



# CSR ROADMAP FOR TURKEY





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## Action Plan for CSR in Turkey

The results of the deliberations are based on discussions held by the discussion group; CSR Turkey including its corporate members, its stakeholders and CSR Europe which attended the Roadmap Action Plan meeting and/or online discussions. While every effort was made to disseminate the draft version of this Roadmap, non-attending members and other interested parties' views may not be represented.

## Introduction: A National CSR Programme for Turkey

To put CSR on the corporate agenda in Turkey, the discussion group has made several recommendations to be put into practice both in short and long term. A draft bill should be prepared in Turkish Parliamentary before end 2010 which would propose the establishment a governmental office for CSR, mandates more reporting on CSR issues which will help Turkish companies manage business risks and increase profitability, enhances the effectiveness of civil and criminal procedures in cases where corporate irresponsibility can cause serious harms to Turkish society, and encourages CSR through tax-breaks for qualified CSR programmes. Other recommendations include the CSR trainings for SMEs, supply chain management and consumers, CSR network for the business sector including the relevant stakeholders, taking an active role in international CSR frameworks, promotion and implementation of CSR by Public Bodies and Municipalities, preparation of the scientific researches about the origins of CSR in Turkey, establishment of an informal CSR Education Board aimed at encouraging the teaching of specialized CSR courses in business programmes and certificate courses, a working group for representing Turkish views on international CSR ratings and standards, as well as the establishment of a business-membership organization aimed at increasing the competitiveness of CSR consultancy in Turkey and throughout the EU. In order to encourage socially responsible investment (SRI), a synthetic SRI Index will be created and sent to portfolio managers. Such a programme will bring Turkey up to the CSR standards of other European countries and even establish Turkish leadership on CSR policy within the EU.





## **COMPONENTS OF THE NATIONAL CSR ACTION PLAN**

# 1. Legal framework including CSR for Turkey

**Background:** One of the big negative aspects in implementing CSR in Turkey has been the unsatisfactory detection and punishment of corporate activities which may give harm to the society and the environment. In many cases, companies are able to pay token fines and continue socially harmful business activities.

**Resolved:** The existing legal framework should be amended to remedy CSR-related offenses committed by companies as a part of the CSR Bill discussed below. In the draft bill, a list of CSR related offences (both civil and criminal) would be defined.

- **Banding the civil recourse.** An expedited method would be defined and then added to the Civil Code for CSR related civil offences to make the filing of a lawsuit against a company more rapidly, cheaper and easier.
- **Criminalising harmful practices.** For some CSR-related offences which are currently civil offences (involving the payment of a fine for the company having been found guilty of having committed a CSR-related civil offence), the law would criminalize these activities and assign criminal liability directly to the company's directors.
- **Providing director defenses.** Directors would be able to use the implementation of a "qualifying" CSR programme (as defined in the CSR Bill) as a defence in such criminal cases in order to frustrate proof of intent to commit the purported CSR-related crime.
- **Whistle-blowing.** The CSR bill would mandate that employees - whose complaint about a CSR offences leads to a successful prosecution - would be entitled to 12 months paid leave (in order to find a new job) in cases where the individual feared retaliation by co-workers in order to encourage whistle - blowing in cases of CSR offences by the wrong-doing company's own employees.
- **International enforcement.** Jurisdiction of international bodies - particularly the European Court for Human Rights - would be observed as a potential forum for remedying CSR crimes in cases where Turkish courts prove unreliable at the international level.
- **A tax regime for CSR.** Companies would be able to write-off 100% of CSR-programme related expenses for "qualified" CSR programmes (as defined in the CSR Bill which would lead to an amended section of the Tax Code),



## 2. SMEs & CSR

**Background:** SMEs constitute the backbone of the Turkish Economy by providing employment for more than three quarters of the Turkish workforce. There are so many SMEs having a responsible approach to business but still may not be aware of what they are doing. Also some Turkish SMEs started to show an interest on CSR but it is still not on a satisfactory level. If they can not adopt, implement or create their own CSR strategies in a desired time, they will soon face a problem with their stakeholders and about their competitiveness in both national and international markets.

**Resolved:** Several queries and different research techniques may be applied in order to understand the CSR perceptions of SMEs. There should be more information campaigns on CSR for SMEs particularly on a sector based to continue their sustainable growth and development while being competitive both in national and international markets.

## 3. Designing a CSR Network for Companies

**Background:** Many Turkish companies have successful CSR applications in the context of sustainable development both in national and international boundaries. But those experiences on CSR are not shared well between the companies. By sharing those applications and CSR policies with each other, companies will exchange the ideas and create new strategies which would help to increase the value in general.

**Resolved:** There is a need to form an online CSR network not only between the companies but also including all the stakeholders.

