, SIBUR has worked with the Tyumen Region Government and the municipal administration of Tobolsk to implement Tobolsk 2020, a comprehensive infrastructure development programme. The Company’s leadership also takes part – Dmitry Konov, Chairman of the Management Board at SIBUR, told TASS in an interview that the programme “was made possible through the Company’s contribution and, to a certain extent, my personal commitment. The programme, worth several billions of roubles, covers 40 facilities, including a new school and childcare centre, and a number of renovated sports facilities and swimming pools in childcare centres.

It is something that delivers tangible results, something that any resident of the city can benefit from, not only me. These kinds of stories also help to keep you motivated and satisfied with what you do.”

With SIBUR’s support, the Tobolsk City Administration and the Tyumen Region Government are already planning another programme for the next five years.

CSR projects at the majors

Mars: building on corporate values

The company’s philanthropy focuses on help for pet shelters, food security, support for local communities and environmental protection.

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“We are a good neighbour, and this is our contribution to good neighbourly relations,” said Maher Batrouny, General Manager at Mars Wrigley Russia. “For example, for many years running, we have held the Help to Pack for School campaign in Stupino, St Petersburg, Odintsovo and Ulyanovsk, donating stationery and school supplies to large and low-income families ahead of the back-to-school season. These cities host our factories, and many of our employees live there.”

In 2020, the company contributed to the efforts to overcome the consequences of the pandemic. Mars made a donation of USD 20 million to fight the pandemic worldwide and RUB 50 million in Russia to help the most vulnerable people in society, healthcare professionals and pets.

To cite a few examples, Mars has been working with Foodbank Rus for many years and regularly donates its products to those in need, it also has a long-standing partnership with the Lenta retail chain to support a children’s hospice in St Petersburg, and together with Danone, the company participates in the League of Responsible Consumption, where it explains what production waste is and how to dispose of it correctly. Maher Batrouny explains, “Our motto is ‘We believe the world we want tomorrow starts with how we do business today’. Sustainability practices and a focus on society are essential for our future business stability. We notice that a growing number of our consumers care about what kind of company is making their products, where it sources the feedstock to produce them and how it respects human rights. For our potential employees, the social commitments of the company they work at or want to work at are also increasingly important.”



Mars allocates funds towards helping both people and pets.

KPMG: acting smartly

This international company, which offers audit, tax and advisory services, has a CSR agenda that primarily focuses on providing professional support for socially and medically vulnerable children.

KPMG has a corporate charitable foundation established, according to Julia Bogdanova, Senior Manager, Corporate Social Responsibility KPMG in Russia and the CIS, to “boost its social impact and facilitate the adoption of best practices in this area in Russia.” The company also uses the foundation to support non-profit organisations that directly provide services to these vulnerable children, such as the Centre for Curative Pedagogy, the Big Change and Volunteers to the Aid of Orphans.

KPMG has a market-average CSR budget. For example, the Confident Start programme that involves 90 children costs the company RUB 22 million a year, while market juggernauts spend several orders of magnitude more on charity. For KPMG, however, this spending is totally justified. Its key cost items include payroll and investment in employee development. “We follow the logic of social challenges. We don’t help just any children, whoever they might be. We clearly understand the cause-and-effect relationship within the problem we want to solve, and try to address various aspects of the problem, attempting to eventually prevent its emergence all together. Alas, Russia is dramatically lagging behind in all human sciences and thus in social technologies, too. This is why it is so important for businesses to act smartly,” explained Bogdanova.



Through a corporate charitable foundation, KPMG is supporting services for vulnerable children from social or biological risk groups.

IKEA: responsibility towards people and the planet

The website of the Swedish furniture giant says that its vision is to create a better everyday life for the many people around the world. IKEA Russia has focused on the circular economy, environmental stewardship and responsible consumption, and therefore creates more circular inter-services than in other countries, that is, services that help customers get rid of waste. These services include taking back used batteries, light bulbs and home textiles. In September, the company launched a suite of furniture-related services, including repairs, ordering spare parts, and a platform for reselling and donating furniture to charity. “We try to help our customers comply with the three R’s: Reduce, Reuse and Recycle. We are also going to heavily invest in our production processes, collecting and recycling waste to give it a new lease on life in new products. Overall, about 10% of our entire product mix is made from recycled materials. That is already a lot, but we want to grow it further,” explained Natalia Beneslavskaya, Head of Sustainable Development and Environmental Protection.

These kinds of projects pay off well. IKEA’s Russian stores now recycle 72% of their waste, generating about RUB 40 million annually from the sale of recyclables, less logistics costs.



Russian IKEA focused on the circular economy, caring for the environment, and responsible consumption.

Yandex: a helping hand

In late March, in the midst of the first wave of the pandemic, Yandex launched its Helping Hand project to organise transport for doctors and employees of non-profit organisations, deliveries of free coronavirus testing kits and food for homebound people.

