Overview of CSR Performance Assessment Indicator Systems in the EU Member States and advice on the establishment of a CSR Indicator System in Lithuania

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List of Abbreviations:

LBS  UNDP Lithuanian CSR Baseline Study 2007, conducted under UNDP regional project “Accelerating CSR”
LNP  Lithuanian National Programme for the Development of Corporate Social Responsibility for 2009-2013 (Draft as of 04/30/2008)
LRBA  Lithuanian National Responsible Business Awards
RBS  UNDP Regional CSR Baseline Study 2007, conducted under UNDP regional project “Accelerating CSR”
TOR  Terms of Reference for current assignment
UNGC  United Nations Global Compact
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SECTION 1. EXECUTIVE SUMMARY

The Ministry of Social Security and Labour of the Republic of Lithuania (Ministry) approved in 2005 an Action Plan on Measures Promoting Corporate Social Responsibility (CSR) in Lithuania for 2006-2008. Among the measures to be introduced under this Action Plan is a survey on systems of country level indicators for assessment of company performance in the area of CSR in European Union Member States. This report is the outcome of this survey.

Under the patronage of UNDP Lithuania, a partner to the Ministry in implementing CSR measures under the project “Promotion of CSR in Lithuania”, funded by the European Social Fund, we have undertaken a review of over two dozen existing CSR practice and performance tracking and evaluation systems across EU Member States, as well as of a select few relevant others. The list of systems included is not exhaustive, but provides a representative picture of the main systems in existence today in the European Union, as well as a select number of examples from other parts of the world, when deemed important to secure valuable additional information and insights. Some of these systems are run at government level, others as independent CSR indexes or operated by other actors.

According to the Terms of Reference for this assignment, the proposed system should meet the following client needs/expectations:

- Monitor CSR developments at country level;
- Stimulate company CSR practices by
  - Enabling evaluation against certain objective criteria of progress of CSR practices at company level,
  - Providing state level recognition and visibility to progressive CSR practices of companies;
- Contribute to capacity building of Lithuanian businesses and organizations and improvements in international competitiveness of Lithuanian businesses;
- Contribute to the development of CSR reporting in Lithuania, including on-line tools.

Main findings

There exists great diversity in the types of systems employed to monitor corporate CSR practice and performance. The designs of the systems vary considerably, according to
their scope and purpose. The vast majority of systems within our sample focus solely on the CSR practice and/or performance of companies. Only in a few instances within this sample, is the activity and development of other CSR actors and/or enablers investigated. While some of the systems rank company performance, the majority focus on mapping CSR practice as a tool for communication and performance improvement.

Based on the findings from our research, the Government of Lithuania is among the very first to take initiative to develop a national-level CSR development monitoring system, with the intention of tracking developments in CSR practice and performance across the entire business community, as well as developments in awareness, competence and activity among the key CSR enablers: the legal and political structure, the civil society organizations, the media and the consumers.

In order to understand and describe the content, types and functions of the explored systems, the findings were organized into a set of dimensions and their sub-categories, or options. The results of this analysis were then used as tool to determine what mix is likely to best suit the needs of Lithuania.

**Main recommendations**

The evaluation led us to narrow our recommendation to two options. Option A would be to implement a ranking system measuring individual performance of a limited sample of volunteer companies, similar to the Corporate Responsibility Index developed by Business In the Community, a business association in the U.K., and in effect a near duplication of the function fulfilled by the Lithuanian National Responsible Business Award, already in operation since the end of 2007. Option B would instead focus on establishing a monitor at National level measuring overall national CSR development: of the business community and among CSR actors and enablers.

Taking into account the fact that whatever solution we choose needs to integrate with existing initiatives, including the National Responsible Business Award, and in light of the potential for powerful complementarity with the Award, we recommend Option B, a national CSR development monitoring system.

Option B, the National CSR Development Monitor:

• Provides an accurate picture of CSR development at national level, including:
- CSR practice across the total local business community, and
- CSR context development (civil society and legal/political context);

- Is designed in such a way that data for assessment can be compiled independently, and is therefore not reliant/dependent on voluntary participation of companies or others;
- Fulfills all client needs when complemented by National Responsible Business Award.

In order to keep the solution to a manageable level of complexity, but without loosing relevance and meaningfulness, we endorse UNDP’s vision that the number of indicators to be monitored be kept limited to a number of 10 to 15 indicators. These indicators should be easy to understand, follow-up and communicate. By looking at coverage of CSR issues across a wide number of indicator systems, we came up with a bouquet of different but complementary focus areas, measuring different aspects of CSR. The final list of proposed indicators was cross-checked against aggregated focus areas from several of the major CSR indicator systems.

Though limited, the choice of indicators is intended to reflect a mature approach to CSR, touching on the full spectrum of CSR issues, combining a mix of indicators that when aggregated provide a meaningful cross-section of Lithuania’s CSR context, and overtime will effectively monitor developments and help identify where actions may be most impactful.

To ensure applicability and especially meaningfulness within the Lithuanian context, the choice of indicators were developed in direct response to the findings and recommendations presented within the Lithuanian and Regional CSR Baseline Studies (from here on referred to as LBS and RBS), and the Objectives outlined within the Lithuanian National Programme for the Development of Corporate Social Responsibility (LNP) for 2009-2013 (Draft as of 04/30/2008). In doing so, the indicators track and thereby encourage progress on LBS and RBS recommendations/ priority action areas, and, most importantly, advancement towards meeting the LNP objectives.

The selected indicators for inclusion in our proposal for the CSR Indicator System for Lithuania are grouped into five categories, three of which are sector specific (corporate, civil society, and legal/political), and two of which cut across sectors (corporate/civil society and corporate/legal-political).
The proposed indicators for Lithuania are:

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate CSR practice / performance</strong></td>
<td>1   Number of CSR/Sustainability reports published in local language / year</td>
</tr>
<tr>
<td></td>
<td>2   Number of companies using social and/or environmental management systems</td>
</tr>
<tr>
<td></td>
<td>3   Number of submissions to National Responsible Business Awards / year</td>
</tr>
<tr>
<td><strong>Corporate CSR practice / performance and Civil Society CSR context</strong></td>
<td>4   Number of active National Global Compact Network members</td>
</tr>
<tr>
<td></td>
<td>5   Number of Business Associations that have implemented sectoral CSR related activities and/or tools</td>
</tr>
<tr>
<td></td>
<td>6   Total annual sales (in Litas) of products with Ecological and/or Social/ Fair-trade type certification</td>
</tr>
<tr>
<td><strong>Corporate CSR practice / performance and Legal / Political CSR context</strong></td>
<td>7   % of Green and Social/ Fair-trade procurement as part of total Public Sector procurement</td>
</tr>
<tr>
<td></td>
<td>8   Level of Corruption</td>
</tr>
<tr>
<td><strong>Civil Society CSR context</strong></td>
<td>9   Number of mentions of CSR concept in public media / year</td>
</tr>
<tr>
<td></td>
<td>10  Number of academic publications listing CSR among key words / year</td>
</tr>
<tr>
<td></td>
<td>11  Number of Civil Society Organizations (CSOs) registering CSR as part of their areas of focus / competence / activities</td>
</tr>
<tr>
<td><strong>Legal / Political CSR context</strong></td>
<td>12  Number of specific CSR related legal developments</td>
</tr>
<tr>
<td></td>
<td>13  Number of Municipalities with an official designated CSR point of contact</td>
</tr>
</tbody>
</table>

Detailed information regarding relevance of the indicators, methodology for compilation of information, and the references from which the indicators have been drawn are included in Appendix 2. Proposed Indicators for Lithuania. Recommended guidelines regarding implementation of the monitoring system are described in this report.