## 4. Mandating Triple Bottom Line Reporting

**Background:** In many EU countries, transparent reporting of large companies is required to report the social and environmental impacts of their business operations. Such reports, whether mandatory or voluntary, can motivate companies to continue their efforts in relation to CSR and can increase investors' and other company stakeholders' confidence in the sustainability of the reporting businesses' operations.



**Resolved:** As part of a Bill on CSR<sup>1</sup>, there is a need to establish legislation requiring some version of triple bottom line reporting for companies which falls into a specific class as recommended by the draft law. As a Bill, the ultimate responsibility for triple bottom line reporting would be determined by the Turkish legislative political process. In this context there should be more advice or consulting to companies wishing to learn more about the use of triple bottom line reporting and raising awareness activities about triple bottom reporting benefits and techniques.

## 5. Taking an Active Role in Following, Implementing and Creating the International Frameworks for CSR

**Background:** Private sector, state and civil society organizations still have to learn more about the international framework for CSR. Turkish government may support regional and global standards as well as it may support to strengthen the international guidelines.

**Resolved:** In order to sustain that, there should be information campaigns for the international guidelines such as OECD guidelines for Multinational Enterprises, UN Global Compact, GRI, etc. and also discussion panels for the future of the guidelines. Dialogue between the parties is essential in order to create the guidelines.

## 6. Establishing Reporting Standards for CSR

**Background:** Turkish companies will be inevitably rated by domestic and foreign rating agencies on their adherence to particular CSR practices. Yet, Turkish businesses and thought-leaders have little role in the international standards which establish and use these indicators.

**Resolved:** An informal CSR Ratings and Standards Committee will be established which will represent the interests of various CSR rating agencies. The committee - comprised of companies which are already working on the adoption of CSR standards in Turkey - will work domestically to share best practice about indicators. Internationally, the committee shall present the views of Turkish industry and rating experts on international indicators. TUSIAD may hold the first meeting of the Committee.

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<sup>1</sup> see below section on implementing measures





## 7. Educating Current and Future Managers about CSR

**Background:** CSR education in Turkey lags behind many EU countries; CSR in Turkish educational establishments is either taught as part of a course on ethics or in one-off training events sponsored by universities and particularly consulting companies. A specialist course (dealing only with CSR issues) should be taught, but no structure is in place to exchange views on the core curriculum for such a specific, specialist course. Moreover, much academic and practitioner ambiguity remains about the distinction between sustainability, social responsibility and the CSR.

**Resolved:** An informal CSR Education Board can be established in order to promote the teaching of specialist CSR courses in university programmes, by consulting companies, and in “in-house” (employee) training programmes. These “stand-alone” courses would be offered by Masters of Business Administration (MBA), Masters of Public Administration (MPA) and in certificate programmes offered by national universities, consulting companies and company in-house training units. Academic instructors and consulting trainers who currently teach in CSR would sit on the informal Board. A set-up meeting for the Board should be held by September 2008 in order to establish the terms of reference for the Board’s work.

## 8. Promoting Social Enterprise

**Background:** Many EU countries have incorporated “social enterprise” (iktisadi işletme) forms of legal incorporation as a way of formalizing a company’s commitment to CSR as a way of business. In Turkey, the legal establishment of a social enterprise consists of a formal link between a business interests (*sirket*) which gives it trading profits to an associated charity (*vakif*). While some research suggests that social enterprise provides greater returns to a company’s stakeholders, these returns are uncertain for Turkey.

**Resolved:** At least one member of the discussion group will conduct an informal assessment to establish whether the social enterprise forms of business organization in Turkey provide greater advantages to stakeholders (and indeed the owners and managers of the company) more than pure corporate or business forms of organization. In addition, the discussion group members will promote knowledge about social enterprise as an organizational form among Turkish business leaders as a way of promoting Turkish industry’s competitiveness domestically and internationally.



## 9. Supply Chain Management

**Background:** CSR in supply chain is attracting more attention every day where it shows there is a growing concern about suppliers to have satisfactory working conditions, environmental considerations, etc. In international markets, especially in Europe, the dialogue between large companies and their suppliers and subcontractors is increasing, but Turkey has not have an adequate dialogue yet. And it is essential to sustain a dialogue where concept of ethical trading becoming very important.

**Resolved:** Minimum CSR requirements for the suppliers should be worked on. There should be trainings for the suppliers all the time as well as the companies should work with their suppliers over the long term to make them meet their obligations. Trainings should include the standards such as SA8000.

## 10. Establishing an SRI market in Turkey

**Background:** Equity markets in many EU countries have seen the offering of Socially Responsible Investment (SRI) funds or indices which help to focus investor attention on CSR and channel resources into CSR-friendly companies. Such a market remains lacking in Turkey and the Capital Markets Board is unlikely in the near future to introduce regulations which encourage the establishment of these indices.

