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Corporate Social Responsibility in Agribusiness

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About the Project “German-Ukrainian Agricultural Policy Dialogue” (APD)

The project German-Ukrainian Agricultural Policy Dialogue (APD) started 2006 and is supported up to 2018 by the Federal Ministry of Food and Agriculture of Germany (BMEL). On behalf of BMEL, it is carried out by the mandatary, GFA Consulting Group GmbH, and a working group consisting of IAK AGRAR CONSULTING GmbH (IAK), Leibniz-Institut für Agrarentwicklung in Transformationsökonomien (IAMO) and AFC Consultants International GmbH. Project executing organization is the Institute of Economic Research and Policy Consulting in Kyiv. The APD cooperates with the BVVG Bodenverwertungs- und -verwaltungs GmbH on the implementation of key components related to the development of an effective and transparent land administration system in Ukraine. Beneficiary of the project is the Ministry of Agrarian Policy and Food of Ukraine. In accordance with the principles of market economy and public regulation, taking into account the potentials, arising from the EU-Ukraine Association Agreement, the project aims at supporting Ukraine in the development of sustainable agriculture, efficient processing industries and enhancing its competitiveness on the world market. With regard to the above purpose, mainly German, but also East German and international, especially EU experience are provided by APD when designing the agricultural policy framework and establishing of relevant institutions in the agriculture sector of Ukraine.



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1. INTRODUCTION

The topic of social responsibility of business has become widespread in Western economies in 1950-60s due to an increasing attention of the society toward social and environmental effects of corporatization and consolidation in different industries. Since then, numerous issues of this multifaceted concept have been addressed in practice and research. Involvement of businesses in various socially responsible actions has been called for, substantiated and scrutinized under different angles and with the use of different but synonymous terms such as corporate philanthropy, corporate citizenship, corporate social performance, and corporate social responsibility. After the UN declaration in Rio de Janeiro 1992, the related notion of sustainability emerged as the term that underscores the importance of simultaneous focus on economic, social and environmental performance that ensures unconstrained development of future generations.

In this regard, primary agriculture has been little confronted with the issue of social responsibility until recently – the fact which is little surprising, given global prevalence of small-scale type of farming. Small farms have been generally associated with their ability and predisposition to maintain responsible activities with regard to the human and natural resource use. However, over the last decade agriculture has actively developed into a technological and knowledge-based industry, thus responding to growing global demand for food, feed and energy. New technologies and growing specialization have unleashed the potential for large farm structures to rapidly develop, thus proving Galbraith's (1967) notion of growth as a technological imperative consistent. This process is especially observable in land-abundant transition economies.

The post-Soviet era in Ukrainian rural areas is characterized by three major trends. First, a new form of large-scale agricultural production that is often referred to as agroholdings has emerged¹. Agroholdings have taken over controlling stakes at hundreds of corporate farms that originated from the former kolkhozes and sovkhozes. This development was and is mainly driven by new agricultural technologies that simplify the monitoring of hired labor on the one hand and are highly capital-intensive on the other.

Second, the government's expenditure on the development of physical and social infrastructure of rural areas has substantially decreased. Analysis of the state budget reveals that the expenses on rural development are rather scant and highly sensitive to the total amount of state support distributed through the Ministry of Agrarian Policy and Food. Furthermore, rural development expenditure priorities have been differing from year to year, demonstrating the lack of strategic approach to rural development.

Consequently, the third trend, i.e. worsening living standards in rural areas, has become widespread and evidenced through a number of social disproportions such as growing unemployment, depopulation and outmigration. The current policy paper presents an overview of recent developments in Ukrainian rural areas and analyzes the role of agriculture in these developments. In particular, there is evidence that agricultural producers, especially agroholdings, may play an important role in resolution and internalization of the existing social problems as part of their corporate social responsibility (CSR) policies. This paper, thus, aims to analyze the role of agroholdings and their CSR in rural development in Ukraine.

¹ Ukrainian agriculture was dominated by large farm structures as far back as in Soviet times, when kolkhozes and sovkhozes operated as both companies and communal public service. These state-owned enterprises were considerably larger than average farms in the West and bore the so-called village-forming function, being a major employer and resource supplier for rural dwellers.

2. RURAL DEVELOPMENT IN UKRAINE

2.1 Rural policies in Ukraine

In Soviet times, the collective and state farms operated both as companies and as communal public services. They offered assured employment to the rural population in crop and livestock production. They were engaged in numerous support activities such as transport, construction, repair of housing and equipment as well as in agricultural processing and other industrial production. They supplied a wide range of social services including kindergartens, health care facilities, and entertainment, and provided financial and other support to the state-run communal facilities (cf. Keyzer et al, 2013).

The abrupt ending of all this at the beginning of the first stage of transition (1990-1999), obviously weighed heavily on rural areas. Most critical was the loss of guaranteed employment that started a wave of labor migration to the cities, worsening the demographic situation, and led to loss of morale and motivation in rural communities. Supply of social services dropped dramatically also due to lack of purchasing power (ibid.).

Noteworthy, agricultural policies were contributive to these processes. Since 2000, the dismantling and associated exodus from the countryside have slowed down, but little recovery can be noticed, and the newly formed corporate farms were released from any duty in the social sphere, as a presidential decree "On some measures of improvement of non-state agricultural enterprises' economic activity conditions" (2000) entrusted local authorities with the task of providing social, cultural, entertaining and servicing facilities, formerly residing with collective and state farms, while some facilities were privatized (ibid.).

Lack of financial resources prevented local authorities from properly conducting these tasks and many social facilities were closed eventually, whereas privately owned facilities adopted a commercial orientation with higher service charges that took them out of reach of common rural people (ibid.). Several attempts were made at state level to halt the ongoing degradation of living conditions in rural areas. Presidential decrees approved "Main actions for development of the social sphere in rural regions" (2000) and a short-term "State program of rural regions' social sphere development for the period to 2005" (2002). Yet, the implementation of these decrees was deficient, as insufficient funds were made available (ibid.).

In practice, much of the declared "Support of rural areas" amounted to promotion of a commercially profitable mode of agricultural production. The "Governmental Program on the development of the Ukrainian village for the period up to 2015" that was approved in 2007 is a case in point. Despite its name most of the program focuses on raising agricultural production and only a small part relates to improving the rural population's access to public goods. The program also failed to address the central issue of unemployment and lack of economic diversification in rural regions, and it was not properly financed, and the 2008 financial crisis caused all funding of rural development projects within this program to be stopped altogether (ibid.).

The "Strategy for Agriculture and Rural Development 2015-2020"² that has been recently developed by the Ministry of Agrarian Policy and Food of Ukraine (MAPF) in cooperation with international donors acknowledges the importance of sustainable development of rural areas. Rural development and environmental protection are explicitly mentioned among the Strategy's priorities.

² Available here: <http://minagro.gov.ua/node/16017>

More specifically, the rural development pillar of the Strategy aims to implement policies in the following areas:

- 1) Support to small farms (noteworthy, mainly production-related policy objectives are proposed here);
- 2) Improvement of quality of life in rural areas, including policy options such as diversification of economic activities and energy sources, improvement of access to high quality amenities of life, improvement of agricultural landscape and income increase for rural population; and
- 3) Local governance – an area where the reform aims to achieve more decentralization and establish a system of rural development that would enable a bottom-up approach toward rural policies.

The environmental pillar of the Strategy, in turn, aims to develop legislation, adapt it to/ harmonize with the EU norms for policy implementation in the following areas:

- 1) Achievement of minimum ecological standards of water, pesticide and agrochemicals use;
- 2) Development of markets for organic production;
- 3) Efficient use of forest resources and development of bioenergy markets for energy cost reduction and pollution prevention; and
- 4) Sustainable use of fish resources and fisheries.

A more operationalized version of the “Strategy for Agriculture and Rural Development 2015-2020”, the so-called “3+5 Strategy”³, that was proposed in 2016, consists of three high priority areas and five other important priorities. It also declares that rural development is among the main policy issues of the MAPF although it is not among the top 3 priorities. The latter include the land reform, reform of state support, and reform of state-owned enterprises.

Another recent initiative addressing the rural development needs is the “Concept of Development of Rural Areas”⁴ that was adopted by the Cabinet of Ministers of Ukraine (CMU) (Resolution of CMU #995-p of September 23, 2015). The Concept captures analysis of the existing problems and proposes a number of ways to improve the situation in Ukrainian countryside. Among other things, the Concept explicitly postulates that the former efforts of the government have helped to increase the volumes of agricultural production but this had little effect on welfare of rural dwellers. The Concept thus proposes to focus on the following objectives of the rural development policy:

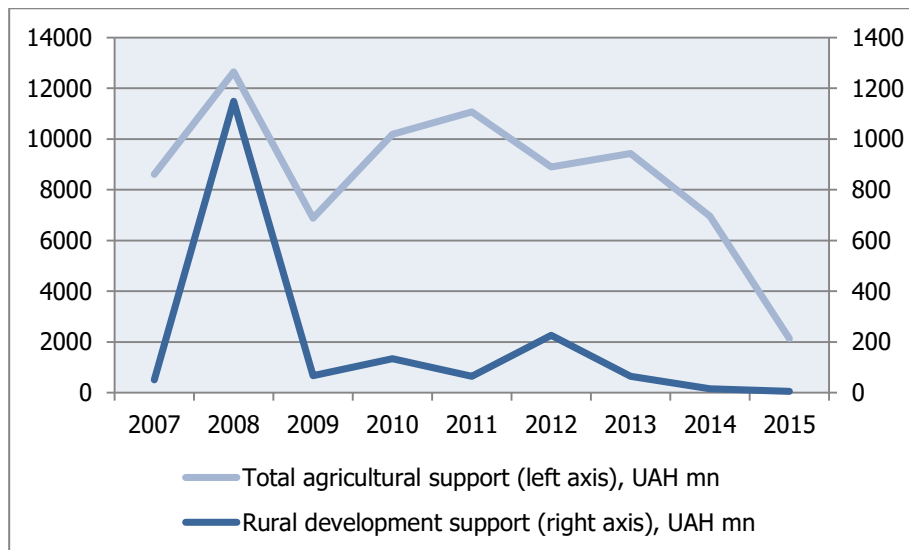
- 1) Improvement of quality of life in rural areas through development of social and physical infrastructure;
- 2) Protection of environment in rural areas via development of natural reserves, waste management and agrochemical residues management;
- 3) Diversification of rural economy through development of alternative employment and markets such as “green” tourism, biofuel, microcredit and service cooperation, etc.;
- 4) Improvement of local governance via strengthening of the role of local communities, public-private partnerships and creation of respective local funds and facilities; and
- 5) Education and access to information, especially improvement of access to information about entrepreneurial opportunities, microcredit, etc.

³ Available here: <http://minagro.gov.ua/system/files/3%205%20final.pdf>

⁴ Available here: <http://zakon0.rada.gov.ua/laws/show/995-2015-%D1%80>

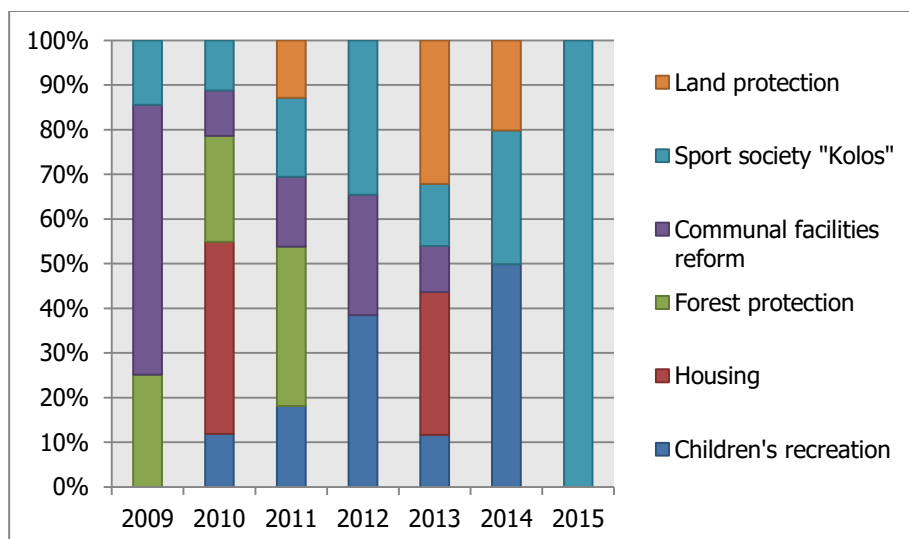
However, the “Concept of Development of Rural Areas” is criticized by Ukrainian media and NGOs⁵ for a number of bottlenecks and controversies. First, the Concept is based on the following three scenarios that are assumed to be realized simultaneously despite being characterized by mutually exclusive or divergent processes: a) ongoing commercialization of agricultural production that is often associated with the development of ecologically and socially irresponsible farm practices; b) increase of state support to agriculture, development of social infrastructure and environmental protection (although necessary policy measures as well as financial resources are missing); and c) establishment of mixed rural economy with diversified opportunities for human and social capital development through improved access of rural population to resources and services.

Figure 1. Public expenditure on agriculture and rural development, 2007-2015



Source: Laws of Ukraine on State Budget (2007-2015)

Figure 2. Structure of public expenditure on rural development, 2009-2015



Source: Laws of Ukraine on State Budget (2007-2015)

⁵ See e.g. <http://www.csi.org.ua/pro-rozvytok-silskyh-terytorij-i-ne/>

Another point of criticism is probably the result of inter-agency confusion in the Ukrainian government and is related to the fact that the Concept largely replicates the provisions of the "State Strategy of Regional Development"⁶ that was adopted by the CMU in 2014 (Resolution of CMU #385 of August 6, 2014). The Strategy has a special clause on rural development and sets the following objectives in this regard:

- 1) Separation of rural development and agricultural policies;
- 2) Equal support conditions to all agricultural producers irrespective of their type, size and ownership;
- 3) Reorientation of agriculture toward more added value segments of production;
- 4) Diversification of agricultural production and development of alternative businesses in rural areas;
- 5) Provision of incentives for non- and off-farm employment such as agribusiness, rural tourism, services, medicine, etc.
- 6) Improvement of physical infrastructure, including roads, telecommunications, utility services, education and medical facilities;
- 7) Reconstruction and modernization of irrigation facilities;
- 8) Provision of strong incentives for social responsibility of agricultural and related businesses;
- 9) Improvement of attractiveness of rural areas and support to young specialists employed in rural areas.

Overall, recent attempts to design the approaches that are specifically aimed at the resolution of rural development problems demonstrate that there has been a significant gap in addressing these problems before. Expectedly, these attempts will finally result in real implementation of rural development programs. However, until now, state support to rural development has been low and inconsistent. The lines funded from the state budget have changed from year to year whereas rural development funds have been distributed residually and depended on the total volume of state agricultural budget (see Figures 1 and 2).

2.2 Situation in rural areas of Ukraine

During the transition, the living conditions in rural Ukraine have deteriorated significantly. Several studies by international organizations such as FAO and European Commission reported about worsening social and environmental situation in Ukrainian rural areas. Unemployment has increased; household incomes have declined, whereas the resulting depopulation of rural areas has been ongoing. The situation has been exacerbated by poor housing conditions, limited access to social, cultural and entertainment services and further poverty proliferation (e.g. FAO, 2012). Some insights into recent socio-economic trends in Ukrainian rural areas can be made by simply looking on the official statistics (Table 1).

