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CSR development in Belarusian banking sector

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Abstract

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The purpose of this thesis was to gather the knowledge about Corporate Social Responsibility (CSR) activities currently implemented by Belarusian banking industry and identify the major areas of these activities. The study also aimed to evaluate, through content analysis, Belarusian banks' level of CSR disclosure. Another objective of the thesis was to highlight the social responsibility of banking sector in Belarus.

The study utilized qualitative research method. The data for the theoretical part of this thesis was collected from books, articles and Internet sources about CSR and CSR reporting. For mapping CSR situation in Belarus the research reports, conference materials, non-profit organizations information on CSR and legal regulations of the previous years were collected. The information used in the empirical part was gathered through the annual reports presented on banks' websites and other printed materials like company staff newspapers and corporate magazines, promotional brochures, press reports from websites. In order to accomplish the research, qualitative data has been also collected through interviews with the representatives of chosen Belarusian banks. Further the results were compared to the theoretical part.

The results of the study show that Belarusian banks believe that CSR is an important concept for their business today and consider philanthropic activities to be the most important part of their CSR. Based on the findings it can be concluded that annual CSR reporting has not become a widespread activity in the Belarusian banking sector therefore banks are still in the course of exploring proper ways to report their CSR. Contrary to expectations, the suggestion that companies considered to be more 'high profile' than others are likely to disclose more CSR information than those considered to be lower in profile, was not fully supported by the research data.

Key words: Corporate social responsibility, CSR reporting, Belarus, banking

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1 INTRODUCTION

1.1 Background

As western companies increasingly recognize the value of their reputation and respond to customers demand, it is becoming a norm for companies to make profit in a socially responsible way. However, while there is a clear evidence of growing demand for CSR from the customer perspective, the majority of the companies in Belarus see CSR as having extra expenses but not as a tool for business success.

CSR is at a very early stage of development in Belarus for most domestic and international companies. Therefore, as western countries are counting decades since they started to be interested in CSR, only in the past few years CSR became a popular topic to discuss in Belarus.

Most of the research on CSR and CSR disclosure topic is based on the developed countries' context and the developing nations have little research about the CSR.

Majority of the banks obviously dislike disclosing information. Taking deposits, granting loans and providing complementary services are their core business. No matter what kind of countries, what kind of culture, and what kind of banking products they offer, banks need to be responsible for their customers. As a socially responsible bank, it executes not only lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under certain economic conditions.

The needs to evaluate the CSR practices of Belarusian commercial banks through what they disclosed in annual reports and other important sources like websites are obvious. Among them is the reason that the population perceived that banking sector is earning abnormal returns on investment, hence they believe that banks in Belarus should give back part of that abnormal earnings to the citizen through corporate socially responsible activities.

1.2 Objectives and delimitations

This study will focus on three main categories; CSR, CSR in the Belarusian banking industry and CSR disclosure by Belarusian banks.

The theory will be tested in Belarusian banks by examining their reports, along with other information found on their websites and in mass-media.

The purpose of the study is to gather the knowledge about CSR activities currently implemented by Belarusian banking industry and identify the major areas of these activities. The study also aims to evaluate, through content analysis, Belarusian banks' level of CSR disclosure.

Another objective of the thesis is to highlight the social responsibility of banking sector in Belarus.

The benefits of this research would be to motivate banks to conduct more CSR programs that are valuable to community and encourage CSR reporting by providing the numerous advantages of implementing CSR. Additionally this study is seen as an input to the development of CSR in Belarus, especially for Belarusian banks. The results should be valuable for further research on CSR.

The scope of this research will be limited to commercial banks. Another constraint of conducting this research is in collecting the information through the annual reports presented on banks' websites or through printed materials. CSR connected reports of Belarusian banks will be scanned based on the theoretical findings. In this study Global Reporting Initiative (GRI) model for reporting will also be used even though CSR development and reporting in Belarus is still in its early stage. Since measuring CSR has been experienced as difficult, GRI as a framework helps companies to choose indicators and in what way they should be measured by providing guidelines and instructions.

This study's delimitations include also the fact that only one financial year of reports and accounts will be used and the fact that the sample was limited to commercial banks.

1.3 Research questions

The purpose of the thesis is to identify CSR activities currently implemented by Belarusian banking industry.

Thus, the central research question proposed is:

- *How does the Belarusian banking sector exercise CSR?*

To fulfill the aim, the important sub-questions, and also relevant to the topic are:

- What is the level of CSR disclosure in Belarusian banks?
- How to improve CSR programs implemented by Belarusian banks?

1.4 Main concepts

Corporate social responsibility (CSR) has become increasingly important in today's business world. Every corporation must consider consequences of its impact on society and address ethical, social and environmental concerns in its everyday business practice.

CSR has many different names for the same or similar concept, such as corporate citizenship, business sustainability and corporate responsibility, and has a long history in literature and articles. Various authors use different approaches to define CSR.

A more comprehensive definition of CSR is that it encompasses the economic, legal, ethical, and discretionary or philanthropic expectations that society has of organizations at a given point in time (Visser 2010).

Others see CSR as an altruistic obligation, morally imposed on successful companies as a sort of dividend to the community that has helped them achieve their success. It is a doctrine of "enlightened self interest," in which the organization, in the pursuit of its own success, helps the wider community create further opportunities that not only fuel the company's long-term success, but create ongoing benefits for that wider environment. (Urip 2010.)

Common for most definitions is the responsibility companies have towards society.

The thesis will examine why and how particular banks exercise CSR, and undertake CSR disclosure, through the Legitimacy theory and CSR pyramid. According to the Legitimacy theory, companies disclose social responsibility information to present a socially responsible image and also to legitimize their activities to the society. Companies in some industries are seen to be socially more visible and more exposed to the public scrutiny (Branco and Rodrigues 2006).

Companies can influence society by the information revealed in their reports. The management of the company develops strategies, for example, reporting or disclosure strategies, how to respond to the expectations in society.

Therefore, it can be expected that banks will have different disclosure practices than a company in the extractive industry with little visibility among the general public, probably disclosing more community relations information and less environmental information, although they can have a similar level of total social responsibility disclosure.

1.5 Research methods

The research method for this thesis will be qualitative. The qualitative research is based on examples, case studies, and interviews and does not end in conclusion based on generalization. To answer the above mentioned research questions, a literature review combined with an empirical analysis of case companies will be carried out. The literature review forms the study's theoretical framework; it provides background information on the research topic and problem as well as guided the empirical investigation and discussion of results.

For mapping CSR situation in Belarus, the research reports, conference materials, non-profit organizations information on CSR and legal regulations of the previous years were collected.

The empirical investigation will be conducted in the form of a qualitative multi-case study, in which the case companies and their reports – annual reports, codes of conduct, code of corporate governance, CSR or sustainability reports – will be analyzed. By using the qualitative content analysis, the level of CSR

disclosure in the banks' reports will be estimated, data collection method employed for that includes literature review, Internet research and observation.

The empirical part will be collected also by using the questionnaires and short semi-structured interviews. The representatives of the case banks will be asked to reply to questions by giving them a limited number of alternative answers in questionnaire sent to them by e-mail. Questionnaire is rather quick and valid method aiming to receive comparable answers from all participants. On the other hand, questionnaires may be deficient in alternatives: issues that could be essential from the respondent's point of view might not be included in the questionnaire. Therefore, the representatives of the case banks will be also contacted asking for short interviews.

Semi-structured interviews will be used in this study as a method of collecting primary data: a pre-defined set of subjects to be discussed will be used during the interview. The main aim of semi-structured interviews is to give the respondent time to express opinion on the issue, simultaneously receiving the respondent's confirmation of the information that has been already collected through secondary sources. Moreover, in semi-structured interviews other issues can be discussed if there is a need for clarification.

As mentioned above, the instruments of data collection in the thesis include surveys and other secondary sources like various analysts data monitor reports about CSR development. Companies disclose social information using several medium such as annual reports, websites, company staff newspapers and magazines, paid newspapers, television and radio advertising, promotional brochures and press reports. Nevertheless, annual reports are considered to be more credible because they are read by auditors. Also, annual reports are statutory documents and considered more reliable than other means of disclosure.

Along with these gathered data, the CSR publications connected with case banks will be inspected to provide a base for comparison.

For commercial banks' selection process, the banks' position in the market and the scale of CSR in their organizations were reviewed.

1.6 Structure of the thesis

There are following main areas in the structure of the study. First is the introduction where the background and the research problem presented. Objectives, delimitations and research methods are also discussed in this first main chapter, and the objective is to observe the CSR activities and practices of commercial banks operating in Belarus.

Second comes the theoretical part divided into several chapters concerning the subject of this thesis. For this part, much background information was collected from different articles and literature concerning CSR in banking sector, CSR reporting and CSR in Belarus. Since one of the most common models for CSR reporting today is GRI-model, in theoretical part, the GRI -model is explained and why it is useful to utilize such a model for reporting.

The third part starts with the case companies' presentation. At first I briefly introduce the banks then advancing to describe their CSR activities and disclosure.

The next main area of the thesis is the empirical part where the current situation on CSR in Belarusian commercial banks will be defined and solutions for more efficient methods presented. How different banks in Belarus view the CSR concept in their business will be analyzed.

Conclusion and discussion, the summaries of the findings of the study, and brief recommendations for case banks end the last part of the thesis.

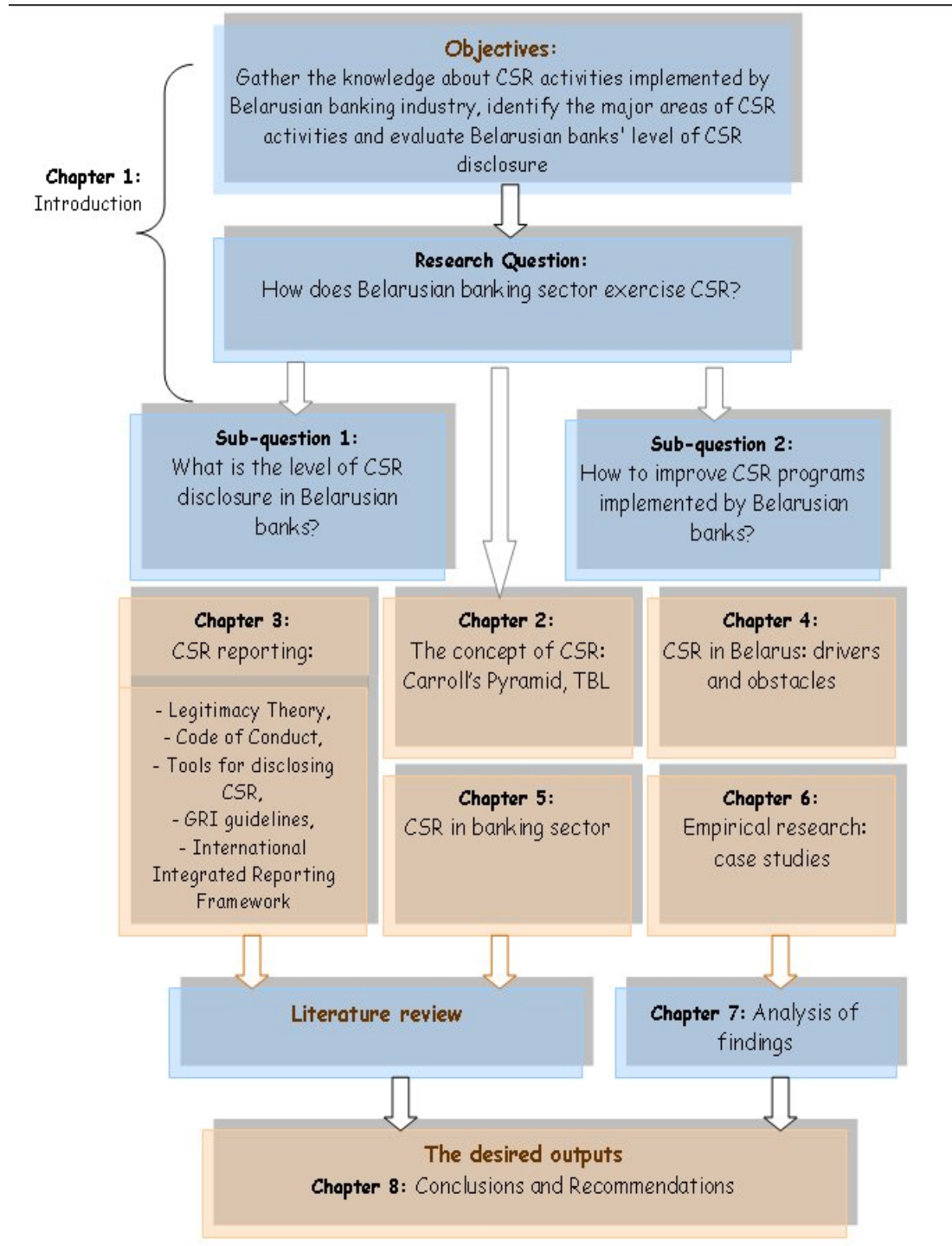


Figure 1. The thesis structure.

