

## CSR Thematic Study for Cyprus

### 1. Introduction

In the context of national and international developments, Corporate Social Responsibility (CSR) is becoming an increasingly important element on national and transnational policy agendas. An ever more diverse range of businesses are adopting CSR strategies as a core part of their business model. In addition to heightened publicity around this issue, the profile of CSR is at least partly due to the emphasis placed on responsible business conduct on the EU policy agenda.

The Government of Cyprus has decided to promote the concept of Corporate Social Responsibility (CSR) to encourage responsible entrepreneurship and to motivate companies to consider the impact of their activities on society. The main objective is to increase the number of Cypriot enterprises engaged in CSR and raise awareness that CSR does not concern only large enterprises – the goal is to make obvious that even the smallest companies can take actions that promote responsible entrepreneurship, limiting the negative impact on society, achieving a balance between profitability and sustainable growth.

The current economic crisis in Cyprus has significantly affected all organizations and businesses, putting all issues under a different angle and to overcome it, many things that were taken as granted should be revised. At the same time, though, it is obvious that investors, worldwide, focus in companies that have less risk and better growth prospects, such as those that accept CSR and embrace sustainable development.

The study focuses on the current situation of CSR in Cyprus and more specifically to the factors that outline national CSR priorities, the current status of the development of National Action Plans (NAP) and the measures taken to integrate the CSR Directive 2014/95/EU to National legislation. At the end of the chapter, the best practices in the field of CSR, in policies promoting CSR, in integration of CSR to legislation/programmers in Cyprus are presented.

### 2. National CSR priorities

Whether a national document on CSR priorities and measures has been finalised or drafted, all EU Member States have relevant initiatives which can be brought together under a CSR banner. In Cyprus, the existence of a formal Action Plan on CSR indicates the presence of national CSR activities, although there are significant differences in the extent to which CSR policy is developed at other EU Member States level. In each EU country, the development of

CSR initiatives is shaped by a range of cultural, economic, institutional and political factors which can help to provide an insight into priority setting.

This section considers the contextual factors which shape the Cypriot CSR priorities and approaches. It also discusses the patterns emerging in relation to core areas of CSR policy in Cyprus and it provides an overview of the main priorities which are then detailed in the subsequent chapters in order of priority.

## ***2.1 Contextual factors shaping Cypriot CSR priorities***

National priority setting in relation to CSR policy is influenced by several inter-related factors which are the following:

- Economic development/impact of the crisis;
- Level of institutionalisation of stakeholder engagement;
- Level of awareness of CSR;
- The prevailing definition of CSR;
- The existing policy and regulatory framework; and
- The structure of policy making (central responsibilities).

One of the critical factors in shaping the country's' CSR approaches and activities (as well as the maturity of their policies) is the structure of the economy. The economy of Cyprus is dominated by small enterprises. Almost all enterprises (99,9%) employ less than 250 persons whereas the overwhelming majority (95%) employs less than 10 persons. The total number of SME's in Cyprus is 61.041. The small enterprises are immature to CSR policies. Due to their micro size, it tends to be more challenging to develop effective stakeholder involvement as businesses tend to be fragmented and the ability to organize is restricted.

At the same time, it must be noted that it is a fallacy to assume that SMEs and micro-companies necessarily have a lower awareness of CSR issues. With their close ties to their local communities, small businesses often have a heightened awareness of their social responsibility in the local context, whether or not any initiatives taken are officially labelled as CSR or not. This is related to the reputational exposure of businesses, particularly in the area of business and human rights and responsible supply chain management. Also of importance in relation to this are policies linked to the responsible management of resources and environmental sustainability.

Effective stakeholder engagement plays a critical role in the development of CSR approaches. However, in Cyprus this is something at the beginning. Now it has started slowly slowly the engagement and capacity building as a part of the focus of the development of the CSR approach by encourage stakeholders' group dialogue on CSR. In Cyprus, we have the called "ad hoc nature" that is to inform the development of national strategies or action plans.

Also, in Cyprus cultural, political and organisational awareness of CSR has traditionally been low and such policies and approaches are only beginning to emerge. The focus is mainly to the awareness raising activities and building stakeholder engagement, with other approaches developing subsequently. Since Cyprus was affected by the economic crisis, particular emphasis tends to be placed on social policies, for example approaches to supporting employment opportunities for young and long term unemployed people and ensuring social inclusion.

Another factor that shapes the national CSR priorities and the types of instruments used to implement CSR policies is the national definition of CSR and the extent to which it essentially remains seen as a voluntary activity (going beyond existing legal standards).

Finally, national governance structure also impact on CSR approaches. Cyprus has a central administration and all policies are developed by this level. This leads to have same approaches being developed in the whole country. However, different ministries and governmental department have an involvement in CSR approaches and significant activity and that gives the opportunity for peer learning and practice cross-fertilisation.

### **3. Cyprus Action Plan on CSR**

The Government of Cyprus has prepared a national in has decided to proceed with the development of the National Action Plan for Corporate Social Responsibility for 2013-2015 in order to promote, in a coordinated manner, the concept of Corporate Social Responsibility (CSR) in Cyprus, to encourage responsible entrepreneurship and to motivate companies to take into account the impact of their activities on society. The main objective is to increase the number of Cypriot enterprises engaged in CSR and raise awareness that CSR does not concern only large enterprises – the goal is to make obvious that even the smallest companies can take actions that promote responsible entrepreneurship, limiting the negative impact on society, achieving a balance between profitability and sustainable growth.

#### ***3.1 Process for developing the National Action Plan***

Through the preparation of the National Action Plan for CSR the Cypriot government seeks to create a favorable environment for businesses to develop, in a systematic and coordinated way, practices of corporate responsibility. Using the National Action Plan for CSR the Cyprus government aims to organize and develop a relationship of cooperation and interaction between the public sector, the business and the civil society that will encourage joint solutions to address the basic economic, social and environmental challenges.

The development of the National Action Plan for CSR in Cyprus was undertaken by the Planning Bureau in cooperation with the relevant services, seeking to open meaningful

dialogue around the issue and give the business world a suitable framework to systematically develop corporate responsibility practices. Overall, the NAP-CSR constitutes the contribution of the Government of Cyprus to the development of CSR to address the challenges the country is facing in these difficult economic crisis times as well as the modern needs and requirements.

During the process of drafting the National Action Plan of CSR, the active involvement and contribution of all involved governmental bodies, Cyprus businesses, semi-governmental organizations, business entities and Non-Governmental Organizations (NGOs) was pursued to ensure that is both accepted and supported. In the first phase a primary survey of two directions was implemented: one in the private sector (100 interviews were conducted to representatives of the business community) and one in the public sector (30 in-depth personal interviews to senior executives in public organizations were conducted). International practices and experiences from similar initiatives in other countries, the EU's agenda for CSR, the guidelines of other international organizations and the United Nations on Human Rights (John Ruggie's Report) were taken into consideration in designing the survey. The objectives of this survey process were:

- To determine the degree of knowledge and understanding of CSR
- To record the current situation regarding actions promoted, the main issues and priorities of key players in the public and private sectors in relation to CSR
- To examine the reasons why participants do not implement CSR practices
- To identify the priority areas for action, in the key areas of CSR, to be included in the NAP – CSR for creating the conditions of responsible competitiveness of Cypriot enterprises

Furthermore, a secondary survey was implemented and involved the study of scientific material (international standards, surveys and studies on CSR of previous years) while the organization of a discussion workshop with the participation of representatives of all stakeholders and the presentation of the final draft in an open meeting functioned supportively to the final drafting of the NAP-CSR.

Aiming the maximum possible documentation and understanding of the content of the NAP-CSR, this section describes both the basic factors that determine the environment in which, CSR in Cyprus is developed and the existing measures and practices adopted in this field, by the private and public sectors.

#### Understanding and perception of the concept of CSR

- ✓ Most Cypriot enterprises recognize the importance of the issues addressed by CSR mainly because they believe that through CSR they may have better information and

contact with their stakeholders, gain better internal functioning, but also can contribute more to the social benefit.

- ✓ The overall attitude of the Cypriot enterprises in terms of knowledge and understanding of the concept of CSR seems to be quite low since they stated that they know or understand the CSR concept in a lesser extent.
- ✓ A small percentage of Cyprus businesses understand and support the 'original' definition of CSR, as defined by the EU. This attitude leads to an initial conclusion that the concept of CSR is not fully integrated into the culture of Cyprus businesses since the voluntary exposure and the dialogue with their stakeholders on these issues, an integral element of effective and efficient implementation of CSR, is implicitly "rejected."

#### Lack of systematic engagement in CSR

- ✓ In Cyprus, while there are companies that operate mainly in the areas of work practices and environmental protection, it seems that there are only a few that systematically manage their social responsibility.
- ✓ The same direction is the position of businesses regarding the supportive role of the public sector in Cyprus on the development and dissemination of CSR. The public sector does not promote CSR systematically through their initiatives or even some public initiatives of Responsible Entrepreneurship.
- ✓ Cypriot companies lack the systematic involvement in CSR since very few of them have adopted CSR practices in their business cycle.