Table 1. Selected social development indicators in Ukraine, 1990-2015

	1990	2000	2008	2009	2010	2011	2012	2013	2014 *	2015 *
Number of schools, thsd.	21.8	22.2	21	20.6	19.6	19.2	19	18.6	17.6	17.3

⁶ Available here: <http://zakon2.rada.gov.ua/laws/show/385-2014-%D0%BF>

	1990	2000	2008	2009	2010	2011	2012	2013	2014 *	2015 *
incl. rural areas	15.1	14.9	13.8	13.5	12.9	12.6	12.5	12.1	11.9	11.7
Number of libraries, thsd.	25.6	20.7	20.6	20.1	19.5	19.3	19.2	19.1	16.9	17.3
incl. rural areas	n.a.	n.a.	n.a.	n.a.	14.9	14.7	14.7	14.6	13.5	13.7
Number of community centers/clubs, thsd.	25.1	20.4	18.8	18.7	18.6	18.5	18.5	18.5	16.8	17.2
incl. rural areas	n.a.	n.a.	n.a.	n.a.	16.5	16.4	16.4	16.4	15.3	15.6
Number of hospitals, thsd.	3.9	3.3	2.9	2.8	2.8	2.5	2.4	2.2	1.8	1.8
incl. rural areas	n.a.	1.007	0.612	0.577	0.543	0.333	0.268	0.114	0.104	0.074
Rural health posts, thsd.	n.a.	16113	15101	15028	14934	12484	11553	14154	13295	13205

Source: State Statistics Service of Ukraine⁷

*Note: excl. Crimea and ATO zone

Agriculture and rural development were and still are closely intertwined in Ukraine. Moreover, agriculture remains the major income source for rural dwellers, employing 17% of economically active population of the country (Table 2).

Table 2. Employment, household income and migration in rural areas, 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Population, thsd. people	46373	46144	45963	45779	45634	45553	45426
incl.							
urban	31669	31587	31525	31442	31381	31379	31337
rural	14704	14557	14438	14337	14253	14174	14090
Total employment, thsd. people	20972	20192	20266	20324	20354	20404	18073
Employment in rural areas, thsd. people	6556	6507	6474	6450	6371	6406	5292
Share of employed in rural areas, %	31	32	32	32	31	31	29
Rural employment activity, %	45	45	45	45	45	45	38
Share of employed in agriculture, %	16	16	15	17	17	17	17*
Average household income, UAH	2892	3015	3469	3842	4134	4454	4563
Household income in rural areas, UAH	2511	2714	3165	3522	3823	4114	4455
Migration from rural areas, people	-25828	-16485	-5249	-4220	-3628	-8091	2999
Number of villages	28504	28490	28471	28457	28450	28441	28397

Source: State Statistics Service of Ukraine⁸

*Note: excl. Crimea

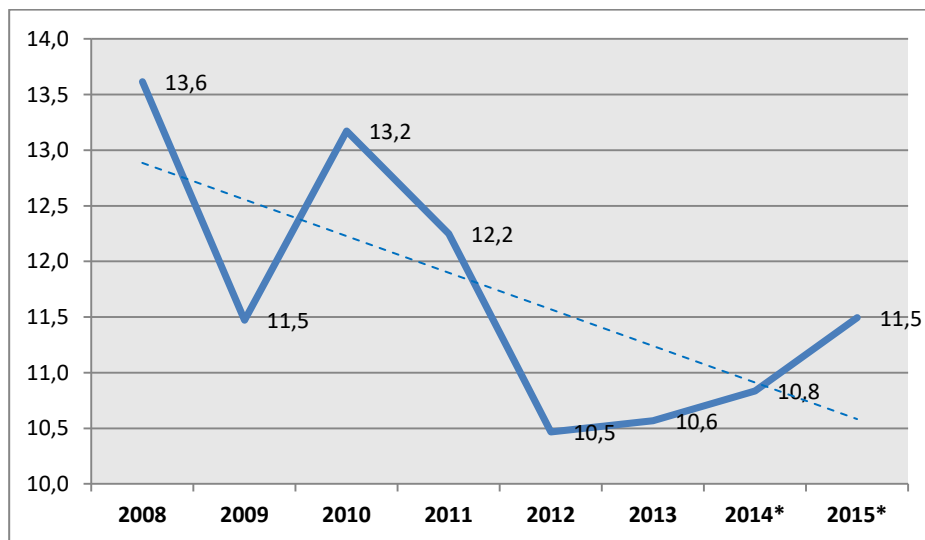
⁷ Available here: http://ukrstat.gov.ua/druk/publicat/kat_u/publosvita_u.htm, http://ukrstat.gov.ua/druk/publicat/kat_u/publkult_u.htm, http://ukrstat.gov.ua/druk/publicat/kat_u/publzdorov_u.htm

⁸ Available here: http://ukrstat.gov.ua/operativ/operativ2006/rp/ean/ean_u/arh_eans_u.htm, http://ukrstat.gov.ua/druk/publicat/Arhiv_u/17/Arch_vrd_zb.htm, http://ukrstat.gov.ua/operativ/operativ2007/qdvvg_rik/dvvg_u/strukt_res2006_u.htm, http://ukrstat.gov.ua/druk/publicat/Arhiv_u/13/Arch_nasel_zb.htm, http://ukrstat.gov.ua/operativ/operativ2007/ds/nas_rik/nas_u/nas_rik_u.html

Analysis of the structure of employment in rural areas shows that approximately 20% are working in commercial farms whereas about 80% are self-employed farming households. Data shows that in the last years, the level of self-employed people stabilized at around 2.3 million people. A positive indicator is that the gender pay gap in agriculture that amounts to 16.3% is 8.8% lower than that in the economy as a whole (State Statistics Service of Ukraine, 2015a). However, in general, the share of rural household income that comes from sales of agricultural production is rather low and diminishing (Figure 3).

Further, rural areas are predominantly (over 75%) populated by people over 60 and under 17 years of age, as the economically active migrate to urban centers or emigrate (Keyzer et al., 2013). In 2014, however, an opposite trend was observed: according to State Statistics Service of Ukraine, people migrated from urban areas to rural settlements, most probably due to almost equalized income conditions in urban and rural areas (Table 2). But this trend cannot be regarded as positive because, from the purchasing power perspective, household incomes got worse in both urban and rural areas. In 2008-2015, economic activity in rural areas has decreased from 72.5% to 68.8% whereas it remained stable at the level of 72-73% in urban areas. In particular, economic activity of people from 50 to 59 years of age decreased from 68.4% in 2008 to 65.1% in 2015. Economic activity of those from 15 to 24 years of age declined from 48.0% to 41.2% (State Statistics Service of Ukraine, 2015 a,b).

Figure 3. Share of agricultural production in total rural household income, 2008-2015, %



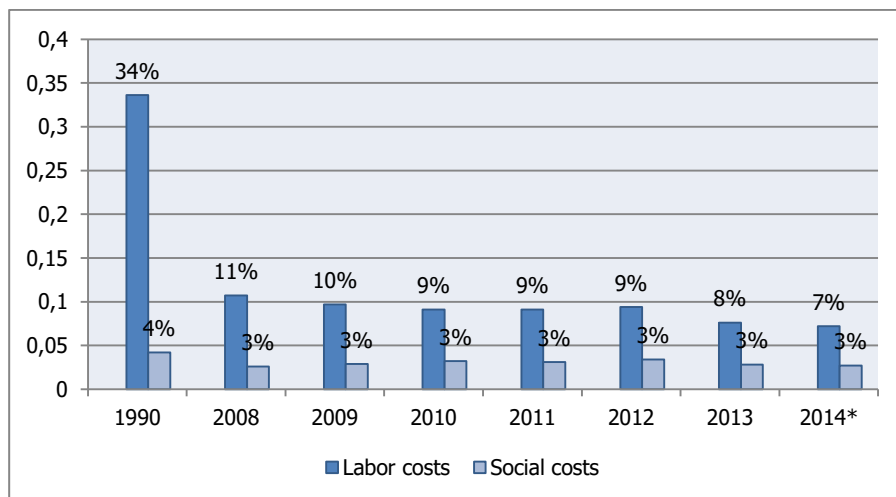
Source: State Statistics Service of Ukraine⁸

*Note: excl. Crimea and ATO zone

According to the State Statistics Service of Ukraine, ongoing structural change in agriculture is still contributing to unemployment in the economy but at a much lower rate than at the beginning of the second stage of agricultural reform in early 2000's. In 2012, agriculture was responsible for 3.4% of layoffs in the economy against 17.1% in 2002. Moreover, agricultural enterprises experienced huge deficits of qualified labor in the last years (AgriSurvey, 2014). Poor social conditions, technological progress in crop production and huge divestments in animal production have considerably affected the employment figures. Furthermore, the shares of labor and social

payments in production cost of agricultural enterprises have been continuously decreasing (Figure 4).

Figure 4. Shares of labor and social costs in production cost of agricultural enterprises, 1990-2014, %



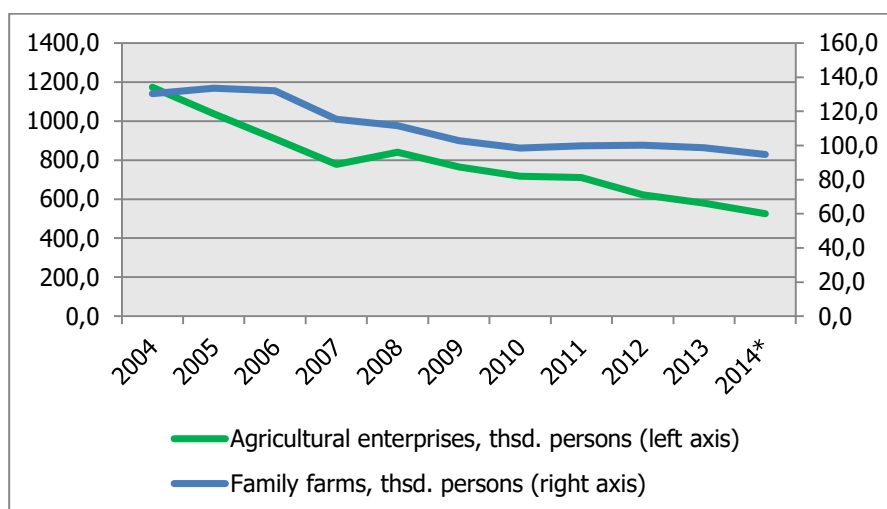
Source: UCAB database

Both, family farms and agricultural enterprises have been demonstrating decline of labor force figures over the last decade (Figure 5).

In this regard, it is often stressed that large-scale agriculture in general and Ukrainian agroholdings in particular drive higher unemployment records due to the introduction of new technologies and highly capital intensive production practices⁹ (see e.g. Borrás Jr. et al., 2011; Deininger and Byerlee, 2012; Visser and Spoor, 2011; Iwański 2015). However, official statistics and data of the Association “Ukrainian Agribusiness Club” (UCAB) show that this statement holds only partly true (Figures 6, 7, and 8).

⁹ For more information about land consolidation by agroholdings, see the series of studies conducted by the Association “Ukrainian Agribusiness Club (UCAB)” and titled “Largest Agroholdings of Ukraine” (2010-2016). Since 2015, the study has been translated into German with support of the German-Ukrainian Agricultural Policy Dialogue (APD).

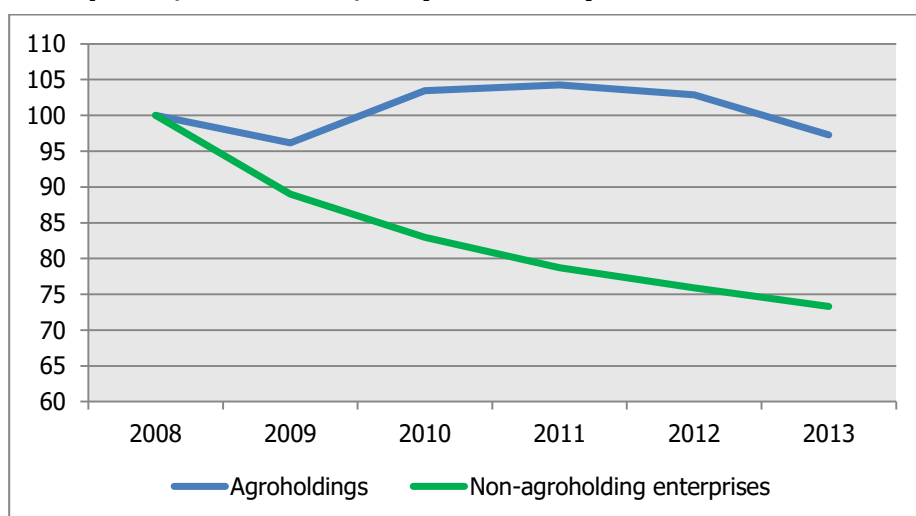
Figure 5. Number of workers in agricultural enterprises and family farms, 2004-2014, thousand persons



Source: State Statistics Service of Ukraine (2015c).

*Note: excl. Crimea

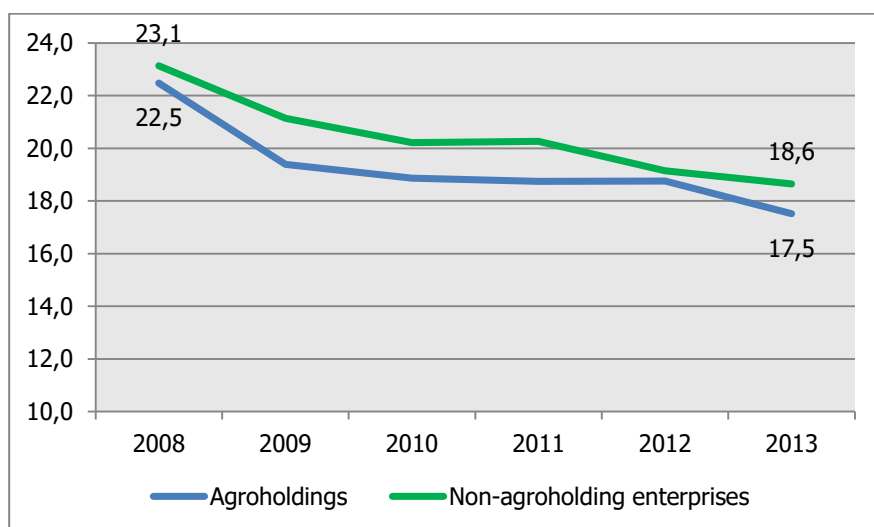
Figure 6. Employment index in agroholdings and non-agroholding agricultural enterprises, 2008-2013, % (2008=100)



Source: UCAB database

Agroholdings demonstrate lower total rates of labor force dismissal than “independent”, non-agroholding enterprises. In 2008-2013, the number of employees in agroholdings decreased by 4,000, while the number of employees in “independent” enterprises fell by 120,000. Employment per area of arable land in crop production is slightly lower in agroholdings than in non-agroholding agricultural enterprises (Figure 7).

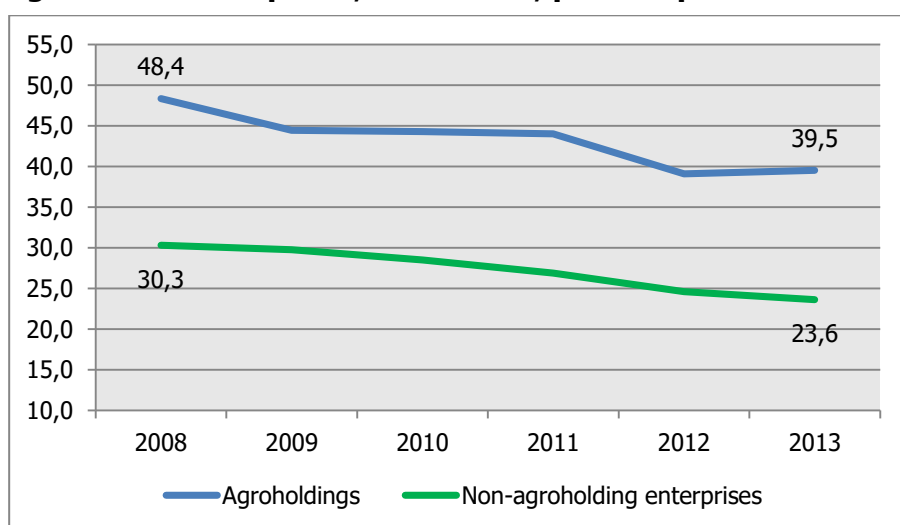
Figure 7. Employment in crop production in agroholdings and non-agroholding agricultural enterprises, 2008-2013, persons per 1000 ha



Source: UCAB database

Contrastingly, agroholdings show higher employment rates in livestock production, in particular in milk production, than “independent” agricultural enterprises (Figure 8).

