Corporate Social Responsibility Reporting in the 35 Most Liquid Listed Baltic Companies

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Baltic Market Brief

- 70 companies are listed in the Baltic Markets:
  - Riga Stock Exchange = 11
  - Tallinn Stock Exchange = 16
  - Vilnius Stock Exchange = 43

- Only 50% had a volume turnover greater than EUR5 million in the past year

Listed Baltic Companies that are Global Compact Participants

- 8 companies are UN Global Compact participants
  - Riga Stock Exchange = 1
  - Tallinn Stock Exchange = 0
  - Vilnius Stock Exchange = 7
Survey Criteria & Companies

- Survey criteria based on Partners for Financial Stability Program’s Corporate Social Responsibility Reporting Survey:
  - Corporate Governance
  - Environmental Policy
  - Social Policy

- Top 50% of Baltic companies in terms of volume turnover are surveyed:
  - Riga Stock Exchange = 6
  - Tallinn Stock Exchange = 12
  - Vilnius Stock Exchange = 17

- This represents companies with an annual turnover greater than EUR5 million
Corporate Governance

- Survey of:
  - Disclosure of audit information
  - Disclosure of the governance structure
  - Disclosure of the company’s shareholder rights policy
Environmental Policy

- Survey of:
  - Disclosure of compliance with environmental standards
  - Disclosure of a department responsible for the environmental policy
  - Disclosure of environmental considerations
  - Disclosure concerning environmental performance
  - Disclosure concerning water and energy use

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**Environmental Policy Disclosure**

- Lithuanian Companies
- Latvian Companies
- Estonian Companies
Social Policy

- Survey of:
  - Disclosure of compliance with regulations regarding human rights, labour standards and labour legislation
  - Disclosure of community support and sponsorship
  - Disclosure of employee development and benefit policies
  - Disclosure of health and safety policies
  - Disclosure of employment policies
Survey Results

• Best results from corporate governance disclosure.
• Environmental disclosure still limited - not yet considered as valuable?
• Employee benefit and development disclosure prominent, but other social disclosures could be developed further.

Summary Disclosure Survey Results
Survey Results

- 54% of the most liquid Baltic companies disclose at least 50% of the surveyed criteria
- 42% of these companies have foreign shareholders as the largest shareholder
- Only 31% of the companies disclosing less than 50% of the surveyed criteria have foreign shareholders as the largest shareholder
Index Performance

- Custom Baltic CSR Index
  - Custom market cap weighted index
  - Based on most liquid companies that conform to at least 50% of the surveyed disclosures
- Baltic CSR Index performance versus BALTIX
  - YTD: Baltic CSR has lost 22% and BALTIX has lost 7%
  - 15 June: Baltic CSR has gained 13.9% and BALTIX reach 2006 low and gained 13.9%
  - 3 August: Baltic CSR gained 19.7% from 2006 low and BALTIX gained 8.2%
Conclusion

- Based on the Partners for Financial Stability Program’s Corporate Social Responsibility Reporting Survey:
  - Czech Republic – 50% of companies meet at least 50% of survey criteria
  - Hungary – 56% of companies meet at least 50% of survey criteria
  - Poland – 60% of companies meet at least 50% of survey criteria
- Baltic States’ companies are comparable in their CSR disclosure to these three more developed Central and Eastern European countries’ companies
- In particular, the Baltics have developed their corporate governance disclosure
- But more emphasis can be placed on environmental and social disclosure
- A CSR Baltic Index consisting of only the companies with better CSR disclosure has shown the potential to perform better than an All Share Baltic Index
Thank you!

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