The Government of Lithuania is taking pioneering steps by setting-up a system to closely monitor national developments in CSR practice, performance and enabling context. The indicators monitored by Lithuania will give strong clear signals about the nature and quality of development hoped for, encouraged and expected. This clarity will put focus on, and bring energy to the issues, and thereby facilitate the efforts of all actors involved and affected.
SECTION 2. INTRODUCTION

2.1 Background /context to this report

As states in the Terms of Reference for this assignment:

The Ministry of Social Security and Labour of the Republic of Lithuania (Ministry) approved in 2005 an Action Plan on Measures Promoting Corporate Social Responsibility (CSR) in Lithuania for 2006-2008. Among the measures to be introduced under this Action Plan is a survey on systems of country level indicators for assessment of company performance in the area of CSR in European Union Member States (EU MSs).

Various states apply different evaluation/assessment systems and different indicators to measure CSR performance (some at government level, others as independent CSR indexes, etc.), thus it is important, based on the experience of other states, to develop such indicators/criteria for Lithuania that would reflect specifically the Lithuanian situation.

Establishment of such a system of indicators could serve in the future as a state measure to stimulate company CSR practices, as it would enable evaluation of progress of CSR practices at company level against certain objective criteria and provide a state level recognition and visibility to progressive CSR practices of companies. While contemplating the indicators’ system, the following considerations should be taken into account: indicators of this system should be closely related to criteria for preparation of company social reports (sustainability reports), as well as criteria under which the Lithuanian National CSR Award process is being carried out. This system could also become a basis on which social audits will be conducted in the country in the future, as well as serve for monitoring of CSR developments at country level. The system should be based on voluntary company participation and not serve as a control mechanism used by the government.

The Ministry is willing to obtain the information on practice of other European countries where such company performance assessment systems exist or are in the process of being introduced, with a view of defining positive and negative aspects related to certain systems of indicators and deciding on the most suitable setup for Lithuania.

United Nations Development Programme in Lithuania is closely working with the Ministry in the implementation of the above mentioned Action Plan and will be responsible for the organisation and results of the assignment in order to prepare a proposal on a
system of indicators to the Government of Lithuania.

2.2 Description of assignment

As described in the Terms of Reference (ToR), the assignment object of this document is layered in two main tiers.

Firstly it is to carry out an evaluation of existing company CSR performance assessment indicator systems (e.g. managed by government bodies, as well as independent ones such as NGOs, academic institutions, etc.) in selected European Union Member States. The overview of the indicator systems should specify inter alia (but not limited to): the country in which the system exists; the content of the indicator system (listing and short description of indicators applied for assessment of company CSR performance – this is the most important part); operational aspects of the indicator system (who is managing it, how the system operates, etc.). The overview should also have a column indicating a short evaluation of the particular indicator system (what are the positive aspects and what does not work so well). In as much as possible, contacts of persons responsible for managing indicator systems in other states should be included in the description of the systems.

Secondly, the assignment object of this document is also to develop a set of concrete and practical recommendations for establishment of an indicator system in Lithuania, taking into account the overview of other countries’ experiences, but also the specific context of CSR development and needs in Lithuania (as described in the Baseline study on CSR practices in Lithuania and additionally defined through consultations with both UNDP Lithuania and contact persons in the Ministry of Social Security and Labour). These recommendations may include several options suggested for establishment of an indicator system and should be supported with arguments for/against a particular model/option (including which concrete indicators could form part of a system, what could be the methodological aspects of carrying company performance assessment based on selected indicators, who should carry out such assessment and how the system of indicators should be managed).

Expected results:

It is expected that following the completion of the assignment the following outputs will be produced:

• An overview of company CSR performance assessment systems in European Union Member States and selected countries in Europe (e.g. Nordic countries) with supporting more detailed documentation on each of the analyzed systems;
• A set of practical recommendations enabling the Ministry and UNDP to make an effective proposal to the Government on a suggested CSR Indicator System for Lithuania; Including:
  • Which concrete indicators could form part of a system;
  • What could be the methodological aspects of carrying company; performance assessment based on selected indicators;
  • Who should carry out such assessment; and,
  • How the system of indicators should be managed.
• A description of a few options for Lithuania with advice/arguments on positive and negative aspects of the Indicator System model.

2.3 Framing of the report
This document aims at answering the Ministry’s willingness to look into the practice of other European countries where such Indicators Systems exist or are in the process of being introduced, with a view of defining positive and negative aspects related to this process, and to advise on developing an operational system for company CSR performance measurement.

We understand the purpose of the Indicators System is to support the development of CSR practice in Lithuania – therefore every part of the system content should reflect these goals as much as feasible.

2.3.1 Description of the report sections
We have divided this report in 6 different sections.

Section 1 contains our executive summary.

Section 2 introduces our report, highlighting its context, the assignment at hand, how the report is organized, and the methodological approach used.

In Section 3, we review and analyze CSR performance indicator systems from an extensive number of origins. We introduce the concept of dimension as the key deterministic factor of a system quality, then set on to define key dimensions and illustrate our theory with examples. This sets the stage for section 4 where we start our recommendation of a system for Lithuania.

Section 4 builds on the analysis of systems and dimensions in the previous section and states our proposal for the most suited indicator system for Lithuania.
We start by re-stating the needs of the assignment before comparing two system options and their capacities to fulfill those needs. We pick the best option and describe it in the rest of the section, including how it complements Lithuania Responsible Business Awards, before ending on some recommendations aimed at facilitating implementation of the chosen system.

With Section 5, we focus on the indicators part of the recommended system. We start by explaining the methodology used in developing the list of proposed indicators before introducing them, in table format with details regarding their relevance, methodology for compilation of information, documentation needed, and references upon which they are based. We then conclude by underlying a number of key findings.

Section 6 contains the appendices.