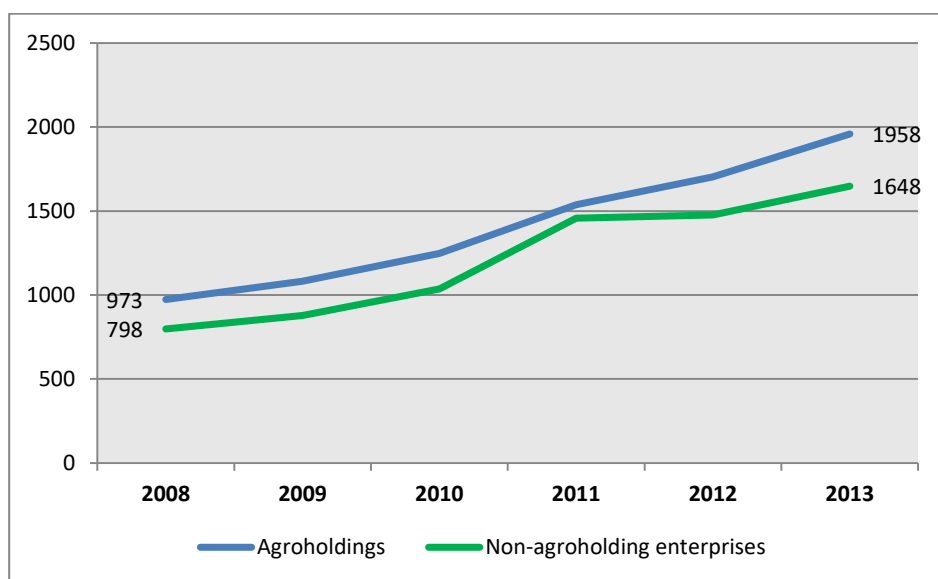
Figure 8. Employment in milk production in agroholdings and non-agroholding agricultural enterprises, 2008-2013, persons per 100 cows



Source: UCAB database

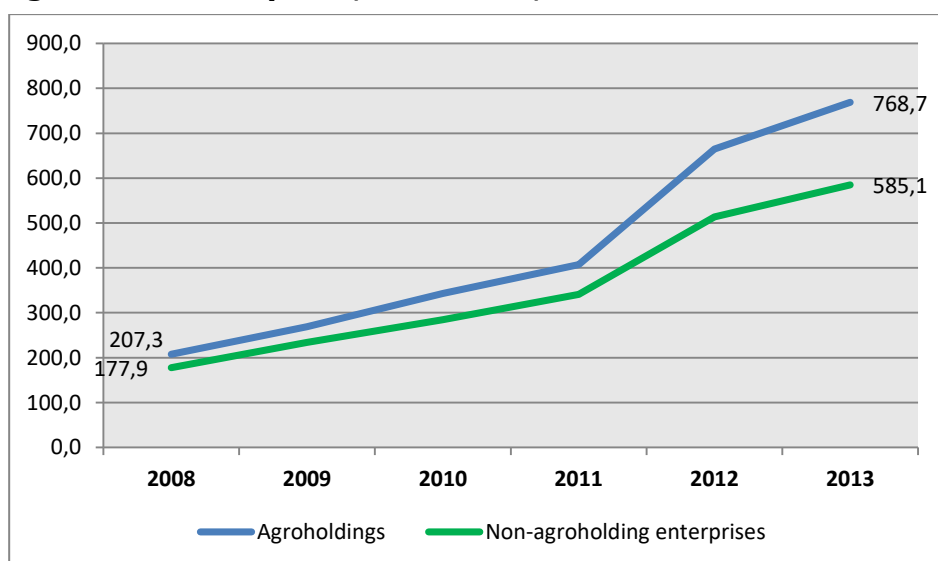
In general, agroholdings do not only employ more people per enterprise but also are more productive in both crop and livestock production and pay higher salaries and land rents than non-agroholding enterprises (Figures 9 and 10).

Figure 9. Average monthly salaries in agroholdings and non-agroholding agricultural enterprises, 2008-2013, UAH



Source: UCAB database

Figure 10. Average annual land rents paid by agroholdings and non-agroholding agricultural enterprises, 2008-2013, UAH

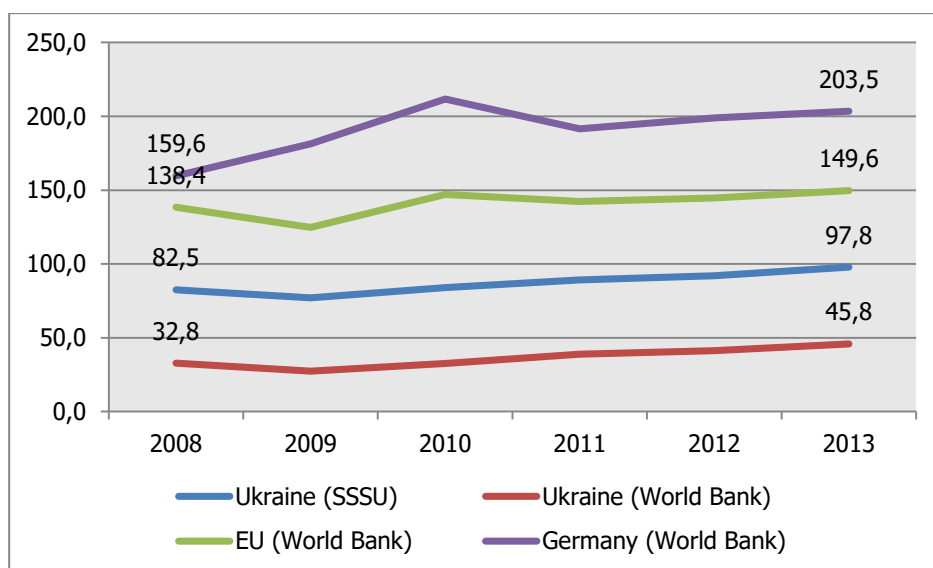


Source: UCAB database

Higher productivity of crop production in agroholdings might put some threat on the environmental aspect of sustainability as it is achieved through about 50% higher uses of mineral fertilizers (in value terms) as compared to “independent” agricultural enterprises. However, total use of mineral fertilizers in Ukrainian agriculture is still far from that of the European Union (Figure 11) although, according to Knoema, a US-based development indicators service, synthetic fertilizers are the major

source of CO₂ emissions in Ukrainian agriculture¹⁰. In comparison with the developed economies, however, Ukraine's carbon footprint is at a low level (FAOSTAT, 2010¹¹).

Figure 11. Mineral fertilizer use, 2008-2013, kg/ha



Source: State Statistics Service of Ukraine (2015d), World Bank Development Indicators database¹²

Further environmental concerns that are associated with agriculture include soil degradation and water use. According to the National Report on status quo of soil fertility (Balyuk et al., 2010), 38% of farmland in Ukraine suffers from soil erosion. The highest level of soil erosion (54% of farmland area) is in the Steppe agro-climatic zone. Furthermore, agriculture is the major water-withdrawing sector in Ukraine accounting for about 51% of water withdrawn by the economy in total (FAOSTAT, 2010¹³). At the same time, the area of irrigated land in Ukraine has been continuously decreasing. Higher shortage rates of irrigated land in agricultural enterprises demonstrate that this problem is rather of institutional character as economic incentives for the use of irrigated land are missing (Table 3). A positive development is that the forest area and forest regeneration remained stable in recent years.

Table 3. Areas of irrigated land, forestry and forest regeneration, 1990-2015

	2000	2005	2010	2011	2012	2013	2014 *	2015 *
Forest area, thsd. ha	n.a.	n.a.	n.a.	10601	10611	10621	10624	10630
Forest regeneration, thsd. ha	38	59	70	72	70	68	58	60
Farmland under irrigation, thsd. ha	2402	2180	2175	2173	2167	2165	2166	2166
Farmland under irrigation in agricultural enterprises, thsd. ha	2198	1686	1538	1524	1541	1527	1521	1521

Source: State Statistics Service of Ukraine¹⁴

¹⁰ Data is available here: <https://knoema.com/FAOEMAGAT2015/emissions-agriculture-agriculture-total-2015?regionId=UA>

¹¹ Available here: <http://faostat3.fao.org/download/G1/GT/E>

¹² Available here: <http://data.worldbank.org/indicator/AG.CON.FERT.ZS>

¹³ Available here: <http://faostat3.fao.org/download/E/EW/E>

¹⁴ Available here: <http://land.gov.ua/info/infohrafika-zminy-v-strukturi-zemelnoho-fondu-ukrainy-za-2014-rik/>, http://ukrstat.gov.ua/operativ/operativ2006/ns_rik/ns_u/opvzt_u2005.html, http://ukrstat.gov.ua/druk/publicat/kat_u/publ7_u.htm

Overall, the-state-of-the-art of rural development in Ukraine neatly reflects the policy objectives that have been pursued over the last decades: The economic aspect of sustainable development was (and still is) a key pillar of rural policy whereas social and environmental aspects are partly put aside. This bias is typical of transition economies where pervasive market imperfections as well as the so-called governance vacuum (Rowlinson, 2002; Levine, 2005) result in some negative effects in the social sphere. The private sector is often compelled to respond by involving in socially responsible actions that mitigate such effects. In other words, corporate social responsibility begins where regulation ends (Kole and Lehn, 1997). In this context, the subsequent sections elaborate on the concept of corporate social responsibility (CSR) and its implementation in Ukrainian agriculture.

3. THE CONCEPT OF CSR

3.1 Theoretical background of CSR

Since the second half of the 20th century a long debate on CSR has been taking place. In 1953, Bowen (1953) wrote the seminal book *Social Responsibilities of the Businessman*. Since then, this field has grown significantly and today contains a great proliferation of theories, approaches and terminologies. Society and business, social issues management, public policy and business, stakeholder management, corporate accountability are just some of the terms used to describe the phenomena related to corporate responsibility in society (cf. Garriga and Mele, 2004).

Given the multitude of theoretical approaches to CSR, there are many definitions of the concept. Dahlsrud (2006), for instance, identified 37 definitions of CSR in literature. Some of them stress the point that CSR involves only voluntary actions by enterprises; whereas, some are inspired by the notion of "externalities" and propose that enterprises should be also forced to manage the negative social and environmental effects of economic growth equally with governments and other agencies. For example, the US American management theorist Keith Davies (1960) suggests that social responsibility refers to businesses' decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Eells and Walton (1961) argue that CSR refers to the problems that arise when corporate enterprise casts its shadow on the social scene and the ethical principles that ought to govern the relationship between the corporation and society (cf. Carroll, 1991). More recent definitions reflect the complementarity between rapprochement of the related notions of CSR and sustainability, suggesting that CSR is a firm's commitment to contribute to sustainable economic development, working with employees, their families, local communities and society at large to improve the general quality of life (Watts and Holme, 2000).

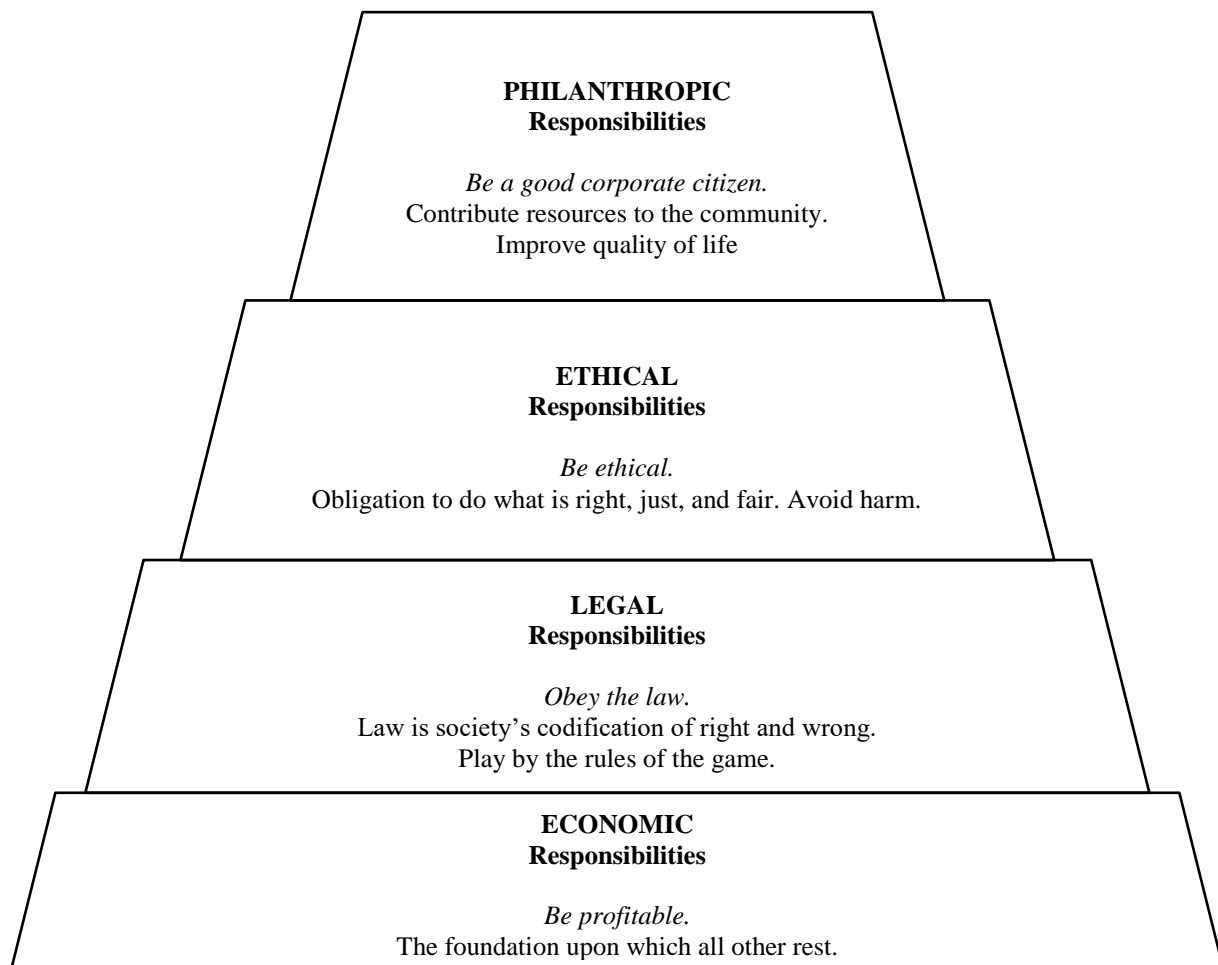
Recently, renewed interest in corporate social responsibility has arisen and new alternative concepts have been proposed, including corporate citizenship and corporate sustainability. CSR definitions, theories and approaches are too numerous for a systematic review in this paper. We therefore present one of the attempts on their classification in Annex 1. Generally, CSR can be regarded as a corporate policy in favor of assuming social responsibility. In this context, three important components need to be explicitly stressed.

First, CSR is about balancing the different stakeholder interests. In 2010, R. Edward Freeman inspired the corporate stakeholder theory. The theory acknowledges that corporations are not only dependent on shareholders but also on a much wider circle of stakeholders, which includes the staff, suppliers, creditors as well as the local and global public. Ignoring the interests of these stakeholders may jeopardize the standing of the corporation. According to the stakeholder theory, the CSR is the balanced consideration of the interests of all relevant stakeholders, which constitute the societal environment. In this theory, corporations have moral obligations toward this societal environment (cf. Balmann et al., 2016). Taking this understanding into account, CSR can be further defined as corporate behaviors which aim to affect primary social, secondary social, primary nonsocial and secondary nonsocial stakeholders positively and goes beyond its economic interest (cf. Turker 2009).

Second, there are various levels of CSR, which range from compliance with legal regulations to nonactionable acts of good will. Archie B. Carroll (1991) created a well-known CSR classification. His pyramid model comprises economic, legal, ethical and philanthropic levels of responsibility (Figure 12).

The central assumption in this model is that the value of CSR actions grows with increasing inability to enforce such actions through the court system, i.e. the higher up in the pyramid they appear. CSR as marketing strategy also fits into the pyramid model. In this case, the moral value of CSR is inversely proportional to the strategic value. Enterprises, in which CSR practices are mostly acts of compliance with legal standards or acts in the company's immediate interest, can hardly reference these acts as moral deeds of an ethical enterprise or expect them to establish bonds with stakeholders (cf. Balmann et al., 2016).