2 THE CONCEPT OF CSR

Corporate social responsibility describes how companies in their activities concerning employees, customers, groups, local community take responsibility towards society and the environment.

The concept of CSR has its modern start in the 1950s and has become more and more important in today's society, where the resources of the world are declining and ethical problems are taken into account by businesses in their actions.

In 1953, Howard R. Bowen published his book "Social Responsibilities of the Businessman" and this was the start of the modern era around this subject. He believed that the actions and decisions made by the largest companies must affect the lives of the citizens in several ways. In relation to this he asked what responsibilities these businessmen have to society and what society can expect from them.

Various researchers use different approaches to describe CSR. The modern definition of CSR, though, originates from 1970s, where especially Archie B. Carroll's theories have been prominent. He divided CSR into four areas of responsibility; economic, legal, ethical and discretionary, where a company is expected to fulfill all these four responsibilities to comply with CSR. CSR includes all stakeholders, even customers, suppliers and employees, and is seen as a way to combine profitability and responsibility (Carroll 1999).

CSR is connected with company's attitude towards its responsibility ahead of its profit gain and other benefits demanded by its owners and benefits received from business operations to society. "CSR is more about caring for any possible negative impact of business on society, avoiding harm to other people and the public at large, meeting increasing and changing social and stakeholder expectations, contributing resources to communities and helping improve the quality of life in society" (Sun et al. 2010).

Others see CSR as an altruistic obligation, morally imposed on successful companies as a sort of dividend to the community that has helped them achieve

their success. It is a doctrine of "enlightened self interest," in which the organization, in the pursuit of its own success, helps the wider community create further opportunities that not only fuel the company's long-term success, but create ongoing benefits for that wider environment. (Urip 2010.)

Common for most of definitions is the responsibility companies have towards society.

As stated previously, a more comprehensive definition of CSR is that it encompasses the economic, legal, ethical, and discretionary or philanthropic expectations that society has of organizations at a given point in time (Visser 2010).

CSR brings strategic benefits to a corporation, for example in terms of its public image and reputation, and in that sense may result in profit return in the long-term, notwithstanding short-term profit sacrifice. It may therefore be profit-sacrificing in the short-term, but with long-term profit-making possibilities. (Wilson 2008.)

2.1 Internal and external CSR

CSR can be divided into internal and external. According to Turker (2009) internal CSR practices refer to CSR practices which are directly related with the physical and psychological working environment of employees (Ali et al. 2010). It is connected with concern about the employees health and well-being, their training, egalitarianism. External CSR is related to being responsible for business partners and suppliers, customers and NGOs as well as local communities, and the environment. External CSR practices include environmental protection, volunteerism and philanthropy.

Genest (2005) states that "corporate philanthropy may occur in many forms, for example direct contributions to non-profit institutions, development of partnership with selected non-profit institutions or non-governmental entities strategic to their business and social goals, cause-related marketing, employee matching gift programs, scholarship programs, contribution of employee

management or technical expertise, and the provision of in-kind services”. (Ali et al. 2010.)

Many enterprises practice corporate philanthropy based on their own motives. For example, some firms which are involved in such practices according to Werbel and Carter (2002) “are of the opinion that philanthropy can benefit top managers themselves by enhancing their reputations within their social circles or furthering their political and career agendas” (Ali et al. 2010).

The contribution of human resources, time and skills to benefit the community and non-profit organizations or events is known as corporate volunteerism. (Ibid.)

In this case firms may persuade their employees to participate in voluntary works by providing a variety of incentives for volunteering including additional pay (bonuses) or workplace extra time off, public recognition programs, corporate prizes or awards.

Environment protection relates to the legal responsibilities.

2.2 Carroll’s CSR Pyramid

One important model that has been used in the different articles and literature is the model created by Archie Carroll (1991) called “The Pyramid of Corporate Social Responsibility”.

In the pyramid of Corporate Social Responsibility, Carroll describes that the corporate world acts responsibly in a definite order of priorities, where requirements, expectations and needs from stakeholders should be met. The basic level to be fulfilled is *economic*. This means the firms’ obligation to be efficient and profitable and to bring growing confidence and stability to its different stakeholder groups, such as investors, shareholders, employees, managers, business partners and to communities living on the firm’s prosperity.

The level above – *legal* - is about acting in the agreement with the existing laws and producing goods or services which meet at least minimal legal

requirements. According to Carroll, both economic and legal responsibilities are required of all corporations seeking to be socially responsible.

The third level of CSR hierarchy – *ethical* - is only expected from the firm, but not required as the two previous basic levels. Society expects corporations to be good corporate citizens or ethical. The ethical responsibility of the businesses should originate from applied good morality, i.e. values, norms and beliefs about right and wrong embedded in social processes.

The final fourth level of the pyramid, the philanthropic responsibility, is desired of the enterprises. However, it is less important than economic, legal and ethical views, since it is either required or expected by the society.

2.3 Triple Bottom Line

When discussing CSR, some researchers prefer to use the word ‘sustainability’ as more comprehensive, as they argue that responsibility underlines the benefits to social groups outside the business, whereas sustainability gives equal significance to the benefits received by the corporation itself. CSR includes corporate obligations to handle and avoid negative economical, societal and environmental impacts. Sustainability and responsibility are both used to refer to a company’s obligations to society in general. Sustainability in this definition refers also to the development that must not reduce options open to future generations.

Visser (2011) underlines that for him CSR stands for Corporate Sustainability and Responsibility, rather than Corporate Social Responsibility. His definition of CSR is as follows:

"CSR is the way in which business consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement" (Ibid).

According to Cavagnaro & Curiel (2012) “sustainability at the level of organizations requires us to meet not one, but a *triple bottom line* involving People and Planet alongside Profit”.

The concept of the Triple bottom line (TBL) presented in Figure 2 was suggested in 1994 by John Elkington who assumed that businesses needed to measure their success not only by the traditional bottom line of financial performance, but also by their impact on the environment and on the society in which they operate. The TBL approach was discussed in detail in his book “Cannibals with forks: The triple bottom line of 21st century business“ (1997) and has been further elaborated both in hundreds of company reports aligned with the Global Reporting Initiative (GRI) and in a growing number of books. (Visser et al. 2010.)

The concept behind the triple bottom line is that equal concern is given to economic, ecological and social aspects of business performance reporting. According to the theory, companies should not focus only on the economic value of enterprises to increase, but should also care about benefits or damage to the social and environmental value caused by business events.

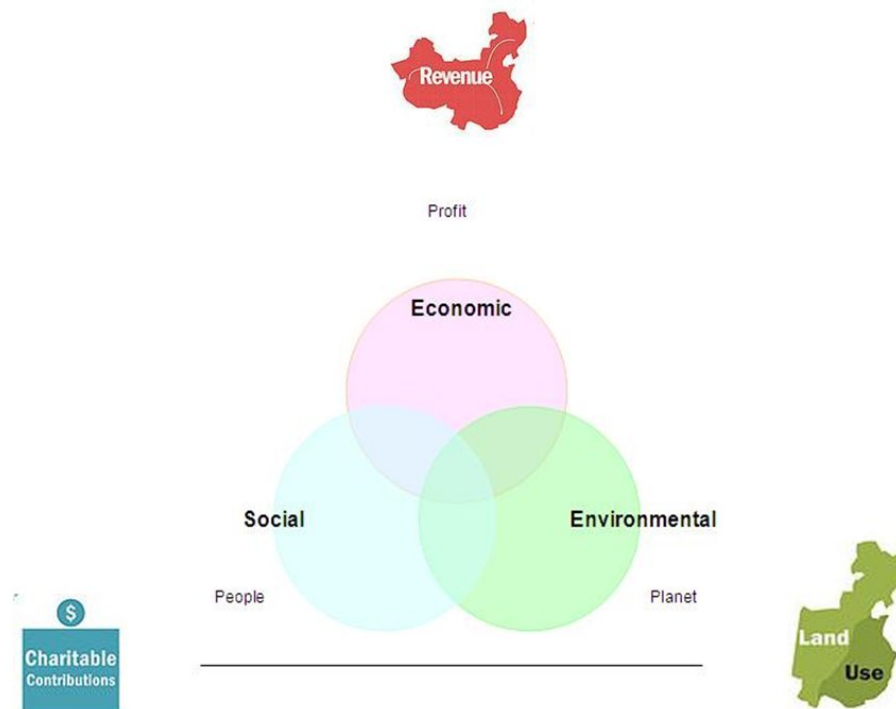


Figure 2. Triple Bottom Line.

Elkington argued that business is sustainable when it lives up to the “triple bottom line”, which concerns the economic prosperity, environmental quality and social justice. For Elkington (1997), in his triple bottom line reporting, social responsibility is a three-fold: to create economic, ecological, and social value. (Paetzold 2010.)

The triple bottom line is synonymous with sustainability and corporate social responsibility reporting. Since its invention, it has become a common feature of large companies and gained support as a framework for measuring business performance based on economic, environmental and social indicators. TBL reporting is expanding the traditional reporting framework, taking into account environmental and social performance in addition to financial performance, hence declaring a move from one dimensional economic reporting to three dimensional.

Organizations such as the Global Reporting Initiative to be discussed later in the thesis, promoted the triple bottom line concept for practical use in the corporate world. It reflects a corporation’s greater transparency and accountability in its public communication and disclosure.

Elkington (1999) states that TBL “at its narrowest, the term is used to refer to a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to maximize the positive impacts of their activities and generate added economic, social and environmental value”. (Seow et al. 2006.)

3 CSR REPORTING

Corporate CSR reporting is informing the society what kind of CSR measures a company has taken during a certain reporting period. The expenses of writing a report include mainly the acquiring a control system for measuring performance and possible inspection by external auditors. Such a report benefits the company by offering valuable information for internal decision-making, and it is an important tool in maintaining good stakeholder relationships.

3.1 Legitimacy Theory

In order to understand the value of CSR reporting, it is essential to overview the Legitimacy theory.

The legitimacy theory is based on the idea of the "social contract", a more or less outspoken agreement, which gives the organizations "license to operate". In case if the organization is behaving not in a legitimate way, the stakeholders will react so that the organization changes its' practices and proceeds in an accepted way.

According to this theory companies disclose social responsibility information to present a socially responsible image and also to legitimize their activities to the society. Companies in some industries are seen to be socially more visible and more exposed to the public scrutiny (Branco and Rodrigues 2006).

As organizations may face various threats to their legitimacy they may employ legitimization strategies to encounter the threat. In accordance with Lindblom (1993) there are four strategies that organizations can adopt in order to be legitimized by society:

- Educate and inform stakeholders about the actual performance;
- Change stakeholder perceptions without changing actual behavior;
- Distract attention away from the issue of concern;
- Change external expectations about performance.

CSR reporting may be used as a part of all the strategies mentioned. (Ibid)

Consequently business organizations use corporate social responsibility disclosure as a strategy to legitimize their activities in the minds of the members of the public (Akinpelu 2013).

An important part to gain legitimacy and justification for its actions is by being transparent which means showing more of the organization through reporting both positive and negative results and actions, and having an open conversation with the stakeholders.

The legitimacy concept assumes that companies can both influence and be influenced by stakeholders within that social system. Companies can influence society by the information revealed in their reports. The management of the company develops strategies, for instance, reporting or disclosure strategies, how to respond to the expectations in society.

Therefore, it can be expected that banks will have different disclosure practices than a company in the extractive industry with little visibility among the general public, probably disclosing more community relations information and less environmental information, although they can have a similar level of total social responsibility disclosure. (Dineshwar 2013)

As McDonald et al. (2008) pointed out, “banks globally are pouring millions of dollars into different kinds of CSR strategies in the race to strengthen their reputation and improve relationships with stakeholders, including customers, both business and retail”.

Several studies have examined the legitimacy theory and its applicability to the CSR disclosure practices of companies. For instance, Adams, Hill and Roberts 1998; Campbell, Craven and Shrivs 2003; Deegan, Rankin and Voght 2000; Deegan et al. 2002; Deegan and Gordon 1996; Deegan and Rankin 1996; Guthrie and Parker 1989; Gray, Kouhy and Lavers 1995; O’Donovan 1999; Patten 1991; 1992; Walden and Schwartz 1997; Wilmhurst and Frost 2000). The results of these studies generally tend to acknowledge the applicability of legitimacy theory to understanding voluntary CSR disclosure practices of companies. (Guthrie 2006.)

Despite the growing awareness and acceptance of legitimacy theory as an explanation for corporate environmental disclosures, the theory is still relatively underdeveloped and untested. Analysis utilizing legitimacy theory has been questioned as it tends to result in critique. (Van der Laan 2009.)

3. 2 Code of Conduct

One of CSR instruments – Code of Conduct – represents the formal statements of principles defining standards for specific company behavior. It can address a

variety of issues, such as labor rights, environmental protection, stakeholder relations, anti-corruption, corporate behavior in the marketplace, and supply chain management.