2.4 Methodological approach used in this assignment
The methodological approach consisted of the following components: Desk research consisting of requests for information from, and information exchange with key CSR actors across the European Union and globally; internet research; compilation and analysis of the findings; and development of a proposed Indicator System model for Lithuania, including options and recommendations.
SECTION 3. ANALYSIS OF CSR PERFORMANCE ASSESSMENT INDICATOR SYSTEMS IN EU MEMBER STATES

In preparation for the development of a set of recommendations for Lithuania, an extensive overview of existing CSR performance assessment indicator systems was conducted. The list of systems included is not exhaustive, but provides a representative picture of the main systems in existence today in the European Union, as well as a select number of examples from other parts of the world, when deemed important to secure valuable additional information and insights.

3.1 Explanation of the data tables included in Appendix 1

For purpose of this assignment, over two dozen CSR indicator systems and/or initiatives were investigated. Of these, a few, such as for example, the OECD Guidelines, though not indicator systems per se, were included because of their potential to contribute to the development of the thinking for the Lithuanian model.

For purpose of analysis, all of the relevant information that was found regarding the existing systems has been collected into three tables that can be seen in Appendix 1 - Overview of existing CSR indicator systems.

The tables are:

Table A: CSR performance indicator systems run by national governments
Table B: CSR performance indicator systems run by non-governmental organizations (NGOs) and others with governmental support
Table C: CSR performance indicator systems run by organizations without specific government support

The aim of the tables is to provide an easy-to-read overview of existing CSR indicator systems in EU Member States, as well as of a select few of interesting additional systems, including one regional and several supra-national systems.

Information in the tables provide a basic description of essential information for the purpose of this study, including:

1. Geographic scope of the systems;
2. System names;
3. Brief descriptions and purpose/objectives;
4. Contents of the systems (lists of and/or examples of indicators used in assessing
CSR performance);
5. Operational aspects (who is managing the systems, how the systems operate, etc.);
6. Websites and relevant contact information to find out more regarding the systems.

In addition, short evaluations and/or commentary are provided for each system. These are developed in light of relevance to Lithuania and in specific relation to our project objectives, and are intended solely for the purpose of informing the design of the Indicator System for Lithuania.

3.2. Summary of findings from research on existing company CSR performance indicator systems in EU member states
The results of the analysis of the sample of systems included in the tables are as follows:

• There exists a relatively great diversity of systems employed to assess corporate CSR practice and performance;
• The design of the systems varies according to their scope and purpose;
• The range and quality of the designs of the systems can best be understood through description and identification of the differences according to several dimensions;
• It is useful to explore these dimensions in order to determine what mix is likely to best suit the needs of Lithuania, and thus the basis upon which the Lithuanian Indicator System model is to be designed.

3.2.1 Types of system dimensions
A list of the main different dimensions used in analyzing the various systems is included below, in Table 3.1.
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Geographic scope</td>
<td>Regional level</td>
</tr>
<tr>
<td></td>
<td>National level</td>
</tr>
<tr>
<td></td>
<td>Supra-national level</td>
</tr>
<tr>
<td>2. Who is managing the system</td>
<td>Government</td>
</tr>
<tr>
<td></td>
<td>Supra-national organizations</td>
</tr>
<tr>
<td></td>
<td>Non-governmental organizations (NGOs)</td>
</tr>
<tr>
<td></td>
<td>Business associations</td>
</tr>
<tr>
<td></td>
<td>Other</td>
</tr>
<tr>
<td>3. Scope of focus</td>
<td>Single issue</td>
</tr>
<tr>
<td></td>
<td>Select areas of CSR</td>
</tr>
<tr>
<td></td>
<td>Full breadth/scope of CSR</td>
</tr>
<tr>
<td>4. Function of indicator system</td>
<td>Monitor/ serve as barometer for trends without publicly naming specific company performance</td>
</tr>
<tr>
<td></td>
<td>Rank companies according to their CSR practice/performance, and in some cases reward top performers</td>
</tr>
<tr>
<td></td>
<td>Map individual company CSR practice/performance without ranking</td>
</tr>
<tr>
<td>5. Nature of indicators employed</td>
<td>Process focused (more qualitative in nature)</td>
</tr>
<tr>
<td></td>
<td>Using concrete issue-focused metrics (quantitative)</td>
</tr>
<tr>
<td></td>
<td>Combination of both process and metric indicators</td>
</tr>
<tr>
<td></td>
<td>No reliance on (or mention of) indicators at all, and instead a proposition of principles to be followed</td>
</tr>
<tr>
<td>6. Level of complexity with which the issues are being addressed</td>
<td>Limited number of indicators being employed</td>
</tr>
<tr>
<td></td>
<td>Advanced level of indicators</td>
</tr>
<tr>
<td>7. Integration with other CSR initiatives/strategies</td>
<td>Not integrated</td>
</tr>
<tr>
<td></td>
<td>Integrated</td>
</tr>
<tr>
<td>8. System includes development tools</td>
<td>No tools, evaluations systems only (&quot;where you are/ how you are doing&quot;)</td>
</tr>
<tr>
<td></td>
<td>System complemented by development tools (&quot;what you can do to improve/ how&quot;)</td>
</tr>
<tr>
<td>9. Degree of dependence on company participation</td>
<td>Based on voluntary participation</td>
</tr>
<tr>
<td></td>
<td>Dependent on company participation (imperfect sample)</td>
</tr>
<tr>
<td></td>
<td>Independent of company participation</td>
</tr>
<tr>
<td>10. Degree of public exposure</td>
<td>No public exposure: anonymous</td>
</tr>
<tr>
<td></td>
<td>Medium exposure: grading but not ranking</td>
</tr>
<tr>
<td></td>
<td>High exposure: ranking companies</td>
</tr>
</tbody>
</table>

3.2.2 Illustrations of the system dimensions

To help illustrate the above dimensions, some examples from the overview of systems
in Appendix 1 are included below. These can be used as easy reference, when required, for consultation of the more in-depth information included in Appendix 1.

1. Geographic scope: Covering companies at a regional, national, or supra-national level. Some examples:
   a. Regional: one example found in sample studied: Province of Bizkaia, Spain - Xertatu:adi Framework
   b. National: e.g. Croatia, Denmark, Sweden, UK
   c. Supra-national/ global: e.g. GRI, OECD Guidelines, KLD

2. Who owns/is managing the system: Government or other types of organizations.
   a. Government:
      i. Denmark – CSR Compass, Social index
      ii. Spain - Xertatu:adi Framework
   b. Supra-national organizations:
      i. OECD Guidelines
      ii. United Nations Global Compact
   c. Non-governmental organizations (NGOs):
      i. Sweden – Amnesty Business Survey
   d. Business associations:
      i. Croatia – CR Index
      ii. UK - CR Index
   e. Other:
      i. Europe- Environmental Sustainability Index – (academic)
      ii. Europe – FTSE4Good Index Series (financial institution)

3. Scope of focus: Single issue, or addressing CSR to a fuller or more limited extent. Examples include:
   a. Single issue focused systems
      i. Sweden - Amnesty Business Survey, focuses on corruption only;
   b. Select areas of CSR
      i. Denmark – CSR Compass –concentrates on CSR practice within the Supply Chain;
   c. Full spectrum of CSR issues:
      i. CR Index, KLD, GRI, etc.