Figure 12. The pyramid of corporate social responsibility



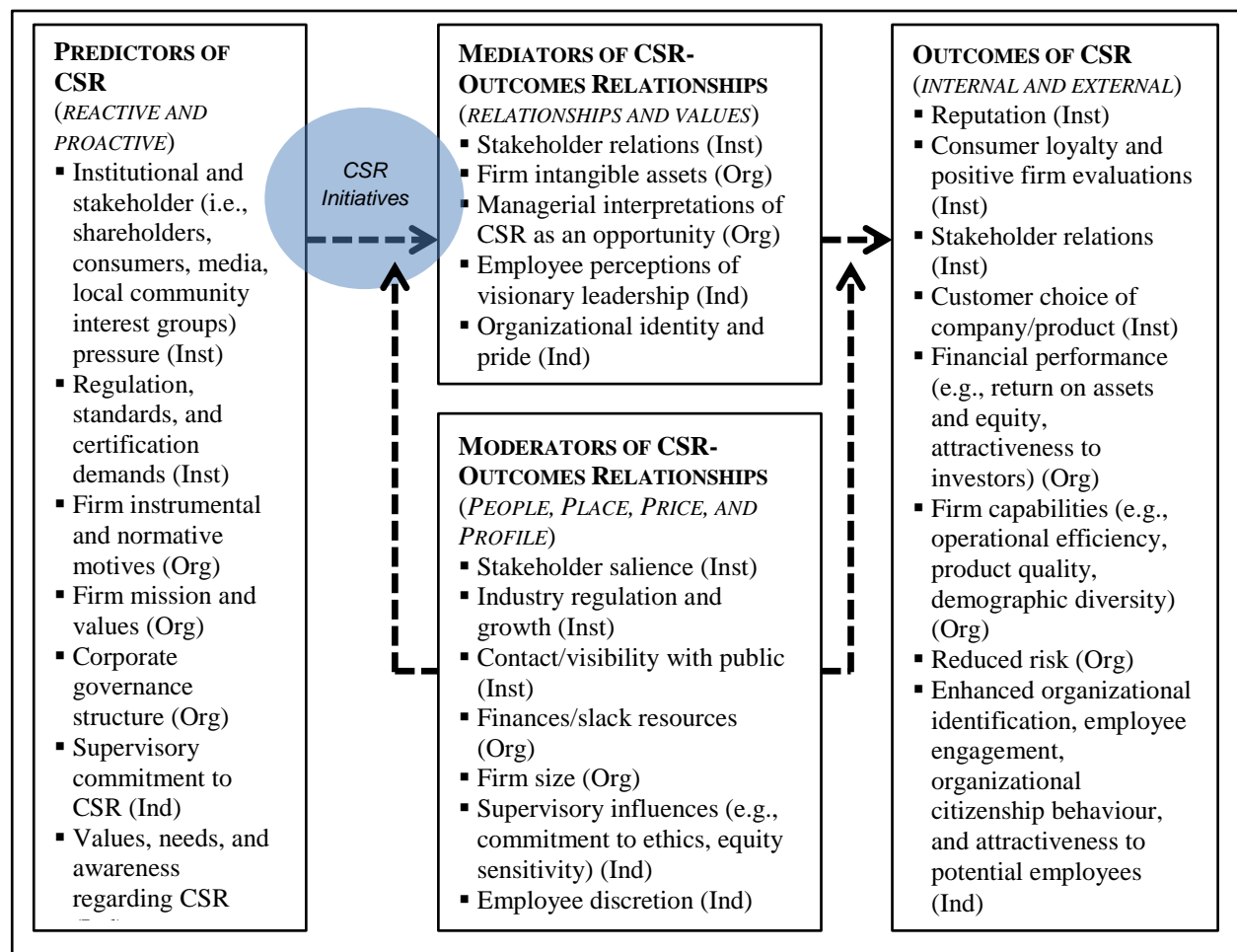
Source: Carroll (1991)

Third, CSR relates to the size of enterprises, the aspect that is important in the agricultural context. The care and protection of rural areas are a matter of stewardship, which in turn is a function of managerial ability. At the same time, managerial ability and size of enterprise are likely to be positively correlated (Rickard, 2004). For example, in the EU, the majority of agricultural enterprises are small and medium-sized in comparison with industrial enterprises and, thus, farmers have relatively limited possibilities to engage in complex CSR programs. Ukrainian agriculture gives opposite evidence, being increasingly dominated by large agroholdings that have sufficient capacities to invest time and effort in socially responsible actions.

3.2 Measurement of CSR

Based on the extensive review of conceptual and empirical research on CSR, Aguinis and Glavas (2012) have designed three levels of inquiry into CSR – institutional, organizational and individual – on which the inquiry into the factors that predict, mediate and moderate the firms' engagement in CSR and lead to specific CSR outcomes can be made. The institutional level of analysis deals with the issues arising from at least one of three pillars of institutions (Scott, 1995): normative, cultural-cognitive, and regulative elements. Organizational level analysis addresses organization-specific variables whereas the individual level inquiry is mainly based on perceptions of CSR and specific characteristics of firm leadership as well as firm employees. This approach provides a possibility of comprehensive systemization of the CSR measurement efforts and, given space limitations of this paper, we replicate it in Figure 13 below.

Figure 13. Summary of conceptual and empirical research on CSR



Source: Aguinis and Glavas (2012)

Thus, considerable attempts have been made to measure the socially responsible activities of organizations both in the academic and business communities. However, as Wolfe and Aupperle (1991) indicated, there is no single best way to measure corporate social activities. Waddock and Graves (1997) also pointed out the difficulties of measuring corporate social performance and assessed the alternative methods, including forced-choice survey instruments, reputation indices and scales, content analysis of document, behavioral and perceptual measures, and case study.

Maignan and Ferrell (2000) categorized these alternative methods into three main approaches: expert evaluations, single- and multiple-issue indicators, and surveys of managers. Expanding on the latter classification, the following approaches are suggested as viable to measure CSR: reputation indices or databases, single- and multiple-issue indicators, content analysis of corporate publications, scales measuring CSR at the individual level, and scales measuring CSR at the organizational level (cf. Turker, 2009).

A number of initiatives on the development of firm-level CSR metrics have been recently undertaken by international organizations. In particular, much effort has been invested in the development of social responsibility rankings and principles of responsible conduct. Some of them have been designed specifically for the agri-food sector (Annex 2).

Most methods of CSR measurement have their limitations though. Some of them are country-specific, some have little theoretical reasoning, and some are based on individual perceptions and thus are unable to capture the entire structure of organizational involvement in CSR. Despite its exploratory nature, the current study attempts to minimize the potential effects of these shortcomings and uses a combined approach toward analysis of CSR.

3.3 Study methodology and CSR concept operationalization

Given little empirical evidence about the process and outcomes of CSR by large agricultural enterprises in transition economies, we used a case study approach to develop inductively a number of implications. We draw upon case studies of four Ukrainian agroholdings. According to Eisenhardt (1989) as well as Mascarenhas et al. (2002), a close study of 4-10 companies yields sufficient richness to conceptualize a phenomenon: studying fewer firms may miss major sources of variation, while studying more than ten firms at a high level of detail is beyond the scope of most researchers. Where possible, we verified our case study results with the data from agroholdings' corporate reports, financial statements and official websites.

We supplemented the case studies with in-depth interviews with the agroholdings' top managers that are specifically responsible for implementation of CSR in their companies¹⁵. An expert (concentration) sampling principle (Fritsch, 2007; Patton, 1990) holds here: the persons interviewed are in positions with a high level of concentration of information that is relevant for the studied phenomenon. Our in-depth interviews aimed to inquire into the general CSR areas that are used to form well-known CSR ratings such as the UN Global Compact, KLD STATS, and Sustainalytics (see Annex 2 for more information). We focused on the following CSR areas: community, diversity, corporate governance, employee relations, environment, product quality, supplier management, and transparency (see Annex 3 for the questionnaire). The research questions this study aimed to answer are as follows:

- What are the drivers of CSR in Ukrainian agriculture?
- How is the CSR work organized in an agroholding?
- Which CSR actions are taken by agroholdings?
- What are the major outcomes of CSR implementation by agroholdings?
- What are the implications for policy-makers?

¹⁵ The names of the agroholdings and their top managers are not mentioned here due to confidentiality reasons.

4. CSR IN THE UKRAINIAN AGRI-FOOD SECTOR

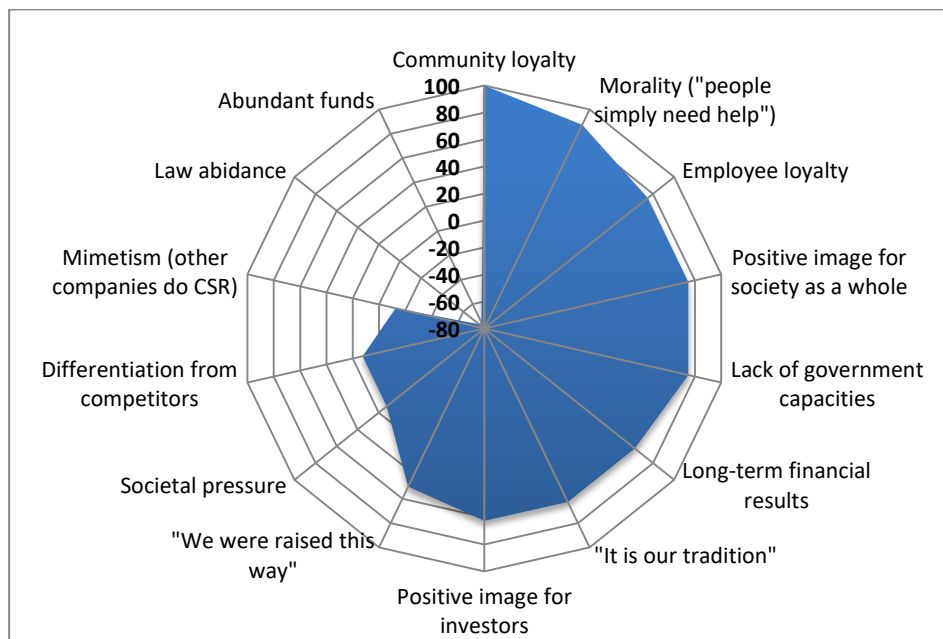
The processes of corporatization and consolidation are often associated with social problems which occur not only internally but also in the external firm environment. This is especially the case in transition economies where the social security systems and institutional environment are usually weak. However, little empirical research exists on how these problems are internalized by large farming structures. Hence, the current study keeps its momentum, elaborating empirically on the role of CSR in Ukrainian agriculture based on the case studies of four agroholdings and in-depth interviews with their managers.

The studied agroholdings operate mainly in the central part of Ukraine, farm about 700,000 hectares and employ about 40,000 people in total. They have diversified business portfolios with different degrees of vertical integration but, mainly, they specialize in grains and oilseeds and involve in some primary processing of meat and sugar beet. All of them engage into CSR actions but only those which are listed on international stock markets have a documented CSR policy. Noteworthy, the CSR policies of the analyzed companies were adopted relatively recently, from 2011 to 2015, signifying that social issues gain momentum in Ukrainian agriculture. We further generalize the most important findings of the case studies.

4.1 Main drivers and stakeholders of CSR in agroholdings

The case studies provide an opportunity to delineate the most important driving forces for implementation of CSR, i.e. loyalty of rural communities, moral considerations as well as loyalty of the agroholdings' employees (Figure 14).

Figure 14. CSR drivers in Ukrainian agroholdings



Source: own presentation based on case study results

Several studies, e.g. Mamonova (2015) and Gagalyuk (2017) demonstrate that social unacceptance of agroholdings by rural communities is to a great extent exaggerated, in particular by other

stakeholders of agroholdings. Apart from cultural characteristics of rural dwellers such as lack of own entrepreneurial skills and paternalistic expectations, another possible explanation of this phenomenon exists. Namely, *community loyalty* is recognized as the top CSR priority by agroholdings and is accordingly supported by investments. The reason behind this prioritization is that, by investing in the development of rural communities, large agricultural companies take care not only about their employees but also about rural inhabitants that own farmland and lease it out to agroholdings.

It is worth noting that agricultural policies and the associated path dependencies contribute to this development. For instance, the Ukrainian Land Code of 2001 recognizes private land ownership, allows for certain land transactions and eliminates size restrictions for rural household plots and family farms. Nevertheless, it includes a moratorium on buying and selling of land by households and family farms that has been retained until present times. In this context, the agroholdings' managers emphasize that the main driver of CSR is the necessity to maintain the commitment of landowners, i.e. rural households. Given that farmland sales are prohibited in Ukraine, land lease is the only way to access land. Long-term investments of businesses in the leased-in farmland are thus insecure due to a threat that a significant number of lessors/landowners may get better lease price offers for their land plots from competing agroholdings (Gagalyuk, 2017). Therefore, the development of the landowners' communities and binding the landowners is supporting the long-term interests of companies. For this matter, many of them have even established a special management position on landowner relations.

Morality ("people simply need help") is another main driver of the agroholdings' CSR. Although there might be some social desirability bias behind this result, it is not surprising in the view of poor local government capacity (which is also recognized as one of the main driving forces behind the CSR actions). This so-called governance vacuum is able to change the enterprise managers' understandings of CSR or, in terms of Carroll's pyramid described in section 2.1, managers' perceptions of CSR shift from economic to more ethical aspects, a development which is generally good. However, every medal has its reverse. The shift in CSR perceptions may also lead to the situation when the company's legal responsibility to abide the law (that corresponds to the second level of Carroll's pyramid), e.g. pay taxes, is perceived and presented to the public as ethical behavior rather than something that must be done.

Two aspects have to be mentioned with respect to *employee loyalty* as a driver of CSR. First, agricultural enterprises in Ukraine face huge deficits of qualified labor, especially in production. On the one hand, this problem can be attributed to disparities in enrollment of students and, respectively, the structure of graduation from agricultural education institutions. In this regard, economic specialties have been much more popular among students than production-related professions over the last decade (see e.g. Koester et al., 2009). On the other hand, education institutions experience serious infrastructure problems and are lagging behind technological progress in agriculture. It is very difficult to find (and preserve) a good agricultural production specialist. Therefore, agroholdings offer extra benefits to their employees and continuously engage in qualification improvement programs.

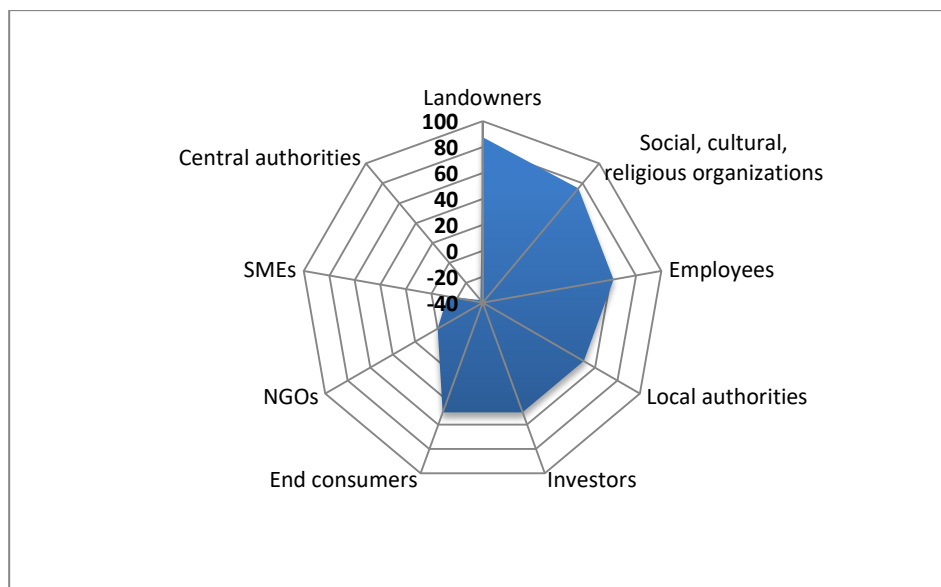
Second, employee fraud is still an issue in agriculture. Some agroholdings indicate that their crop losses may reach up to 30% due to fraud. This problem is complex. Partly, it is of cultural origin, inherited from Soviet times when all kolkhoz/sovkhoz assets were "common" in many senses. Partly, it is also a consequence of poor living conditions in rural areas. Agroholdings' response to

this problem is also complex and includes above-average salaries and employment benefits as well as innovative monitoring technologies that help minimize this type of agency costs.