For the banking sector where large and multinational companies are common, several international codes are found important. One of them is the UN Global Compact - a code of conduct for large companies, launched by Kofi Annan, the UN Secretary-General in 2000. Nowadays the Global Compact is a network with over 10.000 participants and stakeholders from over 145 countries (United Nations Global Compact 2013). In addition to the United Nations the following social actors are represented in the Global Compact network: companies whose actions it seeks to influence; labor in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; governments, who defined the principles on which the initiative is based. It is a voluntary corporate citizenship initiative, it does not enforce the behavior or actions of companies, it is not a substitute for regulatory structures. Ten principles of the Global Compact in the areas of human rights, labor, and the environment are based on the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development. (Ibid.)

The Global Compact asks companies to integrate these principles into their core business operations - corporate-management strategy and decision-making - and undertake corporate activities that progress the principles and broad UN goals.

3.3 Tools for disclosing CSR

Many corporations voluntarily disclose non-financial information. In most of the cases, the format, content and elements of such disclosures are unregulated. Corporations decide what to disclose, when to disclose and how to disclose as well as the medium. (Van der Laan 2009.)

Currently there are several communication tools for disclosing CSR information: websites, social media, sustainability reports, intranet, advertising, company brochures and magazines.

Internet has become a key tool for organizational communication where stakeholders can study the information from different perspectives about the organization. It presents numerous opportunities to improve the interactivity between society and companies.

The most traditional way to report on sustainability performance is an annual report. Generally speaking, there are two main types of report:

- Annual report – the presentation of a company's audited accounts for the preceding year, as required in corporate legislation. The annual report contains only financial data.
- CSR, social or 'stand-alone' Sustainability report – the presentation of a company's audited accounts for the preceding year, structured around the organization's strategic objectives and focused on non-financial information and performance.

CSR or sustainability report with non-financial performances as a supplement to the financial report can be made in a separate document or an integrated report.

An integrated report signifies that the company's key financial and non-financial performances are integrated, in other words, the financial and sustainability report are connected in one report. The purpose of such integrated report is to better understand the relationship between the financial and non-financial performances.

And yet another way to report is a text covering sustainability issues that is included into the annual report. This can be a brief article, a description of a CSR project or management discussion in annual reports.

There are many guidelines and standards that regulate the reporting of CSR. From the beginning of the 90's the amount of guidelines and standards grew

fast and today there are several recognized. Global reporting initiative (GRI) is one of them. Some critics disagree that sustainability reporting is a guarantee that the company is carrying out sustainable activities. GRI is providing mechanisms that are striving to ensure reliability of the information disclosed by the companies.

3.4 GRI guidelines

The GRI guidelines are used to assist organizations in reporting on social, governance and environmental perspectives of their operations. The main principles of reporting that are proposed by GRI are as follows: transparency, inclusiveness, completeness, relevance and sustainability context.

Sustainability reports based on the GRI Framework can be used to demonstrate organizational commitment to sustainable development, to compare organizational performance over time and to measure organizational performance with respect to laws, norms, standards and voluntary initiatives (Global Reporting Initiative).

In May 2013 the Global Reporting Initiative (GRI) launched the fourth generation of its sustainability reporting guidelines: the GRI G4 Sustainability Guidelines.

The Guidelines are presented in two parts. Part 1, Reporting Principles and Standard Disclosures, in addition to containing the reporting principles and standard disclosures, also specify the criteria to be applied by an organization to prepare its sustainability report in accordance with the Guidelines. Part 2, "Implementation Manual", includes reporting and interpretative guidance that an organization should consult when preparing its sustainability report.

The Guidelines are designed to correspond as much as possible to the other internationally recognized standards such as the UN Global Compact's Ten Principles and the OECD's Guidelines for Multinational Enterprises (2011).

While the reporting principles themselves have not changed since the previous G3 and G3.1 Guidelines were issued, the G4 Guidelines offer an updated

process for defining the report content, they provide stronger guidance on how to determine material Aspects and the impacts they may have.

The Guidelines offer two options to demonstrate that the organization's sustainability report complies with the Guidelines: the Core option and the Comprehensive option. The Core option contains the essential elements of a sustainability report and provides with the background against which an organization communicates the impacts of its economic, environmental, social and governance performance. Under this option an organization must report at least one indicator for all identified material aspects. The Comprehensive option in addition to the Core option requires a number of additional disclosures about the organization's strategy and analysis, governance, ethics and integrity. (G4 Sustainability Reporting Guidelines.)

The Guidelines also introduce new and revised general standard disclosures in a number of areas such as the governance structure of the organization including committees of the highest governance body, the description of supply chain and its impacts, the organization's values, principles, standards and nor behavior, such as codes of conduct and codes of ethics, anti-corruption practices, greenhouse gas (GHG) emissions and energy.

The chapter concerning the reporting principles helps to choose what indicators to use in the report, how to treat the outcome and, finally, how to ensure high quality and how to present the information.

The 4th Chapter of the Guidelines describes the standard disclosures, i.e. those aspects that are relevant and material to most organizations and of interest to most stakeholders. This includes its strategy, profile, governance and management approach. It also provides organizations with indicators that will ensure that comparable information is provided on the economic, social and environmental performance of the organization. (Ibid.)

The *strategy and profile part* aims to describe how the sustainability work is related to the strategy, profile and governance in the corporation. It should consist of a statement from the CEO or equivalent and a description of the

corporation's opportunities, risks and impacts on the surroundings. The *Disclosures on management approach* (DMA) part describes how the corporation is working with the reported subjects.

The *performance indicators* are divided into three categories of CSR related to its material Aspects: economic, environmental and social.

Economic indicators aim to describe the impact the corporation has on their stakeholders' economy and on the economical system in the society. Economic responsibility refers to more than the profitability of the company. It requires some consideration of how the organization is contributing to sustainable growth within the local and international context. The following subjects are included: economic performance, market presence, procurement practices and indirect economic impacts. (Ibid.)

Environmental indicators intend to include the corporation's impact concerning both inputs and outputs. They are concerned with an organization's impact on living and non-living natural systems, including eco-systems, land, air and water. Included within environmental indicators are the environmental impacts of products and services: energy, materials and water use; greenhouse gas and other emissions; effluents and waste generation; impacts on biodiversity; use of hazardous materials; recycling, pollution, waste reduction and other environmental programs; and fines and penalties for non-compliance. (Ibid.)

Social indicators aim to describe what kind of impact the corporations have on the society where they are operating. Social indicators include a few broad subcategories with more detailed indicators under each:

- Labor Practices and Decent Work such as diversity and equal opportunity, employee health and safety (16 indicators in total);
- Humans Rights such as child and forced labor, freedom of association, collective bargaining and security practices with 12 indicators;
- Society such as anti-corruption and compliance issues with total 11 indicators;
- Product Responsibility such as customer health and safety product and service labeling with 9 indicators.

Reports published after 31 December 2015 should be prepared “in accordance” with the G4 Guidelines. Meanwhile G3 and G3.1-based reports are still accepted.

According to GRI, the levels of reporting are divided in A, B and C, to suit beginners of reporting to more experienced users. To gain an A level certification the company must report on all indicators whereas to gain a C it is sufficient to report in only 10 indicators but at least one from each category. The application level is self-declared but it is recommended that the self-declared application should be confirmed, either by a GRI application level check or by a third party that has the right competence in the subject matter and in assurance services.

3.5 International Integrated Reporting Framework

In December 2013 the International Integrated Reporting Council (IIRC), a Global coalition of regulators, investors, companies and NGOs, released the final version of the International Integrated Reporting Framework. The IIRC states that the integrated report "benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policymakers." (IIRC.)

The framework was developed with global input of more than 350 responses arrived from businesses, accounting bodies, investors, and others after the consultation draft was published in April 2013. The framework is meant for private-sector businesses but can be applied to public companies as well as not-for-profit entities.

According to the IIRC, the integrated reporting framework does not include requirements on specific key performance indicators, measurement methods, or the disclosure of individual matters, but it does include requirements that should be applied before an integrated report is considered in accordance with the framework. “An integrated report may be prepared in response to existing

compliance requirements, and may be either a stand-alone report or be included as a part of another report or communication," the IIRC noted.

The IIRC defined the following 7 guiding principles of integrated reporting:

1. *Strategic focus and future orientation*: an integrated report should provide information about the organization's strategy and its relation to the company's ability to create value in the short, medium, and long term as well as to its use of and effects on the capitals.
2. *Connectivity of information*: a holistic picture of the combination and interrelatedness of the factors that influence the organization's ability to create value over time should be created.
3. *Stakeholder relationships*: awareness of the nature and quality of the organization's relationships with its key stakeholders should be provided, including understanding and responding to their legitimate needs and interests.
4. *Materiality*: the information that inherently affects the organization's ability to create value over the short, medium, and long term should be disclosed.
5. *Conciseness*: the report should be compact.
6. *Reliability and completeness*: all positive and negative matters should be incorporated in a balanced way and without mistakes.
7. *Consistency and comparability*: the information should be presented on a regular basis and in comparable with other organizations' way.

The contents of an organization's integrated report will depend on individual circumstances, but the integrated report is designed to address the following key content elements:

- *Organizational overview and external environment*: reports should concentrate on the circumstances under which the company operates. It also includes ownership and operating structure, culture and values, main activities and markets, competitive landscape, revenue and staffing numbers and external factors such as legal, political, and environmental aspects.
- *Governance*: reports should focus on organization's governance structure and its' effect on value creation. It includes leadership structure, strategic direction,

attitude to risks, risk management and mechanisms for addressing integrity and ethical issues.

- *Business model*: reports should include the organization's key inputs, business activities, resulting outputs and outcomes.

- *Risks and opportunities*: reports should recognize short-term and long-term risks and opportunities and the sources of those events, they should summarize the company's planned response to those risks and opportunities.

- *Strategy and resource allocation*: reports should illustrate the plans in place to accomplish strategic objectives in addition to the outlook behind a company's resource allocation.

- *Performance*: reports should offer qualitative and quantitative overview of an organization's ability to reach the defined objectives, overview of the past performance and the idea how current performance might be linked to the organization's outlook.

- *Outlook*: reports should concentrate on the organization's expectations about future external events, how the events could influence the company, and how it is equipped to react to such events.

- *Basis of preparation and presentation*: reports should contain a summary of an organization's materiality determination, a description of its reporting boundary and how it has been determined, and a review of the significant frameworks and methods used to evaluate material matters.

- *General reporting guidance*: disclosures about material matters and capitals; definitions for short, medium, and long term; and aggregation (by country, subsidiary, division) and disaggregation should be included into reports.

Until September 2014, IR will be tested by more than 100 companies in over 25 countries, 16 of which are members of the G20, the group of nations focused on strengthening the global economy.

4 CSR IN BELARUS

As Belarus in many aspects could still be considered as a developing country, I will overview the situation with CSR in Belarus in the context of the developing country.

On the other hand, Belarus can be seen as developing country only relatively. It is developing when compared with other western European countries. But it is developed when compared with African countries. There are enough vaccines and all the illnesses that can be cured in the developed countries are cured in Belarus as well. There is higher poverty than in Western Europe, for example, but the vast majority of people can think about wider issues than “how to get food”.

4.1 CSR in developing countries

Due to geographical, economic, environmental, political, regulatory, social and cultural differences it would not be appropriate to generalize the results of studies of developed nations to developing countries.

Chapple & Moon (2005) note many obstacles to achieve corporate responsibility in developing countries because the institutions and society are not active in terms of CSR and the standards are low.

As per significant numbers of research in developing countries, CSR is associated with charity, community development program and philanthropy.

According to Halme and Laurila (2008), the complexity of the CSR phenomenon has to do with the fact that it is inherently a concept that relates business to society: since societies are different, conceptions of CSR are bound to differ as well.

Cultural traditions, political reform, economic, and social influences affects how the concept of CSR and the company responsibilities is interpreted (Visser 2008).

Visser (2008) argues that the difference in the focus of CSR comes from the internal and external drivers in developing countries. The internal drivers comprise cultural traditions, political reform, socio-economic priorities, governance gaps, crisis response and the market access. The external drivers that impact CSR in the developing countries are internal standardization, investment incentives, stakeholder activism and supply chain.

In developing countries, in contrast to developed countries, more of the focus of CSR is put on social issues rather than on environmental or ethical issues. A similarity between large companies in developing and developed countries is the approach in reporting their CSR activities.

Main drivers for CSR in developing countries are, for example, cultural traditions of philanthropy, regulations, socio-economic issues, response to natural and political disasters, international standardization and larger pressure on the entire supply chain to be socially responsible (Visser 2008).