#### Degree of significance of CSR

- ✓ Only 2 out of 10 enterprises take into account CSR in most of their business decisions, while the rest do not consider CSR necessary when referring to corporate strategy and hence do not seem to incorporate it into their daily operation.
- ✓ Cyprus business seems to promote their corporate values and rules of conduct to their employees and other interested parties.

**Conclusion:** It is clear, after combining the above findings, that CSR in Cyprus seems to be in the early stages of implementation (at the stage of assessment and selection), thus defining its standards at the minimum necessary.

#### SWOT ANALYSIS

The following analysis outlines the basic picture of CSR in Cyprus, which has constituted the point of reference for the formulation of the NAP-CSR and particularly the guidance and proposed measures that will help mitigate the barriers and improve the conditions for the development of CSR in the country.

<p><b>ADVANTAGES</b></p> <ul style="list-style-type: none"> <li>• The familiarity of Cypriot Organizations to responsible social and environmental actions.</li> <li>• The High degree of familiarity of the public organizations with the concept of CSR.</li> <li>• The high degree of involvement of public organizations in CSR.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• The lack of incentives for motivating private sector organizations in CSR,</li> <li>• The lack of a strategic framework of private sector organizations and thus the difficulty of integrating CSR into business decisions.</li> <li>• The lack of basic structures for managing CSR,</li> <li>• The significant absence from the organizations of the code of ethics or code of conduct or CSR policy,</li> <li>• The lack of dialogue with stakeholders on CSR,</li> <li>• The limited penetration of accountability and reporting practices on CSR issues,</li> <li>• The limited implementation of international CSR standards by organizations.</li> <li>• The absence of expectations by the Cypriot society on CSR issues and sustainable development.</li> <li>• The lack of communication mechanisms of CSR actions</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• The recognition of the importance of CSR from the private and the public sector at ideological and value level.</li> <li>• The apparent positive influence of the work of organizations in the context of CSR on consumer behavior of citizens.</li> <li>• The acceptance of the specialized role of voluntary organizations as key partners of organizations for the implementation of their social or environmental work.</li> <li>• The establishment of incentives while promoting initiatives that will contribute to the proper information and training of Cypriot enterprises in the modern conception of CSR</li> <li>• The inclusion of responsible entrepreneurship in the educational process to create conditions for the development of the relevant culture for future managers of organizations.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• The detachment attitude of Small and Medium Organizations towards CSR (high cost and concerns only large organizations).</li> <li>• The economic crisis and the financial situation of organizations.</li> <li>• The lack of awareness / education and therefore ignorance about CSR</li> <li>• The lack of "pressure" from the stakeholder groups towards Cyprus Organizations for the improvement of their responsible operation.</li> <li>• The lack of awareness and inaction of citizens and consumers.</li> <li>• The absence of enterprises' intention to implement international CSR standards</li> <li>• The reluctance of organizations that implement CSR practices to the possibility to issue Social Report.</li> </ul>

<ul style="list-style-type: none"> <li>• The axes of reducing corruption and protection of human rights can be key action areas for Cypriot</li> <li>• Organizations in the context of CSR</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of effective promotion of CSR from trade unions and employers' organizations.</li> <li>• The ignorance of the relationship between social requirements and areas of action of the work of Cypriot Organizations in the context of CSR</li> </ul>
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### 3.2 CSR Strategic Priorities and Objectives

The main objective of the NAP-CSR is:

*“The promotion and integration of CSR to the business strategy and daily operation of Cypriot Organizations to play an effective role in the implementation of the "Europe 2020" strategy through, on the one hand, the dialogue with their stakeholders, and on the other hand the provision of annual social and environmental information in ways that ensure the process of documentation and transparency”.*

The strategic objectives of the Cypriot Government with the National Action Plan for CSR development are the following:

- ✓ The increase of knowledge, publicity and importance of CSR.
- ✓ The change in attitude and the greater engagement of small and medium-sized organizations with CSR.
- ✓ The greater integration of CSR at strategic level in large organizations of the private and public sector by correcting or shaping key strategic choices according to the principles of sustainable development.
- ✓ The development of the institutional and participatory role of the public sector in CSR development so that it becomes more attractive to private sector organizations.
- ✓ The promotion of CSR activities in a coordinated way, both by the government and the private sector.

### **3.3 Actions for the Development of CSR**

The actions of the National Action Plan for CSR mainly focus on the development of a relevant business culture and on the integration of the CSR concept in the daily practices of the Cypriot Organizations. They are divided into three main axes:

*Axis 1: To inform and educate Cypriot Enterprises and particularly the SMEs, on the contemporary idea of CSR and disseminate good practices through a comprehensive educational plan.*

Axis 1 has the following goals:

- ✓ Systematic research for determining the expectations of businesses and citizens with respect to CSR,
- ✓ Informing citizens/consumers through a comprehensive communication program for the promotion of CSR, in cooperation with the Media,
- ✓ Promoting dialogue between Cypriot enterprises and their stakeholders on CSR issues,
- ✓ Activating the “civil society”, especially NGOs, as strategic allies in the development of CSR.

*Axis 2: The institutionalization of incentives for the implementation of CSR by Cypriot enterprises.*

Axis 2 has the following goals:

- ✓ Formulation of relevant legislation dealing with environmental policies and policies for increasing transparency,
- ✓ Intensification of inspections in enterprises with respect to environmental issues, market issues and issues related to the reduction of corruption,

*Axis 3: Highlighting the significance of Accountability/Reporting of enterprises on CSR*

Axis 3 has the following goals:

- ✓ The promotion of international standards of Corporate Responsibility ISO26000,
- ✓ Promoting Social Investments
- ✓ Promotion of Environmental Protection

### **3.4 Areas of CSR Activities in of Cypriot Enterprises**

This category of directions is focused on measures for encouraging enterprises towards the adaptation of CSR actions in the sectors of Employment Practices, Environment, Society and the Market based on the priorities of the Cypriot enterprises of the private sector.



### *1<sup>st</sup> Priority: EMPLOYMENT PRACTICES AND HUMAN RIGHTS*

- Education, training and professional development of employees
- Health & Safety in the workplace
- Strengthening equal opportunities and diversity in the workplace.
- Improving working conditions
- Protection of human rights practices in the supply chain
- Abolishing factors that encourage child labour
- Employees' training in human rights
- Abolishing factors that encourage forced labour

### *2<sup>nd</sup> Priority: ENVIRONMENT*

- Materials recycling
- Proper waste management
- Rehabilitation and reconstruction of the landscape
- Habitat-protection
- Climate Change and reduce of greenhouse gas emissions
- Responsible use of energy

### *3<sup>rd</sup> Priority: SOCIETY AND REDUCTION OF CORRUPTION*

- Adoption of initiatives that will contribute to the promotion of development projects in local societies for the common well
- Practices against corruption and companies' evaluation for the allocation of dangers related to corruption
- Employees' training on policies of corruption reduction
- Business ethics practices

### *4<sup>th</sup> Priority: MARKET*

- Provision of secure products and services
- Protecting consumers' rights
- Enhancing accessibility of people with disabilities and people of foreign nationalities to services
- Undertaking corporate investment aiming at consumers' health and safety

## **3.5 Respect of Human Rights**

On the 16th of June 2011, the UN Council on Human Rights adopted a new set of Guiding Principles for Businesses and Human Rights, which provide a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

The Guiding Principles are the product of six years research led by Professor John Ruggie, University of Harvard, involving governments, businesses, business associations, affected individuals and groups, investors and others.

The Framework is organized around three fundamental principles "PROTECT, RESPECT, REMEDY":

- Protect: The duty of the Government to protect against human rights abuses by third parties, including businesses.
- Respect: The corporate responsibility to respect human rights.
- Remedy: Safeguarding on behalf of the Government the potential for effective access to rehabilitation/treatment through a non-judicial mechanism.

Human rights is one of the most basic areas of CSR. Governments have the primary responsibility for the protection of human rights, however, both individuals and organizations, can play an important role in their support and respect. Organizations are responsible for the protection and respect of human rights both in the workplace and in the area of their activity.

As more and more organizations are finding their legal, moral and business need to turn to human rights issues, they face a number of challenges against political, social, economic and labor rights as defined by the International Labour Organization concerning trade union freedom, avoiding factors that encourage child and forced labor, and eliminating factors that contribute to the development of workplace discrimination.

An organization can be characterized as "indirect complicit" in human rights violations, if somehow tolerates or deliberately knows and ignores such violations by another organization. It can also be described as 'direct complicit', if it intentionally offers help or encourages the perpetuation of conditions of these violations. In contrast, avoiding complicity in violations of human rights means that the organization promotes respect for Human Rights in the working environment and the sphere of its influence.

So, a major challenge for Cypriot organizations lies in the appreciation and understanding of their cooperation with NGOs, public bodies and other organizations in the field of their activities to prevent human rights abuses and taking initiatives to protect them.

According to ISO26000:

- Human rights are inalienable. People cannot waive, nor be deprived of by any government or other bodies.
- Human rights apply to all people regardless of race, origin, color, age, sex, religion, language, ethnicity, etc.

- Human rights are indivisible: All categories of human rights have the same degree of importance.
- Human rights are interdependent: Each human right participates in the making and existence of all other rights.