4. Function of indicator system:
   a. Monitor/ serve as barometer for trends without publicly naming specific
company performance

i. Denmark – People & Profit (surveyed the CSR practices of 1000 SMEs, focusing on the aggregated results, not individual company performance);

ii. Sweden – Amnesty Business Survey (the survey measures to what extent Sweden’s top 150 companies expose themselves to the risk of violating human rights, and how well they manage that risk. Participants are guaranteed anonymity, but are offered the opportunity to publish their results for benchmarking by the investor community);

iii. Global - CSR Monitor (tracks the changing expectations of consumers, shareholders, employees, and opinion leaders. Can be used by companies, governments or other bodies as a research-based management tool.);

iv. Global - GRI (in addition to serving as a self-assessment and self-declaration tool for individual companies and organizations, the GRI provides sectoral supplements, and is now currently developing a national annex system. These last two can be used in sector and/or national monitoring); and,

v. Global - AccountAbility (has also initiated a project to develop a national CSR performance evaluation system).

vi. In addition, the Regional Baseline Study proposed a methodology and some examples of indicators for such a system;

b. Rank companies according to their CSR performance, and in some cases reward top performers, e.g.:

i. Croatia- CR Index (not yet used for this purpose, but the intention is that the Index will serve as the base for the national CSR award, and was developed in view of introducing some non-financial SD/CSR-related criteria into the national business awards, issued annually by the Chamber);

ii. United States – Business Ethics Magazine 100 Best Corporate Citizens List;

iii. UK - CR Index (serves as basis for annual award).

c. Map individual company CSR practice/performance without ranking, e.g.:

i. GRI (note: GRI does include “levels of engagement” characterized by letters, but these are for self-declaration purposes only)

ii. AA1000
5. Nature of indicators employed:

In analyzing the CSR performance indicator systems, it becomes evident that the focus is not always necessarily on assessing CSR performance (how well), but often practice (what is being done in terms of policies and processes), and sometimes both performance and practice.

   a. Process focused (more qualitative in nature), e.g. AA1000, which outlines a process by which key performance indicators are identified by an organisation through engagement with its stakeholders. (Different indicator systems may be used to measure key issues. AA1000 provides the auditing framework, but does not make recommendations regarding indicator preferences.)
   
   b. Using concrete issue-focused metrics (quantitative);
   
   c. Combination of both process and metric indicators, e.g.:
      a. Global – GRI;
      b. United States – Business Ethics Magazine 100 Best Corporate Citizens List;
      c. Croatia - CR Index;
      d. UK – CR Index;
   
   d. No reliance on (or mention of) indicators at all, and instead a proposition of principles to be followed, e.g.
      a. Denmark – Mandatory CSR reporting initiative;
      b. France - French Law on New Economic Regulations (the law does not provide specific indicators, auditing requirements, nor sanctions for non-compliance);
      c. Sweden - State sector sustainability reporting regulations (does not specify indicators, but requires adherence to GRI framework);
      d. OECD Guidelines.

6. Level of complexity with which the issues are being addressed

   a. limited number of indicators being employed: no example found within sample;
   
   b. advanced level of indicators.

7. Integration with other CSR initiatives/strategies

   i. Not integrated, e.g.:
      a. United States – Business Ethics Magazine 100 Best Corporate Citizens List
   
   ii. Integrated, e.g.:
      1. Croatia- CR Index (element of National CSR Plan and Award);
2. UN Global Compact and GRI have cooperated on an integration project. To see how the GRI G3 Guidelines can be used to produce the Global Compact’s annually required Communication on Progress (COP), go to http://www.unglobalcompact.org/cop/UNGC_and_GRI/index.html;

3. Denmark – People & Profit – training for SME employees and managers;

4. Sweden’s state sector sustainability reporting regulations require state owned companies to complete sustainability reporting applying the GRI Guidelines.

8. System includes development tools
   a. No tools, evaluations systems only (“where you are/ how you are doing”), e.g.: United States – Business Ethics Magazine 100 Best Corporate Citizens List
   b. System complemented by development tools (“what you can do to improve/ how”)
      i. Self-assessment tool for companies, with public reporting as optional, e.g.:
         1. Sweden – Amnesty Business Survey (an immediate feedback tool is available on-line for companies and can be used anonymously, publication is optional);
         2. GRI (can be used as self-assessment only, if wanted, publication of self-declaration is optional);
      ii. Self-ranking and benchmarking across economy and own sector:
         1. Croatia – CR Index;
         2. GRI (sectoral and national annexes);
      iii. Tools for working with CSR development
         1. Denmark – CSR Compass (provides guidelines and tools for working with suppliers on Human Rights, Labour, Environment, etc.);
         2. Denmark – People & Profit (umbrella programme includes training for SME employees and managers).

9. Degree of dependence on company participation
   a. Based on voluntary participation, e.g.:
      • Croatia- CR Index;
      • UK - CR Index;
   b. Dependent on company participation (imperfect sample), e.g.:
      • Denmark – People & Profit -Representative sample sought, but with
allowance for drop-outs;

c. Independent of company participation, e.g.:
   • United States – Business Ethics Magazine 100 Best Corporate Citizens List.

10. Degree of public exposure
   a. No public exposure: anonymous, e.g.:
      a. Sweden - Amnesty Business Survey
   b. Medium exposure: grading but not ranking, e.g.:
      a. GRI
   c. High exposure: ranking companies, e.g.:
      a. Croatia – CR Index
      b. United States – Business Ethics Magazine 100 Best Corporate Citizens List
      c. UK - CR Index

3.2.3 Additional findings
The vast majority of systems within our sample focus on the CSR practice and/or performance of companies. Only in a few instances within this sample, is practice/performance of other CSR actors and/or enablers investigated, such as for example GRI (which is designed as a CSR mapping and reporting tool not only for companies, but also for other types of organizations); the OECD Guidelines, which though focusing on multi-national companies, addresses government practice; and Transparency International Corruption Perception Index, which assesses country performance and practice, but not that of individual companies.

3.3 Conclusion of this section
As input for the development of a model for Lithuania, a number of CSR tracking and assessment systems were investigated. The results of these investigations are compiled in Appendix 1. Overview of existing company CSR performance indicator systems in the EU member states. To complement the research, several initiatives not focusing upon, but including elements of company CSR practice and performance assessment, were also explored.

