

CSR Roadmap for Turkey Action Plan of the Turkey CSR Peer Group

Disclaimer: The recommendations in this document represent the consensus view of the CSR Peer Group and may not represent the position of individual CSR Peer Group members or their institutions.¹

Introduction: A National CSR Programme for Turkey

If the recommendations of the Turkish informal CSR Peer Group are put into practice, a number of changes will be occurring which will put CSR on the corporate agenda. A draft bill should appear before the *Turkiye Buyuk Millet Meclis* (Meclis) before end 2009 which proposes 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 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. Educating Current and Future Managers about CSR

September 2008²

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: The CSR Peer Group resolved to establish an informal CSR Education Board 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.

¹ The results of the deliberations are based on discussions held by members of the Peer Group which attended the Roadmap Action Plan meeting. 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.

² All dates on the Roadmap are indicative and do not represent formal commitments by the Peer Group.

2. Promoting Social Enterprise

Summer-Winter 2008

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 interest (*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 Peer 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 Peer 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.

3. Establishing reporting standards for CSR

Winter 2008

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 fora 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 will hold the first meeting of the Committee.

4. Creating markets for CSR in Turkey

Spring 2009

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 CSR Peer Group will solicit large Turkish holding companies and multi-nationals in order to create a CSR training and membership organization. Modeled after *Business in the Community or CSR Europe*, the organization will serve as an incubator for local CSR consulting companies.

5. Establishing an SRI market in Turkey

Winter 2008

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.

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Resolved: One or more members of the Peer Group will work in the short-term on a “synthetic SRI fund.” Instead of creating a formal fund, the Peer Group member(s) 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.

6. Mandating Triple Bottom Line Reporting

Spring 2009

Background: In many EU countries, large companies are required to report the social and environmental impacts of their business operations. Such reports, whether mandatory or voluntary, can increase investors’ and other company stakeholders’ confidence in the sustainability of the reporting businesses’ operations.

Resolved: As part of a Bill on CSR (see below section on implementing measures), members of the CSR Peer Group – along with experts in business regulation – should review the need to establish legislation requiring some version of triple bottom line reporting for companies falling 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 the meantime, the members of the CSR Peer Group stand ready to offer advice or consulting to companies wishing to learn more about the use of triple bottom line reporting and raise awareness about triple bottom reporting benefits and techniques.

7. CSR friendly legal framework for Turkey

Winter 2008

Background: One of the big drawbacks in operationalising CSR in Turkey has been the insufficient detection and punishment of corporate activities which harm society and the environment. In many cases, companies are able to pay token fines and continue socially harmful business activities.

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

- *Easing civil recourse.* For CSR related civil offences, an expedited procedure would be defined (and added to the Civil Code) making the filing of a lawsuit against a company faster, 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.* However, in compensation, directors would be able to use the implementation of a “qualifying” CSR programme (as defined in the CSR Bill) as a defense in such criminal cases in order to frustrate proof of intent to commit the purported CSR-related crime.
- *Whistle-blowing.* In order to encourage whistle-blowing in cases of CSR offences by the wrong-doing company’s own employees, 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.

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- *International enforcement.* At the international level, the Peer Group would look into jurisdiction of international bodies -- particularly the European Court for Human Rights -- as a potential forum for remedying CSR crimes in cases where Turkish courts prove unreliable.
- *CSR friendly tax regime.* For “qualified” CSR programmes (as defined in the CSR Bill which would lead to an amended section of the Tax Code), companies would be able to write-off 100% of CSR-programme related expenses.

Implementing Measures

1. A CSR Office

Winter 2008

Background: The Peer Group thought the government should take an active approach (relative to other European countries) toward the adoption of CSR-friendly policies.

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 2008, 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 be incorporated in the CSR Bill (see below).

2. A CSR Bill

Summer 2009

Background: Many of the CSR Peer Group’s 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 Meclis 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 CSR Peer Group, or an organization which the Peer Group nominates, will – in association with the relevant academic or practitioner legal experts -- draft a CSR Bill to be placed before the Meclis. 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

Quarterly

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 CSR Peer Group in order to monitor progress on this action plan.