The commitment to the International Charter of Human Rights, the identification of sources of human rights violations that may exist in the workplace, the concern for their protection and the avoidance of complicity in their encroachment, the design of procedures for resolving complaints referred to them and the concern for the rights of vulnerable social groups within and outside the workplace are key initiatives that can be taken by organizations towards the protection of human rights.

### *3.5.1 Institutional Framework for the Protection of Human Rights in Cyprus*

The legal system in Cyprus secures and guarantees the fundamental human rights of all persons without any distinction or differentiation between citizens and non-citizens of the republic.

First, the Constitution of the Republic (Articles 6 to 35), secures a large number of protected individual and social rights, such as the right to life, prohibition of inhuman treatment and slavery, freedom of speech, thought, conscience and religion and right to respect for private / family life, property, labor, to contract, of assembly and to strike. Further, it secures the equality of citizens against the law, the administration and the justice and protects the enjoyment of all rights and freedoms that are provided in the Constitution without any discrimination, direct or indirect, against any person because of community, race, color, religion, language, gender, belief, national or social origin or social class, or because of any other reason, unless this is clearly indicated in the Constitution itself.

The status of Cyprus as an EU Member State and the implementation of the *acquis* has strengthened the national institutional framework for the protection of human rights. Respect for human rights is one of the fundamental values of the European Union, which has incorporated the basic principles of this issue in the treaties governing its operation and in the Charter of Fundamental Human Rights. The Charter brings together, in a single text, all the fundamental rights of European citizens, as well as all persons living in the territory of the Union and since the Treaty of Lisbon entered into force on 1st of December 2009, it became legally binding for the 25 Member States, with Cyprus being one of them.

Also, Cyprus, as participating in international organizations, has signed and ratified in some cases with laws, a large number of international conventions or protocols contracted to ensure overall protection of human rights. The most important of these conventions / protocols are:

- The Convention of the Council of Europe on the Protection of Human Rights and Fundamental Freedoms and its Protocols
- The International Convention on the Elimination of All Forms of Racial Discrimination and the Convention Ratification Laws
- The International Pact on Civil and Political Rights
- The UN Convention on the Elimination of All Forms of Discrimination against Women.

In the scope of implementation of the international law, Cyprus has also adopted a legislative framework providing legal protection especially for people who are victims of discrimination. This framework prohibits unjustified discrimination, direct or indirect, based on specific reasons.

The legislative framework against discrimination includes:

- The Law on the Combat of Racial and Some Other Discrimination Commissioner
- The Law on the Convention on the Elimination of all Forms of Racial Discrimination
- The Law on Equal Treatment of Persons Irrespective of Racial or National Origin
- The Law on Equal Treatment in Employment and Occupation
- The Law on Equal Treatment of Men and Women in Employment and Vocational Training
- The Law on Equal Pay for Men and Women for the Same Work or for Work of Equal Value
- The Law on Persons with Disabilities.

Cypriot companies should take actions of corporate responsibility to respect and protect human rights, as guaranteed by the Constitution and international human rights agreements. At the same time, they have the obligation to apply the legislation that prohibits discrimination. These responsibilities and obligations extend, both in the workplace of companies in relation to the persons they employ, and in their business activity in relation to their customers, partners and the local community.

### *3.5.2 Entities that examine grievances/complaints on human rights violations*

Office of the Commissioner for Administration (Ombudsman)

By joining the EU, for purposes of compliance with the Article 13 of the Directive to combat racial and ethnic discrimination (2000/43/EC), the Republic of Cyprus appointed the Commissioner for Administration as the independent body / authority to deal and decide on issues related to discrimination. For more effective exercise of this duty, two independent authorities: the Authority against Discrimination and the Equality Authority were established

within the Office of the Commissioner for Administration and staffed by members of its personnel.

Main institutional competence of both Authorities, as defined by the legislation is to investigate, as independent authorities, through non-judicial procedures, complaints by people who believe they are / were victims of discrimination either in the public or private sector activities. Their field of activities includes discrimination based on gender, race, community, language, color, religion, political or other beliefs, national or ethnic origin, disability, age, sexual orientation or any other grounds prohibited by law.

Specifically, the Equality Authority has jurisdiction to investigate complaints about gender discrimination, as well as discrimination that are reserved in the sector of employment on the basis of any reason. On the other hand, the Authority against Discrimination investigates complaints of discrimination on the basis of all the above reasons, other than gender, in the areas of education, healthcare, social protection and social benefits, and access to goods and services. In cases where the Ombudsman finds that a particular practice / conduct constitutes unlawful discrimination, he may issue an order to end the practice / behavior and, in case of noncompliance, to impose fines on the persons / organisations involved.

In the basis of the above, it appears that the Commissioner investigates to a certain degree, nonjudicial, complaints of discrimination by companies.

#### Office of the Commissioner for Children's Rights

The Commissioner for Children's Rights is an independent institution, that is dedicated to ensuring the rights of the child and whose powers and duties are defined by law.

The Commissioner receives complaints concerning the rights of the child and, according to the law, if he considers that they need further investigation by a competent authority, he has the power to send these complaints to that authority for investigation and to monitor the progress of the investigation. Also, the Commissioner may take the initiative to call for investigation and follow the course of investigating complaints from any authority, regarding violation of rights of the child.

#### Cyprus National Bioethics Committee

According to the Article 3 (1) of Law N.150 (I) / 2001, Law on Bioethics (Establishment and Operation of the National Committee) of 2001, the mission of the Cyprus National Bioethics Committee is the continuous monitoring, research, systematic analysis and evaluation of issues and problems associated with scientific research, advancement and application of the science of biotechnology, biology, medicine, genetics and pharmaceuticals, as well as human

intervention in the biological process and in the human genotype and to investigate their moral, ethical, social, humanitarian and legal dimensions.

The Cyprus National Bioethics Committee, under the powers granted by the Law 150 (I) / 2001, has set up three Bioethics Evaluation Committees:

- The Bioethics Evaluation Committee for Research Protocols related to clinical research in medicine for human use
- The Bioethics Evaluation Committee for biomedical research and
- The Bioethics Evaluation Committee for research protocols on Biomedical Research and on clinical research in medicine for Human Use (formed 18/03/2008).

### *3.5.3 The Safeguarding and Protection of Patients' Rights Law of 2004 (1[I] /2005)*

In the framework of the protection of patients' rights stemming from international and European conventions and other legal acts and, in particular the relevant international conventions that the Republic of Cyprus ratifies, the Declaration on the Promotion of Patients' Rights in Europe of the World Health Organization and the European Charter of Patients' Rights and the Charter of Fundamental Rights of the European Union, which was incorporated into the Constitutional Treaty signed on the 29th of October 2004, the Complaint Review Committee was established with competence to examine complaints of patients.

### *3.5.4 Laws on safety and health at work of 1996 to 2011*

These laws provide for ensuring the safety, health and welfare of persons at work in all sectors of economic activity and for protecting any others against the risks to health and safety in relation to the activities of persons at work.

Office of the Commissioner for Personal Data Protection

According to the Law, the Commissioner investigates complaints about potential infringement of the legislation for the protection of personal data. [Article 23 (I) of the Processing of Personal Data (Protection of Individuals) Law].

### *3.5.5 Existing Practices of Cypriot Enterprises with respect to Human Rights*

Regarding the protection of Human Rights, it seems that Cypriot enterprises in the private sector have already been taking actions to a limited extent with the most basic of them focused on:

- eliminating any factors that encourage forced labor
- non-discrimination policies in recruitment, working conditions and pay for workers

- respecting the freedom of syndicalism

### *3.5.6 Measures for adopting CSR in the area of human rights by the Government*

A key challenge for Governments, as stated in the relevant EU Communication, is to improve the coherence of various policies and actions that contribute to the respect of human rights by businesses. The European Commission in cooperation with the businesses and stakeholders are gradually developing guidelines on human rights for a limited number of related industries, as well as guidelines for small and medium enterprises, based on the UN Guiding Principles.

Building on the work done at European level, the Government will work to promote the respect for human rights by companies with the implementation of the following measures:

- Cooperation with specialized bodies to explore the possibility of monitoring and evaluating the existing legislation for the protection of human rights and submission of supplementary proposals if needed.
- Implementation of a process for checking the existence of formal policies and systematic measures for the protection of human rights in government and semi-government organizations.
- Cooperation with NGOs and CSR specialized agencies to create and promote a Code of Respect and Protection of Human Rights, in the form of an example that can be adopted as a guide by all private, semi-public, public organizations, using the corresponding work of the European Commission.
- Establishment of a working group, in collaboration with specialized agencies and representatives of businesses and organizations, with a view to gather, evaluate and select best practices in human rights of the Cypriot enterprises and public organizations and to publish them. Also, the undertaking of an initiative for the implementation of workshops for the private organizations with the main objective to present best practices related to the respect of human rights, from SMEs to larger enterprises.
- Cooperation with educational institutions to contribute to the integration of the protection of human rights as a training session at their academic programs (undergraduate and / or graduate), as well as through the continuous or lifelong training consisting of short term programs or seminars.
- Implementation of short term training programs targeting business executives in collaboration with specialized government agencies or NGOs on the importance of integrating the protection of human rights in the Code of Values and Principles or Codes of Conduct that may be available to businesses and on related education of their staff.