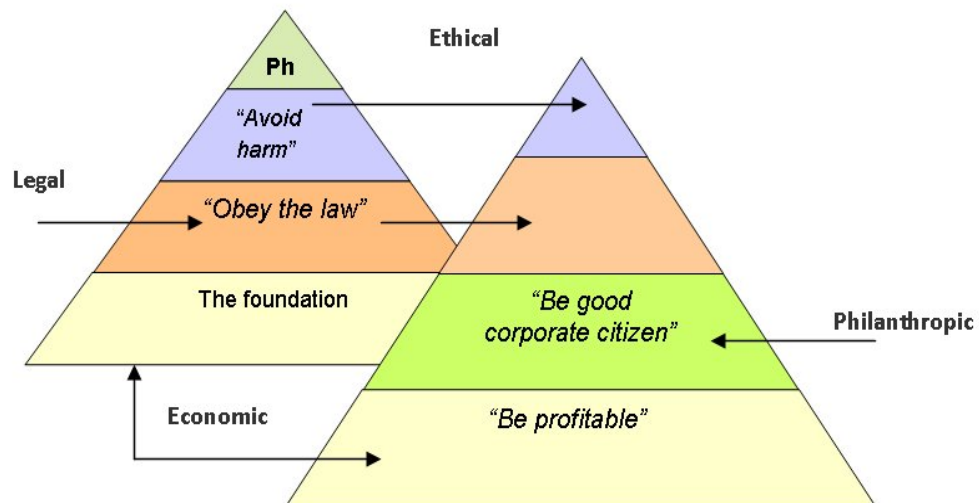


Figure 3. Modified Carroll's Pyramid for developing countries

A modified CSR pyramid, originally explained by Carroll, can be used when describing CSR in developing countries (Visser 2008). The Figure 1 shows the combination of four different components to form a pyramid. In the developing

countries, economic responsibilities besides just being profitable include the job creation and the establishment of local businesses.

Due to social and environmental problems, the philanthropic responsibilities are expected to a larger extent in these areas. Mainly in the developing countries it is an important tradition to help people in need. However, many developing countries are depending on foreign aid in these matters.

As for the legal responsibilities, there is usually a smaller focus on legal issues in developing countries. This is primarily due to the lack of a proper functioning legal framework, underdeveloped infrastructure, administrative inefficiency and lack of resources. For example, tax avoidance by companies is the evidence of irresponsible behavior in the developing countries.

Finally, the ethical responsibilities in developing countries seem to have the least weight in CSR agenda. Therefore it is appropriate to change the order of priorities in Carroll's CSR pyramid. Economic responsibilities should still be given most focus, followed by philanthropic, legal and ethical. This simply gives a more fair view of CSR in developing countries. (Visser, 2008.)

4.2 CSR drivers and obstacles in Belarus

Belarus has declared a path of a socially oriented state, the main goal of which is to increase the material welfare and the cultural well-being of the citizens of the country.

According to Vasily Ostrovsky, Chairman of the Minsk City Council for the Development of Entrepreneurship at the Minsk City Executive Committee, "the Belarusian society has the tradition of philanthropy and patronship. However, a lot has to be done for these traditions to have future. Non-government organizations have to maintain a certain level of public trust through transparent and clear operations, detailed reporting and tracking of all financial flows". (ISEFI.)

The Belarusian legislation does not contain a legal definition of the term "corporate social responsibility". Common CSR practices in Belarus by different

organization are mainly centered on healthcare, education, charity activities, cultural enrichment, youth development, patronizing sports and music.

According to Pavel Daneiko, a Belarusian economist, business coach, Head of the IPM's Business School, "most of the projects, implemented by Belarusian companies as part of their CSR, are shallow; someone has helped somebody some day without noone to remember anything. There are fewer big notable projects in this area" (ISEFI). The main reason for this is lack of the tradition of CSR and social experience. People with Soviet background are not able to solve common problems.

Other reasons for CSR's slow development are instability and imbalance of business; reserved character of the Belarusian business circles.

In countries like Belarus and Ukraine, CSR is mostly initiated by the international organizations and the subsidiaries of foreign multinational corporations or by large local corporations; almost no pressure from the society, authorities or media has been noticed so far.

On 20 December 2006, the Global Compact in Belarus was officially presented. More than 70 Belarusian companies and organizations have joined the Global Compact, and expressed their desire to follow the principles of corporate social responsibility in their business. Among them:

- The leading business associations, Chamber of Commerce, professional groups and associations (5%);
- Private companies (76%);
- State-owned enterprises (8%);
- Educational institutions (1%);
- NGOs, foundations (10%). (Global Compact in Belarus.)

The Global Compact Local Network in Belarus created in March 2007, has done a lot of work in forming the national agenda of corporate social responsibility in the country. One of the most prominent achievements in this area is the introduction of a new nomination, "Socially responsible brand", at the annual contest "Brand of the year". (UN Global Compact, Belarus.)

A monitoring study of the regulatory environment in Belarus which was conducted at the request of GC participants, indicated that the following measures had to be taken to promote CSR principles more effectively:

- focus on streamlining the regulatory environment to enable effective introduction of CSR principles into business practices of Belarusian companies;
- making the legal terminology relating to CSR more specific, in particular this refers to social investment, sponsorship, charitable activities, humanitarian activities;
- specifying sectors where social investment is of the highest priority for the government;
- developing of systemic and comprehensive approach to the provision of benefits and preferences for companies carrying out activities in social, humanitarian and charitable fields;
- simplifying procedures for receiving international technical assistance and aid for CSR purposes. (Global Compact in Belarus.)

In Belarus CSR plans of the big enterprises are often under the direct state control, i.e. the companies exercise patronage of unprofitable agricultural enterprises, participate in public social programs under the direct orders of the president. In large enterprises of the state ownership "traditions of social support from their employees and mentoring are well-preserved from the Soviet era. It is easy for them to present this work as Corporate Social Responsibility". (Belyaeva 2011.)

In Belarus CSR activities are promoted with the help of The Idea Fund established in May 2011. Nowadays it is a centre of communication between civil society, business community and the state. Communication framework, enhanced by the Fund, is based on B2S (business to society) model, according to which any commercial activity should contribute to the preservation and development of social values.

By promoting a constructive dialogue between business and society, state and business, society and state, the Fund initiates positive changes in the Belarusian society. According to the Fund's standards, "Any business initiatives should serve for the society". Due to its close cooperation with the government

and business authorities, the Fund is able to initiate, develop and monitor some unique social programs in such spheres as culture, education, sports, tourism, media, services and other. (ISEFI.)

The Idea Fund implemented the common analytical project in the framework of the Slovak experience in corporate responsibility supported from the funds of the Slovak official development aid (Slovak Aid). According to Drozhdzha et al. (2012) a) Belarusian businesses associate and very often mistakenly confuse CSR with philanthropy in general, b) the sponsorship in Belarus mainly covers the areas of culture and sports, c) social investments are the most difficult to implement among CSR practices: taking into consideration the economic and financial difficulties in the country, the number of companies implementing social investment is low, d) social entrepreneurship is not enough spread in Belarus and is usually represented by public enterprises.

Another big obstacle of CSR development in the country is that CSR is still confused with philanthropy. CSR is commonly understood as a single investment in supporting community rather than being it part of business strategy. Many companies in Belarus engage in CSR or they “think” they engage in it, by supporting the community or renovating local school.

According to the research conducted by Belarusian center for European studies supported from the funds of the Slovak Aid, the drivers of CSR in Belarus can be divided into moral and material. The moral drivers – willingness to take into account the needs of society and to share the results, the responsibility towards environmental protection and simply a moral boost for companies’ managers and employees – were identified as the main drivers of CSR in Belarus.

The findings of another study made in cooperation with the Center of management solutions “Sarmont” (2012) suggested that the majority of Belarusian companies preferred not to disclose the fact of its participation in any social program: 92% of companies committed expenditures (investments) for CSR only in the annual report. Only 5% of surveyed organizations disclosed the information about support community projects on the company's website.

100 well-known companies of the Republic of Belarus of different legal forms of ownership were involved in this survey. Study results showed that 95% of all respondents knew the basic principles of social responsibility. Of those, 68% of those who knew what is social responsibility and believed that CSR provides with positive impact on the competitiveness of businesses and provides benefits to all public members. The respondents identified lack of information (60%), lack of financial resources (34%) and the fact that social responsibility is given too little benefit (6%) as key CSR development barriers. Internet publications were named as the main source of information in various aspects of CSR: 96% of respondents receive information regarding CSR namely through Internet. Most of the surveyed companies implement social programs such as charity (75% of companies) and sponsorship (71% of companies). Other social programs are realized in much smaller number of companies. For example, patronage over public organizations is practiced by 29% companies.

It should be noted that many companies implement in practice a number of social programs (production of quality products, quality working conditions, human resource development), but they do not consider them as elements of CSR.

Ninety-three of companies collaborated with various non-profit organizations within the framework of CSR. The most common are schools (78%), pensioners and veterans clubs (76%) and sports clubs (49%). The main type of assistance is financial support (86 % of companies). (Ibid.)

The findings of the above-mentioned study suggest that the material drivers – enhancement of the company awareness, enhanced image and reputation, customers' loyalty, benevolence and confidence – come as result of being engaged in CSR activities and not as reasons. Moreover, the society is often not informed about the socially responsible actions.

The study by Simkhovich et al. (2012) on CSR education in Belarus concludes that there is a demand for objective CSR knowledge in the country and that there are no proper conditions for business people in Belarus to obtain CSR

expertise and competencies. CSR ideas in Belarus are more popular among big, mainly foreign capital enterprises.

According to this study, civil society is still weak and the government has not yet been finally determined how to proceed in respect of accelerating CSR. It is one of the biggest differences compared to developed western countries where one of the strongest influencers in decision whether to adopt CSR or not are society and government.

In 2011 another survey (Zhuk et al. 2012) has been carried out with the purpose to reveal the public sector and government authorities understanding and awareness of social responsibility, and what is considered as the most important obstacle for development of social responsibility. The study was conducted with participation of the international educational association, ACT. The authors concluded that at this stage the Belarusian legislation on CSR is represented by disparate regulations that implement different, sometimes conflicting, approaches to the regulation of charity. There is no systematic or comprehensive approach to the regulation of different types of charitable activities: sponsorship, charitable donations, volunteer activities. With the exception of culture and sports, law performs as a deterrent rather than an incentive function for development of charity.

Internal CSR is largely similar to the term "social package" found in the Belarusian legislation which is defined as a mechanism to stimulate high-performance and efficient work by providing the employees with the additional social benefits, not provided by the legislation on the basis of voluntary decisions by the employer and for the employer's costs such as voluntary insurance of medical expenses, gratia payments on special occasions; providing company car and spa vouchers. Since the implementation of the internal CSR is made by Belarusian companies directly from their profits it appears to be that engagement in socially responsible activities is considered as having extra expenses that are not necessarily reflected in a business case.

Based on the results of all above mentioned studies, SWOT analysis on CSR stimulating policy in Belarus can be drawn. The main strengths and weaknesses, opportunities and threats of the current are presented in Table 1.

Strengths	Weaknesses:
<ul style="list-style-type: none"> • Growing demand for CSR in Belarus, • The Global Compact Local Network in Belarus, • In 2007, UNDP established criteria according to which the annual award to the nominated company in the National Responsible Business Reward event is given, • Since 2009, companies are publishing reports that they share within The Global Compact Local Network. 	<ul style="list-style-type: none"> • Lack of CSR conception understanding and information, • Lack of CSR expertise, • Lack of partnerships among institutions, • Lack of information and examples about good CSR practice, • Lack of resources and regulatory initiatives, • Incomplete system of calculation of tax benefits.
Opportunities:	Threats:
<ul style="list-style-type: none"> • Foreign funding and assistance, • Foreign investment attraction, • Small and medium enterprises funding, • Development of a system of state support for companies funding social events, the transition from individual to nation-wide incentives for companies, • Simplification of tax administration for responsible businesses, • The adoption of international standards for product quality, environmental safety and management as a mandatory condition for businesses entering international markets, • Increasing exports, the competitiveness of the economy, • Improving anti-corruption efforts, environmental and regional development. 	<ul style="list-style-type: none"> • Instability of political and legal environments, • Inefficient laws that impede the development of sustainable business practices.

Table 1. SWOT analysis of CSR stimulating policy in Belarus

In summary, the social responsibility of Belarus is a highly questionable phenomenon. The main reason for promoting social responsibility development in Belarus is the desire to be equivalent to a business partner with foreign companies for which social responsibility is an integral part of business success.

As the consumer goes more socially responsible, companies also engage in CSR more actively. Unfortunately, at the current moment, the companies who

practice CSR activities and report on CSR issues in the majority are the ones with the foreign capital. They are obliged to report on CSR activities by their headquarters.

High levels of corruption, tax avoidance, weak civil society and lack of its participation, a need for governmental initiatives and policies, and lack of awareness on benefits of CSR could be identified as the main barriers for successful CSR implementation in Belarus.

5 CSR IN BANKING SECTOR

Banking is a good industry for CSR research because banks represent a sector that is both highly visible to public evaluation and a major contributor to economic stability and growth. Historically, they have often been the object of dissatisfaction, distress and critique, especially by customers in economically challenging circumstances.

Unlike the other industries like chemicals, machinery or pulp, the banking industry has significantly lower direct environmental impact.

However banks can and do have serious indirect impacts on stakeholders through their lending activities, investment policies, industrial portfolio engagement or asset management. The loans and investment projects of banks themselves may be considered neutral, but the activities that they permit to be undertaken by their clients, can cause positive as well as negative social and environmental impacts.

Banks have less environmentally hazardous activities, and subsequent direct impacts, compared to businesses engaged in primary resource extraction or heavy industries. Nevertheless, through their intermediary function many researchers see them as facilitators of industrial activities which often cause environmental harm.