The other important drivers of the agroholdings' CSR are associated with considerations of corporate reputation (positive image for society and investors), whereas pressure from the society, competition vis-à-vis other agroholdings as well as the mimetic processes are found to play minor role.

Agroholdings' awareness of their stakeholders is to a great extent in line with their understandings of the driving forces of CSR (Figure 15). The agroholdings' managers identify landowners and employees as well as social, cultural and religious organizations as the major recipients of their CSR actions. The other important addressees of CSR are local authorities and agroholdings' investors with regard to whom the issue of CSR communication is at stake. Local authorities serve as an intermediary for the companies' CSR communication to rural communities whereas non-owner investors pay more attention to CSR as it turns on important drivers of shareholder value (e.g. improved access to bank loans, higher sales, etc.), in particular for publicly listed agroholdings (see also Gagalyuk, 2017). At the same time, end consumers are likely to be relevant only for the agroholdings that, besides crop commodities, produce processed foods. The other stakeholder groups such as NGOs, SMEs and central authorities are found to be less relevant (Figure 15).

Figure 15. Main stakeholders of agroholdings' CSR



Source: own presentation based on case study results

4.2 Organization of CSR in agroholdings

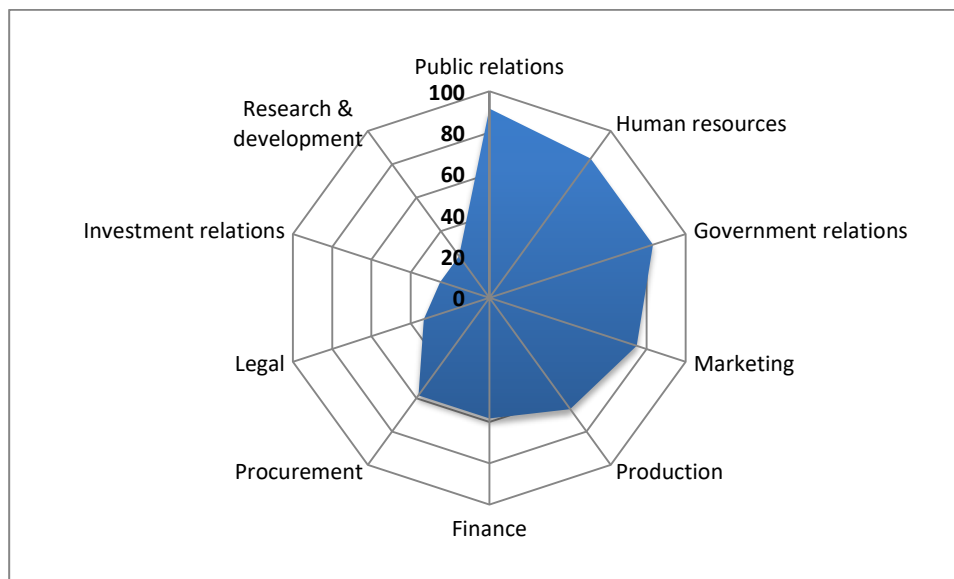
Recent adoption of CSR policies in Ukrainian agroholdings demonstrates that CSR is becoming an integral part of their broader corporate policies and strategies. Although this process is rather indicative of the instrumental nature of CSR, it also entails a more strategic, value-orientated approach to socially responsible actions. The latter implies that specific CSR divisions or management positions are established, CSR resources are allocated, and feedback mechanisms are installed.

Our findings suggest that the vast majority of publicly listed agroholdings have a person in charge of CSR issues. Sometimes this person is even the company's CEO but, most often, there is a special

position dedicated to CSR in general or a certain group of stakeholders in particular (e.g. landowners or mass media). However, practical on-site implementation of CSR is most often carried out through separate social organizations or charity funds that are established by agroholdings in the form of an NGO. Apart from some top managers of an agroholding, membership to such NGOs involves representatives of local authorities, other non-governmental organizations as well as community influentials. These NGOs have their operational plans and budgets and some of them even cooperate with international donor organizations on the issues of rural development. Agroholdings report that their expenditure on CSR – mainly community development – varies from \$2 to \$6 per hectare of land operated. Additionally, a number of agroholdings have also established reserve funds to react to urgent/force majeure social and environmental events. All this supports our conclusion that CSR is becoming one of the agroholdings' strategic priorities since not only stakeholder management but also issues management is in focus.

At the same time, the dominant CSR role *within agroholdings* belongs to the public relations (PR) departments (Figure 16). Some agroholdings even officially name their PR departments in organization charts as "Department of public relations and corporate social responsibility". This underscores the abovementioned relevance of external communication of CSR actions and shows that, although social pressure is not among the main drivers of CSR (recall Figure 14 above), it is a potential threat to "business as usual" and, thus, requires preventive action. Availability of the so-called government relations (GR) managers in the agroholdings' structure and their high degree of involvement in CSR is also indicative of importance of external communication. Involvement of human resource (HR) departments' in CSR is also significant in the view of the abovementioned problems agroholdings face in accessing (qualified) labor.

Figure 16. Involvement of particular agroholdings' departments in CSR



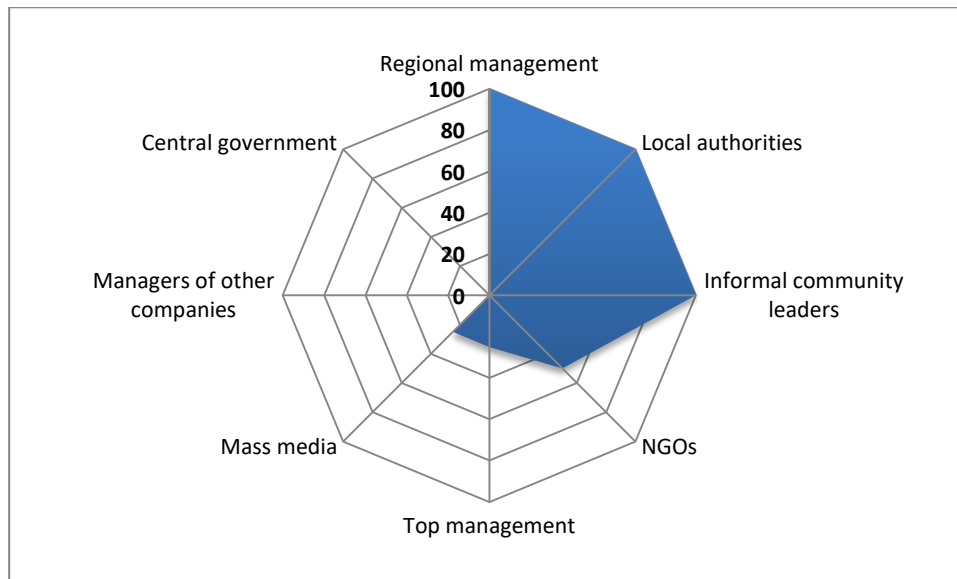
Source: own presentation based on case study results

Agroholdings also establish monitoring and feedback mechanisms for CSR implementation. The most important sources of information about the CSR issues include the agroholdings' regional managers as well as local authorities and informal community leaders (Figure 17). Agroholdings' regional managers identify informal community leaders; some companies even build up agricultural production cooperatives around these leaders in order to create jobs in rural areas. The

agroholdings' CSR managers also communicate with local authorities on a regular basis. As put by one of the interviewed agroholding managers, "We are almost every day in the office of the *sil'rada* [village council] head. We tell him what we do for people and show him which portion of money that he gets from the rayon level is paid by us as a tax payer."

Monitoring of the communities' needs and problems is often carried out through surveys of rural dwellers. Some agroholdings conduct such surveys on their own while some hire specialized third-party agencies. However, this type of feedback mechanism is still little spread. Special CSR trainings for agroholdings' employees are also rare unless they are part of trainings on broader issues or taken by employees on their own outside of a company.

Figure 17. Sources of information for CSR of agroholdings

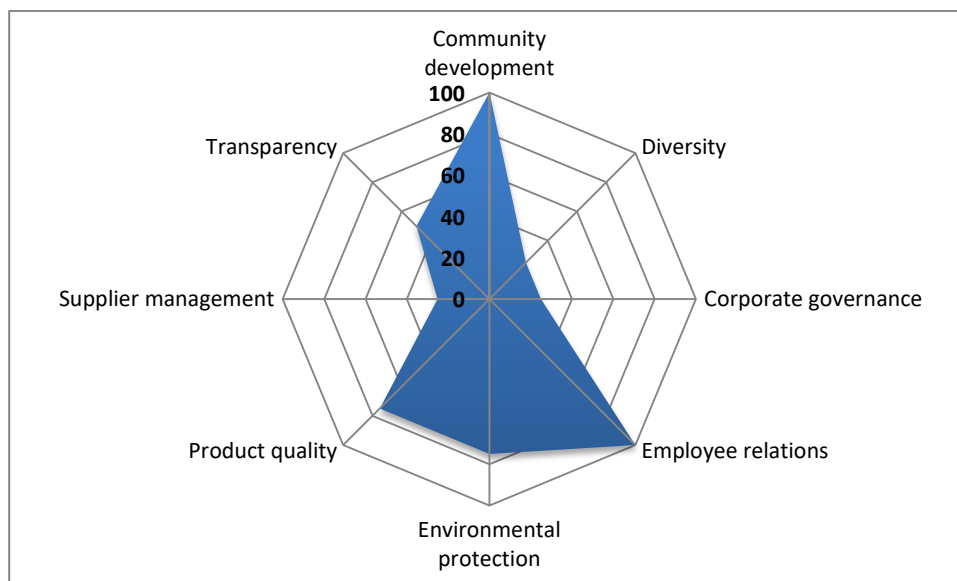


Source: own presentation based on case study results

4.3 Implementation of CSR in agroholdings

Prior to presenting the results on CSR implementation, recall the CSR areas that form the basis of this analysis (section 3.3 of this paper): community, diversity, corporate governance, employee relations, environment, product quality, supplier management, and transparency. In general, agroholdings involve in all of these areas to a lesser or greater extent but the most addressed CSR areas correspond to the agroholdings' visions of the drivers and stakeholders of CSR. Thus, the major CSR areas in agroholdings are community and employee relations (Figure 18).

Figure 18. Areas of CSR implementation by agroholdings



Source: own presentation based on case study results

The types of community development actions of Ukrainian agroholdings are quite manifold. They encompass charitable giving and targeted donations to rural dwellers, support to NGOs, development/construction of physical infrastructure, help to educational institutions, support to volunteer programs, etc. In practical terms, the examples of community development by agroholdings include purchase of equipment for rural schools and hospitals, construction of playgrounds, maintenance of community centers and libraries, support to sport clubs and organization of sport events, construction of roads, water pipelines and electricity lines, etc.

With regard to employee relations, both in-kind and monetary programs exist. This CSR area involves actions such as profit sharing, retirement pay, special health and safety programs (including private insurance) as well as qualification improvement programs. Quite a number of agroholdings have even launched private agricultural education programs, both on-site and in cooperation with colleges/universities. In particular, trainings on the following production-related disciplines are in demand: seed production, crop physiology, phytopathology, agricultural machinery, agronomy, etc.

Environmental protection and product quality are the CSR areas that are also found to be important. However, provided that most agroholdings are primarily commodity producers, their actions within this area come down to innovations in production technologies such as no-till, drip irrigation, mechanical weed control, etc. A few agroholdings produce energy from alternative sources, especially those that have access to these sources, e.g. manure, but a broader use of renewable energy faces some regulatory barriers and, therefore, is not economically viable. Some companies have introduced the programs of animal welfare, waste management and efficient water use; some have been certified according to international environmental and quality standards but the majority is lagging behind this development. The important issue that is generally out of scope of the agroholdings' CSR activities is biodiversity.

Another important CSR area is transparency. Agroholdings aim to disclose as much CSR-related information as possible and this way they differ from European farmers. CSR in the EU is rather expected from large food processors but it is rarely associated with small farmers involved in *primary* agricultural production (see more on this in Chapter 5 of the current paper). The main

media used for information disclosure by Ukrainian agroholdings are their corporate websites and brochures as well as local and social media. Some publicly listed agroholdings disclose their CSR actions in annual corporate reports as well.

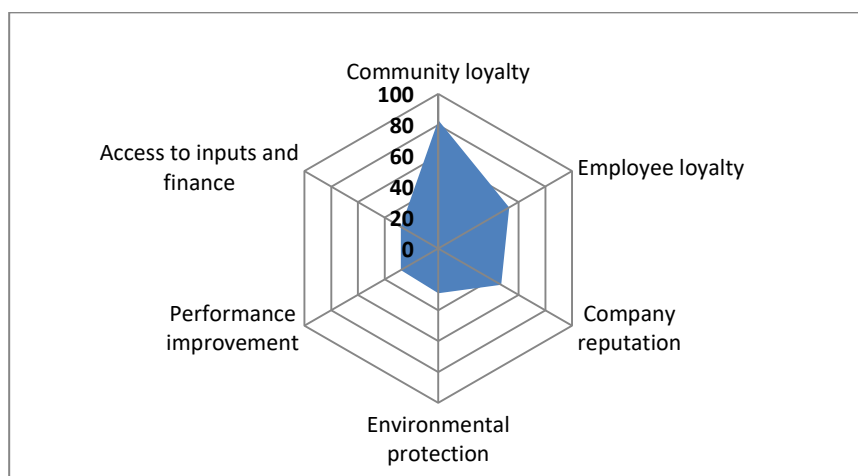
Involvement of agroholdings in the other CSR areas is rather sporadic and often depends on an agroholding's business model. For example, best practices of corporate governance such as diversity of the board of directors and limited top management compensation are important only for publicly listed agroholdings. At the same time, suppliers' responsibility is mainly relevant for the agroholdings that produce processed foods, e.g. meat or dairy, and are closely located to end consumers in the value chain.

4.4 Outcomes of CSR implementation by agroholdings

In contrast to the findings addressed in sections 4.1-4.3, the results presented in this section do not aim to describe what is actually done by companies in the sphere of CSR and how. They are more perception-based and reflect the agroholdings' management opinion about the value of socially responsible actions for agroholdings themselves as well as for their stakeholders. Thus, these results should be treated with some caution as they do not represent the opinion of stakeholders that are external to agroholdings – a circumstance that calls for further research into the outcomes of CSR in Ukrainian agriculture.

Nevertheless, our results are helpful in exploring and shaping the vision of the role of CSR from the agroholdings' perspective. In this regard, the achievement of community loyalty is the major outcome of CSR as perceived by agroholdings' managers (Figure 19). The development of rural social and physical infrastructure is accordingly seen as the main achievement of CSR. Employee loyalty is the second most important outcome of agroholdings' social responsibility actions and, interestingly, protection of the company's values is named as the major aspect of this achievement. This finding suggests that agroholdings strive for the employees' self-identification with their companies and thereby kill two birds with one stone. First, they prevent transfer of scarce qualified labor to other agroholdings and, second, they minimize fraud by promoting ethical behavior among employees. To this end, improvement of employee qualification is also regarded as one of the key CSR achievements in the area of employee relations.

Figure 19. Main CSR achievements of agroholdings



Source: own presentation based on case study results

Good company reputation is another important outcome of CSR among agroholdings. Notably, reputation for the general public and local authorities is perceived as more important than reputation for the investors. On the one hand, this signifies that today the problems that arise from imperfect markets (i.e. farmland) and weak institutional regimes (i.e. poor infrastructure and education) are more inhibitive for agroholdings' business growth than access to finance. On the other hand, this explains why the role of external communication and PR is crucial for CSR. Socially responsible behavior also brings about a range of other benefits such as protected environment, efficient resource use, improved stock performance and access to production inputs and finance but these are not seen as the key CSR effects.

In general, CSR of Ukrainian agroholdings can be characterized as very instrumental (or maybe even driven by some political power considerations). At the same time, it serves a number of important social and developmental functions in the (rural) society.

5. CSR IN THE POLITICAL CONTEXT OF EU AND GERMANY

As outlined in section 3, the term CSR is widespread in the Anglo-American environment since many years. For a long time it has centered on the practical firm-level issues, involving mainly philanthropic activities rather than a systematic incorporation into all fields of business operation (Loew and Rohde, 2013). In the EU, discussions on CSR have started comparably recently. For example, in Germany, the sustainable development paradigm was established in the society and politics in the early 1990s; notable firm-level efforts on the part of the private have started by the mid-1990s, resulting in conceptual and semantic overlaps between the notions of sustainable development and CSR that are often used synonymously nowadays.