- Investigate the possibility of enriching and promoting existing incentives for businesses to hire and develop vocational training for people with disabilities and poor young people with delinquent behavior.
- Evaluation and support (financial and communicational) of major initiatives of NGOs related to the promotion of the protection of human rights and the understanding of equality and equal opportunities.
- Improving the current system of vocational guidance and training of women and promoting flexible forms of employment.
- Strengthening the Office of the Law Commissioner to establish a call centre or a national conduct point (NCP) for workers' complaints about the violation of human rights in the workplace, as well as basic mechanisms for informing companies and helping them deal with such cases.

### ***3.6 Implementation of the National CSR Action Plan***

The implementation of the NAP-CSR requires the government to seize all existing partnerships between agencies, as well as to create new partnerships that will contribute decisively to the implementation of responsible actions and practices. Also, the commitment of all stakeholders, as well as social groups in implementing and maintaining the dialogue on the development of the concept in Cyprus, is considered extremely valuable.

Equally important for creating the suitable infrastructure that will ensure the successful implementation of the NAP-CSR is that any actions planned and implemented, are fully transparent, an innate value of CSR.

The implementation of the NAP-CSR requires the adoption of CSR practices and their integration into the culture, the policy implementation and more generally, the formulation of the strategy.

#### ***3.6.1 CSR National Mechanism***

The commitment of all stakeholders as well as social groups in implementing and maintaining the dialogue on the development of the concept in Cyprus is extremely valuable. For this purpose, a national mechanism will be set up that will be composed by the key stakeholders so as to ensure the participation and involvement of forces for the greatest effect.

The National CSR Committee will have the overall responsibility for monitoring the implementation of the NAP-CSR and generally for the formation of policy proposals for the promotion of CSR in Cyprus, on the basis of the EU guidelines so as to achieve the objectives of the Europe 2020 Strategy. More specifically, the role of the National Committee will focus on:



- The evaluation of the application / implementation of the NAP-CSR and the assessment of the effectiveness of the measures
- The formulation of proposals for revision where needed. The final approval of the revision of strategy and policy issues will be given by the Council of Ministers.
- The safeguarding of the participation and overall coordination of all stakeholders in the formulation and implementation of the NAP-CSR.

All concerned Ministries and Departments of the Government and all social partners at the highest level will participate in the National Committee. The Committee will be chaired by the Permanent Secretary of the Planning Bureau, which will also provide secretariat services to the Committee, due to his role as National Coordinator for CSR.

The setting up of a technical committee is also foreseen, to provide assistance to the National CSR Committee in consultation with the relevant Ministries, Departments and Institutions. The Technical Committee will be chaired by the Planning Bureau, as National Coordinator for CSR issues and all relevant government departments will be involved.

### *3.6.2 Actions for Implementation*

From the proposed measures included in the National Action Plan, ten measures were selected that can be implemented immediately at little or no cost and they will help to boost significantly the awareness and the promotion of CSR in Cyprus. These measures are the following:

- 1. Informational material: Direct diffusion and dissemination of CSR informational Guide to the private and public sectors in electronic form.
- 2. CSR Cyprus Network: Direct activation and enrichment of the website of the newly established CSR Cyprus Network in cooperation with the CSR Europe to promote CSR. The Network has been established as a consortium of the public sector, through the Planning Bureau, the private sector, through the Cyprus Chamber of Commerce and Industry (CCCI) and the academic sector through the Cyprus University of Technology.
- 3. Websites of the relevant Authorities: The direct enrichment of all websites of the relevant public organizations, with a special section for the promotion of CSR issues.
- 4. Seminars: The organization of 5 educational seminars for CSR for businesses, one in every district of Cyprus for the importance and benefits of CSR for all businesses, the implementation of CSR activities, the introduction to dialogue with stakeholders, the importance of Sustainability Reports and the introduction to the ways of communication of CSR.
- 5. Study for the promotion of accountability by semi-governmental organizations: The study of promoting accountability from semi-governmental organizations in order to publish Social Responsibility Report, which is proposed to cover up to 20 indicators according to the standards of the GRI guidelines. Organizations can choose the

indicators they consider most relevant to their business activity, with the exception of certain key indicators that will be selected in consultation with the semi-governmental organizations and will be common to all. Direct enrichment and promotion of CSR will be promoted from the websites of the semi-governmental organizations.

- Study for the promotion of accountability by listed companies. The promotion of accountability by listed companies, in cooperation with the management of the Cyprus Stock Exchange in a pilot phase with the gradual implementation of a number of indicators.
- 7. Promoting CSR in the academic environment: The adoption of the initiative to promote CSR in the academic environment and the culture of the educational institutions, by sending a letter to all universities and business administration schools for the promotion of the 6 principles of United Nations Principles for Responsible Management Education.
- 8. Social Barometer research: The direct application of the innovative specialized strategic tool, the Social Barometer A.S.B.I (Awareness & Social Behavior Index) which was created for the systematic monitoring of trends in society with regard to issues of social awareness of citizens, NGOs and the social work of companies in the context of CSR.
- Organization of an Annual Conference: to promote awareness on CSR in order to present and discuss the latest trends in Sustainable Development. Participants will be informed about the most important CSR practices, enrich their knowledge with strategies involving specific actions to address potential problems and discuss the results of the initiatives, and thus making the conference one open forum for dialogue on this important issue.
- Promoting Best Practices and Awards: The immediate investigation to establish a working group, in cooperation with specialized agencies, organizations and representatives of organizations, to establish criteria (e.g., consistency, innovation, effectiveness or applicability of the practice in other organizations) and the collection, evaluation and selection of CSR Best Practices in Cyprus to be awarded and disclosed.

### *3.7 Next Steps*

The Action Plan, approved by the Council of Ministers on 11/02/2013, was planned to be revised on the basis of a new EU CSR strategy, which has not yet been developed although expected by 2016. Nonetheless, the government is proceeding with targeted actions to promote and strengthen CSR in Cyprus, which are integrated within the Policy Statement for Enhancing the Entrepreneurial Ecosystem in Cyprus for the period 2016-2020, thus highlighting the business value of CSR.

In addition, pertinent government services have developed various sectoral supporting tools, which help companies, amongst others, to improve their environmental performance (e.g. EMAS, EU Ecolabel), their energy efficiency (e.g. grant schemes for the use of RES), the implementation of human rights due diligence in line with the UN Guiding Principles (e.g. certifications of good business practices against gender discrimination, competitions for good practices as regards safety and health at work, codes of good practice, regarding disability discrimination in employment and occupation, regarding the prevention of sexual harassment and harassment in employment and regarding the combat of racism). Moving towards a more integrated approach to enhance businesses' social responsibility, the government aims to further promote awareness and implementation of ISO26000, which has been prepared as a Guide to CSR.

#### **4. Legislation on CSR**

With the adoption of Directive 2014/95/EU, the EU promotes as a minimum legal requirement for certain large undertakings and groups to submit a non-financial reporting, disclosing social and environmental information. The key aim is to rationalize CSR into business activities so that there is a shift towards sustainable economic growth, by combining long-term profitability with social justice and environmental protection.

Large companies and groups of companies with more than 500 employees, which are defined as public interest entities under national Law (The Auditors Law of 2017) fall within the scope of the above Directive as this has been transposed into national legislation. Public interest entities definition includes companies whose transferable securities are listed in a regulated market (of any Member State), Credit Institutions, Insurance and Reinsurance Undertakings and other entities designated as such by a Council of Ministers' decision.

A law proposal to comply with the 2014/95/ EU Directive has been drafted by the Office of the Registrar of Companies and Official Receiver, as an amendment to the Companies Law, which was voted by the House of Representatives on 19/05/2017. The new legislation comes into immediate effect, hence the preparation of the first non-financial report is expected by the companies and institutions concerned in 2018 on the basis of data / non-financial information for the year 2017.

On 2 June 2017 came into effect the Companies Law (Amendment) (No. 3) of 2017, the purpose of which is to harmonise national legislation with the European Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

NFS/CNFS is required to be prepared by public interest entities which are:

- (i) companies defined as large companies on the basis of the criteria in the legislation, and whose average number of employees during the financial year exceeds 500, or 151A(1)
- (ii) parent companies of a group which is defined as a large group on the basis of the criteria in the legislation, and whose average number of employees during the financial year, on a consolidated basis, exceeds 500.

The NFS/CNFS includes information for an understanding of the development, performance, position and impact of the activity of the company/group, relating to, as a minimum, the following matters:

- (i) environmental, social and employee matters,
- (ii) respect for human rights,
- (iii) anti-corruption, and
- (iv) bribery matters

The legislation requires that the statutory auditor checks whether the NFS/CNFS has been provided and whether the NFS/CNFS has been prepared in accordance with the applicable legal requirements

For informing the companies for the new legislation the Directorate General for European Programmes, Coordination and Development, organized a CSR Conference on “Reporting Corporate Responsibility and Sustainability” of June 12th 2017 falls within the context of promoting CSR and awareness on the provisions of the new law.

In the meantime, as anticipated, the European Commission has prepared and adopted on the 26th June 2017 a Guide with Non-Binding Guidelines on the methodology to be used for Reporting Non-Financial Information, as per Directive 2014/95/EU. In order to prepare these guidelines, a public consultation was organized by the EC Services in Spring 2016.

