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IMPLEMENTATION OF CSR POLICIES BY OIL COMPANIES IN RUSSIA

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<p>Abstract</p> <p>The importance of natural resources and of the oil industry in particular in post-soviet Russia is beyond a shadow of a doubt. However, the nature of this industry poses a threat to the environment and the society. The objectives of this research were to examine the current state of corporate social responsibility (CSR) implementation by oil companies in Russia and to evaluate the availability of voluntary CSR reporting by the same organizations. In the theoretical framework the paper introduces main concepts that describe the CSR and evaluates the existing research on the topic.</p> <p>Qualitative method was utilized by the author of this study, based on the interviews with the managers from two leading Russian oil extracting companies and on the content analysis of the annual reports voluntarily published by four petroleum corporations.</p> <p>The results of this Bachelor's thesis reveal that still there is a room for improvement in terms of CSR of the Russian oil organizations. Certain recommendations concerning the applicability of social responsibility policies are made based on the findings of this research, considering the social, political and environmental factors of the Russian Federation.</p>		
<p>Keywords</p> <p>corporate social responsibility, CSR, oil industry, Russia, resource curse, non-financial disclosure</p>		

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1 INTRODUCTION/BACKGROUND

As post-soviet Russia remains very dependent on its natural resources, the extracting industries are considered to be very important for this society, especially oil and gas. According to the Central Intelligence Agency (CIA), in 2014 Russia was the largest oil producing country in the world, with the crude oil production reaching 10,840,000 barrels per day (Central Intelligence Agency, 2016). It is in the nature of petroleum industry to influence the environment and to affect the lives of people who are working in this industry, who use their products, and especially those who inhabit the oil-rich areas where it is extracted and refined.

These costs that petroleum corporations impose on the society result in people's demands for taking the responsibility for the companies' potential threats to the society and the environment. To satisfy these demands, oil companies from all over the world are embracing corporate social responsibility (CSR).

The choice of the topic of this study was driven by my own experience. As a Russian, the topic of this study is very important to me since I understand the crucial role of the extracting industries for my country. At first, the subject of this study included both oil and gas sectors, but in the limited time allotted to me, I decided to exclude the last-mentioned and to bring my attention only to the petroleum industry. Moreover, I am very interested in the topic of anthropogenic impact on the environment and the search of the ways to minimize it. Last but not least, this thesis might serve as a premise for the future career in the energy field.

The choice of the topic can also be justified by the lack of research, since the author of this thesis believes that the existing research is not sufficient enough to understand the problem caused by the insufficiency of CSR policies and to answer the questions asked in this study. There are joint studies with researchers from Norway conducted to analyze both Russian and Norwegian companies' operations in the remote Northern areas and the influence of those actions on the Arctic shelf (Kelman, et al., 2016). Obviously, those studies do not cover the impact on Russian society as a whole. There are also studies that explore the exposure of foreign petroleum and gas companies, but they neither include any actions of proper Russian corporations.

“Black gold”, as oil is frequently referred to in the media, and its involvement in the lives of the Russian people cause debates in post-soviet society. Oil corporations’ actions are constantly being under the spotlight, which makes this research very relevant to this day. Even though during the last couple of years people tend to be more concerned with the dramatic drop of the oil prices per barrel rather than with sustainability related issues, the author believes that current oil market deterioration is not a justification to remove eyes from social responsibility actions of oil corporations.

The research is needed from the academic point of view, because the area is relatively new for the Russian society, where the concept of corporate social responsibility have not yet get accustomed and everyone understands and defines it in their own way (Kuznetsov, et al., 2009, pp. 40-41). The problem of the lack of CSR techniques used by extracting industries (especially oil and gas industries) exists, but it is rarely spoken of. Of course, there are certain boundaries when it comes to trying to evaluate certain company’s influence on the environment, or especially company’s moral role within the Russian society. Another boundary is the absence of transparency in publishing reports and disclosing the information related to certain companies’ social activities. The findings of this study could help many people from different backgrounds to realize that Russia, as one of the countries where the world’s most important oil companies are situated, still has a lot of room for improvement in terms of sustainability and responsibility.

1.1 Research aims and objectives

Defining the research objectives and questions at the very early pages of this thesis can help a third-party reader to become aware of the scope of the research and to understand why certain topics were included to this paper and other matters, on the other hand, were abandoned. The research questions to be answered in this thesis are listed below:

RQ1: What are the CSR activities Russian oil companies engage in?

RQ2: To what extent do these companies report their CSR activities?

The primary objective of this research is to evaluate the availability of the CSR reporting by Russian oil companies. The secondary objective is to examine the CSR practices implemented by the same organizations. The last but not least objective of this thesis is to draw conclusions about the applicability of CSR policies to the Russian petroleum industry.