International Finance Corporation (2007) found that: (a) individual banks had to devise their own business case for sustainable banking, (b) reputation and branding had become the top reason for many banks to integrate sustainability,

(c) the benefits outweighed the costs, and social and environmental risk management improved the quality of a bank's portfolio and lowered insurance liabilities and compensation claims.

Banks, as well as other corporations, have a responsibility beyond that owed to shareholders, but also to a broader stakeholder group like members of the communities in which they operate. This broader responsibility has been recognized by banks, many of them publish annual CSR reports, noting the importance of corporate social responsibility to their businesses. Banks show their social responsibility by denying funding for questionable projects and rejecting some contracts.

Yeung (2011) pointed out that CSR in banking industry shall comprise the above-mentioned elements: risk assessment, effective and efficient internal audit process with value added to stakeholders. Hence, in order to maintain competitiveness in the market and responsible to customers, bankers need to understand the economic situation, re-focus marketing strategy with prudent risk management system, identify the concerns of customers, implement fair operation procedures to protect customers and the community as a whole.

On the whole, research conducted on CSR disclosures in the context of banks is scarce and most of them have been conducted in developed countries. Studies generally indicated that banks in western countries obeyed to the rules and took initiatives to improve their sustainability.

Branco and Rodrigues (2006) made a comparison of CSR disclosure themes in annual reports and on websites of Portuguese banks. They also investigated whether banks with higher visibility disclosed more information. Results showed that Portuguese banks with a higher visibility among consumers seem to exhibit greater concern to improve on image through higher CSR disclosure in annual report than on websites. The authors concluded that since the larger firms are more visible to the public than the smaller ones, they are more open to searchlight from stakeholder groups and more vulnerable to adverse reactions.

Zaghal and Ahmad in 1990 investigated the CSR disclosure practices of Canadian banks. They found that 82% of banks surveyed reported information

about human resource, product and business practices themes while disclosure on the environment were less favored.

In 2009 Reinig and Tilt investigated the CSR disclosure of four Australian banks through press releases. They found that disclosures mainly focused on community involvement targeted at the community and customers. (Dineshwar 2013.)

Research on CSR in developing countries is still undersized and focuses mainly on Asia, Africa, Latin America, Bangladesh and India. Nevertheless the research on similar studies offered interesting results.

In Bangladesh the findings by Khan (2009) were: (a) the selected banking companies did some CSR reporting on a voluntary basis, and (b) the stakeholders were in favor of CSR reporting, and would like to see more disclosure.

In other recent study, researchers at Simon Fraser University looked in the relation between corporate social responsibility disclosure and financial performance of different commercial banks (Cheung and Mak 2010). Their research showed that no definitive relationship exists, neither positive nor negative, between CSR disclosure and financial performance in commercial banks.

In accordance with the recent paper presented by Akinpelu et al. (2013) in Nigeria the commercial banks disclose more information on human resources and community involvement and very low information on environmental, product quality and consumer relation. The data analysis showed that value of total assets have positive relationship and statistically significant with the level of CSR activities disclosure. Moreover, the number of branches is also positively and significantly related with CSR disclosure level.

Dineshwar (2013) concluded that the legitimacy theory is an appropriate explanation for the level of CSR disclosures in the Mauritian banking sector. He reviewed the annual reports of banks for the year 2011 using content analysis and choosing five categories of disclosure in line with the Code of corporate

governance. Findings showed that banks with higher visibility disclose more CSR information thus confirming that the legitimacy theory could be an explanation for CSR disclosure by Mauritian banks.

6 EMPIRICAL RESEARCH: CASE STUDIES

6.1 Presentation of banks

After collapse of Soviet Union Belarus restructured its banks into a two-tier system consisting of the National Bank of Belarus and 36 commercial banks (including four specialized banks: Belagroprombank, Belpromstroybank, Belvnehsiekonombank, and Sberbank) with a total of 525 branches in 1994.

Nowadays the Belarusian banking system remains dominated by state-owned banks, and in particular by three major banks, established on the basis of pre-existing Soviet banks: Belarusbank, Belagroprombank and Belinvestbank. These banks finance state programs and account for about 90% of all assets in the Belarusian banking sector.

In order to determine the banks-leaders in the field of CSR, online research of all 31 banks currently operating in Belarus (National Bank of Republic Belarus, 2014) was conducted by visiting their respective websites, and the banks which mentioned CSR on their websites and/or issued CSR reports were identified. From these 31 banks, 16 mentioned CSR related issues like sponsorship and charity on their websites, but only 3 are involved in reporting on sustainability (for the full list of banks see Appendix 3), one of them actually has no report but gives a link to their parent company's (group) report (VTB Bank Belarus).

In order to analyze banks' CSR disclosure in depth, the four cases selected out of these 16 banks are Belarusbank, BelVEB, Priorbank and MTBank. In the selection of these case banks the following key factors have been taken into account: CSR profile, availability of CSR information and market status (VTB Belarus).

Each case will start with a brief description of the bank, followed by empirical data and observation on how CSR is managed in terms of action and communication.

The main difference between the banks is that Belarusbank is a state owned institution, while others largest shareholders are private foundations.

6.1.1 Belarusbank

Founded in 1922, Belarusbank is owned by the Belarusian state and is currently the largest financial institution in the country with 22 thousand employees. The Bank's structure comprises 6 regional branches and 28 local branches (Belarusbank 2013).

Performance as of October 01, 2013:

Authorized Capital – 1 795 M€.

Total Assets - 12 437 M€.

Net Profit - 103 M€.

Belarusbank offers various types of financial services and products to its customers: cash settlements, lending, deposit banking, leasing, factoring, cash collection, international settlements, plastic cards transactions, consulting and depository services, provides loans to the companies and enterprises of the real sector of economy.

According to the *Code of Corporate Governance* (the Code) approved at General Meeting of Belarusbank's shareholders on the 5th of June 2009, the main goal of the bank is to ensure its sustainability and effective performance.

Belarusbank has made no reference to CSR in its annual report or on its recently updated website, but I chose it for analysis since I work for this big company as manager of import-export documentary operations.

A summary of the Belarusbank's CSR related activities and statements based on analysis of their Code of Corporate Governance, corporate brochures, magazines and media releases in the terms of Carroll's model is presented below:

Economic Responsibilities

Economic responsibilities revolve around the responsibilities the company have towards shareholders, customers, employees and society in general to be a functioning economic unit and to stay in business.

According to the Code, Belarusbank strives to ensure a growth of profit to increase the profitability. Their target is to ensure a growth of income for its shareholders based on a balanced growth of the bank's economic performance, to build an effective system of providing high-quality banking products and services fully meeting the customers' needs. To achieve their goals the bank is obliged to enhance the internal control system, improve the quality of risk management and ensure a proper level of the bank's reliability. The bank's aim is to make a substantial contribution to the development of the Belarusian banking system, to expand long-term mutually beneficial relations with international financial institutions and to improve the image of the bank in the world financial community.

It has also mentioned that one of the priorities is contributing to the improvement of the Belarusian economy: it provides loans to the real sector of the economy, makes its contribution to the implementation of government programs and large-scale investment projects in Belarus.

Legal Responsibilities

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate (Carroll 1991).

In accordance with their Code, Belarusbank is striving for the highest industry standards while fully complying with requirements of the Belarusian legislation. Activities in conflict with the Belarusian legislation and the bank's local regulations are unacceptable. Infringement of the legislatively mandated Belarusian regulations, the bank's local regulations shall not justify bank's profit earnings. Among others the system of corporate governance at Belarusbank is

based also on the principle of an effective system for preventing money laundering and terrorism financing.

Ethical Responsibilities

Ethical responsibility is important to companies to define and be respectful to ethical moral norms set by society.

In accordance with the Code, Belarusbank is carrying out its activities to ensure a high level of business ethics in relationships with economic agents in domestic and international markets, as well as inside the bank.

The Bank has developed the Code of Professional Ethics for its employees reflecting the main professional standards and corporate values, ethical norms and rules of behavior for the bank's employees. The internal and external communication is based on professionalism, correctness, good will, openness and mutual respect.

Philanthropic Responsibilities

These responsibilities cover the programs to support human welfare and goodwill (Carroll, 1991).

According to the analysis of Internet publications, articles published in the local magazines and newspapers between years 2012-2013, philanthropic activities of Belarusbank take the first place in their CSR hierarchy especially volunteering, community development and sponsorship of sports.

Social projects are represented by several programs: "Parent's Corner," "Win together!", "Vector of Kindness," "Bridge to the Future" and "Space of Inspiration." The first one is connected with the construction of family-type houses for families who adopted orphans. Up to now Belarusbank has built 13 cottages for family-type homes.

Under the program "Vector of Kindness" Belarusbank is financing the acquiring of modern medical equipment for health facilities, renovating of furniture and household items for hospitals and much more. The program "Win together!" is

aimed to help in the organization of sports and recreation activities of the communities, promote a healthy lifestyle and support of physical culture and sports. Belarusbank is the official sponsor of the Belarusian Football Federation. The program "Bridge to the Future" is aimed to support educational institutions. The purpose of the last program is to support cultural institutions. In short, the bank covers all segments of the community, participating in the implementation of many social programs that have national importance. Belarusbank pays considerable attention not only enhancing the functionality of the equipment, but also increasing the convenience for its customers with disabilities. For example, in 2012-2013 bank installed several ATMs for visually impaired people.

6.1.2 BeIVEB

BeIVEB was founded in 1991 and is based in Minsk, Belarus. As of November 2, 2007, it is a subsidiary of Vnesheconombank, Moscow. The bank provides personal banking and business/corporate banking services in Belarus and internationally. As of January 1, 2013, the company operated 25 branches. The total number of employees – 2.3 thousand.

Performance as of October 01, 2013:

Authorized Capital – 222 M€.

Total Assets - 1 672 M€.

Net Profit - 24 M€.

BeIVEB's Sustainability Report 2011 was the bank's first non-financial report (BeIVEB 2013). As expected, in its preparation the bank received the methodological help from its major shareholder - Vnesheconombank, Moscow. BeIVEB presented the first CSR report among other Belarusian banks marking the positive changes in the development the CSR segment in Belarus.

The report covers the main issues related to the economic, environmental and social impacts of the bank. The bank self-declared a "C" GRI Application Level. As written in the report, in addition to self-declaration, the Internal Audit Department of the Bank performed an analysis to verify and prove qualitative and quantitative data presented in the Report.

BelVEB issued a Sustainability Report in accordance with the GRI's Sustainability Reporting Guidelines (G3), the report can be downloaded separately from the bank's website. *BelVEB's* report is fully built on the indicators, the text and figures in the report are related to a certain indicator. Page references are used to find information on the different indicators and one indicator can be presented on many different pages in their report. The GRI indicators are described on several pages in the final part of the report. The table "The Report Compliance with GRI Guidelines" gives an overview of where in the report you can find a specific GRI indicator. References to other information sources are provided in the text as well as in the abovementioned table.

BelVEB's CSR activities as per Carroll's pyramid:

Economic Responsibilities

The Bank's strategic goal is to substantially improve its position in the banking industry, placing itself among the top five banks in Belarus in terms of quantitative and qualitative indicators and building up its participation in the national economy of the Republic of Belarus to fortify its potential.

According to the Chairman of the Management board, the bank's credit and interest rate policy remains that of a state-owned bank since they pay special attention to the support of core industries of the economy, financing of socially important projects, adoption of well-balanced pricing policies and implementation of transparent and fair loan terms and procedures.

BelVEB gives priority to the support of innovative and infrastructural projects that have high multiplier effect and boost infrastructure development as well as innovations, small and medium entrepreneurship and high-tech sectors and provides financial assistance to projects aimed at upgrading production capacities, introducing environmentally friendly and energy efficient technologies, improving quality of life in the regions where such projects are implemented, increasing tax revenues influx into the budget, creating new jobs and incrementing the number of employed population.

Legal Responsibilities

BelVEB's basic principles, goals and objectives as well as the mechanism for implementation of CSR Policy are outlined in the bank's Regulation on the Policy of Corporate and Social Responsibility and Preparation of Non-Financial Reporting, approved by the Management Board in 2011. The CSR policy is implemented with the principles of transparency in all its activities, priority to socially important projects, implementation of projects improving environment, responsibility for economic, environmental and social impact of the bank in the perspective of local and global sustainability. Like other case banks, in its operations Bank BelVEB applies a system of anti-money laundering and combating the financing of terrorism.

In accordance with their Ecological and Social Policy, BelVEB also undertakes to take reasonable steps to ensure that corporate borrowers comply with the national law on environment and labor safety protection as well as to comply with EBRD's requirements in regard to activities of financial institutions.

Ethical Responsibilities

Ethical responsibilities mean to carry oneself in a fair and right way, even if it may be up and above what is required by law.

In their report, BelVEB has mentioned that "compliance with the principles of corporate ethics is inherent in the bank's corporate culture and helps strengthen mutual trust between the bank and the financial market participants. The priorities of this area include protection of the rights and interests of the Bank's customers, counterparties and business partners and combating corruption"

Moreover, according to the Corporate Rules of Ethical Conduct of Bank BelVEB (2011) the bank cooperates with its customers, business partners, regulatory and administrative authorities employing the principles of: respect, trust, good faith and fairness; maintaining stable business relations on an arm's length basis; preventing any possibilities of direct or indirect influence on resolutions made by governmental, administrative or judicial authorities; and taking part in

decision-making in respect of specific objectives to develop regions and towns of the Bank's operation with the help of a constant open dialog.