## **5. Alignment with Global CSR Approaches**

Over the past few decades, various international guidelines have been developed by international organisations. The guidelines are designed to support governments, businesses and other organisations to make progress towards establishing effective CSR practices and to set commonly recognised standards. The guidelines are based on research, stakeholder and expert input, and evidence from best practice and consultation with national governments. They could therefore be considered as the ‘gold standard’ in business practice with regard to CSR.

### ***5.1 OECD Guidelines for Multinational Enterprises***

The OECD Guidelines for Multinational Enterprises are annexed to the OECD Declaration on International Investment and Multinational Enterprises (MNEs). They are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhered to the Declaration. The OECD Guidelines were first adopted in 1976 and have since been updated several times to reflect changes in the economic landscape and business practices. The most recent update of the Guidelines was adopted on 25 May 2011 following a process of consultation.

Governments adhering to the OECD Guidelines are obliged to set up National Contact Points (NCPs). Their main role is to further the effectiveness of the Guidelines by undertaking promotional activities, handling enquiries, and contributing to the resolution of issues that arise from the alleged non-observance of the Guidelines in specific instances. EU countries that have so far established NCPs are: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. So far Cyprus has not established a NCP for the OECD guideline. NCPs report to the OECD Investment Committee and regularly meet to share their experiences. The European Commission has also committed itself to promoting the Guidelines.

The OECD Guidelines set out basic standards for multinational enterprises. These cover the following:

- Encouraging socially-responsible behaviour in supply chain management;
- Disclosure of information on social and environmental performance, observance of codes of conduct and relationships with stakeholders;
- Respect for human rights;
- Respect for basic individual and collective labour rights;
- Protection of the environment and public health and safety;
- Combatting corruption;
- Respect for consumer health and safety;
- Transfer and diffusion of science and know how, with due regard to the protection of intellectual property rights;
- Prevention of anti-competitive practices; and
- Contribution to public finances of the host country

Cyprus has established information, dissemination and awareness raising measures in relation to the OECD Guidelines. Information dissemination is complemented by training initiatives, campaigns and other events to help embed the messages and ensure they are implemented. Also, actions like research on business attitudes to CSR Principles and monitoring of the development of international guidelines and principles.

## *5.2 UN Global Compact*

The UN Global Compact (UNGC) contains ten principles and asks companies to adopt a set of core values in the following areas:

#### *Human Rights*

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### *Labour*

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

#### *Environment*

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally-friendly technologies.

#### *Anti-Corruption*

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Cyprus is a country that makes reference to the UNGC in the standards and tools they develop and in education and training initiatives, as well as encouraging companies to adopt its principles in their business practices.

### *5.3 UN Guiding Principles of Business and Human Rights*

The UN Guiding Principles on Business and Human Rights (UNGPs) were adopted by the UN in 2011 and are grounded in the recognition of:

- States' existing obligations to respect, protect and fulfil human rights and fundamental freedoms;

- The role of business enterprises as specialised organs of society, required to comply with all applicable laws and to respect human rights; and
- The need for rights and obligations to be matched with appropriate and effective remedies when breached.

The UNGP set out key founding and operational principles for the duty of the state to protect human rights and for corporate responsibility to respect human rights. Cyprus has demonstrated a commitment to the UNGPs through the formulation of the National Action Plan on Business and Human Rights which comply with the international guidelines. Support for the UNGP has involved awareness-raising activities through information campaigns and relevant trainings as well as encouraging businesses to adopt these principles.

#### *5.4 ISO 26000 and Global Reporting Initiative*

ISO 26000 is the standard for social responsibility for all organisations. It was produced by the International Standards Organisation in 2010. To ensure consistency, ISO has entered into special agreements with the ILO, the Global Compact, the Global Reporting Initiative (GRI) and the OECD. ISO 26000 does not offer guidance on social responsibility performance reporting. However, the ISO 26000 content does cover a very similar range of topics to that in the GRI Reporting Guidelines. The ISO guidance provides a structure for companies to organise their activities, which can then be measured and presented in the company's report following GRI guidance. No formal accreditation process is available for the ISO 26000 standard.

It is noted that the Cyprus Organisation for Standardisation (CYS) has issued the Cyprus standard CYS ISO 26000:2014 – Guidance on Social Responsibility. Via this guideline, information is provided for what CSR stands for and how it can become part of the strategy of an organization and of its business practice.

## **6. CSR in SMEs**

More than 99 % of businesses in Cyprus are SMEs and nine out of 10 SMEs are micro-and family enterprises (with less than 10 employees). SMEs provide two out of three private sector jobs and contribute to more than half of the total value added created by businesses in Cyprus. Therefore, the impact that a shift to more sustainable and socially responsible SME business practices could have on Cyprus's society, economy and environment is potentially very significant.

### *6.1 Barriers preventing SMEs for engaging CSR*

There are various barriers preventing SMEs from engaging with CSR. From a questionnaire that it was distributed among SME the most important barriers that prevent Cyprus SME's in engaging with CSR are the following:

- Lack of Owner / manager / stakeholder engagement;
- Lack of understanding the full concept of CSR;
- Perception of high costs of implementing CSR;
- Lack of training or resources to implement CSR;
- Implementation of CSR but lack of recognition or reporting
- The current economic situation of each company and the economic crisis
- The firm size since they believe that a CSR is not suitable for a small enterprise
- The lack of evidence that there is business profit by implementing CSR

It is a fact that the financial crisis has resulted in a significant tremble in the evolution of markets and the private sector. Nevertheless, it should not stand as a constraint to the development and adoption of CSR practices by businesses. On the contrary, the lack of trust of consumers in businesses and the lack of credibility on the part of businesses require the immediate reaction of the business world. Under this perspective, the establishment of long-term relationships of mutual trust with the whole society is the main question. This is why the Cypriot companies must focus on new and innovative ways to maximize the welfare of their stakeholders through the implementation of effective programs for the society and the environment. The "excuse" that the lack of resources may lead to the discontinuation of CSR activities is not sufficient and the Cypriot companies should be careful because it is certain that those who will continue their commitment to CSR will eventually reap the benefits as opposed to those who will decide to abandon any effort forward. Even in those cases where companies continue to implement their social programs, with a reduction to the relevant budgets, they are offered the opportunity to be more creative, to attract more actively their employees to the social programs and to use other ways to support their social work (for example, make donations of products and services, not just money, develop synergies with other companies and organizations) increasing the efficiency of the funds they invest.

However, many SMEs have begun to make progress towards implementing CSR activities (or have recognised when existing activities are socially- or environmentally-responsible). Slowly slowly SMEs are able to change their practices more quickly than larger companies given their smaller management structures, so the effect of changes, once introduced, can be noticed and/or recorded almost immediately. In many cases, the implementation of CSR practices is down to individual commitment. Therefore, governmental support is mostly focusing on awareness-raising activities and trainings for integrating CST into business practices.

Some of the international guidelines and principles and some national legislative requirements, for example in reporting) do not apply to SMEs. Challenges exist in ensuring or encouraging compliance with these best practices without increasing administrative or other burdens on SMEs. At the same time there is a recognition that many SMEs already have good



CSR practices as they are often more aware of their responsibilities to their local community but they are not aware of it.

#### *6.1.2 Knowledge exchange / provision of information / dissemination of good practices*

An issue regarding SME engagement with CSR is the lack of knowledge about the potential benefits to their business. Communicating these facts to businesses is a task that has begun in Cyprus by starting to publish basic introductory information on CSR to be disseminated to businesses. Also, by creating focus groups and knowledge exchanges between SMEs and experts. Learning exchanges between SMEs allow good practices to be shared among SME representatives and this information can then be disseminated within their local business networks.

#### *6.1.2 Training*

Cyprus has developed training programmes for SMEs to enable them to understand more about the benefits of CSR. These have been developed on a range of topics, for instance: how to implement CSR activities, reporting, communicating and implementing international standards.

#### *6.1.3 Assessment*

A key aspect of government monitoring of CSR is the extent to which SMEs are able to report their progress towards CSR goals. Large numbers of SMEs mean that government monitoring is not practical, therefore SMEs require the tools to provide reliable and consistent self-assessment. In Cyprus some provision has been made in by setting the framework for SME self-assessment alongside international standards. For example the government has introduced simplified ISO 26000 guidelines for SMEs and in co-operation with Cyprus Certified Company they have introduced the CY ISO 26000.

#### *6.1.4 Programmes*

There are a few EU and government-funded programmes in Cyprus which aim to support SMEs in reaching their CSR goals. The additional support provided may include funding or promotion and awareness-raising depending on what is required (i.e. businesses within a country may be at an early stage of implementing CSR activities). Other activities are awareness raising and implementation of CSR in SMEs by building stakeholder capacity and integrating CSR into business strategies. Projects include research activities on examples of SME practices and activities like training, awareness-raising, planning documents, adaptation of national policies and events.

## *6.2 Priorities of Cypriot enterprises implementing CSR*

Exploring the expectations of Cypriot enterprises in relation to the CSR directions to which they should give priority within their responsible operation, during the survey for the elaboration of the National Action Plan a distinction was necessary between companies that state they already adopt CSR practices and those who state otherwise.