5.1 CSR concept of the European Commission

The EU Commission initiated a multi-stakeholder dialogue on the definition of CSR in early 2000. The outcomes of the consultation processes led to the Green Paper "Promoting a European framework for Corporate Social Responsibility" (EU Commission, 2001) which defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholder on a voluntary base" (EU Commission, 2001, p. 6). The focus on the ecological and social dimension of CSR esteemed from the sustainable development paradigm.

In October 2011, the EU Commission has brought forward a new definition which understands CSR as "the responsibility of enterprises for their impacts on society" (EU Commission, 2011, p. 6). Legal compliance with the law and collective agreements with social partners is here understood as prerequisite. To meet CSR obligations enterprises "should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" (EU Commission, 2011, p. 6). The revised definition and its accompanying explanations indicate the Commission's shift in its CSR comprehension since the responsibility of enterprises for their impacts on society has been placed in the center of attention while the term "voluntariness" has been removed. Moreover, the multidimensional nature of CSR is emphasized (Annex 4). CSR should be led by enterprises themselves and enterprises are requested to actively install and implement a CSR management. Public authorities are envisaged to have a facilitating and supporting role "through a smart mix of voluntary policy measures and, where necessary, complementary regulation, for example to promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability" (EU Commission, 2011, p. 7).

The "Agenda For Action 2011-2014" (EU Commission, 2011, p. 8f) contains areas of activity the Commission has committed itself to as well as suggestions for member states, enterprises and stakeholders. The strategy is under revision and it is anticipated that the Commission will introduce an updated strategy by 2016/2017. However, the Agenda 2011-2014 includes measures in the field of:

- 1) Enhancing the visibility of CSR and disseminating good practices
- 2) Improving and tracking levels of trust in business
- 3) Improving self and co-regulation processes
- 4) Enhancing market rewards for CSR
- 5) Improving company disclosure of social and environmental information

- 6) Further integrating CSR into education, training, and research
- 7) Emphasizing the importance of national and sub-national CSR policies
- 8) Better aligning European and global approaches to CSR.

The intention to establish more binding elements into CSR policies is reflected, for instance, by the "Directive on non-financial reporting" (Directive 2014/95/EU). This directive defines the reporting duties for a specific group of enterprises on non-financial information. The deadline for national implementation is December 6, 2016.

5.2 CSR concept of the German Government

Considering the high regulative density in Germany, e.g. regarding environmental protection and labor rights which limit space and need for additional voluntary corporate responsibility, it might not be surprising that the CSR discussion started comparably late in the policy sphere. In addition, entrepreneurial responsibility has a long tradition in Germany as well as in other social market economies. However, CSR has gained relevance in policy and research over the recent years and has developed to a highly debated issue. Globalization of value chains and connected negative effects, mega challenges such as climate change, poverty and rising inequalities are becoming more visible to society. This increased the demand for integrated strategies which pave the way for a stronger interplay of economy, policy and civil society.

By 2009, a National CSR Forum was established by the Federal Ministry of Labor and Social Affairs (BMAS)¹⁶ consisting of experts representing economy, labor unions, policy, science, and non-governmental organizations (NGOs). The National CSR Forum serves the government as advisory and consultancy body on CSR strategy development issues and meets on a regular basis, approximately twice a year. According to the National CSR Forum's recommendations, the Federal Government adopted the "National Strategy for Corporate Social Responsibility – Action Plan for CSR in 2010" which is the basic framework for most of the CSR initiatives in Germany facilitated by the government. The strategies and derived actions center around five main pillars:

- Improve anchorage of CSR in enterprises and public bodies;
- Attract more small and medium-sized enterprises (SMEs) to CSR;
- Increase visibility and credibility of CSR;
- Optimize the political framework conditions for CSR; and
- Contribute towards shaping the social and ecological dimensions of globalization (BMAS, 2010).

Most of the actions under these pillars have already been finally implemented or continue to be implemented (for selected activities see section 5.3.3). However, the strategy will be further developed, as international requirements have become more stringent: Instead of the paradigm of voluntary social responsibility there is now a stronger focus on "the responsibility of enterprises for their impacts on society of enterprises" (EU Commission, 2011). The UN Human Rights Council adopted the UN Guiding Principles on Business and Human Rights, and in 2011 the OECD revised its Guidelines for Multinational Enterprises. As a result there is now a stronger focus on corporate due diligence when it comes to compliance with labor, social and environmental standards. These

¹⁶ Overview on the Federal Government's CSR activities: <http://www.csr-in-deutschland.de/EN/Home/home.html>

developments changed the initial understanding of CSR documented in the CSR Action Plan 2010 and influenced the national debate in Germany significantly.

5.3 CSR implementation in Germany

The agribusiness sector in Germany is increasingly exposed to critical public discussions and even protests such as e.g. those initiated against investments in livestock production¹⁷ that are associated with low animal welfare standards, high emission rates or nutrient oversupply in areas of high livestock density. Conventional high input crop production is also often compared with monoculture farming, loss of biodiversity, pesticide residues and emissions as well as large-scale farming that is in the public often referred to as “factory farming”¹⁸. Public criticism addresses most stages of the value chain in agribusiness. In this regard, CSR is increasingly perceived as a tool which can help firms to handle the new demands and challenges. The following section presents an overview on the status quo of CSR in German agribusiness based on empirical findings and describes some selected initiatives by both, private sector and government.

5.3.1 Status quo of CSR in German agribusiness: summary of empirical findings

Awareness

Surveys conducted in the German meat production sector indicate that the English term “Corporate Social Responsibility” is not fully established among consumers and producers (Hartmann et al., 2013; Heinen, 2015). About 50% of the consumers are familiar with the German term “Unternehmensverantwortung” while the English equivalent “Corporate Social Responsibility” is only known to 28% of respondents; and 42% had never heard about any of the terms at all (Hartmann et al., 2013, p. 130). On the corporate level, Heinen (2015) shows based on a survey of 68 pork producing and processing enterprises in North-Rhine Westphalia that, although half of the respondents are not familiar with the English term, all of the interviewed enterprises have implemented CSR activities in some way and to a different extent (Heinen, 2015; Heinen and Hartmann 2013).

Motives

Empirical findings indicate that the degree of CSR among agribusiness firms is predominantly influenced by altruistic principles and differentiation strategies (Heyder and Theuvsen, 2012)¹⁹. This holds also partly true for the pork subsector. The aim to positively differentiate from competitors is identified here as the main motive of firms to implement CSR (Heinen, 2015); also, meeting stakeholder requirements (e.g. fulfillment of moral obligations, improvement of social acceptance of society) and direct economic motives (e.g. reducing costs, improving financial results) are of importance.

Determinants

Enterprise size is likely to have an influence on the degree of CSR involvement in German agribusiness as larger enterprises tend to show a higher degree of CSR (Heyder and Theuvsen, 2012; Heinen, 2015). SMEs perceive higher barriers than large firms to implement CSR; limited

¹⁷ <http://www.kontraindustrieschwein.de/>

¹⁸ <http://www.bauernhoefe-statt-agrarfabriken.de/>

¹⁹ The survey was conducted in 2008, the sample includes 170 German agribusiness firms. Dominating industries: slaughtering and meat processing (12.3%), bakery goods (10.7%), sweets (7.4%), milk processing (6.6%), breweries (6.6%), mills (5.7%), plant protection (4.9%), agricultural machinery (4.9%), fruit and vegetable processing (4.0%), feedingstuffs (4.1%), plant breeding and seeds (4.1%). The remaining 28.3% belong to 14 other industry sectors.

financial resources are identified by SMEs as a restriction (Heinen, 2015). Moreover, Heinen (2015) shows for the pork value chain that the position in the value chain is an important factor as firms that have direct contact with end consumers have more CSR activities. Higher CSR involvement is also identified in firms which claim to have a higher profitability and claim that “fulfilling stakeholder requirements” and “differentiation” are important motives to engage in CSR (Heinen, 2015). As already mentioned, Heyder and Theuvsen (2012) found in the context of the food industry as a whole that firms pursuing a differentiation strategy show a higher degree of CSR.

Implementation

German firms engage in different fields and want to be commonly known for fair behavior, engage in personnel development (e.g. employee training and involvement) and publicly declare their social responsibility (Heyder and Theuvsen, 2009). According to the same survey, enterprises engage in environmental protection and the local environment of the company (corporate citizenship), social initiatives and make suppliers commit to social and environmental standards. Especially producers of organic products seem to be most active in animal and environmental protection. Many companies refuse to cooperate and exchange with “critical” non-governmental groups; however, 30% of the surveyed firms realize the opportunities of an exchange with these stakeholders, especially firms that are criticized for their GMO position (Heyder and Theuvsen, 2009). Heinen and Hartmann (2013) reveal that CSR activities in the pork industry are especially related to “consumers” and “business partners” and, although to a lesser extent, “employees”, “environment” and “community”. Several quality standards for the implementation and controlling of CSR are used; among them, ISO standards and risk management systems are the most frequently installed (Heyder and Theuvsen, 2009). In the majority of the cases, CSR is dealt with by the management board, while communication and PR departments as well as human resources departments are involved to a lesser extent (Heyder and Theuvsen, 2009).

Outcomes and communication

As manifold factors influence the firm’s financial performance, studies on the relationship between CSR and financial performance demonstrate rather mixed results although a positive link is suggested (e.g. Margolis et al., 2007). For the German agribusiness, CSR engagement significantly enhances corporate reputation (Heyder and Theuvsen, 2012), which can in the long run turn into a positive differentiation feature. Although companies are active in CSR, most firms surveyed are not very active in communicating their CSR activities (Heinen, 2015). This indicates that potential competitive advantages arising from CSR are not yet fully utilized, neither internally or externally.

5.3.2 Selected CSR instruments in the German agribusiness sector

In light of changing consumer awareness and demands, a flood of voluntary quality standards evolved in the German agri-food sector as well as in other industries and on the international level²⁰. It is not possible to take account of all these concepts in this paper. Therefore this section presents a brief overview of selected national initiatives.

It can be generally distinguished between *voluntary product-oriented standards* and management systems. The product-oriented standards focus on the production process of the labeled product and highlight specific benefits, for example, organic production, higher animal welfare standards,

²⁰ Well established international standards/guidelines are e.g. the quality management certification standard GLOBALG.A.P., SA 8000 (Social Audits), ISO 9000 series on quality management, ISO14000 series on environmental management, ISO 26000 guideline on social responsibility, EMAS (Eco Management and Audit Scheme), Rainforest Alliance, Forest Stewardship Council (FSC), Marine Stewardship Council (MSC)

social criteria and/or ecological aspects. In some cases, these standards address only some dimensions of CSR. They include usually third-party auditing and certification mechanisms; many use labels to help producers to communicate their efforts to customers and stakeholders. *Management systems* (e.g. ISO, QS) rather deal with operational processes and their continuous improvement as well as assist firms in analyzing the sustainability of their products and processes and reducing or compensating potential negative effects. Some of the voluntary standards are initiated by the government (e.g., "Bio-Siegel" based on EC-Organic Production Regulation, is assigned by the Federal Ministry for Food and Agriculture (BMEL)) as well as by private farming associations or NGOs (e.g. "Demeter", "Bioland", "Für mehr Tierschutz", "Tierschutz kontrolliert", "TransFair") or are led by agriculture, meat industry and food retailers (e.g. "Initiative Tierwohl"). In addition, international standards and management systems find wide application as well.

Some system standards such as e.g. "Qualität und Sicherheit" (QS) focus on the whole value chain. QS defines quality criteria for different product groups throughout all value chain stages and contributes by that to increased transparency through its guaranteed product traceability. On the *farm level*, the Deutsche Landwirtschafts-Gesellschaft e.V. (DLG) developed a sustainability certificate "Sustainable Agriculture – Fit for the Future"²¹ which evaluates the sustainability management of crop farms. More than 20 indicators in the dimensions "Ecology", "Economy" and "Social" measure the balance between the farm's value added and its environmental and social effects. The set of indicators contains classical indicators such as humus, nitrogen or phosphorus balance as well as more recently developed indicators such as agrobiodiversity and greenhouse gas emissions. Farms receive the certificate with three years validity if they comply with legal regulations, show quality assurance in the production process and reach the target values of the sustainability indicators. The standard is not widely established yet – currently around 20 farms are certified in Germany under the DLG scheme.

Company specific CSR schemes are also developed on the individual firm level. The network "CSR Germany"²² led by four leading business organizations presents some examples of the German agri-food industry. For instance, Kraft Foods International Deutschland GmbH engages in supporting a healthy lifestyle and sustainable coffee cultivation; Wrigley GmbH Deutschland established "Go Green Teams" which motivate firm staff to engage in environment and society in their local communities whereas "Wrigley's Special Smiles" involves in voluntary dental health activities; Alfred Ritter GmbH & Co. KG focuses on the protection of the natural living environment and eco-friendly conduct.

5.3.3 Selected initiatives to promote CSR (cross-sectoral)

Obligatory CSR reporting

The EU Directive on non-financial reporting (Directive 2014/95/EU) has to be translated to national legislation until December 6, 2016. On September 21, 2016, a draft law which closely orientates on the EU directive has been presented²³. The law focuses on two main pillars. Firstly, large capital market-oriented corporations, banks and insurance companies with more than 500 employees will be obliged to disclose in their management reports information on their policies, main risks and outcomes relating to at least environmental matters, social and employee aspects, respect for

²¹ <http://www.nachhaltige-landwirtschaft.info/home-en.html>

²² <http://www.csrgermany.de>

²³ Draft law (German version) can be downloaded here:
http://www.bmfv.de/SharedDocs/Gesetzgebungsverfahren/Dokumente/RegE_CSR-Richtlinie.pdf?__blob=publicationFile&v=1

human rights, anticorruption and bribery issues. The concepts implemented in this regard have to be outlined. If an enterprise has no concept developed e.g. regarding anticorruption or bribery this has to be explained and justified in the report as well. Secondly, publicly listed stock companies will be obliged to outline their diversity concept in their board of directors. Herein, age, gender, educational and professional background as well as the goals of the diversity concept, implementation strategies and achieved results has to be presented. These new regulations should be applied for the first time for business years starting after December 31, 2016 (BMJV, 2016).

CSR Award

The Federal Government rewards enterprises established in Germany which shape their business operations in an outstanding social, ecological and economic way. Focal points are here fair business behavior, employee-orientated personnel policy, economical use of natural resources, protection of climate and environment, civil engagement and responsible supply chain management. The prize will be awarded in 2017 for the third time²⁴.

Ranking of sustainability reports

The ranking of sustainability reports is a joint project of the Institute for Ecological Economy Research (IÖW) and the business initiative "future e.V. – verantwortung unternehmen" and evaluates the social reporting of 150 major German companies and, since 2009, also SMEs. Based on a set of social, environmental, management and communication-related criteria, the ranking of the best reporting enterprises in Germany has been compiled since 1994.²⁵ The ranking aims to improve the comparability of CSR reports and to stimulate competition for high reporting standards among firms. The ranking initiative works independently but receives financial support predominantly from public institutions.

SME practice day

The involvement of small and medium-sized enterprises was already a key pillar of the "Action Plan for CSR" in 2010. The BMAS organizes specific workshops in the federal states which aim to support SMEs in incorporating CSR in their operational activities. The topics of the workshops in 2015/2016 accounted for the changing international framework conditions and focus on "responsible supply chain management" and "transparent reporting on ecological and social aspects".²⁶

Information portals (selection)

The BMEL established a portal www.tierwohl-staerken.de which provides information on various quality standards in the livestock sector, husbandry conditions as well as governmental and private sector initiatives.

The portal www.siegelklarheit.de provides information on standards and their labels for five product categories (textiles, paper, laptops, wood, food) and a tool which allows the user to compare them and assess their sustainability performance. It has been established by the Federal Ministry for Cooperation and Economic Development (BMZ) in cooperation with other federal ministries and the German Society for International Cooperation (GIZ). It is based on the idea that transparency among standards will enable consumers, public institutions and companies to take more sound purchasing decisions with respect to sustainability criteria.