1.2 Thesis structure

In order to achieve the objectives of this study and to answer the research questions, certain structure of the thesis was chosen. The first chapter is an introduction, where the topic of the research is established and presented to the reader, along with the objectives and the proper questions to be answered by the researcher. The second chapter represents the literature review, which is designed in a way to give an unfamiliar reader the essential information concerning the CSR, its advantages and disadvantages, reasons to report it. Moreover, the overview of the petroleum sector in Russia is depicted, with a purpose to prove the need to implement the CSR for Russian oil companies. The third chapter describes the methods used in this study, in particular, the tools for sample selection, data collection and the data analysis. Chapter 4 contains the proper results of the research and discussion of these findings. Finally, Chapter 5 is the conclusion to this paper, where the key findings are summarized and the research is evaluated. In this last chapter the author also gives recommendations for the companies belonging to the Russian oil industry and suggestions for future researchers.

2 THEORETICAL FRAMEWORK

2.1 Corporate Social Responsibility

It is crucial to conduct the review of the existing literature written on the topic in order to interrogate what was already published in the area, selected by the author of this paper. Appraising the “existing intellectual territory” (Tranfield, et al., 2003, p. 207) is a necessary step the researcher makes to expand the knowledge body by adding his or her own ideas. Corporate social responsibility, which is a subject of this study, raises interest in the society and

constant arguments concerning whether it is crucial to be implemented by businesses or not. The abundance of books and scientific articles discussing the topic in the last couple of decades yet does not diminish these arguments, which is why the author of this paper finds it appropriate to explain the essence of CSR and then to prove the necessity of its implementation by every corporation.

Defining the corporate social responsibility itself is not the easiest task, because even though the term exists since the early 1950s, there are still differences of opinion in the literature on the corporate culture. Howard Bowen (1953, p. 6) was the first to describe the term in his famous and comprehensive work "Social responsibilities of the Businessman". The American economist states that people's lives are affected by the actions of the businesspersons, who should always take into consideration the fact that their decisions influence the future of the society they exist in. The book, however, does not cover many aspects of the CSR, and the responsibility is somewhat mistaken for the charity. All in all, Bowen's book remains the most cited source in any text referred to the CSR, and the author is believed to be the "Father of Corporate Social Responsibility".

The thorough definition of the corporate social responsibility was given only a quarter-century later by A.B. Carroll, who delineated the concept as consisting of "economic, legal, ethical and discretionary expectations" that the community has of corporations at a specific time point (Carroll, 1979, p. 499). Giving the detailed explanations of these four groups of responsibilities that should be considered by socially responsible managers, Carroll emphasizes that they should be applied together without abandoning any of them. The overview of these four components of CSR is illustrated in the Figure 1:

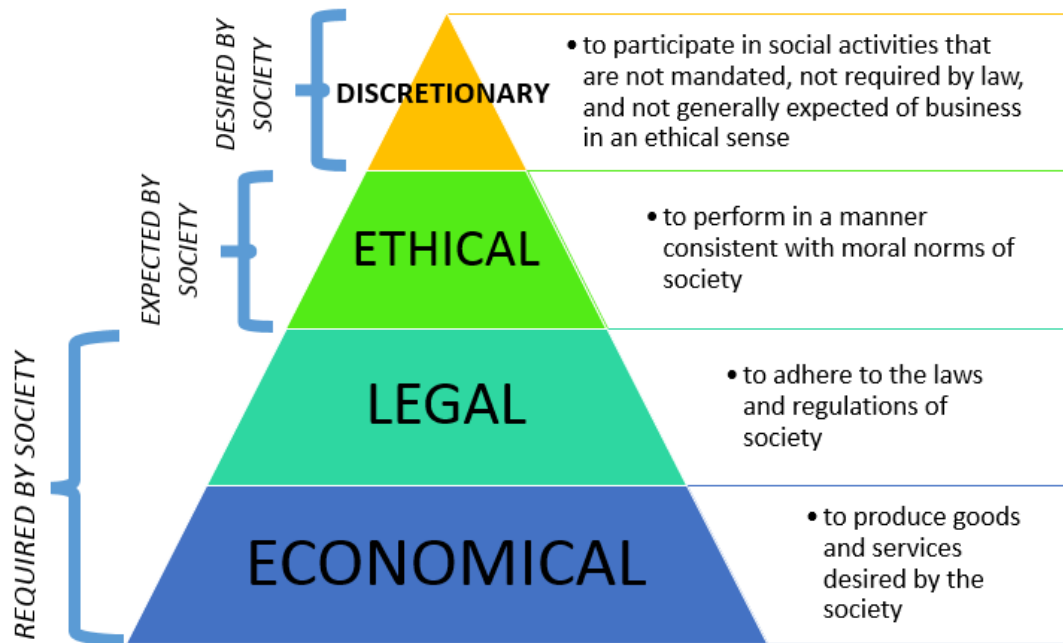


Figure 1: Carroll's pyramid of CSR (Carroll, 1991)

While economical and legal expectations – the two primary stages of the pyramid above – are required by society and the organizations cannot operate when neglecting these necessary expectations, the upper stages of pyramid are the expectations rarely met by the majority of companies. Ethical behavior of the company, according to Carroll, means considering those societal expectations that stand outside the law and are considered fair or just (Carroll, 1991, p. 41). In other words, ethical requirements motivate businesses to perform better not only according to the law, but also in a more responsible manner. Discretionary or philanthropic expectations of the society stand for participating in the activities designed to improve the way of people's lives. The difference between the two upper stages of Carroll's pyramid lay is that philanthropic behavior of the company is voluntary and not expected neither by law, nor by the societal moral norms (Carroll, 1991, p. 42).