Philanthropic Responsibilities

Philanthropy is the range of activities a company can do to be philanthropic is quite broad. What the company chooses to do is at its discretion. Common activities are benefits for employees, charity donations and sponsorship. Ultimately the aim is to improve society as a whole. This part also requires the firm to be a corporate citizen.

According to BelVEB's sustainability report, one of the major provisions of the Bank's 2011-2015 Development Strategy concerns contribution to cultural, art and sporting programs promoting historical treasures and preserving national parks. The bank acted as the general sponsor of a number of events held by the National Historical Museum, the Belarusian State Philharmonic Society and National Academic Bolshoi Opera and Ballet Theatre.

BelVEB is sponsoring various charitable causes and sporting events, and providing the financial patronage to nationally significant cultural programs, for example, Belarusian Tennis Federation, National Olympic Committee. Bank is granting the financial assistance to healthcare intuitions, charity foundations, public and professional organizations, rendering support to schools under its patronage, including schools for children with special needs. Assistance was also provided individually to disabled and low-income people in need.

6.1.3 MTBank

Minsk Transit Bank CJSC (MTBank) was founded in 1994 and is headquartered in Minsk, Belarus. It provides various commercial banking services to corporate and private clients in Belarus. The company offers various deposit products for individuals and corporate customers. Its loan product portfolio includes consumer credit products for individuals; loans for small businesses; and business financing services for corporate customers. It operates through approximately 6 banking centers and 30 cash settlement centers in regions. The total number of employees as of October 2013 is 1300.

Performance as of October 01, 2013:

Authorized Capital – 35 M€.

Total Assets - 362 M€.

Net Profit -11 M€.

CJSC Minsk Transit Bank is a UN Global Compact Member since 2006 and provides yearly reports on socially responsible actions. Communication on Progress report elements include:

1. Statement of continued support for the Global Compact by the CEO or other senior executive.
2. Description of practical actions taken to implement the Global Compact principles.
3. Measurement of outcomes or expected outcomes. (UN Global Compact)

MTBank reports on their commitment to ethics, customers, employees, shareholders, environment and society. In order to monitor their progress the bank developed a set of relevant key performance indicators including paper consumption, shareholder return, customer satisfaction and others.

MTBank is a winner of the national contest "Brand of the Year" in the nomination "Socially Responsible Brand" and holder of the title "Brand Leader 2012 in social networks".

Economic Responsibilities

Communication on progress 2012-2013 report starts with the statement of Chairman of the management board Andrey Zhiskevich. He underlines that the Bank is one of the fast growing and efficient commercial financial institutions in Belarus. By the end of 2012 MTBank was among the three largest banks in Belarus in terms of consumer lending and ranks fifth in efficiency rating. The bank has the purpose of being the universal bank that serves the financial needs of different types of customers, and in the process attract the best employees to serve customers.

Not only good sales are important for MTBank but also the quality of their services, providing satisfaction and loyalty of the customers as well as the good reputation of the bank on the market.

Over the years, MTBank financed the energy efficient projects in the framework of the special program of IFC. Such projects were connected with the acquisition of technological lines and modernization of heating systems by the energy efficient enterprises. MTBank preserves the environment by reducing the use of natural resources. One of the purposes of the bank is enhancing its tools for showing consideration of environmental, social and political risks. (MTBank, 2013)

Legal Responsibilities

Legal responsibilities simply mean abiding the law and playing by the “rules of the game”. Like any financial institution, MTBank also has an anti-money and anti-terrorism policy statement. On their website the bank states that any involvement with illegal activities, even unwittingly, is of great concern. Since financial institutions play a key role in laundering money, they are also in a great position to detect and prevent crime.

Ethical Responsibilities

As mentioned in the report within almost 20 years of its activities MTBank is successfully working on the implementation of the various social projects. The priority of MTBank's social responsibility is the quality of services provided, internal CSR as well as social responsibility towards society as a whole.

MTBank takes into account the interests of society, taking the responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders' side of the public sphere. MTBank builds its relations with partners on trust, transparency and mutual respect. These principles are required to achieve the overall strategic objectives.

The bank has several “green” initiatives as well. For example, unlike other banks, starting from 2012 MTBank abandoned the printing of the Annual

Report, and the funds saved were invested in purchasing of the laptops for students of Belarusian State University. The annual report is only to be placed on their website.

Also MTBank's personnel is taking care of the nature, on the local and global scale. Good bank's tradition is the planting of trees and flowers near the offices. The energy-saving equipment is set In bank's offices. Printer cartridges are charged repeatedly, which reduces the amount of non-degradable waste. The MTBank encourages the potential customers to take measures aimed at reducing energy and their energy efficiency policies.

Philanthropic Responsibilities

MTBank implements social projects and engages in sponsorship and charity activities, as the mission of the Bank is to ensure that every Belarusian citizen has the opportunity to enjoy all the benefits of modern financial civilization and is able to realize their dreams. (MTBank.)

According to the marketing director, MTbank's strategy has the following main areas – entrepreneurship and intellectual progress, education, art and culture, environment and sports.

6.1.4 Priorbank

Priorbank JSC is a member of RZB Group and a subsidiary of Raiffeisen International Bank-Holding AG, which in turn is a fully consolidated subsidiary of Vienna-based Raiffeisen Zentralbank Osterreich AG (RZB). Number of employees is 2.5 thousand.

Performance as of October 01, 2013:

Authorized Capital – 209 M€.

Total Assets - 1 435 M€.

Net Profit - 37 M€.

Priorbank's *Code of Conduct* (The Code) deals with some key issues concerning bank's relations with its stakeholders, behavior in the marketplace, and employees' personal conduct, it covers a variety of issues, such as labor

rights, environmental protection, stakeholder relations, anti-corruption, bribery, reporting and disclosure duties.

It states that the basic principles governing this group are derived from the ideas of founder of the Group - F. W. Raiffeisen, who felt that all economic activities should be oriented on societal solidarity and self-help as well as sustainability.

The bank has not issued the sustainability report yet, but is planning to do so.

Economic Responsibilities

Priorbank's strategy mentioned in the annual report was targeted at further development of the co-operation with customers, optimization of business processes, improvement of the bank's services quality and their accessibility to the customers.

According to the Chairman of the Board Sergey Kostyuchenko, "the essence of our successful business activities is in constant promotion to the banking market of the country of new and exclusive banking products and technologies, such as the two-factor international factoring, indispensable for the exporters, special conditions for salary payroll services to companies, as well as available credit cards. All of this will ensure the profitable and efficient operation of the bank and also in the future."

Priorbank is committed to sustainable corporate management and to the social responsibility going along with it. As well as their parent company, they will neither directly nor indirectly finance any transactions, projects or parties involving or involved in the use of forced labor.

When it comes to the environment, the Code states that "the financing of or any participation in any transactions and/or projects which put the environment at risk with lasting effect (for example: destruction of the rainforest or pollution of the environment and waters) are not in accordance with the business policy" (Priorbank).

Unlike Belarusbank and BelVEB who are proud to be involved in implementing the investment projects in the field of nuclear power generation, Priorbank, as

their parent company, RZB, will not finance the construction of atomic power plants.

Legal Responsibilities

Priorbank published the Code of Conduct as the essential document to show its corporate governance policy. It states that Priorbank respects the laws, regulations and rules of the countries where RZB group does business. They strive to comply with the highest possible standards in carrying out our business activities.

Like all the other banks, in the terms of legal issues especially, Priorbank is not an exception. On its website, it has mentioned anti-money laundering procedures and insider trading. Nothing is written in detail, but it is mentioned.

Ethical Responsibilities

The Code of Conduct defines the basic values of Priorbank and constitutes the foundation of a corporate culture that is in conformity with the law and that is orientated on ethical principles. It ensures that the behavior in business dealings and ethical matters will be in compliance with the highest standards, which are based on the following values: Customer focus, Professionalism, Quality, Mutual respect, Initiative, Teamwork and Integrity.

The Priorbanks's Code of Conduct focuses on the ethical employee behavior and corporate citizenship principles. In accordance with the Code, the role in the business world is characterized by practicing responsibility towards the customers, employees, and shareholders as well as towards society as a whole. Further, the Code includes openness, transparency and dialogue with the media, authorities, society, stakeholders, students, pensioners.

Philanthropic Responsibilities

Priorbank has always paid a great deal of attention to CSR programs. The bank's social responsibility arises from team members' sense of citizenship and from each employee's inherent desire to be a part of sustainable development in the community (Priorbank). The main CSR activities of Priorbank are charity

and sponsorship. A detailed description of these activities is given on the bank's website: the support of agriculture, education, the disabled children and adults, orphans, children's hospice, sponsoring of cultural and sports events. Priorbank is the official sponsor of the International Ice-hockey Championship 2014 held in Minsk.

International Charitable Foundation for Children «Chance» honored Priorbank with the award "for commitment to the charity".

6.2 Interviews

For interviews, managers of four case banks were addressed with questions divided into 3 sections depending on the fact of banks' reporting or non-reporting about their CSR issues (for the full list of questions see Appendix 1).

Interviews aimed at pointing out how CSR is perceived and implemented within the bank, while questionnaires measured the level of knowledge on the subject. Based on the objectives of this thesis, the intent was to find respondents within the chosen banks possessing knowledge about CSR and sustainability reporting. For selecting the respondents, the banks' websites were searched in order to find the relevant employees within the specific departments. They were contacted by e-mail where the purpose of the thesis was explained and what subject-related knowledge the respondent should have. In almost all cases replies from the case banks were received rather soon after the first e-mail. The method for data collection was a self-completion questionnaire completed by 18 respondents. Questionnaires were sent to several managers of the same chosen department. Based on the answers, the exact person for interview was chosen. As a result four respondents were interviewed shortly after completing the questionnaire in order to receive subjective views on the subject. Received data was then analyzed by using qualitative methods.

When choosing the type of interview, a priority was given to the telephone interviews for several reasons. Firstly, as already been mentioned, some valuable information was received through previously sent e-mail questionnaires and collecting data from the banks' websites. Secondly, the method was more time-saving than face-to-face interviews. Disadvantages of

telephone interview include the fact that the response rate is lower than for face-to-face interviews, an interview length must be limited, and the responses may be less complete.

The interviews showed that respondents involved in CSR activities and reporting have a broad view of CSR, but they possess a rather narrow view towards practices of CSR reporting in the banking industry context. In order to find out how each bank defines CSR, the respondents were asked to provide their organizations' definitions of CSR. According to all interviewees, CSR is an important question for their companies. Nevertheless, the extent to which the banks have developed their sustainability performance, vary. Thus, certain banks are more advanced in this regard than their peers.

Below are the case banks' business concepts:

MTBank: "Manage impact of banks' actions in terms of economic, social and environmental contribution."

Priorank: "The way in which an organization positively contributes to the community in which it functions."

Belarusbank calls their CSR as SR (Social Responsibility) and defines it as "the contribution to the well-being of the community being social."

BeIWEB mentions that they are and were in front concerning CSR and sustainability within their line of business even 7 years ago. BeIWEB's respondent underlines that banks cannot be isolated from the external environment in which they operate. They must build a dialogue with the external environment, with the parties that directly and indirectly affecting the bank's performance. BeIWEB states that the main purpose of the sustainability report is to provide the interested parties (media, NGOs, trade unions, public authorities) with the information about non-commercial activities of corporations.

MTBank considers that the main objectives of non-financial reporting are: to inform stakeholders about the measures taken by the bank in their interests, to increase the openness and transparency of business, to strengthen the

competitiveness. Both banks agree that sustainability report should reflect both positive and negative results of companies.

Belarusbank believes that in Belarus the level of openness and transparency of enterprises is extremely low. Many companies as well as Belarusbank see the reporting as advertising and representing their beneficial activities, but not as a rational instrument of corporate strategy able to build the company's operations while avoiding many of the risks.

In reply to the question about the motives and drivers of CSR, MTBank says that the main driver is the desire to conform to the international standards of business which is based on the principles of sustainable development. It is important for banks and other large corporations to look decent on the international level, where the non-financial report has become the norm for business leaders. But the fact is that the environment in which CSR has evolved in Belarus differs from the one in the developed countries. The main difference lies in the fact that the legislative regulation of CSR is in its infancy, there are no tools to encourage socially responsible companies, no tax indulgences, therefore many corporations are forced to use "shadow schemes" or to refuse the social responsibility.

Belarusbank emphasizes that the government pays insignificant attention to the promotion of CSR on the national level. The government should create favorable legislative conditions for the banks and other companies, operations of which contribute to the implementation of CSR measures, and stimulate social and environmental investments and other CSR activities such as tax breaks for company finances spent for professional training of their workers, improvement of housing conditions, development of sports and implementation of environmental activities.

It can be concluded that all banks held similar views of an overlap between CSR and corporate philanthropy at the start of their CSR journeys.