A key observation is the absence of the direction of the development of local societies that apparently is not adopted by Cyprus companies as a priority in the field of CSR. This requires primarily informing companies about the development of local communities that is mainly related to activities and development programs that promote social cohesion and are derived from the needs of the local community, as well as about assessing the social impact of business activities in local communities operated by category of effect, such as employment of men and women, in matters of health and safety of the community, in education etc.

### *6.2.1 Priorities of Cypriot enterprises implementing CSR*

#### Consumer protection and fair market practices

Nearly all companies, have said that their main priority is the consumer protection and fair markets for ensuring to continue to provide safe and quality products to their consumers. Additional initiatives that they should develop in the context of their responsible operation are:

- The protection of consumer rights
- The enhancement of accessibility of people with disabilities and people of foreign nationalities in services
- The business investments aiming the health and safety of consumers

#### Labour practices – Human Resource

Labour practices were reported as a second priority with particular emphasis on three areas of:

- The education, training and professional development of employees,
- The concern for health and safety in the workplace
- The strengthening of equal opportunities and diversity in employment
- The enhancement of working conditions

#### Human Rights' Protection

The direction of human rights protection has been chosen as a third priority and as it seems it hasn't captured the attention of Cypriot enterprises. The areas in which companies are receptive to invest in order to improve their operation under this direction are:

- the promotion of practices of human rights protection to suppliers and business partners,
- the training of employees on human rights,
- the implementation of non-discrimination policies in recruitment, in employment conditions and in compensation of employees
- the elimination of any factor that may encourage forced labor

#### Environmental Protection

The direction of Environmental protection has been chosen as the fourth priority obviously because the enterprises that are already practicing CSR have incorporated environmental initiatives to their existing practices. The environmental practices that can be further developed are the following:

- recycle materials,
- waste management,
- restoration and rehabilitation of the landscape,
- biotopes' protection

Finally, we should note that there is a detachment of the enterprises regarding the measurement and reduction of carbon dioxide emissions which is the main shortcoming of this direction.

#### Fighting corruption and enhancing transparency

This direction completes the main priorities of companies that state that are practicing CSR and which believe that they need to invest both in their assessment practices to identify the risks related to corruption and to develop business ethics practices in parallel to the training of their human resources in this area.

#### *6.2.2 Priorities of Cypriot enterprises not implementing CSR practices*

The priorities of enterprises that they don't implement CSR practices are:

#### Environmental protection

These companies, to their majority, choose as their main priority to develop environmental initiatives aimed primarily on:

- the recycle materials,
- waste management
- restoration and rehabilitation of the landscape

It should be noted here that the aforementioned enterprises keep a distance with respect to the issues of measuring and reducing emissions of carbon dioxide.

#### Labour practices – Labour Force

Labour practices were selected as a the second priority in this category of enterprises where the prioritization of labour practices is as follows:

- education, training and career development of employees
- health and safety in the workplace
- equal opportunities and diversity in employment

#### Fighting corruption and enhancing transparency

Fighting corruption and enhancing transparency was the third priority of the enterprises that state they don't implement CSR practices, with main objectives:

- the education of employees on the issue of transparency,
- the assessment of practices for identifying the risks related to corruption
- the adoption of practices against any form of bribery and extortion both to their internal and external environment

#### Human Rights' Protection

The Enterprises that have chosen this direction seem to give special importance to:

- the promotion of human rights protection practices in their supply chain
- the training of their employees on human rights
- the elimination of the factors that encourage forced labor

#### Consumers protection and fair market practices

Very few companies that have chosen this direction with focus on:

- the supply of safe and quality products to consumers
- the investments for the health and safety of consumers
- the protection of the rights of consumers
- the practices relating to the labeling of products and their effects

### *6.3 Incentives for enhancing the uptake of CSR activities by Cypriot enterprises*

The enterprises that adopting CSR practices states that the reasons that could function as an additional incentive for the implementation of CSR practices are as follows:

1. the free provision of counseling service
2. the relative legislation
3. the requirements of consumers, investors and NGOs on social and environmental issues
4. the knowledge of best practices of other companies
5. The social dialogue with various social partners to resolve issues

#### 6.4 State Incentives/Expectations for the further engagement of Cypriot enterprises with CSR

The position of Cypriot enterprises on their expectations from the State for their further engagement with CSR, is influenced directly both by the fact that they have highlighted as a key hindering factor for their involvement, their financial situation, the economic crisis and their business size that is indirectly linked to the first factor. As a result, the basic expectation of all enterprises is the institutionalization of financial incentives whereas the option of increasing their knowledge and understanding on CSR issues, issues that derived from the research as necessary, show a lesser degree of acceptance. Analytically the expectations from the Cypriot state are identified as follows:

1. institutionalization of economic incentives,
2. implementation of educational seminars
3. institutionalization of rewards
4. implementation of relative conferences
5. implementation of surveys that will highlight citizens' expectations about CSR

#### 6.5 Short description of the CSR environment in Cyprus

RESEARCHED TOPICS	BASIC OUTCOMES
Knowledge and understanding of the CSR Concept	Limited knowledge and understanding by organizations that although they have an increasing tendency, this increase is disproportionate in comparison to the importance of issues that are being addressed by CSR the last 5 years.
Perception of CSR	The perception about the meaning of CSR is decisively influenced by the way each organization is involved with these issues. The application practices of responsible entrepreneurship, such as the support of social/environmental programs and the implementation of management systems standards seem to be more familiar to Cypriot organizations with respect to the definition of the concept of CSR.
Sources of information for the CSR	Both the Internet and the Media are on top of the Cypriot organizations' preferences, while the international conferences and seminars are considered as supportive sources of information.
Developmental factor of CSR	For the Cypriot private sector organizations, CSR development is due both to a type of external coercion and to a conscious choice towards a more efficient way of responsible business operation.
The importance of CSR	Its significance is largely recognized, especially towards the improvement of information and the organizations' contact with their stakeholders, their internal operation, as well as their contribution to the social benefit.

Adopting CSR practices	Almost half of the Cypriot organizations of the private sector claim that they adopt CSR Practices. Nevertheless, by data analysis, it seems that a substantive percentage of the organizations that implement various actions without strategic direction, usually do not comprehend that these actions come under CSR field.
Three main areas of activity of Cypriot enterprises in CSR	In order of priority: 1. The Environmental Protection 2. The Labour Practices and 3. The Fair Market Practices.

Three main areas of public sector activities in CSR, according to enterprises.	In order of priority: 1. Human Rights, 2. Labour Practices, 3. Fair Market Practices.
Managing CSR	Almost half of the organizations are characterized by lack of basic CSR management structures.
CSR incorporation in business decisions	Very limited. Cypriot organizations do not consider CSR necessary when it comes to their business strategy.
Current implementation and incorporation of international CSR standards	Limited to particular ISO standards, while the organisations' progress on this issue has been very limited during the last years.
Intention for implementation and incorporation of international CSR standards	The intention of enterprises to implement the international CSR standards is almost non-existent.
Process of determining stakeholders	6 out of the 10 organizations that declare they implement CSR practices, state that they have determined their Stakeholders
Dialogue process with stakeholders on CSR issues	5 out of the 10 organizations that declare they implement CSR practices state that they implement dialogue practices with their stakeholders in CSR issues.
Stakeholders' pressure on CSR issues.	Very limited. 8 out of the 10 Organizations that declare they implement dialogue practices with their Stakeholders, do not receive any interventions or pressure by them on CSR issues.
Communication mechanisms on CSR practices	There are no particular communication mechanisms of CSR actions. However the traditional communication tactics are followed (e-mail, fax, telephone).
Current systematic publicity of CSR actions and the relative results	6 out of the 10 organizations, who declare they implement CSR practices, have not published a Social Report or Sustainability Report, mainly because they do not consider it necessary.

Intention of systematic publication of CSR actions and results	More than 6 out of the 10 organizations, that do not systematically publish their actions in the CSR field, express a great deal of scepticism in the idea of adapting such publication actions in the future.
Factors that discourage the implementation of CSR practices	In order of priority: 1. Current financial state of each enterprise 2. Financial crisis and 3. Enterprise's size
Private sector evaluation for its involvement with CSR	Positive by the majority of the organizations, with a great percentage though staying back from this particular evaluation.

Evaluation of the public sector for the promotion of CSR	Negative by the majority of the organizations with a great percentage of them staying back from this particular evaluation.
Basic CSR directions – Cyprus enterprises' priorities	In order of priority: 1. Labour practices, 2. Environmental protection 3. Reduction of corruption, 4. Fair Market Practices. 5. Human Rights Protection and 6. Local societies development
Factors that could function as an additional motive to the undertaking of CSR actions by the Cyprus enterprises.	In order of priority: 1. Free consultation on CSR 2. relative legislation and 3. knowledge of best practices of other companies.
Measures that should be taken by public authorities to encourage companies to embrace CSR	In order of priority: 1. Financial motives 2. Educational Seminars on CSR. 3. Awards Institutionalization and 4. Organizing relevant conferences

## 7. Human Rights and Responsible Supply Chain Management

As emphasized by the Commission, a key area of CSR is the extent to which companies manage their supply chains responsibly, particularly in relation to operations within developing countries. Countries have taken different approaches to this area although not all countries make it explicit in terms of future actions within their NAPs. What we want to see if is partner countries specifically reiterate their commitment and implementation of human rights within their legislation. For example, if there is any structure and institutions (in Cyprus we have committees which focus on particular aspects for responsible supply chain management which is the Commissioner for Children's Rights, and the Bioethics Committee). Also, if there is any partnership development with third countries or any awareness raising programs or even a relevant legislation on this issue.