2.2 Criticism and support of CSR

As well as many other untraditional concepts that were initiated in the late twentieth century, corporate social responsibility has its defenders and dissenters. It is obvious that the engagement in corporate social responsibility is rather costly for a corporation, no matter the size and the industry. Indeed,

why should businesses involve in this practice? The answer to this question lies in a number of advantages of the corporate social responsibility. Porter and Kramer (2002, pp. 59-61) claim that adapting CSR techniques is mutually beneficial both to the community and to the corporation. The benefits to the society include the proper donations or charity, whereas the organization obtains the number of benefits, the most significant of which are depicted in the Figure 2 below:

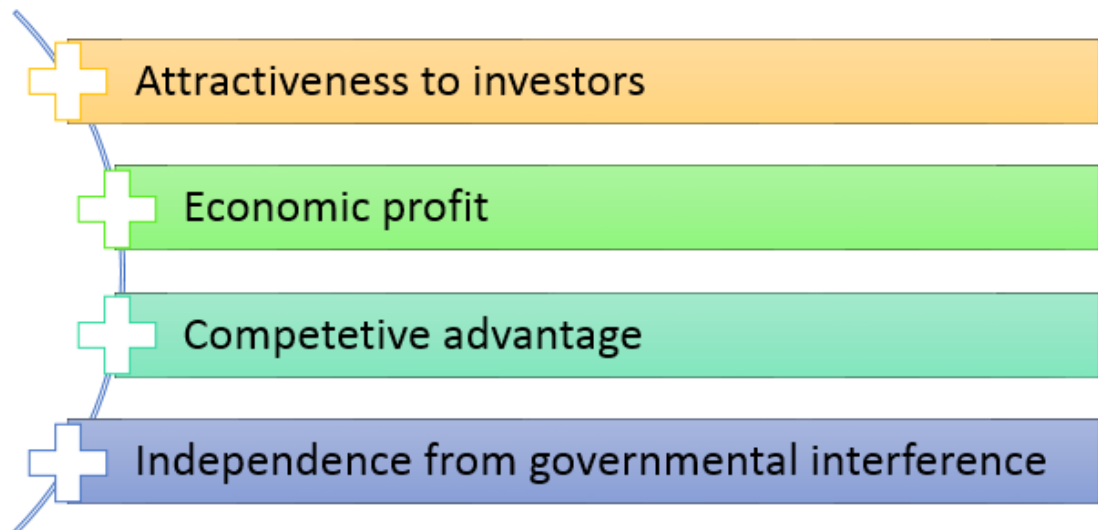


Figure 2: Benefits of CSR

These benefits are, first and foremost, the improved attractiveness of an organization to the investors and both existing and potential business partners and perfected corporate performance (Khoury, et al., 1999). Next advantage of CSR is the result of the above-mentioned attractiveness to investors: an indirect long-term economic profit. Furthermore, successful implementation of CSR practices results in company's positive impression on clients and employees, as the image of the corporation generally improves after it has adapted CSR techniques (Spangler & Pompper, 2011, p. 218). Competitive advantage is another benefit of CSR promised by some researchers, including Porter and Kramer who state that the company which is willing to spend their money on improving the conditions of the local communities might gain the access to new markets and support from the community (Porter & Kramer, 2002). Some researchers claim that CSR can lead to the independence from governmental interference, as the companies' advanced corporate governance mechanisms substitute relatively weak governmental expectations and represent the shift from following governmental lead toward fulfilling stakeholder expectations (Matten & Moon, 2008, pp. 416-417; Kolk &

Perego, 2010, pp. 6-8). To summarize, corporate social responsibility is a concept worth considering by businesspeople who are not only seeking for a short-term gains, but moreover concerned with strategic thinking.

However, in the academic community there are quite many studies that criticize CSR or simply disapprove of this concept. The majority of CSR detractors agree that it is no more than a way to catch media attention, others like Milton Friedman (1970, p. 32) do not find it credible that business people would choose to contribute to the needs of society rather than, for instance, increase the prices of their products or services. Friedman's famous adage "the social responsibility of a business is to increase its profit", pronounced in the article of the same name, is very often if not always reproduced by the opponents of CSR. In other words, the American economist argues that CSR is rather disadvantaging for businesses due to the reason that it obstructs the primary profit motive of every company's existence. Moreover, Friedman criticizes those managers who choose to spend money on CSR implementation for spending someone else's financial means, to be precise, employees', investors' and finally customers' money (Friedman, 1970).