None of the banks have a specific department responsible for questions concerning CSR, instead the tasks are spread out among different departments. The responsibility concerning the issuance of the annual or sustainability reports

was put on the financial department in the majority of the banks. It is connected with their experience of measuring and reporting from the daily work and financial reports. In some banks the responsibility was shared with the person in charge of communication and brand managers (Belarusbank and MTBank). BelVEB is the only bank where corporate governance department is responsible for the sustainability report, nevertheless the financial as well as legal departments are involved.

The organizational process clearly influences the extent and nature of the voluntary CSR disclosure. During the process of the report preparation many operations take place at different organizational levels; information is processed, analyzed, verified and documented. Data selection is conducted in compliance with corresponding disclosure policies. The number of people employed in the process and the extent of used external resources impacts the report.

The majority of respondents implied that they had to find information by themselves in order to increase their knowledge about CSR reporting and activities. MTBank says that they did not experience any difficulties while preparing their reports. BelVEB says that they experienced difficulties in the beginning since they tried to adapt the organization to the indicators instead of adapting the indicators to the organization. As result their sustainability report excludes information on certain indicators because of the reasons like absence of information, not applicable information due to banks' core activities, financial services of the bank do not affect customers' health and safety. With the help from the auditors BelVEB found and adapted indicators that were more appropriate to them. Their parent company has also provided them with manuals on how to create the report and how to integrate it into their business.

Belarusbank has the general impression about sustainability reporting but they consider it as something complicated and not designed for all banks, especially state-owned. Belarusbank says that it is not just to put the information on a paper: they have to know from when and where the information is from and why it is included in the report.

BelVEB underlines that the preparation of the report requires serious financial investments, excluding those that the bank spends on their social projects. There is a need to establish a working group of experts from the fields of HR or personnel management, ecology and safety. Then the materials need to be processed according to the international standards, printed. The presentation of the report usually takes place during the organized meeting with stakeholders. The biggest expenses, however, are payments for the services of consultants and auditors verifying the report.

BelVEB and MTBank mention that they have been helped by auditors regarding questions about the reporting.

Priorbank says that they still are in the stage of developing the report. Before they start to use it in purposes of comparison and communication they want to build up a good sustainability report.

MTBank believes that companies have to keep CSR in mind when doing business and they try to remind their customer about the importance of CSR. They underline that they feel a great responsibility to spread the importance of sustainability since they meet a lot of companies and customers in their business.

The interviewed respondents spend different amount of time with the creation of the sustainability report. On average, they estimate that more than 2 weeks are spent quarterly on gathering and compiling of the information.

7 ANALYSIS AND SUMMARY OF FINDINGS

7.1 Analysis

This chapter provides an analysis and a discussion of the empirical findings from Chapter 6. The analysis of the data from case banks is summarized in tables. The thesis examines how particular banks undertake CSR disclosure through the Legitimacy theory.

The Legitimacy theory gives the explanation why companies voluntarily choose to publish sustainability information. This theory states that since companies do not have an inherent right to resources, they have to convince their relevant public that their products and services as well as those who benefit from the company's profits are legitimate.

Apart from interviewing the appropriate managers and studying annual reports, websites of each case bank were explored in order to see how sustainability is reflected in their business concepts or related concepts, such as goals or values (in case the bank has no formulated business concept provided on its website).

Each case bank was assessed to determine what type of formal social responsibility reporting it carried out. Sources were: annual reports' mentions of social responsibility (philanthropy, commitment to communities and employees); policy statements issued by each of the banks, social responsibility discussion on websites and media on the whole.

In most of the banks studied, CSR reporting is related to discussions of social programs in their annual reports. Some banks begin acknowledging their social responsibilities through the mission and strategy. The differences in reporting about CSR activities between the banks are presented in Table 2.

Media	Belarusbank	MTBank	BelVEB	Priorbank
Annual report: - Chairman/CEO address	No	Yes	Yes	No
- Mission/strategy	No	Yes	Yes	No
- Other sections	No	Yes	Yes	Yes
Code of Corporate Governance	Yes	n/a	n/a	n/a
Code of Conduct/ Ethical Conduct	Yes	n/a	Yes	Yes
Sustainability report	n/a	n/a	Yes	n/a
Other media	Charity	Charity, Sponsorship	Charity, Sponsorship	Charity, Sponsorship

Table 2. Reporting of CSR activities in banks documents

Direct hyperlinks to CSR information were found on all banks' websites except for Belarusbank. It is evident that these banks are trying to highlight the status of CSR in their business operations. Nevertheless, the banks' website communication on CSR mainly focuses on providing the information about the banks' CSR policies and activities like sponsorship and charity.

The closer observation of social programs carried out by different banks mentioned in other media reveal that they are engaged in making donations, partnership for education, and other community development activities, like assisting arts, supporting health-care institutions, children, students and senior citizens, veterans, agricultural and small enterprises.

When it comes to sustainability activities, as presented in Table 3, two of four banks focus more on the social goals while one focuses on environment and social goals, and one is somewhere in between.

Belarusbank	MTBank	BeIVEB	Priorbank
Education Health Culture& Sports Miscellaneous	Environment Education Health Care Sports Beautification Art & culture Community development	Environment Lending policy Investment activities Art & culture Education Health Care Sports	Education Health Culture and Sports Agriculture

Table 3. Major CSR activities of sample banks at a glance

The content analysis revealed rather narrow and corporate-centric representation of CSR in the case banks' annual and CSR reports. Reports mainly focus on the impacts of the case bank's office operations, customers and non-core business activities as philanthropy. There were minimal disclosures on economic, social and environmental impacts caused by the core business services as presented in Table 4.

	CSR disclosure theme and Index	Belarusbank	MTBank	BelVEB	Priorbank
A Environmental					
1	Environmental policies of the bank	-	+	+	-
2	Environmental management, system and audit	-	-	-	-
3	Investment policies	-	+	+	+
4	Conservation of natural resources and recycling activities	-	+	+	-
5	Disclosure concerning energy efficiency	-	+	+	-
B Human Resources					
1	Employee training and education	-	+	+	+
2	Employee consultation	-	+	+	+
3	Trade union activity information	-	+	+	+
4	Employee health and safety	-	+	+	+
C Product Quality and Consumer Relations					
1	Customer satisfaction of the product/services quality	+	+	+	+
2	Customer feedback on product/services	-	+	+	-
3	Customer complaint channels	-	+	+	-
D Community Involvement					
1	Charitable activities and donations	-	+	+	+
2	Support for education	-	+	+	-
3	Support for art and culture	-	+	+	-
4	Support for public health	-	+	+	-
5	Support for sports	-	+	+	-

Table 4. Key differences between banks in CSR themes and their disclosure

Considering that CSR reporting is still a relatively new phenomenon for Belarus, and that CSR itself is an abstract concept encompassing numerous areas, it is likely that there is much confusion about what to report and how to do so. If we compare banks' reports, it is noticed that they make every effort to find more appropriate ways of accounting for their performance. The inclusion of information in reports is still largely determined by what banks themselves perceive as important or useful. Their approach tends to be 'pick and choose', sometimes only presenting in detail the issues that are beneficial to the image and non-sensitive in nature.

Yet the only bank reporting in accordance with the GRI Guidelines is BelVEB.

The empirical study shows that the banks have been active in addressing a number of issues related to the banking sector. Table 5 indicates to what extent these aspects are covered by each bank's efforts in their reports and websites.

CSR disclosure aspects	Belarusbank	MTBank	BelVEB	Priorbank
Combating bribery & corruption, AML				
Policy	W	W	WR	W
Internal control systems	-	R	R	
Training	-	-	-	-
Gender equality, diversity				
Equal payments	-	R	R	-
Equal treatment & opportunities	-	R	R	-
Anti-discrimination	-	R	R	-
Environmental protection				
Energy/water / paper consumption	-	R	R	-
Responsible lending	-	R	R	-
Waste management	-	R	R	-
Social & cultural issues	R	R	WR	WR

- the aspect is not covered, **W** - the aspect is covered only by website, **R** - the aspect is covered by reports/media.

Table 5. CSR disclosure aspects and their cover in the annual reports and banks' websites.

It can be observed that the banks are devoting particular attention to social and cultural issues, while responsible lending policies are mentioned only in the reports of two case banks. Also the critical aspects of diversity, environmental protection are far from being adequately addressed. Information on internal control systems, disciplinary procedures, external audits, communication and training is largely unavailable. As was mentioned before, the banks have shown a particular interest in social and cultural topics; however it is apparent that philanthropic activities and proper CSR in the community tend to be treated as the same.

7.2 Summary of findings

The analysis of the case banks initial motives to practice CSR indicates there are many similarities. None of the interviewees indicated that the legal call for responsibility was the reason to why they started to practice CSR. Rather they expressed that considering their size and history, legal obedience has always been a natural part of the organizations. For example, Belarusbank clearly expressed that philanthropy was the main reason for why they started to engage in CSR.

The summary of the respondents' opinions concerning their motivation and drivers for reporting or not reporting about CSR activities (in the form of stand-alone sustainability report) is presented in Table 6.

Reasons for reporting:	Reasons for not reporting:
<ul style="list-style-type: none"> - improved credibility from greater transparency, - reputation benefits, - ability to clearly transmit the corporate message internally and externally, - ability to communicate efforts and standards, license to operate, - increased efficiency, development opportunities. 	<ul style="list-style-type: none"> - doubts about the advantages it would bring to the organization, - lack of activities from competitors in publishing reports, - no interest from customers, - the bank already has a good reputation, there are many other ways of communicating about social issues, - it is too expensive to prepare and publish report, - it is difficult to gather consistent data and select the correct indicators.

Table 6. Reasons for reporting/ not reporting.

Common for all the banks is the fact that they emphasize the importance of setting out principles, values and standards of behavior in their codes. The case studies indicate that a bank often has more than one code. However, it may be also noticed that banks with codes do not necessarily provide supporting evidence that what they articulate is being strictly followed. For example, this is applicable to Belarusbank, the one that is not reporting about their CSR activities and responsibilities declared in the codes. Therefore it can be questioned to what extent these codes have contributed to the banks' CSR in reality. As information in this regard is largely unavailable in banks' CSR communications it is not possible to make judgment at this stage. In any case, since such codes form the basis for banks' behavior in relation to stakeholders, they remain a highly important instrument for CSR management.

The banks studied have different ways to report or communicate their CSR activities. Two of the banks communicated their CSR in both a stand-alone report and the annual report; however the extent of information in the annual report differed. MTBank has almost the same information in the annual report and the stand-alone report. BelVEB presented a summary of the sustainability report in their annual report, while the bank's stand-alone sustainability report included more comprehensive information.

Priorbank presented only the minimal information connected with CSR integrated in their annual report, meanwhile (as well as Belarusbank) they inform about their CSR in bank's corporate newspaper and Internet resources. All of the banks published their annual reports on their websites.

The primary channels of communication were the Internet and the printed copies of the annual report and stand-alone report. All of the reporting banks considered the CSR or sustainability report as important because they wanted to be an attractive company to its employees and customers.

The process of collecting data to CSR reports is not yet standardized therefore it took a manual work to find the information and the figures needed for the report since they were processed in the different departments within the bank. There

was a general wish to develop a system similar to the one used for the collection of economic data.

All the respondents mentioned transparency as one of the greatest motives for CSR reporting. They agreed that the only way of doing business is to be fully transparent and they therefore decided to voluntarily disclose as much information as possible in the annual report. MTBank started the reporting as a marketing product and wanted to state what they were doing within the area of CSR.

Since the reporting banks mentioned the ability to be transparent in their voluntary CSR disclosure as their motive for reporting, they also perceived transparency as a benefit. They agreed that the corporate image can be enhanced when doing CSR report. Both BelVEB and MTBank see the reporting as a procedure that gives them a reason to improve their internal processes for gathering information and to also make the employees aware of these issues.

It can be observed that most of the banks are devoting particular attention to social and cultural issues rather than equality and diversity or environmental protection. All these programs are about social welfare and community development which can't be ignored.

Community development and philanthropy are mentioned frequently in this study. One of the reasons for companies to become more philanthropic in nature is that Belarus is a middle income country and it needs more help to improve the infrastructure of the country and to deal with different socio-economic problems. In this respect the government approves the activities intended to delegate social responsibility to the big companies and welcomes different community development programs to uplift the life standard.

8 CONCLUSIONS AND RECOMMENDATIONS

The purpose of this thesis was to gather knowledge about CSR activities currently implemented by the Belarusian banking industry and identify the major

areas of these activities. The study also aimed to evaluate, through content analysis, Belarusian banks' level of CSR disclosure.

In the theoretical part corporate social responsibility, CSR practices in Belarus, and their particularities in banking sector were explained. Based on the thesis's theoretical framework it can be concluded that there are many different motives why companies should engage in CSR activities. The CSR pyramid has been chosen in order to describe and analyze the CSR activities of case banks. The pyramid is useful as it discusses four different responsibilities of CSR activities that according to Carroll (1991) should be simultaneously fulfilled towards society at any given point in time and include economic, philanthropic, legal and ethical. The pyramid can help to give an overview of CSR in the different dimensions and how the companies take responsibility towards stakeholders.