According to a European Commission study (49), there are various supply chain management issues where CSR is, or could be providing a solution. These include: prevention of child labour, guaranteeing freedom of association and collective bargaining, providing wages to ensure an adequate standard of living, prevention of unfair pricing, and ensuring biodiversity. Cyprus governments aim to address these issues, among other things, in a variety of ways - some of which are already detailed in the NAPs on CSR and on Business and Human Rights.

Cyprus reiterate its commitment and implementation of human rights within their legislation. Key international standards are also implemented even if they are not explicitly mentioned. Awareness-raising of the importance of human rights and RSCM is also being emphasized. It is clear that challenges exist in enforcing the national legislation through business-supplier



tiers. Hence the importance of developing partnerships internationally and providing information and support tools is something that needs to be emphasized.

The status of Cyprus as an EU Member State and the implementation of the *acquis* has strengthened the national institutional framework for the protection of human rights. Respect for human rights is one of the fundamental values of the European Union, which has incorporated the basic principles of this issue in the treaties governing its operation and in the Charter of Fundamental Human Rights. The Charter brings together, in a single text, all the fundamental rights of European citizens, as well as all persons living in the territory of the Union and since the Treaty of Lisbon entered into force on 1st of December 2009, it became legally binding for the 25 Member States, with Cyprus being one of them.

Also, Cyprus, as participating in international organizations, has signed and ratified in some cases with laws, a large number of international conventions or protocols contracted to ensure overall protection of human rights. The most important of these conventions / protocols are:

- The Convention of the Council of Europe on the Protection of Human Rights and Fundamental Freedoms and its Protocols
- The International Convention on the Elimination of All Forms of Racial Discrimination and the Convention Ratification Laws
- The International Pact on Civil and Political Rights
- The UN Convention on the Elimination of All Forms of Discrimination against Women.

In the scope of implementation of the international law, Cyprus has also adopted a legislative framework providing legal protection especially for people who are victims of discrimination. This framework prohibits unjustified discrimination, direct or indirect, based on specific reasons.

The legislative framework against discrimination includes:

- The Law on the Combat of Racial and Some Other Discrimination Commissioner
- The Law on the Convention on the Elimination of all Forms of Racial Discrimination
- The Law on Equal Treatment of Persons Irrespective of Racial or National Origin
- The Law on Equal Treatment in Employment and Occupation
- The Law on Equal Treatment of Men and Women in Employment and Vocational Training
- The Law on Equal Pay for Men and Women for the Same Work or for Work of Equal Value
- The Law on Persons with Disabilities.



## **8. Social and Employment Policies**

With regard to social and employment policies, this includes initiatives regarding equality and diversity, and access to employment and social inclusion. In this respect, many of these measures are in line with the priorities of the Europe 2020 Agenda and its flagship initiatives. However, it can be difficult to draw a line between what constitutes CSR practice and the approaches being adopted by companies linked to national policy measures.

Cyprus is trying with some actions to support the integration of people furthest from the labour market. They provide incentives to business in the form of subsidies to encourage them to offer employment opportunities to disadvantaged groups in the labour market. Such measures have gained increasing importance as a result of the crisis. Also, initiatives to offer opportunities to low skilled young people is something that it has been considered recently from the Cyprus government through a subsidy program but is not something that the business would primarily consider it as CSR measures.

In recognition of exemplary business practice in social policies which goes beyond legal requirements, there are awards to recognise such measures. The award provides an incentive for businesses to adopt these practices as well as providing recognition of business achievements in this field. This may have a number of positive impacts on the business including offering support for recruitment and retention. Some of these awards recognise business achievements in terms of gender and diversity measures and initiatives of a family friendly working environment.

As well in Cyprus it has begun the support of the engagement of certain disadvantaged groups in the workplace. Some seek to support those who are less well represented, for instance, promoting lifelong learning for older people, women in senior management and promoting the employment of disabled people.

Furthermore, there is recently a growing attention given to voluntary initiatives promoting diversity management in the workplace. Also, some big SMEs in Cyprus are encouraging the development of volunteering programmes for their workers.

## **9. Consumer Awareness and Responsible Business Promotion**

Consumer demand drives business and raising consumers' awareness of CSR enables them to make responsible decisions about products and services. In Cyprus campaigns are starting at the 'grassroots' level by providing initiatives to raise consumer awareness of CSR. These involve a variety of different methods of promotion such as the general promotional campaigns, web-based campaigns and actions to improve consumer organizational capacity.

Also, some 'labels' to help consumers make informed choices about their purchases have been introduced into the market. Some have recently begun to introduce these and are also informing consumers about what this means for them (fair-trade labels). As well there is no making the first steps for developing better dialogue between businesses and consumers to help support transparency.

Something that is very popular in Cyprus is the CSR Awards which help to promote responsible business through public recognition. This also provides businesses with an opportunity to share best practice in CSR, and learn from each other. CSR awards are granted to businesses that perform well with regard to responsible business practices. Apart from promoting responsible businesses, awards are also aimed at promoting responsible consumption by making visible well performing businesses. The granting of CSR awards requires that clear criteria for 'best' practices are developed. For this reason, a working group in Cyprus will be set up to define such criteria.

Beyond the creation of more competition-like initiatives to develop CSR, dialogue on consumer rights is becoming an increasingly important aspect of developing responsible business. For example, dialogue between businesses and consumers is promoted.

## **10. CSR Reporting and Disclosure**

Reporting on non-financial aspects of business performance is becoming an increasingly common measure of assessment of business' CSR achievements. Different rules apply in relation to what should be reported, by whom, and as part of which official reporting procedure.

Cyprus has introduced recently the harmonization of the national legislation with the European Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. With this companies need to prepare mandatory a reporting on their CSR activities. These focus on environmental, social and employee matters, respect for human rights, anti-corruption, and bribery matters.

To further develop reporting of CSR, Cyprus government though trainings and seminars is support the effectiveness of the reporting, and to raise general awareness of CSR. Also, the government has taken additional steps to adopt the international guidelines with some tailoring for the domestic situation in the case of ISO 26000.

## **11. CSR in Education and Training**

CSR in compulsory education is not widespread but more systematic approaches to integrate and streamline CSR in society are being implemented by integrating CSR into educational

curricula. Some examples also exist of management training and initiatives aimed at facilitating learning from stakeholders. Future opportunities in this area may include educating all individuals within a company about the principles of CSR, ‘train the trainer’-type programmes, and potentially developing education programmes for organisations.

Business generations are considered to be important actors in the integration of CSR more dynamically into business and society, and the streamlining the concept. The introduction of CSR in education and training curricula is thus becoming more widespread across different countries that have introduced CSR as part of the curriculum in educational institutions at various levels. In Cyprus, the integration of CSR into education is very low. Only some universities have introduced some CSR classes in their curriculum. Cyprus is more in the development stages at this point. The government plans to send a letter to universities and business administration schools to raise awareness of the six UN principles for Responsible Management Education.

To build CSR capacity in current business environments training on CSR outside educational institutions, such as enterprises and their employees participate in training and mutual learning to raise CSR awareness is encouraged. In Cyprus, mutual learning on CSR take the form of forums and conferences to facilitate exchange and as well as specific CSR training for businesses and organisations or trainings at the workplaces. Another approach to CSR capacity building in enterprises is the Cyprus CSR Network which provides information as well as opportunities for mutual learning on how to implement CSR in business.

## **12. Sustainable Public Procurement**

Many public administrations in Cyprus are starting to integrate sustainable public procurement. In the NAP, we have set out the legislative requirements to evidence CSR in public procurement processes. This has focused on requiring evidence of environmental responsibility in public procurement. However, non-legislative instruments for encouraging sustainable public procurement exists in Cyprus.

## **13. Socially-Responsible Investment**

Initiatives on socially-responsible investment have increasingly come to the fore as a result of the financial crisis and a number of measures in this area are therefore rather new. Overall it is an area with currently more limited activity at Cyprus although there are some examples of good practices around disclosure, monitoring, reporting and identifying risks and impacts.

Although current levels of responsible investment assets under management are negligible, the Ministry of Finance’s Planning Bureau recent efforts to promote the concept and uptake of SRI in the local market foreshadows an optimistic future. The volume of responsible

investment assets under management is an extremely small share of total assets under management. At present, equities are the primary class of responsible investment instruments.

Consumer demand for SRI in Cyprus is still fairly underdeveloped as there has not yet been, significant evidence of either a demand for SRI practices or products. At the same time, while the regulatory framework for pensions does allow for the inclusion of ESG assessments in investment policy making, it has not yet been implemented.