Jerdzej Frynas, another famous dissenter of CSR, states that acquisition of profit is inconsistent with fair development practice (Frynas, 2005, p. 598). Furthermore, the study conducted by Soares de Oliveira points out that the existing CSR initiatives adopted by multinational companies are imperfect and have a number of limitations when it comes to bringing social and environmental outcomes to the communities where they operate (Soares de Oliveira, 2007). CSR is also criticized by Fleming and Jones, authors of the book titled "The end of corporate social responsibility" (2013). The authors state that CSR is no more than a tool used to distract the society from the harm that the corporations are constantly causing, and furthermore they characterize CSR as a "predatory corporate practice" (Fleming & Jones, 2013, p. 15) which is used as a smokescreen to distract the attention from businesspeople increasing their own profit and even exploiting the workforce. The overview of main arguments of the CSR dissenters is depicted in the Figure 3 below:

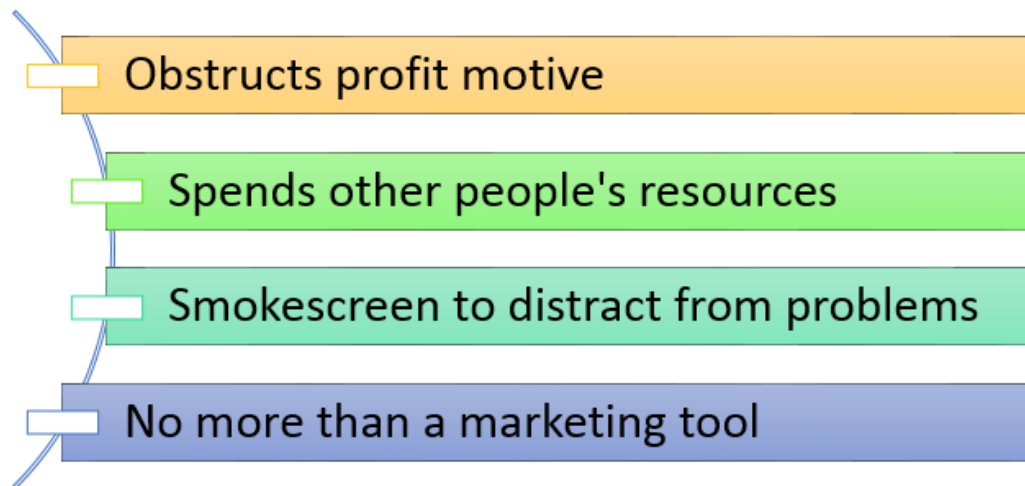


Figure 3: Criticism of CSR

The above discussion has highlighted the advantages and disadvantages of CSR seen by the members of academic community. The present writer assumes that the benefits of CSR in overall outweigh its inconveniences and defines herself as a supporter of corporate social responsibility and considers its practices worth implementing for businesses of all kinds. However, the researcher admits the fact that CSR is often misapplied and taken advantage of to distract, for instance, stakeholders and other interested parties from companies' financial indicators.

2.3 Reporting Corporate Social Responsibility

The necessity to report CSR activities not only to the stakeholders, but also to the larger audience interested in the non-profitable activities of the certain company arise from the proper definition of the corporate social responsibility. The societal expectations of transparent CSR reporting increase from year to year, encouraging companies to include sustainability issues in their annual reports or even publish separate non-financial reports, communicating what they have done in a certain period of time “to operate responsibly and support society” (United Nations Global Compact, 2014, p. 7).

CSRD, an abbreviation which stands for corporate social responsibility information disclosure, might be of two kinds – mandatory, when compelled by legislation, or voluntary, when businesses report their non-financial activities even when not mandated by the law. A general idea of the stakeholder and legitimacy theory, which explains the CSRD, is displayed in Table 1:

Table 1: Legitimacy and Stakeholder theories (Fuente, et al., 2016)

LEGITIMACY THEORY	STAKEHOLDER THEORY
<ul style="list-style-type: none"> - legitimization is achieved when organizational performance at least meets the existing social norms - organizations should not only behave as expected but also inform society of their activities - the development and disclosure of CSR reports are essential for meeting society's expectations regarding businesses' engagement with social development 	<ul style="list-style-type: none"> - organizations are not only liable to shareholders but also to every person or group influenced by a company's actions - the engagement in CSR results in long-term support by a company's stakeholders - businesses should add up to the welfare of all the groups influenced by the company to augment the stakeholders' profit and make sure of the company's long-term survival

The Table 1 above highlights the main ideas of these two theories that explain the motivation of companies to disclose the CSR related matters. Legitimacy theory pronounces that businesses are influenced by the societies they operate in. According to the proponents of this theory, the meaning of existence of a certain company is to fulfill the needs and meet the expectations of the society, and the company cannot claim any rights on public wealth and resources. Whenever the society decided that the company no longer satisfies their expectations, the enterprise's survival is threatened (Deegan, 2002). From the point of view of legitimacy theory, the companies engage in CSR activities and report them with a purpose of following the societal expectations and in search for the proper legitimization.

Stakeholder theory, main ideas of which can be found in the Table 1, is another way to explain why a company reports CSR. According to this theory, "one is forced to attempt an inference of company motive from trends in social and environmental disclosure" (Gray, et al., 1995, p. 66). In other words, the pressure to report CSR is not external, like in legitimacy theory, but external and comes directly from an organization's stakeholders, who believe they have a right to pressure a company to disclose certain matters. The author of this research believes that it is almost impossible to tell who influences the companies more – the society or the stakeholders. It is the combination of societal expectations and stakeholders' pressure that motivates the companies to report their corporate social responsibility policies.