²⁴ <http://www.csr-in-deutschland.de/DE/CSR-Preis/csr-preis.html>

²⁵ Selected reports in English can be downloaded here: <http://www.ranking-nachhaltigkeitsberichte.de/en.html> a full list of reports (German) can be downloaded here <http://www.ranking-nachhaltigkeitsberichte.de/publikationen/publikationen-aller-rankings.html>

²⁶ <http://www.csr-in-deutschland.de/DE/Politik/CSR-national/Aktivitaeten-der-Bundesregierung/KMU-Praxistage/kmu-praxistage.html>

The BMAS has also established a portal under www.csr-in-deutschland.de which provides a cross-sectoral overview of the government's activities in stimulating CSR.

6. POLICY RECOMMENDATIONS

Today's agriculture is subject to a broad controversy that originates from the so-called alienation of agriculture from the society since agriculture is becoming globally less capable of dealing with the new societal pressures such as animal welfare and environment protection (Thompson 2010). There are also other, deeper problems associated with the special role of agriculture in the economic system. Agriculture enjoys countless privileges not only in the context of agricultural policies but also in the tax, social security and other areas of public policy (Balmann et al. 2016).

In this context, it should be stressed that Ukrainian rural development policies have been inconsistent and little strategically driven over the last two decades. This resulted in a number of social problems that could not be solved due to the existing governance vacuum. The current situation in rural areas is compelling the agricultural sector to "privatize" a portion of some important government functions in the sphere of rural development. Particularly, as suggested by the findings of this study, the issues such as community development and human capital development are the key aspects of agroholdings' CSR. Partly, agroholdings engage in CSR because of their own metabolism, as any business is incapable of growth without qualified and loyal labor. Partly, they respond to a growing societal pressure and the need to operate in a highly opportunistic environment.

Our analysis of CSR in Ukrainian agriculture may have a number of important policy implications. First, the results we obtained with regard to agroholdings may be extrapolated to a broader range of agricultural producers. We have additionally inquired about socially responsible activities of "independent" agricultural enterprises and family farms (not presented in this study). Although these smaller types of farms have limited possibilities to invest in PR or introduce corporate governance mechanisms (and are simultaneously less criticized than agroholdings), we have found out that their involvement in resolution of community development issues is also significant, let alone the qualified labor deficit which is a problem for all types of agricultural producers. This implies that there exists a possibility to scale up some initiatives in the sphere of public-private partnerships aiming to improve rural livelihoods and human capital. Of course, the mode and activity fields of such partnerships have to be reviewed carefully. Some fields of activity might be more suitable than others where additional qualification or independence from private sector interests is needed. For example, "privatization" of some key government functions such as education and research should be seen critically. However, given limited government capacities that resulted from the transition problems, Ukraine may establish its own "win-win" architecture of such relationships, at least in the medium term, given that some successful examples already exist within the country.

Second, with the caveat that CSR is generally considered voluntary, the transparent and binding guidelines for business sustainability reporting might be one possible way for policy makers to sensitize firms for CSR issues. Firms, in turn, would have the opportunity to demonstrate public accountability in a reliable way. In this context, the government can play an active role as the implementation of the EU Directive on non-financial reporting (Directive 2014/95/EU) demonstrates in Germany. Furthermore, the use of sustainability promotion instruments such as national and sectoral sustainability/responsibility awards may be conducive to establish incentives for agricultural businesses and investors to demonstrate responsible behavior. In addition, the development of CSR-related product standards and systems might be as well a field, where the government can take over a stimulating and facilitating role.

Third, it is worth noting that CSR may be absent (or used as an advertisement instrument) in the spheres where there is no societal pressure. For example, Ukrainian consumers, civic society and mass media still speak in a low voice when they face problems of inferior food quality, water pollution, fertilizer or antibiotics residues, etc. Our results demonstrate that particularly little attention is paid to CSR actions that would address the whole agri-food chain in Ukraine. Agricultural and rural development policies may keep their momentum and use this opportunity for bringing the value chain focus to the forefront. In this regard, the development and promotion of unique, value chain-oriented sustainability platforms may not only establish trust among end consumers and rural dwellers but also become a differentiation mechanism for Ukrainian agri-food products in domestic and international markets. Successful examples of such sustainability platforms (that have even evolved into sustainability certification schemes) can be found internationally, both in the private and public sectors.

Last but not least, Ukrainian government inter-agency communication and cooperation has to be improved to avoid duplication of programming work. Within a year, two different national strategies/concepts of rural development were presented by two different agencies and adopted on the government level. Their proposed objectives and measures broadly coincided but valuable human resources and time were used with less utility and synergies than it could have been if the two agencies had worked together on common issues. Now the question is which strategy to follow. Also, no less important than the previous is the question of which government agency is responsible for rural development policies and whether agricultural and rural development policies should overlap. In the view of the historical development of the role agricultural enterprises used to play and are still playing in the Ukrainian rural society, an integrated policy approach seems reasonable. However, agricultural policies should not be implemented at odds with rural development goals.

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ANNEX 1. CSR THEORIES AND RELATED APPROACHES

Types of theory	Approaches	Short description
Instrumental theories (focusing on achieving economic objectives through social initiatives)	Maximization of shareholder value	Long-term value maximization
	Strategies for competitive advantages	<ul style="list-style-type: none"> ▪ Social investments in a competitive context ▪ Strategies based on the natural resource view of the firm and the dynamic capabilities of the firm ▪ Strategies for the bottom of the economic pyramid
Political theories (focusing on a responsible use of business power in the political arena)	Cause-related marketing	Altruistic activities socially recognized used as an instrument of marketing
	Corporate constitutionalism	Social responsibilities of business arise from the amount of social power that they have
	Integrative Social Contract Theory	Assumes that a social contract between business and society exists
Integrative theories (focusing on the integration of social demands)	Corporate (or business) citizenship	The term is understood as being like a citizen with certain involvement in the community
	Issues management	Corporate processes of response to those social and political issues which may impact significantly upon it
	Public responsibility	Law and the existing public policy process are taken as a reference for social performance
	Stakeholder management	Balances the interests of the stakeholders of the firm
Ethical theories (focusing on the right thing to achieve a good society)	Corporate social performance	Searches for social legitimacy and processes to give appropriate responses to social issues
	Stakeholder normative theory	Considers fiduciary duties towards stakeholders of the firm. Its application requires reference to some moral theory (Kantian, Utilitarianism, theories of justice, etc.)
	Universal rights	Frameworks based on human rights, labor rights and respect for the environment
	Sustainable development	Aimed at achieving human development considering present and future generations
	The common good	Oriented toward the common good of society

Source: Garriga and Mele (2004)

ANNEX 2. PRINCIPLES/GUIDELINES AND RATINGS OF SOCIAL RESPONSIBILITY

Principle/ranking	Developer	Description
Principles for Responsible Investment in Agriculture and Food Systems (former Responsible Agricultural Investments – RAI)	The Committee on World Food Security (CFS), incl. FAO, IFAD, and WFP	<p>Principles aim to promote responsible investment in agriculture and food systems that contribute to food security and nutrition, thus supporting the progressive realization of the right to adequate food in the context of national food security. The Principles are as follows:</p> <ul style="list-style-type: none"> ▪ Contribute to food security and nutrition ▪ Contribute to sustainable and inclusive economic development and the eradication of poverty ▪ Foster gender equality and women’s empowerment ▪ Engage and empower youth ▪ Respect tenure of land, fisheries, and forests, and access to water ▪ Conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks ▪ Respect cultural heritage and traditional knowledge, and support diversity and innovation ▪ Promote safe and healthy agriculture and food systems ▪ Incorporate inclusive and transparent governance structures, processes, and grievance mechanisms ▪ Assess and address impacts and promote accountability
SAFA Guidelines – Sustainability Assessment of Food and Agriculture Systems	FAO	<p>SAFA is a holistic global framework for the assessment of sustainability along food and agriculture value chains. SAFA includes the following sustainability theme protocols:</p> <ul style="list-style-type: none"> ▪ Good Governance (Corporate Ethics, Participation, Rule of Law, Holistic Management) ▪ Environmental Integrity (Atmosphere, Water, Land, Biodiversity, Materials and Energy, Animal Welfare) ▪ Economic Resilience, Investment, Vulnerability, Product Quality and Information, Local Economy) ▪ Social Well-being (Decent Livelihood, Fair Trading Practices, Labor Rights, Equity, Human Safety and Health, Cultural Diversity)
G4 Sustainability Reporting Guidelines	Global Reporting Initiative (GRI)	<p>The GRI Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations. The Guidelines also offer an international reference for all</p>

Principle/ranking	Developer	Description
		<p>those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts. The Guidelines cover the following sustainability dimensions and categories (in parentheses):</p> <ul style="list-style-type: none"> ▪ Economic (Economic Performance, Market Presence, Indirect Economic, Impacts, Procurement Practices) ▪ Environmental (Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Products and Services, Compliance, Transport, Supplier Environmental Assessment, Environmental Grievance Mechanisms) ▪ Social (multiple aspects regarding the following categories: Labor Practices and Decent Work, Human Rights, Society, Product Responsibility) <p>Along these dimensions and categories special reporting guidelines are also designed for the food industry.</p>
Global Compact ²⁷	The United Nations (UN)	<p>The UN Global Compact is a guide for corporate sustainability that captures the following ten principles:</p> <ul style="list-style-type: none"> ▪ <u>Human Rights</u> <ol style="list-style-type: none"> 1) Businesses should support and respect the protection of internationally proclaimed human rights; and 2) Make sure that they are not complicit in human rights abuses. ▪ <u>Labor</u> <ol style="list-style-type: none"> 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4) The elimination of all forms of forced and compulsory labor; 5) The effective abolition of child labor; and 6) The elimination of discrimination in respect of employment and occupation. ▪ <u>Environment</u> <ol style="list-style-type: none"> 7) Businesses should support a precautionary approach to environmental challenges; 8) Undertake initiatives to promote greater environmental responsibility; and 9) Encourage the development and diffusion of environmentally friendly technologies. ▪ <u>Anti-Corruption</u> <ol style="list-style-type: none"> 10) Businesses should work against corruption in all its forms, including extortion and bribery.

²⁷ Among Ukrainian agroholdings, only Astarta-Kyiv participates in the UN Global Compact.

Principle/ranking	Developer	Description
Guiding Principles on Business and Human Rights	The United Nations (UN)	<p>As a global standard applicable to all business enterprises, the Guiding Principles provide further conceptual and operational clarity for the two human rights principles championed by the Global Compact. They reinforce the Global Compact and provide an authoritative framework for participants on the policies and processes they should implement in order to ensure that they meet their responsibility to respect human rights. The Guiding Principles contain three pillars, clarifying the respective duties and responsibilities of states and businesses:</p> <ul style="list-style-type: none"> ▪ State duty to protect ▪ Responsibility to respect ▪ Access to remedy
Principles of Corporate Governance	G20/OECD	<p>A tool for policymakers for evaluation and improvement of the legal, regulatory, and institutional framework for corporate governance with a view to support economic efficiency, sustainable growth and financial stability. It captures the following areas:</p> <ul style="list-style-type: none"> ▪ The rights of shareholders ▪ Institutional investors, stock markets and other intermediaries ▪ Stakeholders role ▪ Disclosure and transparency ▪ Responsibilities of the board of directors
Guidelines for Multinational Enterprises	OECD	<p>The Guidelines are recommendations addressed by governments to multinational enterprises. The Guidelines were updated in 2011 for the fifth time since they were first adopted in 1976. They capture the following fields:</p> <ul style="list-style-type: none"> ▪ General Policies ▪ Disclosure ▪ Human Rights ▪ Employment and Industrial Relations ▪ Environment ▪ Combating Bribery, Bribe Solicitation and Extortion ▪ Consumer Interests ▪ Science and Technology ▪ Competition ▪ Taxation
Performance Standards on Environmental and Social Sustainability	International Finance Corporation (IFC)	<p>The eight Performance Standards establish standards that the IFC client has to meet throughout the period of an investment by IFC:</p> <ul style="list-style-type: none"> ▪ Assessment and Management of Environmental and Social Risks and Impacts ▪ Labor and Working Conditions

Principle/ranking	Developer	Description
		<ul style="list-style-type: none"> ▪ Resource Efficiency and Pollution Prevention ▪ Community Health, Safety, and Security ▪ Land Acquisition and Involuntary Resettlement ▪ Biodiversity Conservation and Sustainable Management of Living Natural Resources ▪ Indigenous Peoples ▪ Cultural Heritage
The Equator Principles	Equator Principles Financial Institutions (EPFI) in cooperation with International Finance Corporation (IFC)	<p>The Equator Principles provide a common baseline and framework for work with project finance and are as follows:</p> <ul style="list-style-type: none"> ▪ Review and Categorization ▪ Environmental and Social Assessment ▪ Applicable Environmental and Social Standards ▪ Environmental and Social Management System and Equator Principles Action Plan ▪ Stakeholder Engagement ▪ Grievance Mechanism ▪ Independent Review ▪ Covenants ▪ Independent Monitoring and Reporting ▪ Reporting and Transparency
Principles for Private Sector Participation in Infrastructure	OECD	<p>24 principles that cover the following:</p> <ul style="list-style-type: none"> ▪ Deciding on public or private provision of infrastructure services ▪ Enhancing the enabling institutional environment ▪ Goals, strategies and capacities at all levels ▪ Making the public-private cooperation work ▪ Encouraging responsible business conduct
KLD STATS	Risk Metrics Group (former KLD (Kinder, Lydenberg, and Domini) Research & Analytics Inc.)	<p>Statistical tool for analyzing trends in social and environmental performance. KLD rates companies, traded on the US stock exchange, based on eight attributes of social activities:</p> <ul style="list-style-type: none"> ▪ Community relations ▪ Employee relations ▪ Environment ▪ Product ▪ Treatment of women and minorities ▪ Military contracts ▪ Nuclear power

Principle/ranking	Developer	Description
		<ul style="list-style-type: none"> ▪ South Africa
Sustainalytics (former Canadian Social Investment Database (CSID))	Michael Jantzi Research Associates Incorporated	<p>Sustainalytics measures the sum of the average of a firm's net strengths and weaknesses for each of the following seven dimensions:</p> <ul style="list-style-type: none"> ▪ Community ▪ Diversity ▪ Employee relations ▪ Environment ▪ International operations ▪ Product and business practices ▪ Corporate governance <p>Although Sustainalytics reflects some key stakeholder relationships, it only details companies traded on the Canadian stock exchange.</p>
S&P Environmental & Socially Responsible Indices	S&P Dow Jones Indices	<p>The index family consists of the following:</p> <ul style="list-style-type: none"> ▪ S&P 500 Environmental & Socially Responsible Index ▪ S&P 500 Environmental & Socially Responsible Exclusion Index ▪ S&P International Environmental & Socially Responsible Index ▪ S&P International Environmental & Socially Responsible Exclusion Index <p>The S&P Environmental & Socially Responsible Indices use a rules-based constituent selection process based on the companies' scores resulting from the annual survey. The survey includes over 100 questions for each specific industry. Questions are grouped into larger sets, which are further grouped into three dimensions: Environmental, Social and Economic. Scores for individual questions and criteria are aggregated into the dimension scores, which are further aggregated to form a company's total score. The final score is the weighted average of the scores for Environmental and Social dimensions received during the survey. The weights are determined in accordance with the weights in the above total score, which consists of three dimensions, but neutralizes the weight of the Economic dimension.</p>
S&P Transparency and Disclosure (T&D) Rankings	S&P	<p>T&D rankings are developed from analysis of the latest available annual reports, and assess the level of T&D of companies in emerging markets (Asia, Latin America, Central and Eastern Europe, and Africa) as well as developed markets (Europe, developed Asia, and the US).</p>

Principle/ranking	Developer	Description
		<p>T&D is evaluated by searching company annual reports (both English and local language) for the 98 possible attributes broadly divided into the following three broad categories:</p> <ul style="list-style-type: none"> ▪ Ownership structure and investor rights (28 attributes) ▪ Financial transparency and information disclosure (35 attributes) ▪ Board and management structure and process (35 attributes) <p>Each question is evaluated on a binary basis to ensure objectivity, and rankings for the three broad categories and an overall ranking is developed from the answers to individual questions.</p>
ISO 26000	International Organization for Standardization (ISO)	<p>Provides guidance on how businesses and organizations can operate in a socially responsible way. It is not a management system standard and cannot be used for certification. The following aspects are covered:</p> <ul style="list-style-type: none"> ▪ Concepts, terms and definitions related to social responsibility ▪ Background, trends and characteristics of social responsibility ▪ Principles and practices relating to social responsibility ▪ Core subjects and issues of social responsibility ▪ Integrating, implementing and promoting socially responsible behavior throughout the organization and, through its policies and practices, within its sphere of influence ▪ Identifying and engaging with stakeholders ▪ Communicating commitments, performance and other information related <p>Core subjects are:</p> <ul style="list-style-type: none"> ▪ Human rights ▪ Labor practices ▪ The environment ▪ Fair operating practices ▪ Consumer issues ▪ Community involvement and development

Source: own presentation

ANNEX 3. CSR QUESTIONNAIRE FOR IN-DEPTH INTERVIEWS WITH AGROHOLDINGS' MANAGERS

Dear Respondent,

we would like to invite you to take part in the study of Corporate Social Responsibility (CSR) in Ukrainian agriculture. This is the first comprehensive study of CSR issues in Ukrainian agribusiness and its aim is to identify best CSR practices and assist Ukrainian agricultural enterprises in implementing successful social and public relations programs in rural areas that will have positive effects on performance and reputation of the enterprises.