Between 2009 and 2010, the Planning Bureau of the Republic of Cyprus spearheaded an initiative to promote the concept and uptake of SRI. This project, due to its high-level of visibility and top-level Governmental support, may result in further measures that could improve the uptake of SRI in the coming years. Within the context of the domestic business and regulatory framework, several aspects are worthy of particular mention. The overall level of sophistication of the Cypriot financial services industry is, given its size, fairly high and the Cypriot banks are key players in the wider regional market of southeastern Europe. The long tradition and growth of Cypriot provident funds, which are major institutional investors with a long-term performance horizon, is also relevant in the context of SRI. Overall, one should be cautiously optimistic that there will be a modest increase in SRI in the next three years.

#### **14. Financial Obligation and Anti-corruption**

In the aftermath of the financial and economic crisis, public awareness around financial obligations, but also fairness in remuneration particularly between the highest and lowest paid, has grown. To a lesser extent, this is also true for corruption at the national level, but in the political and economic sphere. Despite this, the National Action Plan only highlights a few measures in relation to anticorruption. This is an area for development in the future, although legislative requirements are increasing.

In Cyprus, there is a general perception that there is little corruption. International surveys confirm that corruption is not perceived as widespread in Cyprus. It can be said that Cyprus is well equipped to deal with threats of corruption, however, there is room for further improvement in the direction of the formulation of an anti-corruption strategy and the implementation of unified, detailed anti-corruption and bribery provisions which will clearly combine the rationale of the EU current provisions as shown through the Criminal Law Convention on Corruption and the domestic legislation in place.

Cyprus still lacks a comprehensive anti-corruption and bribery piece of legislation. However, the Penal Code (Cap.154) defines a series of offences of official corruption, such as extortion by public officers, abuse of office, or neglect of official duty. In addition, the Prevention of Corruption Law Cap. 161 provides for sanctions to be taken against both public and private

corruption. The Public Service law contains special anti-corruption provisions and a corresponding code of conduct allows for compulsory retirement or dismissal after a disciplinary punishment.

Furthermore, Cyprus has proceeded with the ratification of the Criminal Law Convention on Corruption (ETS 173) by adopting Law 23(III)/2000, according to which the acts and conduct referred to in the Convention constitute criminal offences in Cyprus which are punishable with imprisonment and/or a pecuniary sentence without prejudice to the trial court to impose any other sentence or to issue any order which it may impose or issue in the adjudication of criminal cases.

Additionally, in order to ratify the Additional Protocol to the Criminal Law Convention on Corruption (ETS 191), Cyprus adopted Law 22(III)/2006, which, with reference to Law 23(III)/2000 which also incorporates the offences of the Additional Protocol to the Criminal Law Convention into the criminal legislation of Cyprus.

## **15. CSR approaches to Tackling Climate Change and Environmental Sustainability**

Climate change and environmental sustainability have been important issues within CSR approaches for many years, and Cyprus is currently trying to unlock and strengthen the potential of CSR in relation to these.

Government services have developed various sectoral supporting tools, which help companies, amongst others, to improve their environmental performance (e.g. EMAS, EU Ecolabel) and their energy efficiency (e.g. grant schemes for the use of RES).

Current interventions of the public sector in the direction of the Environmental sustainability are the following:

- Grant scheme for energy saving and promotion of renewable energy sources by private sector organizations.
- Implementation of schemes for efficient use of energy, like energy saving in public buildings, promotion of biofuels, public information campaigns, systems of energy certification of buildings etc.
- Introduction of Green Public Procurements, which allow for the inclusion of environmental considerations in the public procurement for supplies, services and works so as to ensure continuous progress in environmental performance, reducing environmental impact and maintaining financial sustainability.
- Promotion of the State Grant Scheme for the introduction of an environmental management system based on the EU Eco management and Audit Scheme-EMAS that concerns the voluntary participation of organizations in a Community Eco-Management and Audit Scheme.

- Promotion of the European system ECOLABEL for the promotion of products that have limited impact on the environment and for the diffusion of detailed and scientifically proven information and advice to consumers regarding products.
- The Council of Ministers has decided the establishment of a yearly contest for the selection and award of enterprises that stand out on environmental and generally on sustainable development issues.
- Publication of Practical Guide on Corporate Environmental Responsibility addressed mainly to Private Sector organizations, published by the Office of the Commissioner for the Environment.
- Cooperation of the Commissioner for the Environment with the Cyprus Chamber of Commerce and Industry (CCCI) for the establishment of the Non-profit Organization "Chrysofylli Oak" which has been approved by the Ministry of Finance as a charity foundation that, aims to find resources through voluntary contributions (which are exempt from income tax) from businesses and organizations that want to offer to the protection of the natural environment.
- Promotion of the Industrial Ecology idea among the Cypriot Industries that deals with an organized partnerships network among enterprises aiming at the limitation of industrial pollution and leading to significant savings in raw materials, water and energy.
- The Charter of Cypriot Enterprises against Climate Change which is a declaration of principles that serves as a tool for raising awareness to both the enterprises that adhere to it, and generally to the whole society, in the direction of limiting the carbon footprint and reducing energy consumption.
- Establishment of centers for the collection and management of solid waste such as vehicles, tires, batteries, electric appliances.
- Creation of Landfill sites and inert materials management units.
- Programs for reducing waste through a sorting program either on the spot or in landfill sites with the cooperation of local authorities.
- Promotion of the recycled water use through campaigns.
- Program for the controlling of industrial and commercial waste disposal, as well as organic urban waste management plants.
- Controls in order to reassure the installation of wastewater elaboration systems and noise energy management in industries.
- Scientific support to enterprises for adopting new technologies and techniques of reducing gas waste.
- Controlling and monitoring mechanisms of manufacturers, importers and distributors of chemicals.
- Training of organizations providing consulting services on industrial pollution control issues.
- Mechanism for informing the industry about the REACH regulation.

## ANNEX I: CSR practices in Cyprus

Title of practice (order of priority)	Description of practice	Links to further information
<b>CYPRUS</b>		
<p>In December 2011 the Planning Bureau commissioned a consultancy to support the development of a national action plan on CSR (2013-2015). In February 2013, this was approved by the Council of Ministers. The national action plan in particular emphasises:</p> <ul style="list-style-type: none"> <li>■ Network;</li> <li>■ Awareness raising; and</li> <li>■ Training/capacity building</li> </ul> <p>No further information is available on a Cypriot action plan on Business and Human Rights at the time of writing.</p>		
<b>CSR in SMEs</b>		
CSR seminars for SMEs	<p>Five seminars for SMEs will be organised (one in each district of Cyprus). They include the following key issues:</p> <ul style="list-style-type: none"> <li>■ Benefits of CSR for all businesses;</li> <li>■ Implementation of CSR activities;</li> <li>■ Dialogue with stakeholders;</li> <li>■ Sustainability Reports; and</li> <li>■ Ways of communicating CSR.</li> </ul>	
<b>Consumer awareness and responsible business promotion</b>		
CSR informational guide	Based on the National Action Plan, a CSR information guide will be developed and disseminated electronically to private and public sectors.	
CSR Cyprus Network	The capacity of the CSR Cyprus Network will be expanded, for example by developing its website. The network is a consortium of the Planning Bureau (public sector), Cyprus Chamber of Commerce and Industry (private sector) and the academic sector through the Cyprus University of Technology (academic sector).	
CSR promotion on websites for relevant authorities	Websites of relevant authorities will be developed and expanded to include a specific CSR section.	
Social Barometer	The Social Barometer A.S.B.I (Awareness & Social Behaviour Index) will be introduced to assess CSR awareness of civil society and businesses.	
Awarding best CSR practices	A working group will be established to identify criteria (e.g. effectiveness, innovation and transferability to other organisations) for best CSR practices which can be awarded and disseminated.	
<b>CSR reporting and disclosure</b>		
CSR National Mechanism	A CSR National Mechanism will be established to ensure the implementation of the national action plan and assess its effectiveness, as well as to ensure stakeholder engagement.	
Awareness-raising of accountability in listed companies	Accountability in listed companies will be promoted by gradually introducing reporting in collaboration with the Cyprus Stock Exchange (CSE), as well as in line with the CSE Corporate Governance Code and Corporate Governance principles.	
Social responsibility reporting in semi-governmental organisations	Semi-governmental organisations will be obliged to disclose CSR statistics, based on 20 indicators in accordance with the GRI guidelines. Some indicators will be applicable to all organisations, while others will be dependent upon the industry sector.	
<b>CSR in education and training</b>		
Annual CSR conference	An annual conference will be organised to facilitate knowledge sharing on CSR policy. Participants will learn about CSR and ways of addressing potential challenges.	
Awareness-raising and promotion of CSR in educational institutions	To promote CSR in educational institutions, a letter will be sent to universities and business administration schools to raise awareness about the six UN Principles for Responsible Management Education.	

Title of practice (order of priority)	Description of practice	Links to further information
<b>Human rights and responsible supply chain management</b>		
Promotion of human rights	To promote the respect of human rights, the government will work to create a legal and policy framework for governmental and semi-governmental organisations as well as businesses by increasing its cooperation with civil society organisations and involving CSR specialist agencies. This could, for example, include the implementation of a Code of Conduct for the respect of human rights, as well as training on this topic.	
Commissioner for Children's Rights	To ensure children's rights and the reporting of abuses of such rights, the Commissioner for Children's Rights has been established. The Commissioner can decide to investigate complaints further and forward them to the relevant authority.	