There exists great diversity in the types of systems employed to monitor corporate CSR practice and performance. The designs of the systems vary considerably, according to their scope and purpose. In order to understand and describe the content, types and functions of the explored systems, the findings were organized into a set of dimensions
and their sub-categories, or options. The results of this analysis will be used in order to determine what mix is likely to best suit the needs of Lithuania. In the next section we shall set our course on defining the dimensions for the system object of our assignment, and build thereupon our model Indicator System.
SECTION 4. RECOMMENDATIONS FOR ESTABLISHMENT OF CSR INDICATOR SYSTEM IN LITHUANIA

In this section, a model for Lithuania will be proposed. For this reason, it is useful at this point to recapitulate the needs this assignment/proposal is expected to address and fulfill. We will then review options and recommend a way forward, proceeding to define the key elements of the Indicator System for Lithuania and finally look at implementation recommendations.

4.1 Recapitulating client needs

According to the Terms of Reference for this assignment, the proposed system should meet the following client needs/expectations:

The system should serve as a State measure to:

1. Monitor CSR developments at country level;
2. Stimulate company CSR practices by
   a. Enabling evaluation against certain objective criteria of progress of CSR practices at company level,
   b. Providing state level recognition and visibility to progressive CSR practices of companies;
3. Contribute to capacity building of Lithuanian businesses and organizations and improvements in international competitiveness of Lithuanian businesses;
4. Contribute to the development of CSR reporting in Lithuania, including on-line tools.

In addition, client quality requirements include:
• Alignment with/relevance to Lithuanian context, needs and level of CSR development, and already existing government tools (e.g. National Responsible Business Awards) or those that are in the process of development (e.g. National CSR Promotion Programme and its Plan of Implementation), and
• Resource (cost, effort) effectiveness.

4.2 Options and their effectiveness in answering client needs

We were requested to provide two options, one designed in the form of an index-type ranking system (Option A), which would rely on voluntary participation of companies; the other, a national monitoring system, independent of company participation (Option B).

4.2.1 The two options
OPTION A:

In this option, the system is to depend on participation of companies. Only those who voluntarily submit information are included in the evaluation. The information voluntarily submitted is analyzed and used to produce a summary of CSR “state of the Art” practice for the period analyzed. “Best practice” performers can be singled out and rewarded if wished. Information on the non-performing part of the business community analysed is not possible due to lack of available data.

Option A is based upon the Corporate Responsibility Index (CR Index) developed and run annually by the British organization Business in the Community. It has a proven track record of over ten years and is widely perceived as an excellent system. As the UK CR Index served as one of the key inspirations during the design of Lithuania’s already operating National Responsible Business Award (NRBA) System, much of its value has already been captured in the design of the NRBA.¹

If Lithuania would decide that the exact CR Index model would be of interest, BITC has licensed the Index survey and its online completion software to other countries (Australia, Greece and Croatia) so this might be a route that Lithuania could follow. This would allow benchmarking of Lithuanian companies against an international data set and with standards that were automatically updated to reflect changing expectations in society.

Croatia has just launched their CR Index inspired in part by the UK system. If Lithuania is interested in implementing the CR Index system, it would be valuable to consult with Croatia. (For details and contact information, see Croatia – CR Index.)

As an overview, we use the following mix of dimensions to describe the UK CR Index-based Option A model:

¹ “Overview of CSR Award systems in Europe and advice on establishment of Government Award system in Lithuania” – K. Dubee / J-D. Rugiero, 2007
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Geographic scope</td>
<td>National level</td>
</tr>
</tbody>
</table>
| 2. Who is managing the system          | Government: e.g. Ministry of Labour  
Alternatively, Business association: e.g. Lithuanian Chamber of Commerce |
| 3. Scope of focus                      | Full breadth/scope of CSR, covering 5 major areas: Company Profile, Business Performance, and Strategy; Workplace; Environment; Marketplace; and Community |
| 4. Function of indicator system        | Rank companies according to their CSR practice/performance, and reward top performers                                                                 |
| 5. Nature of indicators employed       | Combination of both process and metric indicators in 5 major areas                                                                 |
| 6. Level of complexity with which the issues are being addressed | Advanced level of indicators                                                                                                                 |
| 7. Integration with other CSR initiatives/strategies | Much overlap with existing Lithuanian National Responsible Business Award system. Redundant to have both.  
Option: Replace NRBA by CR Index |
| 8. System includes development tools   | System complemented by development tools (“what you can do to improve/ how”): In the UK model, comprehensive guidance notes have been developed to provide key definitions, instructions on how to complete the survey and information to help companies understand the importance of responsible business. Together with the survey, this provides a ‘roadmap’ for integrating responsible business across business operations. |
| 9. Degree of dependence on company participation | Based on voluntary participation  
Company voluntarily respond to a survey questionnaire. Results from the questionnaire are then assessed against the response from other companies participating.  
In the UK example, in 2007, after 11 years of operation in a “CSR mature” country, the number of company participants was 126, 17 of which were new entrants. |

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2 For more in-depth information about the CR Index model, see Appendix 1, Table B, UK – CR Index
10. Degree of public exposure

<table>
<thead>
<tr>
<th>Key Dimensions</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Geographic scope</td>
<td>National level</td>
</tr>
<tr>
<td>2. Who is managing the system</td>
<td>Government: e.g. Ministry of Labour Alternatively, independent academic or research institute, or a CSO</td>
</tr>
</tbody>
</table>

In the UK model, different categories separate the best from the good - The list of the top 100 performing companies is made public. Results of the most recent CR Index are published in a major UK newspaper, as a special supplement. 'Companies That Count'.

Companies not ready or eligible to participate in the public Index can participate on a confidential basis. They still complete the same online survey and receive a company-specific feedback report, but unlike the public Index, they can set their own timetable for completion and will not appear in the public listings.

Option B:

Here the system does not focus solely on individual company performance, but rather monitors progress in the overall development of CSR at national level, including developments in the total corporate community, as well as developments in enablers and among supporting CSR actors (state, NGOs, media, academic, etc.). This system is fully independent of individual company participation.

The administrator of the monitoring system gathers information relevant to the production of 10 to 15 indicators, and evaluates National CSR Development based on this independently acquired information. The "Candidate Performance Indicators" proposed in the Regional Baseline Study (pages 49 to 51) are of this type.

As an overview, we use the following mix of dimensions to describe Option B:
### 3. Scope of focus

Full breadth/scope of CSR, covering CSR awareness and activity within the corporate, civil society and legal/political contexts

### 4. Function of indicator system

Monitor/serve as barometer for national level of development of CSR awareness and practice

### 5. Nature of indicators employed

Combination of both process and metric indicators

For this dimension we recommend a mix of process and metrics indicators, which we see most suited at targeting the breadth of issues within a small sample of indicators.

Process indicators are more suited to qualitative measurements and we have identified a number of relevant issues, such as, for instance, Proposed Indicator 5 ("Number of Business Associations that have implemented sectoral CSR related activities and/or tools").