The empirical part of the thesis was mostly based on the information found on the case banks' websites. Evidence of social reporting was also drawn from the printed documents that included annual reports, sustainability reports and policy statements in the different codes issued by each of the banks.

The results were compared to each other as well as to the theory. A comparative analysis of the differences in terms of CSR was made. The empirical analysis of four commercial banks – Belarusbank, BelVEB, MTBank and Priorbank – was done, and their CSR approach has been evaluated against Carroll's CSR pyramid. The focus was whether there are any differences in CSR practices between case banks, what CSR policies and strategies the chosen banks implement in their business. The theoretical framework was applied in a way to understand from what perspective Belarusian banks apply CSR in their practice.

As for the legitimacy theory, the proposition that companies considered to be more 'high profile' than others are likely to disclose more CSR information than those considered to be lower in profile, was not fully supported by the research data. Namely, the data collected for the case of Belarusbank, the largest bank from all the banks registered in Belarus which represents non-reporting banks.

Based on the case studies and analysis several specific conclusions can be made.

- Banks believe that CSR is an important concept for their business today and consider philanthropic activities to be the most important part of their CSR.
- Banks emphasize the community support and charity as two major components of CSR therefore common CSR practices in Belarus by different banks are centered mainly on education, charity activities, cultural enrichment, youth development, patronizing sports and assisting arts.
- Banks realize that CSR can be used as a marketing tool, but also that it can help the company grow and work in more sustainable way. Companies working with CSR can use this as an advantage over their competitors and thereby attract more customers and personnel.
- Annual CSR reporting has not become a widespread activity in the banking sector therefore banks are still in the course of exploring proper ways to report their CSR.
- Most CSR reports so far only focus on the positive side and the achievements that the banks have made, while making little reference to unfavorable results.

Another objective of the thesis was to highlight the social responsibility of banking sector in Belarus. While CSR issues are attracting a great deal of attention in the developed world, there is a need for more research into CSR in the developing world.

The banking sector remains to be of enormous importance for Belarus who is striving hard to strengthen its developing yet fragile economy. Uniqueness of banking industry requires special attention for the countries like Belarus where prudential regulation and supervision is inadequate to provide safety for stakeholders of the bank.

It is important for Belarusian banks and other large corporations to look decent on the international level where non-financial report has become the norm for business leaders. But the fact is that the environment in which CSR has evolved in Belarus differs from the one in the developed countries. The main difference lies in the fact that the legislative regulation of CSR is in its infancy, there are no

tools to encourage socially responsible companies, no tax indulgences, therefore many corporations are forced to use "shadow schemes" or refuse the social responsibility at all.

The research proved that with the use of CSR report, the sustainability activities get more structured and become more concrete. This helps companies to improve their sustainability activities. Through a standardized CSR report it should become easier to compare indicators both external and internal.

By reporting their CSR activities the bank can show a more extensive part of their organization. Indication of both positive and negative results leads to a higher transparency. This can help the company to create a more legitimate image. For any bank, the CSR report can be a motivation for improving their sustainability activities, as the information becomes more accessible and the development is easy to follow.

The interviews and reports showed that only one of the case banks used the international standard, GRI guidelines discussed previously in the thesis. In the introductory stage of GRI, banks experience the new directives as a burden and an increased working load. With the help from auditors and with more experience and knowledge the companies can take control over the situation, and become more aware of what indicators to use and focus on.

Reporting of CSR initiatives can begin in a modest way as supplements to annual and financial reports, eventually developing into comprehensive reports in the GRI format. Like the statutory financial reports, the CSR reports are expected to be available for examination by stakeholders.

For the banks that are subsidiaries of multinationals like BeVEB, having CSR programs implemented and transferred to their own procedures in line with their parent companies country practices, it is recommended to come forward to mentor the new CSR initiatives of local banks. Networking and joint initiatives in CSR programs among banks may be useful in developing more comprehensive programs.

Recommendations for MTBank are: to promote training programs in basic theory and practice of CSR; to start reporting in accordance with GRI guidelines, issuing the sustainability report based on GRI indicators.

Priorbank at the current moment disclose the minimal information concerning CSR activities in their annual report, while Belarusbank differs from the other banks since they are not covering CSR related issues in they annual report at all. Therefore for these banks it is recommended to start and proceed with further reporting CSR issues and aspects integrated into their annual report that will help them to understand the relationship between the financial and non-financial performances.

In conclusion it is needed to add that in order to increase the general awareness about CSR the Belarusian companies have to consider environmental and ethical awareness in their business strategy and try to go beyond philanthropy adopting a long-term sustainable strategy in the business to become ethical corporate citizen that in turn, will make Belarusian businesses more attractive for foreign investors.

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APPENDICES

Appendix 1: Interview questions

SECTION A. General questions

1. What is your definition of CSR?
2. Do you believe CSR in Belarus is synonymous with philanthropy and volunteering?
3. Could you give me some examples of CSR at your bank?
4. What are the societal drivers for the Bank's CSR initiatives?
5. Do you believe your clients and customers notice your CSR activities?
6. What are, in your opinion, the main benefits of doing CSR?
7. Please, tell how the CSR activities are organized, is there a specific department?
8. What is your specific role in relation to preparing information for inclusion in the annual report?
9. How long does it take to prepare this information for the bank's annual/sustainability reports?

SECTION B: Specific questions for reporting banks

1. What motivated your bank to start CSR reporting? Why?
2. What do you see as the benefits of CSR reporting to your company?
3. Do you think that CSR reporting would be important for your reputation or brand management? Please explain.
4. Is there external pressure that drives your bank to publish CSR reports? If so, which external pressure (for example, NGO, consumer or media pressure) influences the choice to undertake CSR reporting?
5. What are the problems you faced in your CSR reporting?
6. Do you experience any difficulties to apply the GRI indicators into your company?

SECTION C: Specific questions for non-reporting banks

1. Does your bank have a plan to publish CSR reports in the future? If so, when is it expected to begin?
2. If your bank has a plan to publish CSR reporting, what is the main motivation?
3. If your bank does not have a plan, what is the reason for the choice not to issue and publish CSR reports?
4. Do you think that CSR reporting would be important for your reputation or brand management? Please explain.

Appendix 2: Questionnaire

1. Does your company deem it necessary to be sustainable?

- a) Yes
- b) No

2. Do you think that the society gives your company license to operate?

- a) Yes
- b) No

3. Who is responsible for CSR within the bank?

- a) Board member,
- b) Top management,
- c) Department, specify which _____.

4. Do you think that CSR reporting is company's moral obligation?

- a) Yes
- b) No

5. What are the core questions of concern regarding CSR within your company?

- a) environmental,
- b) social,
- c) economic,
- d) philanthropic.

6. How do you choose data to report, is it based on:

- a) disclosure policy,
- b) international guidelines,
- c) stakeholders' information needs,
- d) other determinants.

7. What is the main driving force of socially oriented behavior of Belarusian business?

- a) The company's desire to improve its image, which leads to increase in sales volume and market capitalization,

- b) Acceptance of responsibility for the social consequences of business activities,
- c) Authorities' desire to make the business take on some social concerns,
- d) The need to comply with the principles of CSR for cooperation with foreign partners,
- e) The influence of external stakeholders (consumers, NGOs, other).

8. What are the barriers to implement CSR principles for Belarusian banks?

- a) High taxes,
- b) Lack of benefits and lack of access to preferential terms loans for socially responsible organizations,
- c) Lack of knowledge concerning the socially responsible behavior,
- d) Lack of information about CSR,
- e) Lack of knowledge about other forms of CSR than charity and sponsorship,
- f) The possible costs of implementing the principles of CSR,
- g) Lack of social institutions representing the interests of business,
- h) Inability of the authorities to promote the principles of social responsibility.

Appendix 3: Analysis of Belarusian banks' websites

Name of Bank	Date of Establishment	Shareholders structure	Website	CSR related issues
1. JSC "Belarusbank"	1922	State – 98%, Other – 2%	www.belarusbank.by	Charity, Corporate Governance
2. JSC "Belagroprombank"	1991	State – 97%, Other – 3%	www.belapb.by	AML
3. "Belinvestbank" JSC	2001	State – 98%, Other – 2%	www.belinvestbank.by	Sponsorship, Charity, AML, Corporate Governance
4. OJSC "Paritetbank"	1991	State – 99%, Other – 1%	www.paritetbank.by	Sponsorship, Corporate Governance
5. BPS-Sberbank	1923	JSC "Sberbank Rossii" – 99% Other – 1%	www.bps-sberbank.by	Sponsorship: education, sports, culture, Charity, Ecology
6. "Priorbank" JSC	1989	Raiffeisen CIS Region Holding GmbH 88 % Other - 12%	www.priorbank.by	Sponsorship, patronage
7. Bank BelVEB OJSC	1991	Vnesheconombank, Russia – 97% State – 2% Other – 1%	www.belveb.by	Sustainability Reporting since 2011
8. OJSC "Belarusky Narodny Bank"	1992	IFC – 19,99% Benderlock Investments Limited, Cyprus - 43% JS Bank of Georgia - 36%	www.bnb.by	Sponsorship
9. JS Belgazprombank	1991	JSC Gazprom, Russia – 49.9% JSC Gazprombank, Russia – 49.9% State – 0.2%	www.belgazprombank.by	Sponsorship, charity

10. CJSC "Absolutbank"	1993	Teocritos Enterprises LTD, Cyprus- 48% Estudes Trading LTD, Cyprus - 45% Contechimpex, Cyprus - 6% Other - 1%	www.absolutbank.by	-
11. RDB-Bank	1994	EBRD - 15% Dikris, LLC - 55% Mr Tsybulin Valentin, Belarus - 11% German Investment and Development Corporation, LLC - 9% Speedster-M, LLC - 7% Other - 3%	www.rrb.by	-
12. JSC "MTBank"	1994	MTB investments Holdings LTD, Cyprus – 99% Other – 1%	www.mtb.by	Sustainability
13. OJSC "TECHNOBANK"	1994	JSC Quolitas-Plus, Belarus - 49% State - 8% Igor Kurach, Belarus - 16% Uladziaslau Katsarenka, Belarus - 7% Other - 20%.	www.tb.by	-
14. "Fransabank" OJSC	1994	Fransaholding, Lebanon - 99,9% Other – 0.1%	www.fransabank.by	-
15. PJSC "Trustbank"	1994	Intersportproject JV - 49% Saturn-Info JV - 51%	www.trustbank.by	Sponsorship, AML/CTF Policy & Compliance
16. CJSC VTB Bank Belarus	1996	Bank VTB, Russia – 99,99% Other – 0,01%	www.vtb-bank.by	Sustainability, report published by VTB group
17. CJSC "Alfa-Bank"	1999	Alfa-Group, Russia – 98% Other – 2%	www.alfa-bank.by	-

18. "Bank Moscow–Minsk" JSC	2007	Bank of Moscow, Russia – 99.8% Other – 0.2%	www.mmbank.by	Charity, Sponsorship
19. JSC "Delta BANK"	2001	DELTA BELARUS HOLDING B.V., the Netherlands – 75.5% Mikalai Iagun, Ukraine – 24.5%	www.deltabank.by	-
20. "InterPayBank" JSC	2001	JSC Alliance-Ipoteka, Russia – 79.1%, CJSC Starbank, Russia – 19.7%, JV Sentekinvest, Belarus – 1.2%	www.ipaybank.by	-
21. JSC "Eurotorginvestbank"	2002	Eurotorg LLC, Belarus – 97% Other – 3%	www.etib.by	-
22. OJSC HCBank	2002	Home Credit B.V., the Netherlands – 99.04% Home Credit International a.s., Czech Republic – 0.96%	www.homecredit.by	-
23. CJSC "BTA Bank"	2002	JSC National Welfare Fund "Samruk-Kazyna", Kazakhstan – 97.3% Other – 2.7%	www.btabank.by	-
24. JSC "BelSuisseBank"	2002	JSC Swiss Investment Century, Switzerland – 19.6%; JSC Alpin Professional Investment, Switzerland – 69.4%; JSC Profinvest Professional and Financial Investment, Switzerland – 11%	www.bsb.by	Sponsorship
25. JSC "Idea Bank"	2004	Getin Holding S.A., Poland - 99,99%	www.ideabank.by	-
26. CJSC "Bank BBSB"	2008	Getin Holding S.A., Poland – 95.5% Other – 4.5%	www.bbsb.by	-

27. Trade Capital Bank	2008	Tejarat Bank, Iran – 99.4 % Other – 0.6%	www.tcbank.by	AML
28. JSC "Zepter Bank"	2008	JSC "HOME ART AND SALES SERVICES AG", Switzerland – 99.8% LLC "EC Consult GmbH Germany" - 0.2%	www.zepterbank.by	-
29. JSC "Eurobank"	2009	Euro Set Holding SA, Lithuania - 100%	www.eurobank.by	-
30. CJSC "N.E.B. Bank"	2009	Tanha H.M., Germany - 94% East Trade Co., Belarus - 6%	www.hbank.by	-
31. CJSC "BIT-Bank"	2012	Company Lucksrow Investments, Cyprus - 27% JV Lucky Currency, Belarus - 73%	www.bit-bank.by	Sponsorship