Another important task was to reduce the risks facing couriers, restaurant employees, drivers and customers. Yandex bought masks, gloves, bottles of sanitiser, alcohol-based hand wipes and thermal bags for them, while also supporting drivers and couriers who caught COVID-19 or needed to self-isolate, leaving them temporarily out of work. Vehicle disinfection points were set up, and not only for vehicles that worked for Helping Hand: any driver fulfilling orders for Yandex Go can come along and have their car disinfected quickly, with more than 150 such locations nationwide.

Yandex's education initiative, which aims to improve the educational environment through technology, has taken on a new importance during the pandemic. In spring 2020, Yandex launched online lessons at Yandex.School, streaming lessons on 15 subjects for school students from 9 am to 2 pm. These lessons now have over four million views. The company also offered special courses for teachers to help them with the transition to remote working.



Yandex launched its Helping Hand project to organise transport for doctors and employees of non-profit organisations, deliveries of free coronavirus testing kits and food for homebound people. Photo: Vitaly Timkiv/RIA Novosti

SIBUR's Formula

The principles of corporate social responsibility and charitable activities at SIBUR are set out in our Memorandum of Corporate Social Responsibility. Formula for Good Deeds, our corporate charitable programme covering 16 key cities in the Company's regions of operation, is expanding within its six focus areas: urban development, education and science, sports and healthy lifestyle, environmental protection, culture, and volunteering.

Chief Executives for Corporate Purpose (CECP), a coalition of corporate leaders, cites the Formula for Good Deeds, its partnership with regional authorities and engagement with public councils in their international report as a case study of outstanding Russian practices. The authors note that, as a major employer and initiator of social programmes in Russian cities, SIBUR creates jobs for local residents and strives to ensure the comprehensive development of key areas of local life.

IN 2020, 111 PROJECTS WERE IMPLEMENTED UNDER THE FORMULA FOR GOOD DEEDS PROGRAMME ACROSS A NUMBER OF AREAS, INCLUDING ENVIRONMENTAL PROTECTION, CULTURE, SPORTS, EDUCATION AND SCIENCE, VOLUNTEERING AND URBAN DEVELOPMENT. HALF OF THE ENVIRONMENTAL PROTECTION PROJECTS WERE AIMED AT PROMOTING WASTE COLLECTION AND RECYCLING

In 2020, 489 applications were accepted for the company's social development project contest. Tobolsk once again took the top spot for number of applications (83). Second place went to Blagoveshchensk in the Amur Region, which hosted the grant contest for the first time and drew 52 applications. Tomsk trailed closely behind with 47 applications. Last year, 111 projects were implemented across a number of areas, including environmental protection, culture, sports, education and science, volunteering and urban development.

Half of the environmental protection projects were aimed at promoting waste collection and recycling. A total 3.5 tonnes of waste were collected in Tobolsk as part of the Clean Games quests, and 14 projects covered the use of digital technology and related training.

The programme's volunteers took part in 20 campaigns, including the Marathon of Good Deeds commemorating the 75th anniversary of Victory Day and a project to provide 852 disadvantaged children with school supplies. In Tomsk, the programme's volunteers renovated the Dog House animal shelter, building new enclosures for the animals under its care. In Krasnoyarsk, students from the Siberian Federal University collected two tonnes of waste, with 1.2 tonnes sent for recycling. In Svobodny, a beach volleyball court was built with the help of programme participants.

The programme marked its fifth anniversary in February 2021. More than 130 interregional projects have been implemented as part of the Formula for Good Deeds programme over this time, and they were all made possible thanks to the collaboration between SIBUR and its partners, such as the State Theatre of Nations, Festival-School Territory, VTB United League, the Sport and Law Enforcement Foundation, the Smart Moscow project and many others. In total, the programme included over 6,000 events, involving over 230,000 participants.

The plan for this year is to support 126 projects across 15 Russian cities, with environmental protection being one of the focus areas. Supporting social projects themed around the environment complements SIBUR's active sustainability policy.



Within the Marathon of Good Deeds, 20 events were held with the help of volunteers to commemorate the 75th Anniversary of Victory Day.

"2020 has shown that ongoing cooperation is key to the development of the social environment. Thanks to the concerted effort of all programme stakeholders, we have been able not only to ensure the implementation of ongoing projects, but also to keep up our consistent approach to regional development. Closely engaging with local communities remains a key social investment priority for the Company. I am convinced that this exciting and eventful work will continue well into 2021 to the benefit of the cities and regions within our footprint," said Stanislav Kasparov, Head of Business Support in SIBUR's Regions of Operation.

Source (<https://www.forbes.ru/forbeslife/416541-zachem-rossiyskie-kompanii-vkladyvayut-millions-v-korporativnuyu-socialnuyu>)