One may argue that a process indicator aggregated on a sample population, such as the Lithuania CSR Actors, becomes a metric indicator (i.e. a number of qualifying occurrences). We however consider those of process quality.

Metric Indicators will help us measure finite fluctuations on designated quantities whose movement will indicate an uptake or a contraction from the issue measured. For instance, Proposed Indicator 6 ("Annual sales of products with Eco and/or Fair-trade type certification") is a good example.

### 6. Level of complexity with which the issues are being addressed

At request of the client, the number of indicators that make up the system is limited to a maximum of 15. The reason for this is to keep the Indicator System at a manageable level of complexity, so that the indicators may be easy to understand, communicate and follow-up.

Though limited, the choice of indicators is intended to reflect a mature approach to CSR, adequately covering basic/standard CSR, not out-there type Key Performance Indicators (KPIs), touching on the full spectrum of CSR issues, combining a mix of indicators that when aggregated provide a meaningful cross-section of Lithuania’s CSR context, and overtime will effectively monitor developments and help identify where actions may be most impactful.

The learnings and recommendations from the Lithuania Baseline Study and the Objectives outlined in the Lithuanian National Programme for the Development of Corporate Social Responsibility for 2009-2013 (Draft as of 04/30/2008) were used as essential basis for the choice of the set of indicators in order to ensure a limited but powerful Indicator System.

### 7. Integration with other CSR initiatives/strategies

Integrated within the National CSR Promotion Programme, and in complement with the existing Responsible Business Awards system

### 8. System includes development tools

System complemented by development tools ("what you can do to improve/ how").

Some suggestions regarding this are included later in the report.
9. Degree of dependence on company participation

Independent of company participation

As will be explored in the next section, there are many challenges with gathering information from companies.

10. Degree of public exposure

No public exposure: anonymous

If the purpose is to monitor national progress, then exposure of individual company performance is not required. In parallel to this model, the Lithuanian Responsible Business Award plays the role of ranking mechanism/ singling out best practice.

If it is clear to companies and other CSR actors/enablers that no exposure is involved, there is a better chance all companies and organizations will trust, welcome, support and benefit from the process.

Given the two options proposed, the dimensions analysis, the Lithuanian context, the client needs and our expert knowledge, we see Option B as the most suited recommendation. In the next section we explain our reasoning, provide a comparison of the two options, and an exploration of how Option B best matches the needs of the CSR Development Promotion Programme as a complement to the existing National Award system.

### 4.2.2 Comparing the two options

In order to help us analyze and recommend the best option, the following table illustrates the pros and contras of adopting an Index-type versus a Monitor-type system.

<table>
<thead>
<tr>
<th>Summary of PROS</th>
<th>Option A: Index of Company CSR Practice/Performance</th>
<th>Option B: National CSR Development Monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Continues in theme of &quot;voluntary&quot; participation;</td>
<td>• Monitors and provides accurate picture of CSR development at national level, including:</td>
</tr>
<tr>
<td></td>
<td>• Can be used to provide state level recognition and visibility to progressive CSR practices of companies;</td>
<td>• looking at cross-section/sample of companies, and</td>
</tr>
<tr>
<td></td>
<td>• Enables evaluation against certain objective criteria of progress of CSR practices at company level.</td>
<td>• CSR context development (civil society and legal/political context);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Independently able to compile data for assessment and therefore not reliant/dependent on voluntary participation of companies or others;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fulfills all client needs when complemented</td>
</tr>
</tbody>
</table>

Table 4.3 Summary of Pros and Contras for each option:
Summary of CONTRAS

- Ineffective overlap with Responsible Business Award;
- Dependence on company participation;
- Since level of awareness about CSR is low, unlikely many companies will voluntarily submit information:
  - Difficulty of getting significant number of companies / organizations to participate
  - Tendency that only CSR-aware and/or CSR-active will participate;
- Does not create additional incentive to that of the Award (less in fact, since no prizes);
- Limited to companies only, unless it includes questions to media, NGOs, government, etc.;
- Incomplete view of CSR development in Lithuania;
- Does not help identify the weaknesses and opportunities for improvement of overall CSR practice and performance in Lithuania.

by Responsible Business Award.

- Cost likely higher due to research needed;
- Challenge of identifying and measuring KPIs that tell “truth”/ meaningful;
- Challenge to get access to data for indicator evaluation.

<table>
<thead>
<tr>
<th>Evaluating and ranking individual CSR performance of a</th>
<th>Versus</th>
<th>Monitoring overall national CSR development: of the business community and among CSR</th>
</tr>
</thead>
</table>

In light of the full set of needs described by the client, and taking into account the pros and contras analyzed in the above table, it becomes evident that the Monitoring option (Option B) is the best suited to fulfill the expectations of this assignment, as long as it is implemented combined with the Responsible Business Award mechanism already in activity in Lithuania.

How is that combination to be understood? What are the synergies obtained by running both Systems? Both the Monitor and the Award systems are to fulfill very specific and distinct roles. These roles can be described shortly as:
The following table illustrates how each of the client needs is effectively met through a combination of the two systems:

**Table 4.4 Client needs and how they are met by the combination of the Monitor and Award systems**

<table>
<thead>
<tr>
<th>Client needs</th>
<th>Responsible Business Award</th>
<th>National CSR Development Monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor CSR developments at country level</td>
<td>Not applicable:</td>
<td>Fulfills this function:</td>
</tr>
<tr>
<td></td>
<td>Incomplete view of CSR development in Lithuania, as the Award is limited to the number of companies submitting information, and does not address Civil and Legal/Political developments; Does not help identify the weaknesses and opportunities for improvement at national level</td>
<td>Provides a complete and accurate picture of CSR development at national level, by looking at developments in the entire business community, as well as in the Civil and Legal/Political CSR-enabling contexts; Makes visible the impact of the National CSR Promotion Programme in improving CSR enablers, practice and performance</td>
</tr>
<tr>
<td>Stimulate company CSR practices: ... by providing state level recognition and visibility to progressive CSR practices of companies;</td>
<td>Complements the Monitoring system: By highlighting &quot;best-practice&quot;. (An Index would be another variation on the same theme. For examples, see Croatia – CR Index, and UK – CR Index.)</td>
<td>Complements Award system: By tracking CSR development at national level, all Actors can reflect on their practice in a comprehensive national context.</td>
</tr>
<tr>
<td>... by enabling evaluation against certain objective criteria of progress of CSR practices at company level</td>
<td>Complements the Monitoring system: By promoting leading-edge management practices and tools</td>
<td>Complements Award system: By providing national reference for comparison to &quot;best-practice&quot; highlighted by the Awards</td>
</tr>
<tr>
<td>Contribute to capacity building of Lithuanian businesses and</td>
<td>Fulfills this function: By encouraging and facilitating companies in adopting leading-edge</td>
<td>Fulfills this function: As with Award system, by encouraging and thereby facilitating companies in the process of adopting leading-edge practices.</td>
</tr>
<tr>
<td>Organizations...</td>
<td>management practices and tools; By creating opportunities for learning and development; and By encouraging the development of new types and quality of relationships between stakeholders.</td>
<td>adopting leading-edge management practices and tools; creating opportunities for learning and development; and developing new types and quality of relationships between stakeholders.</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>...and to improvements in international competitiveness of Lithuanian businesses</td>
<td>Fulfills this function: By offering internationally-relevant guidelines against which companies can compare themselves, and be compared; By facilitating Lithuanian businesses in improving their attractiveness to financial and socially responsible financial investors.</td>
<td>Fulfills this function: As with Award system, by offering internationally-relevant guidelines against which companies can compare themselves, and be compared, and by facilitating Lithuanian businesses in improving their attractiveness to financial and socially responsible financial investors.</td>
</tr>
<tr>
<td>Contribute to development of CSR reporting in Lithuania, including on-line reporting</td>
<td>Complements the Monitoring system: The Award system supports CSR reporting development by encouraging tracking of individual corporate CSR practice and performance; The components and criteria of the Award propose a basis upon which CSR audits can be conducted in the country in the future; The Award in its original design proposes use of on-line tools for submission of company information. This template can be used as a basis for the development of on-line reporting tools.</td>
<td>Complements Award system: The monitoring of national developments in CSR reporting rates (Proposed Indicator 1) helps highlight the value of reporting and creates incentive in the form of &quot;peer pressure&quot;.</td>
</tr>
</tbody>
</table>

4.3 Administration of the proposed Indicator System model
4.3.1 Administration of the Indicator System
The necessary administrative structure needed to operate the Indicator System includes

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a Ministry and Department to which the System belongs, with an appointed coordinator, and a supplier to carry out the required indicator data collection, compile the findings, analyse and report.

While a Government office should be in the lead to operate the system, results from our separate on-going assignment looking at Government administrative structures to manage CSR activities will inform this point by putting forward the most appropriate structure. As currently the Ministry of Labour runs the National Responsible Business Award, it is possible that this Ministry might be the appropriate body responsible for the Indicator System. It is not envisioned that there should be particular complex issues, but an alignment of the structure purpose with other additional CSR activities and structures will make sense, in order to ensure initiatives/activities/mechanisms and structures complement each other and do not confuse the overall situation. Clear functions with minimum overlap are desirable as often as possible.

The administration of the Indicator System will probably best be subcontracted to a specialize supplier. A research or academic institute, consultancy or NGO can equally well serve this process as long as they have competency in data and market research. Their assignment to gather data monitoring the state of CSR development at national level is one of great importance, and it is thus naturally required that the supplier be perceived as “neutral” and “trustworthy” by members of all the sectors being monitored.

4.3.2 Methodology for gathering Indicator data
When it comes to the content and methodology for gathering data for each of the individual indicators, those are fully described in the “Methodology for compilation of information” and “Documentation Needed” columns in Appendix 2. Proposed Indicators for Lithuania.

Some general considerations regarding methodology include the importance of:
• Continuity of methodology from year to year, to ensure comparability, and therefore, importance of using the same assignment briefing to data suppliers every year;
• Securing the data criteria for the indicators and tools used are of sound research design. As mentioned earlier, the sub-contractor hired to carry out the monitoring exercise should have research competence and will be able to ensure the research quality of the indicators and tools, as well as quality of translation to local language. The individual indicator methodologies, proposed data sources, questionnaire sample, etc. proposed in Appendix 2 are intended as models and examples, and will be adopted and adapted by the implementing institute/agent.
As explained earlier, in order to ensure an accurate picture of the level and progress of CSR development in Lithuania, the recommended model is designed in such a way that it is independent of company voluntary participation.

As highlighted in Denmark’s People & Profit Programme mapping of SME CSR activities, “in any mapping of CSR activities it should be investigated whether enterprises with a lot of CSR activities were more likely to reply than enterprises with not many activities”.

In other words, non-CSR-active companies are less likely to voluntarily share information about their practice and performance against CSR standards.

This being the case, the indicators have had to be designed in such a way that it is possible to get data without depending on company input. Required information must be gatherable repeatedly over time, with a high enough level of quality.

### 4.3.3 Timing and budget

We understand that the Indicator System needs to be operating as efficiently as possible so as to minimize its burden on its administrative structure. Once up and running, we do not see the deployed system as requiring support all year round.

**Timing:** publication once a year (most cost effective)

**Implementation timing:** Given the state of our understanding we would recommend 4 to 6 months for implementation time.

**Budget resource:** minimum 90 man-days ahead of the publication date, to ensure information gathering mechanism are functioning and quality check output of indicators, etc.

Hiring a local sub-contractor to run the System could therefore be estimated as the cost of hiring a local expert for 90 days.

In addition there will be the costs for gathering the data elements which will require specialized suppliers. As an example, to collect data needed for Indicators 1, 2 and 11, a rough time and cost estimate has been provided by a Swedish based company that

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already conducts research regarding corporate websites, annual reports and sustainability/CSR reports across Europe, including Lithuania:

<table>
<thead>
<tr>
<th>DATA SUPPLIER - EXAMPLE:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company:</strong> Hallvarsson &amp; Halvarsson Webranking</td>
</tr>
<tr>
<td><em>(Sweden-based market research company)</em></td>
</tr>
<tr>
<td><strong>Tasks:</strong></td>
</tr>
<tr>
<td>Making a questionnaire</td>
</tr>
<tr>
<td>Creating contact lists of approximately 270 companies</td>
</tr>
<tr>
<td>Sending the questionnaire with reminders and telephone interviews</td>
</tr>
<tr>
<td>Data analysis</td>
</tr>
<tr>
<td>Project management</td>
</tr>
<tr>
<td><strong>Total estimated time needed:</strong> Approximately 200 hours.</td>
</tr>
<tr>
<td><strong>Estimated fee:</strong> € 110 times 200 = roughly € 22 000</td>
</tr>
</tbody>
</table>

4.4 Ensuring Impact
4.4.1 Anchoring among Stakeholders
To ensure the Indicator System is, from the outset, both meaningful, accepted and welcomed, it is essential that the System and its Indicators are anchored among key stakeholders.

Before kicking-off the implementation process of the Indicator System, we strongly recommend a multi-stakeholder consultation session be carried out with representatives from all sectors affected by the monitor system: the corporate community (including not only “the usual suspects” but also some non-CSR-active company representatives), the civil society community (including NGOs, academia and media), and representatives of the government ministries and sections whose activities are included in the monitor proposal.