Even in the absence of law, mandating to report the CSR activities, many corporations in developing countries still disclose this information. Generally,

those who voluntarily disclose CSR are motivated with either economic drivers or strategic motives, or more often with both (Jain, et al., 2015). Furthermore, the governments of the countries with relatively undeveloped legal standards often lack legitimacy and suffer from inner social conflicts caused by people's dissatisfaction with the political structure (Spence, 2011). When disappointed with the existing government, people may turn to powerful corporation in search of fair responsible behavior.

Same way as the company gains benefits from adapting CSR policies, it also takes advantages from the voluntary reporting. When looking for the rules to report their CSR activities, corporations are invited to follow the guidelines provided by a number of organizations, such as the UN Global Compact, the Global Reporting Initiative (GRI), the International Organization for Standardization, the AccountAbility, and others. Among these guidelines the most fundamental one is so-called Ten Principles of the United Nations Global Compact. The statements of this document were developed from such important international declarations and conventions as the Universal Declaration of Human Rights (1948), the Rio Declaration on Environment and Development (1992), the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (1998), and the United Nations Convention Against Corruption (2003). The 10 Principles were announced by Kofi Annan in 2004, and by this time over eight thousand companies from 160 countries have signed the principles pronounced by the largest corporate responsibility initiative in the world (United Nations Global Compact, 2014). The reader can become acquainted with the Principles in the Appendix 2 in the end of this paper.

When talking about global organizations focused on providing the guidelines on CSR reporting, the organization with the longest history, without exceptions, is the International Organization for Standardization, known by the abbreviation the ISO. It was founded in 1947, and since then has provided the corporations of all industries with very detailed instructions on how to act in a sustainable manner and, in particular, how to report their actions. In 2010 the ISO published the ISO 26000, designed specially to help various companies from all over the world to report their social responsibility actions (ISO, 2010).

Following the chronological order, the next organization to assist companies in their attempts to act transparently on sustainability and social responsibility issues is the AccountAbility, founded in 1995. This organization has developed the AA1000 Series of Standards in 2008, which provide businesses with an outline to respond to the CSR and sustainability challenges (AccountAbility, 2008).

Perhaps the most worldwide recognizable leading organization in the field of sustainability and CSR is the Global Reporting Initiative. This non-profit organization was founded in the United States in 1997, and since then has been helping businesses understand the impact of their operations on such issues as the environment and the society (GRI, 2013). During the last two decades, the Initiative has introduced the reporting guidelines, the evolution of which can be seen in the Figure 4:



Figure 4: The Development of GRI standards (GRI, 2013)

As can be seen from the scheme, the GRI has continuously changed their guidelines, adopting to the constantly changing environment of the globalized world where companies have to operate. There were no dramatic changes from the GRI-G3.1 to the newest G4 guidelines, however the GRI has added 6 new specific standard disclosures to the environmental category and 7 to the social category. Many data points were added to the already existing in the G3.1 indicators (GRI, 2013).

2.4 Petroleum Sector

Given the fact that the petroleum industry is an extracting industry (along with the minerals, gas, coal, metals and gemstones) which could be defined as “non-renewable natural resource sectors” (Ali & O’Faircheallaigh, 2007, p. 6), it is more likely to cause the concerns than industries which have less impact on the environment. Some studies (Guenther, et al., 2006; Frynas, 2012) testify that these extractive industries have a significantly better reporting rate

than other companies since they cause environmental damage and have means to satisfy the societal needs. The petroleum industry nowadays faces many challenges thanks to the globalization. Hilyard (2012, pp. 271-279) in his book addressed to the audience without a technical degree interested to find out more about the oil industry lists such trends and issues:

- continuing technology development, including the expansion of the use of advanced automation
- growing competition from renewable sources of energy
- the need to adapt to the climate change
- new players appearing on the global oil stage

There are even more detailed instructions on reporting corporate social responsibility by oil companies than the general sustainability guidelines addressed to all industries mentioned above. Assuming that every petroleum company has to follow the Ten Principles of the UNGC (United Nations Global Compact, 2014), the comparison of the CSR expectations of various institutions in the oil industry is made and presented in the Table 2:

Table 2: CSR Institutional Guidelines

UNGC Principles 2004	ISO 26000 2010	GRI G4 2013	IPIECA 2015
HUMAN RIGHTS			
Principle 1	Human rights at risk (Clause 6.3.4), Avoidance of complicity (6.3.5), Grievances (6.3.6), Discrimination (6.3.7), Civil and political rights (6.3.8), Economic, social and cultural rights (6.3.9)	Employee training on Human Rights (Indicator HR2), Security Practices (HR7), Indigenous Rights (HR8), Impact assessment (HR9), Human Rights Grievance Mechanisms (HR12), Local Communities (SO1-SO2)	Human rights (Indicators SE8-SE10), Indigenous people (SE2), Local communities (SE5-SE7), Grievance (SE18)
Principle 2	Due diligence(6.3.3), Human rights at risk (6.3.4), Avoidance of complicity (6.3.5)	Significant investments (HR1), Supplier Human Rights Assessment (HR10-HR11)	Human rights (SE8-SE10)
LABOUR			
Principle 3	Civil and political rights 6.3.8, Rights at work 6.3.10, Employment 6.4.3, Work conditions 6.4.4, Social dialogue 6.4.5, Political involvement 6.6.4	Freedom of Association and Collective Bargaining (HR4), Labor/Management Relations (LA4)	Labour practices (SE15-SE18)
Principle 4	Human rights at risk (6.3.4), Rights at work 6.3.10, Work conditions 6.4.4	Forced or Compulsory Labor (HR6)	
Principle 5	Child Labour (Box 7)	Child Labour (HR5)	
Principle 6	Discrimination (6.3.7), Rights at work 6.3.10, Employment 6.4.3, Work conditions 6.4.4, Social dialogue 6.4.5, Human development and training in the workplace 6.4.7	Wage by gender (EC5), Senior management from local community (EC6), Employment by age/gender (LA1), Parental leave (LA3), Training and Education by gender (LA9, LA11), Diversity and Equal Opportunity (LA12), Equal Remuneration for Women and Men (LA13), Non-discrimination (HR3)	
ENVIRONMENT			
Principle 7	Environment (6.5.3.-6.5.6), Fair operating practices (6.6.4, 6.6.6)	All environmental indicators (EN1-EN34)	Climate change and energy (E1-E4), Biodiversity and ecosystem (E5), Water (E6-E7), Local environmental impact (E8-E11)
Principle 8			
Principle 9			
ANTI-CORRUPTION			
Principle 10	Anti-corruption (6.6.3), Political involvement (6.6.4)	Anti-corruption (SO3-SO5), Political contribution by countrv(SO6)	Business ethics and transparency (SE11-SE14)

From the Table 2 it is seen that in general the issues and indicators from the ISO 26000 (2010), the G4 Guidelines (GRI, 2013) and the Global Oil and Gas industry association for environmental and social issues (IPIECA, 2015) relate to one another and satisfy the UNGC Principles. However, the guidelines pronounced by the IPIECA do not have separate indicators regarding the prohibition of child labour and any disclosure category regarding the discrimination by gender. In the Table the researcher mentioned the numbers

in brackets which represent the clauses and sub-clauses of the ISO 26000, the G4 Standard Disclosures indicators and finally the performance indicators issued by the IPIECA.

2.5 The Russian Context

Modern Russian economy might be characterized as a highly resource-dependent and even oil-dependent in the context of this study. The phenomena of resource curse, discussed in a number studies (Sachs & Warner, 2001; Genasci, 2008; Spence, 2011), explains the tendency of resource-rich countries to experience slow economic growth and often have rather poor stagnating economies, while the countries without high reserves of hydrocarbons and minerals have a higher GDP and generally a better functioning economies. The abundance of the reserves of oil not only makes a state dependent on exporting this natural resource, but also negatively affects the political sphere, being a major factor of detaining democracy (Rogers, 2012). Oil is very likely to promote the corruption of governmental entities, increase the inequality, and weaken the people's belief in the political system of a certain country (Genasci, 2008, pp. 6-7).

Implementation of CSR techniques and transparent reporting of the non-financial actions performed by Russian corporations, including petro-companies, is a way to reduce corruption, according to the article written by Kolstad and Wiig (2009). These researchers mention that transparency, as the open access to the information, might even alleviate the resource curse. Unfortunately, at the present time, Russian petroleum companies do not actively engage in anti-corruption programs. For instance, among the 2013 members of the Anti-corruption charter of the Russian business, which is initiative of the Russian Union of Industrialists and Entrepreneurs, officially approved by the presence of Russian Prime Minister Dmitry Medvedev, only 29 companies belong to the petroleum industry (Anti-corruption charter of the Russian business, 2013), which reveals that the oil companies do not pay much attention to the practices designed to mitigate corruption risks.

At this moment, Russia remains a country with the absence of law mandating to report the CSR activities, meaning that this kind of companies' actions can

only be reported voluntarily. Unfortunately, there are no official “sanctions for not being proactive” neither in terms of CSR implementation, nor in terms of CSR reporting (Bashtovaya, 2014, p. 70). The institutional environment, which is illustrated in the Figure 5, where Russian petroleum companies exist lacks the regulative component, and for this reason it can be defined as consisting only of so-called normative pressures from authoritative peer organizations, such as, for example, the contest organized yearly by the Russian organization of high social efficiency. The contest was started in the 2000, initiated by the Ministry of Labour and Social Protection of the Russian Federation, and since then it has been a strong motivation for the companies to demonstrate their evolved level of corporate culture (Ministry of Labour and Social Protection, 2013). As for the cultural pressures, the concept of CSR is yet very new to the Russian ear, and major oil corporations still do not face this kind of pressure from the media or *vox populi*.