**Resolved:** One or more members of the discussion group will work in the short-term on a “synthetic SRI fund.” Instead of creating a formal fund, the discussion group members will publish a newsletter giving advice about the composition of an investor’s portfolio which would replicate an SRI fund. In the longer term, such work should encourage asset management companies in Turkey to gauge interest for SRI products. A meeting in fiscal year 2008 should be held to work on details.

## 11. Raising CSR Awareness Among Consumers

**Background:** Customers are very important for companies to build their corporate strategies because they have an influential role with their purchasing behaviour on the financial income of the companies. Customers particularly in Europe values the



products with CSR, but in Turkey there are a lack of awareness among customers and customers do not have sufficient power over the companies.

**Resolved:** There should be trainings for the customers about their rights and customers should have the knowledge and thinking about how ethical the company while developing its products and services as they purchase a product.

## 12. Promotion and implementation of CSR by Public Bodies and Municipalities-Preparation of the National CSR Agenda

**Background:** Public bodies are legislative, executive, administrative or advisory bodies of the state, counties, and cities etc. which are responsible for providing social, economical, environmental and political services to the society. To sustain an effective management, these bodies should first exercise CSR in their own activities.

**Resolved:** To promote and implement CSR in public bodies, CSR reporting should be sustained and progress reports should be announced annually. National CSR Agenda should be prepared with the targets of 5 years-10 years-20 years programme. Accession to the United Nations Global Cities Programme would be a plus for the municipalities in the future.

## 13. Creating Markets for CSR in Turkey

**Background:** The CSR industry in Europe represents at least \$20 billion in revenues annually. Turkish companies hold less than 1% of this consulting market and foreign businesses appear likely to dominate the CSR consulting and education market in Turkey.

**Resolved:** One or more members of the discussion group will solicit large Turkish holding companies and multi-nationals in order to create a CSR training and membership organization. Modelled after *Business in the Community* or *CSR Europe*, the organization will serve as an incubator for local CSR consulting companies.



## 14. Increased Media Attention to CSR Topics

**Background:** The Media, with its powerful and effective means of communication in the public, is defined as the fourth force after the public, private sector and civil society. Media has more responsibility than any other business affair because of its important role in terms of creating and reflecting public opinion. Media's responsibility can be drawn as its relation between the other forces, the accuracy and quality of its produced products, the relations within its own institutions, its wage policy for the employees, working conditions and relationships with other stakeholders.

**Resolved:** There should be raising awareness activities on CSR for media, presenting the special CSR topics for the media as freedom of expression, transparent and accountable publication policies, media literacy, etc.; taking a closer look to the CSR practices run by media as an enterprise and to make media spread the awareness of CSR in public. An international CSR network for Media in the future and the information exchange between the media could also be supported.

## 15. Scientific Researches on CSR

**Background:** Although CSR may be realized as a new concept, the experience of CSR goes back to the Ottoman times. However private sector, civil society organizations and government do not know much about the origins of CSR in Turkey due to the lack of scientific researches. Therefore CSR is tried to be adopted as an imported concept from the Western Countries.

**Resolved:** To understand the concept of CSR, scientific researches should be made based on the existed old models like 'Ahilik', 'Waqf', etc. and the researches should be focused on the connection between these concepts and CSR.



## IMPLEMENTING MEASURES



## 1. A CSR Office

**Background:** The discussion group thought the government should take an active approach (relative to other European countries) toward the adoption of policies including CSR.

**Resolved:** In order to co-ordinate the government's work on CSR policy, the already existing unit in the State Planning Office (SPO) would be strengthened. The SPO would provide, by winter 2010, a recommendation about the location of a CSR office in the executive branch of government. The CSR Office would be independent and financed by project and consulting work (instead of from budgetary funding). The SPO's recommendations for the location and functioning of the CSR office would incorporate in the CSR Bill (see below).

## 2. A CSR Bill

**Background:** Many of the discussion group recommendations can only be implemented through legislative amendments to the Commercial Code, Civil Code, Criminal Code, Labour Code, Tax Code -- and in many cases, require delegated rule-making to ministries in order to operationalise the CSR National Action Plan. As CSR is a political as well technical issue, the Turkish Parliament provides the best forum for reaching the political compromises required to arrive a CSR programme acceptable by the various strata of Turkish society.

**Resolved:** A representative of the discussion group, or an organization which the discussion group nominates, will – in association with the relevant academic or practitioner legal experts -- draft a CSR Bill to be placed before the Turkish Parliamentary. The Bill will contain all the proposed changes to the various codes of Turkish law and, if adopted, would lead to the amendment of the relevant commercial, tax, civil, criminal and other codes.



### 3. Next Steps on the CSR Roadmap

**Background:** Most national action plans of this kind remain empty words. A monitoring mechanism is required in order to make CSR in Turkey a reality.

**Resolved:** The CSR Association of Turkey will hold quarterly meetings of the discussion group in order to monitor progress on this action plan.





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