Such a consultation need not be more resource intensive than organizing a half-day meeting, and it can be vital in ensuring the monitor system, its purpose and methods are understood, accepted, welcomed and supported. It will help improve the design of
the system and its indicators, and, finally, such a meeting is also yet another invaluable opportunity to develop CSR awareness, practice and performance!

Broad stakeholder involvement in setting and updating of indicators and themes is but good CSR practice, and over time it can be valuable to widen consultation on CSR indicators to ensure that all points of view and relevant up-to-date evidence are taken into account.

4.4.2 Marketing and communication
Communication helps companies and all stakeholders see the benefits, and take advantage of them!

One good example from the Appendix 1 Overview to consider: Denmark – CSR Compass. The Danish Ministry of Economic and Business Affairs launched a marketing campaign in different media in November–December 2006 in order to raise awareness about the reporting and code of conduct tool.

It is vital that the national Indicator System be launched with a Big Bang! This will also help ensure immediate progress on Indicator 9 “Number of mentions of CSR concept in public media / year”!
SECTION 5. RECOMMENDATIONS FOR CSR INDICATORS FOR LITHUANIA

This section touches on the core of our assignment, completing the description of our concept for a National CSR performance monitoring system, by recommending a set of specific indicators.

We shall first explain the methodology used to develop our proposal before we introduce the list of indicators, framed first by a number of key defining factors which have shaped our choices, and followed then by a table providing a number of elements completing the information associated to each indicators (relevance, methodology for compilation of information, documentation needed, and references.).

5.1 Comments on the methodology used in developing the list of proposed indicators
In Appendix 1. – Overview of existing company CSR performance indicator systems, we reviewed and analyzed nearly two dozen CSR indicator type systems in the European Union and beyond.

One of the very important objectives of the analysis was to identify what are the key CSR issues today and to understand how they can be measured. This was done by consulting the sets of indicators used by the sample of systems studied. Regular recurrence gave strong indication of what issues are of importance to a broad spectrum of stakeholders, globally, and across industries.

Our analysis was completed with a review of the conclusions and recommendations from both the Regional and Lithuania CSR Baseline studies, and the Objectives outlined in the Lithuanian National Programme for the Development of Corporate Social Responsibility for 2009-2013 (Draft as of 04/30/2008).

We also reviewed recommendations from the Responsible Business Award report5 advising submitting members regarding which KPIs to focus upon, depending on the award of choice.

Finally, we paid particular attention to the Global Reporting Initiative (GRI) indicators, attracted by the fact that GRI is an international widely accepted framework for CSR

5 Overview of CSR Award systems in Europe and advice on establishment of Government Award system in Lithuania - Appendix 4 submission form template” – K. Dubee / J-D. Rugiero, 2007
practice, its guidelines are designed both for companies as well as other forms of organizations, and because of its established links to the United Nations Global Compact. The GRI Guidelines are recommended by UNGC as a tool for use when preparing the “Communication On Progress” (COP) annual report now required of active UNGC signatory companies.6

Once our list was nearly completed and in order to ensure key CSR issues would not be missed, we aggregated several of the major CSR indicator systems areas of focus to cross-check our list and assess any fine tuning needs.

However, we found indicators such as those described within the GRI framework and other systems only to be meaningful in the context of the many contextualizing elements provided by the complete framework (in the case of GRI, the Principles and Guidance, and Standard Disclosures). Once isolated from their frameworks, indicators became more difficult to use as tools in the Lithuanian assignment context.

5.2 List of recommended indicators and introduction to Appendix 2

The selected indicators for inclusion in our proposal for the CSR Indicator System for Lithuania are grouped into five categories.

Three categories are sector specific (corporate, civil society, and legal/political), and two categories cut across sectors (corporate/civil society and corporate/legal-political).

The proposed indicators are:

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate CSR practice / performance</td>
</tr>
<tr>
<td>2</td>
<td>Corporate CSR practice / performance</td>
</tr>
<tr>
<td>3</td>
<td>Corporate CSR practice / performance</td>
</tr>
<tr>
<td>4</td>
<td>Corporate CSR practice / performance and Civil Society CSR context</td>
</tr>
<tr>
<td>5</td>
<td>Corporate CSR practice /</td>
</tr>
</tbody>
</table>

6 https://globalcompact.pbwiki.com/FAQs
<table>
<thead>
<tr>
<th>performance and Civil Society CSR context</th>
<th>related activities and/or tools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6</strong></td>
<td>Corporate CSR practice / performance and Civil Society CSR context</td>
</tr>
<tr>
<td><strong>7</strong></td>
<td>Corporate CSR practice / performance and Legal / Political CSR context</td>
</tr>
<tr>
<td><strong>8</strong></td>
<td>Corporate CSR practice / performance and Legal / Political CSR context</td>
</tr>
<tr>
<td><strong>9</strong></td>
<td>Civil Society CSR context</td>
</tr>
<tr>
<td><strong>10</strong></td>
<td>Civil Society CSR context</td>
</tr>
<tr>
<td><strong>11</strong></td>
<td>Civil Society CSR context</td>
</tr>
<tr>
<td><strong>12</strong></td>
<td>Legal / Political CSR context</td>
</tr>
<tr>
<td><strong>13</strong></td>
<td>Legal / Political CSR context</td>
</tr>
</tbody>
</table>

For more comprehensive information about each indicator, please see *Appendix 2 – Proposed Indicators for Lithuania*, which provides detailed information regarding relevance of the indicators, methodology to be used for compilation of information, documentation to be used as data sources, and the references from which the indicators have been drawn.

**5.3 Concluding remarks**

To ensure applicability and especially meaningfulness within the Lithuanian context, the choice of indicators were developed in direct response to the findings and recommendations presented within the Lithuanian and Regional CSR Baseline Studies (LBS and RBS), and the Objectives outlined within the Lithuanian National Programme for the Development of Corporate Social Responsibility for 2009-2013 (Draft as of 04/30/2008). In doing so, the indicators track and thereby encourage progress on LBS and RBS recommendations/ priority action areas, and, most importantly, advancement towards meeting the LNP objectives.

As we conclude our report and recommendations, we would like to bring attention to a
couple of points for the future evolution of the Indicator System. It is important that the indicators the Government of Lithuania chooses to monitor evolve over time, in-line with developments in both the local and international CSR agenda, raising the bar of achievement, contributing to business development and success, and contributing to improvements in quality of life for all. This evolution will best happen through multi-stakeholder and multi-sectoral dialogue and partnership, with both local and global frames in mind.

The Government of Lithuania is taking pioneering steps by setting-up a system to closely monitor national developments in CSR practice, performance and enabling context. The indicators monitored by Lithuania will give strong clear signals about the nature and quality of development hoped for, encouraged and expected. This clarity will put focus on, and bring energy to the issues, and thereby facilitate the efforts of all actors involved and affected.