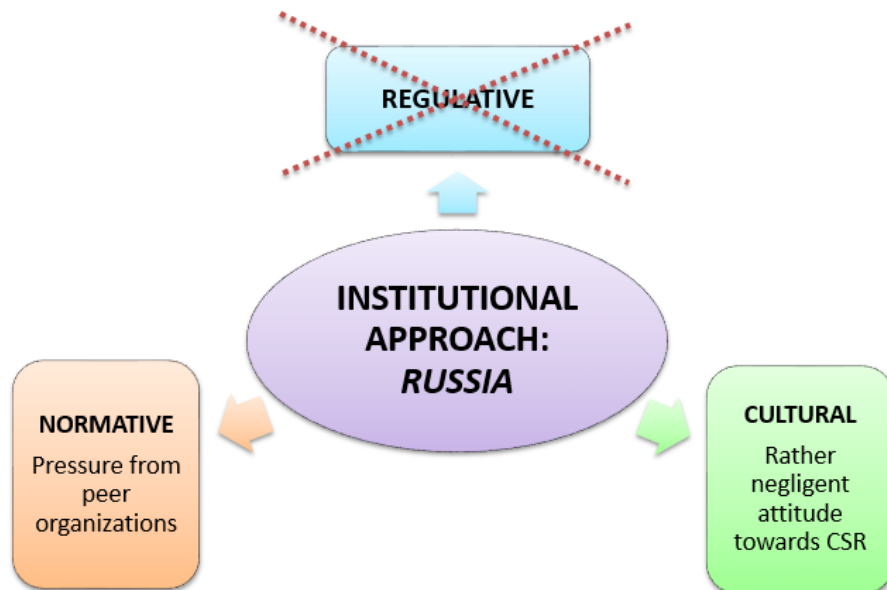


Figure 5: Russian Institutional environment

As mentioned in the Figure 5, there are no specific regulations regarding the CSR reporting in the Russian Federation. However, in the Commonwealth of Independent States there is a legislative body named The Interstate Council for Standardization, Metrology and Certification, which is responsible for issuing the standards widely known as GOST – an abbreviation of Russian “state standard”. GOST standards are rather advisable than mandatory by

Russian law. In 2012 the Council has developed the GOST ISO 26000-2012 based on the ISO26000 pronounced in 2010 (EuroAsian Interstate Council for Standardization, Metrology and Certification, 2016). Overall, the organization, which follows either of these two standards, can be recognized as following the other.

Nonetheless, there is a need to implement CSR policies in Russia, and this need rises from the context of this country, where the unique biodiversity and indigenous people of the Russian North are threatened by the actions of petroleum companies extracting crude oil in the remote territories. The oil organizations acting in the same territories where over 50 indigenous minorities live have to be even more precise and transparent about their operations in the named areas due to the challenges they bring for these ethnic groups (Ministry of Natural Resources, 2001). The struggles between indigenous people and the corporations can be even described as “genocidal and ethnocidal assault” since it is obvious that there is no way for native people to win these struggles (Gedicks, 2001, p. 12). As there already are international standards on reporting the influence of petro companies on the lives of indigenous people, the guidelines will facilitate Russian oil corporations to report these issues. The benefits for the native people themselves include mitigating the ecological footprint left by the extractive industry, creating the healthy relationship between the tribes and companies’ governance and finally getting the financial support from the oil corporations contributing to the funds for indigenous people protection (Ali & O’Faircheallaigh, 2007).

The Russian biodiversity, which is unique and consists of rare species of flora and fauna, is also threatened by the businesses of the oil industry, since the petroleum businesses operate in the remote areas of the Russian North (oil-rich regions including Nenets Autonomous Okrug and the Republic of Komi) and West Siberian petroleum basin (Yamalo-Nenets and Khanty-Mansi Autonomous Okrug). It is commonly known that so-called anthropogenic, or human, factor negatively influences the biodiversity. These negative effects caused by oil corporations can be classified in two major groups: direct and indirect. Direct effect stand for the reduction of animal and plant population resulting from companies’ actions, such as, for instance, construction of oil refineries and pipelines. Indirect effects, in their turn, are physical, chemical

and biological effects. Chemical effects are the most dangerous when speaking of oil industry, because petro companies cause such technogenic accidents as oil spills, contaminating Russian wetland system with almost 120 000 rivers and approximately 2 million lakes (Ministry of Natural Resources, 2001, p. 7). Russian Ministry of Natural Resources reports the lack of mechanisms for biodiversity conservation against the backdrop of over-exploitation of resources and the absence of legislation concerning nature protection (Ministry of Natural Resources, 2001, pp. 10-11).

2.6 Summary of literature review

The focus of the literature review was to explain the nature of corporate social responsibility, to prove why it is a good practice for Russian oil companies to implement it, and to evaluate critically what was already published in relation to the research questions of this paper. After reviewing the existing body of knowledge on the topic, the following conclusions were made:

First of all, the term “corporate social responsibility” has been used both in the academic and business societies since the 1950’s, and since then there were arguments concerning whether or not CSR brings more advantages than disadvantages. Secondly, the majority of studies agree on the necessity to report CSR for extractive industries and for the petroleum industry in particular. Third thing to mention here is the abundance of guidelines for voluntary CSR reporting, which leaves no excuse for the oil companies from countries with the absence of mandating law.