Your expertise and knowledge are essential for the study as they will help to discover social problems in rural areas in greater detail and thereby shape future policy making and successful reforms.

In responding to the below questions, please note that all your responses are held in strict confidentiality, unless you would like to make them public.

Before taking part in the study, please note that it covers the following CSR areas:

1. **Community development:** investments in social infrastructure (schools, hospitals, cultural clubs, libraries, etc.), investments in physical infrastructure (gas pipelines, electricity lines, roads, etc.), lobbying of useful initiatives in local and state authorities, etc.
2. **Diversity:** employment of disabled people or minorities, women employment/engagement, childcare, elder care programs, other benefits to economically disadvantaged people, etc.
3. **Corporate governance:** considerate decision making, political accountability, etc.
4. **Employee relations:** no-layoff policy, profit-sharing programs with employees, ownership / stock options to employees, retirement benefits, health and safety programs, etc.
5. **Environment protection:** biodiversity, animal welfare programs, reduction of CO2 emissions programs, bioenergy programs, introduction of environmentally friendly technologies such as drip irrigation, no-till, etc.
6. **Production quality:** participation in voluntary quality and safety standards, own quality standards, R&D investments, economic security programs against theft, etc.
7. **Supplier management:** CSR clauses in contracts, explicit CSR requirements to suppliers, etc.
8. **Transparency:** transparent and effective reporting on social and environmental issues, information disclosure on ownership structure, financial results, etc.

If you have any questions or need assistance with the study, please do not hesitate to contact us.

A. Importance of CSR

Please indicate why, in your opinion, CSR is important for your company

CSR is important because...	Totally agree	Agree	Disagree	Totally disagree	Difficult to say / Don't know
...we want to achieve loyalty of communities in regions of our operations					
...we want to achieve loyalty of our employees					
...we want to reduce pressure from the society					
...we want to differentiate us from other companies					
...we want to improve long-term financial performance					
...the law requires us to do so					
...we have abundant funds					
...being socially responsible is our tradition					
...other companies do the same					
...we want to have good image in front of our investors					
...we want to have good image in front of general public					
...the authorities are unable to solve some of the problems					
...we were taught to do so					
...people simply need help					
...of the other reason (please name)					

Please indicate the most important recipient of your company's CSR programs:

Recipient	Very important	Important	Unimportant	Totally unimportant	Difficult to say / Don't know
Central government					
Local authorities					
Non-governmental organizations					
Landowners					
Investors					
Small and medium size enterprises					
Company employees					
End consumers					
Social, cultural and religious organizations (e.g. sport clubs, schools, hospitals, churches, etc.)					
Other (please name)					

B. Organization of CSR in your company

Please indicate if your company has a special CSR policy:

- ☐ Yes
- ☐ No, but we plan to develop such policy
- ☐ No

If yes, for which period is this policy developed:

If yes, which CSR areas does this policy cover (multiple answers apply):

- ☐ Community development
 - ☐ Diversity
 - ☐ Corporate governance
 - ☐ Employee relations
 - ☐ Environment protection
 - ☐ Production quality
 - ☐ Supplier management
 - ☐ Transparency
 - ☐ Other (please specify)
-

Please indicate at which level of management the decisions on CSR investments are made (multiple answers apply):

- ☐ Top-management
 - ☐ Mid-level management
 - ☐ Functional level management
 - ☐ Other (please specify)
-

Please indicate if your company has launched a special fund to implement planned CSR programs:

- ☐ Yes
- ☐ No, but we plan to launch such fund
- ☐ No

Please indicate if your company has a special fund to react on urgent social or environmental issues that have not been planned as part of your CSR programs:

- ☐ Yes
- ☐ No, but we plan to launch such fund
- ☐ No

Please indicate if your company has a special management position in charge of CSR issues:

- ☐ Yes
- ☐ No, but we plan to introduce such position
- ☐ No

If yes, when was it established:

Please indicate if your company has a special department in charge of CSR issues:

- ☐ Yes
- ☐ No, but we plan to introduce such position
- ☐ No

If yes, when was it established:

Please indicate the degree of involvement of your company's departments in CSR activities:

Department	Very high	High	Low	Very low	No involvement
Production department					
Finance department					
Sourcing department					
Marketing department					
Legal department					
Human resources department					
Investment relations department					
Government relations department					
Public relations department					
R&D department					
Other (please name)					

Please indicate from where you normally obtain information about CSR issues that have to be primarily solved (multiple answers apply):

- ☐ Your company's top management
- ☐ Regional managers of your company
- ☐ Other companies' managers
- ☐ NGOs
- ☐ Central government
- ☐ Local authorities
- ☐ Local community leaders
- ☐ Mass media
- ☐ Other (please name)

Please indicate if your company organizes trainings for its employees on CSR issues:

- ☐ Yes, on regular basis
- ☐ Yes, on irregular basis
- ☐ No, but we plan to organize such trainings
- ☐ No

If yes, which CSR areas do these trainings cover:

- ☐ Community development
- ☐ Diversity
- ☐ Corporate governance
- ☐ Employee relations
- ☐ Environment protection
- ☐ Production quality
- ☐ Supplier management
- ☐ Transparency
- ☐ Other (please specify)

Please indicate if your company's employees participate in external CSR trainings:

- ☐ Yes
- ☐ No

Please indicate how you evaluate the implementation of CSR activities by your company's employees:

- ☐ Self-assessment questionnaire
 - ☐ On-site audit by your company
 - ☐ On-site audit conducted by an external auditor
 - ☐ Other (please specify)
-

C. Implementation of CSR by your company

C.1. Community development

Please indicate which of the following activities your company is currently involved in (multiple answers apply):

- ☐ Charitable giving
 - ☐ Support for non-profit organizations
 - ☐ Support for housing
 - ☐ Support for education
 - ☐ Support to local rural population
 - ☐ Support for volunteer programs
 - ☐ Other (please name)
-

C.2. Diversity

Please indicate which of the following activities your company is involved in (multiple answers apply):

- ☐ Work / life balance support for employees (e.g. childcare, elder care, flextime, etc.)
 - ☐ Female leadership program
 - ☐ Employment of disabled people
 - ☐ Product and service provision to economically disadvantaged people
 - ☐ Other (please name)
-

Please indicate the number of female members on your company's board of directors:

Please indicate the sex of your company's chief executive officer:

- ☐ Male
- ☐ Female

C.3. Corporate governance

Please indicate the number of board members in your company:

How many of them are independent (non-executive) directors:

How many of them are foreigners:

Please indicate the background of your company's board members:

Board member background	Number of board members with this background
Current or retired top managers	
Executives and officers of law firms, commercial and investment banks, accounting firms, advertising and PR agencies, consulting firms, private investors	
Executives and officers of other companies	
Current and former academics, government officials, leaders of foundations and non-profit organizations	
Other (please specify)	

Please indicate if your company has policy to limit the level of compensation to top managers and board members:

- ☐ Yes

- ☐ No, but we plan to introduce such policy
- ☐ No

Please indicate if your company has its own Code of Conduct:

- ☐ Yes
- ☐ No, but we plan to develop our Code of Conduct
- ☐ No

If yes, how is the Code of Conduct communicated to your company's employees (multiple answers apply):

- ☐ During meetings
 - ☐ In employee manual
 - ☐ Through trainings
 - ☐ Other (please specify)
-

C.4. Employee relations

Please indicate which of the following policies are implemented used in your company (multiple answers apply):

- ☐ Support to corporate volunteering of employees
 - ☐ No-layoff policy
 - ☐ Cash profit-sharing program for employees
 - ☐ Employee stock ownership
 - ☐ Retirement benefits program
 - ☐ Health and safety program for employees
 - ☐ Maintenance of property, production facilities and equipment for appropriate workplace environment
 - ☐ Holiday packages for employees
 - ☐ Improvement of employee qualification
 - ☐ Other (please name)
-

C.5. Environment protection

Please indicate which of the following practices are implemented in your company (multiple answers apply):

- ☐ Revenue generation through innovative environmental services and efficient use of energy
 - ☐ Pollution prevention (e.g. CO₂ emission reduction) in animal production
 - ☐ Pollution prevention (e.g. fertilizer residues, pesticide use reduction etc.) in crop production
 - ☐ Manure use programs
 - ☐ Antibiotics use reduction in animal production
 - ☐ Waste management program
 - ☐ Use of recycled materials
 - ☐ Use / production of renewable energy and clean fuels
 - ☐ Supernormal controls of biosecurity (sanitary and phyto-sanitary)
 - ☐ Environmental certification according to ISO 14001
 - ☐ Animal welfare program
 - ☐ Technological innovations (e.g. precision farming, no-till, drip irrigation, mechanical weed control, etc.)
 - ☐ Efficient water use program
 - ☐ Biodiversity program
 - ☐ Other (please name)
-

C.6. Production quality

Please indicate which of the following practices are implemented in your company (multiple answers apply):

- ☐ Long-term, company-wide quality program
- ☐ Participation in voluntary quality programs (e.g. GLOBALGAP, ISO, etc.)
- ☐ Economic security program

- ☐ Other (please name)
-

C.7. Supplier management

Please indicate if your company has CSR requirements to its suppliers:

- ☐ Yes
☐ No, but we plan to develop such requirements
☐ No

If yes, which areas do these requirements cover (multiple answers apply):

- ☐ Respect for human rights
☐ Working conditions
☐ Employee remuneration
☐ Non-discrimination
☐ Freedom of association
☐ Collective bargaining
☐ Anti-corruption and bribery
☐ Health and safety
☐ Environment protection
☐ Production quality
☐ Other (please specify)
-

If yes, are all suppliers covered by these requirements:

- ☐ Yes
☐ No (please specify)
-

If yes, how are these requirements communicated to your company's suppliers:

- ☐ During meetings
☐ In contractual terms
☐ Through brochures / magazines / newsletters / web-page
☐ Other (please specify)
-

If yes, how do you evaluate the implementation of CSR activities by your company's suppliers (multiple answers apply):

- ☐ Self-assessment questionnaire
☐ On-site audit by your company
☐ On-site audit conducted by an external auditor
☐ Other (please specify)
-

C.8. Transparency

Please indicate if your company is regularly independently audited on social and environmental issues:

- ☐ Yes
☐ No

Please indicate if your company regularly publishes the CSR Report:

- ☐ Yes
☐ No

If yes, how often is the CSR report published:

- ☐ Annually
☐ Other (please specify)
-

If yes, is the press release about the CSR report issued:

- ☐ Yes
- ☐ No

Please indicate how your company announces about upcoming CSR activities / events (multiple answers apply):

- ☐ Company web-page
 - ☐ Company brochure / magazine / newsletter
 - ☐ Nation-wide mass media
 - ☐ Local mass-media
 - ☐ Roundmails
 - ☐ Social media
 - ☐ Other (please specify)
-

Please indicate if your company takes the lead in bringing to the forefront and resolving broader public policy issues (e.g. taxation, land use, environment protection, trade policy, rural development, gender equality, etc.):

- ☐ Yes
- ☐ No, but we plan to involve into public policy issues more
- ☐ No

If yes, which possibilities does your company use to address broader public policy issues (multiple answers apply):

- ☐ Participation in public councils of the government
 - ☐ Meetings with local authorities
 - ☐ Membership of business associations
 - ☐ Membership of other NGOs
 - ☐ PR media campaigns
 - ☐ Other (please name)
-

Please indicate if your company is a member of any NGO that deals with social and environmental issues:

- ☐ Yes
- ☐ No, but we plan to become a member of such NGO
- ☐ No

Please indicate if your company regularly discloses information to the general public on the following (check what applies):

- ☐ Ownership structure
- ☐ Corporate governance
- ☐ Financial results

D. Outcomes of CSR

Please indicate what the most important achievements of implementation of CSR programs by your company are:

Result	Very important	Important	Unimportant	Totally unimportant	Difficult to say / Don't know
Appropriate service for communities					
Improved social infrastructure in rural areas					
Improved physical infrastructure in rural areas					
Improved loyalty of communities					
Improved employee qualification					

Better job applicants					
Reduced staff turnover					
Improved loyalty of employees					
Values of the company are secured / maintained					
Improved financial performance					
Improved stock performance					
Improved resource use efficiency					
Reduced market risks					
Improved supplier coordination					
Improved contractual conditions with suppliers					
Improved access to bank loans					
Improved production quality					
Improved innovativeness					
Improved protection of natural resources					
Increased role of the company in solving social and environmental issues at the political level					
Increased role of the company in solving economic issues at the political level					
Better reputation in front of investors					
Better reputation in front of authorities					
Better reputation in front of general public					
Other (please name)					

Please provide examples of CSR programs by each CSR area that your company has been involved in over the last three years:

CSR area	Short program / investment description
Community development	
Diversity	
Corporate governance	
Employee relations	
Environment protection	
Production quality	
Supplier management	
Transparency	
Other	

Please indicate the approximate total cost of implementation of CSR programs by your company, UAH / ha: _____

E. General information about your company

Company name	
Number of employees	
Number of employees in the central office	
Total area operated, ha	
Livestock number, heads	<input type="checkbox"/> Poultry _____ <input type="checkbox"/> Pigs _____ <input type="checkbox"/> Cattle _____
Approximate turnover, UAH	
Specialization	Crop production _____ % of turnover Animal production _____ % of turnover
Vertical integration (check what of the following your company is)	<input type="checkbox"/> Input production / distribution <input type="checkbox"/> Storage

doing besides agriculture, multiple answers apply)	<input type="checkbox"/> Processing <input type="checkbox"/> Exports <input type="checkbox"/> Retailing
Branded products (please indicate if your company develops own branded product)	<input type="checkbox"/> Yes <input type="checkbox"/> No
Your position within the company	

Thank you for your time!

ANNEX 4. THE MULTIDIMENSIONAL NATURE OF CSR

According to these principles and guidelines, CSR at least covers human rights, labor and employment practices (such as training, diversity, gender equality and employee health and well-being), environmental issues (such as biodiversity, climate change, resource efficiency, life-cycle assessment and pollution prevention), and combating bribery and corruption. Community involvement and development, the integration of disabled persons, and consumer interests, including privacy, are also part of the CSR agenda. The promotion of social and environmental responsibility through the supply-chain, and the disclosure of non-financial information are recognized as important crosscutting issues. The Commission has adopted a communication on EU policies and volunteering in which it acknowledges employee volunteering as an expression of CSR.²⁸

In addition, the Commission promotes the three principles of good tax governance – namely transparency, exchange of information and fair tax competition – in relations between states. Enterprises are encouraged, where appropriate, also to work towards the implementation of these principles.

EU Commission (2011): A renewed strategy 2011-2014 for Corporate Social Responsibility, COM (2011) 681 final Brussels, <http://eur-lex.europa.eu/legal-content/DE/TXT/?uri=COM%3A2011%3A0681%3AFIN>

²⁸ "Communication on EU Policies and Volunteering: Recognising and Promoting Crossborder Voluntary Activities in the EU" COM (2011)568.