The narrative way of presenting the literature was used intentionally to raise the interest of a third-party reader, not familiar with the topic of this paper. In particular, the author tried to shed the light on the Russian realities to prove the essence of responsible actions to be made by Russian petro companies. The most important ideas were displayed graphically in the form of figures and tables to facilitate the understanding of the fundamental theoretical statements. To promote the greater understanding of the issues discussed in this chapter and to conclude the literature review, the following summarizing Figure 6 is drawn:

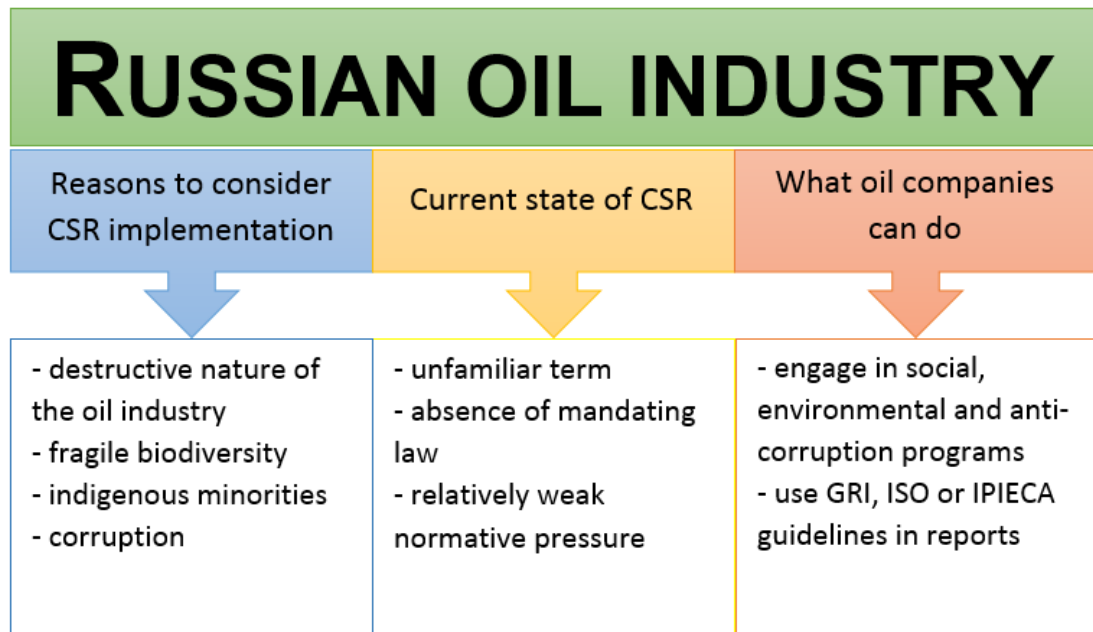


Figure 6: Summary of literature review

To conclude, the review demonstrated that although quite extensive research has been carried out on corporate social responsibility itself and on the evaluation of the necessity to report it, no single study adequately evaluates the current state of CSR implementation and the quality of reporting by Russian-owned petroleum companies. Most research either concentrates only on the environmental CSR, abandoning the social aspects, or, in some cases, pay too much attention on the reporting, without discussing the proper impact of oil corporations on the society and the environment. Therefore, the need to conduct this research raises not only from the importance of proper CSR implementation by Russian oil companies, but also from the presence of blank spots in the analyzed body of literature. The author believes that this paper will complement the existing research and even make suggestions for further studies.

3 RESEARCH METHODOLOGY

When choosing the appropriate ways to engage in this research and trying to settle upon one of the research philosophies, the author decided to implement the interpretivist approach rather than the positivist. Due to the fact that in this study organizations are seen as social actors, it is convenient to use those methods that exclude law-like generalizations and comprehend the depth

which is needed to understand the reasons behind the actions of certain organizations. Endorsing empathy and erasing the lines between the researcher and the research are also required for the interpretivist philosophy. (Saunders, et al., 2009, pp. 115-116)

The research methodology chosen for this particular study is designed as shown in the Figure 7:

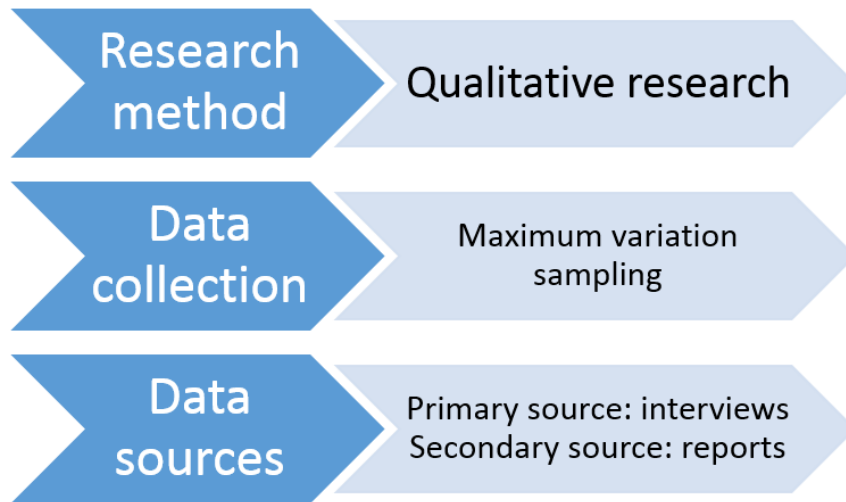


Figure 7. Research Methodology

Describing the methodology of the research is a crucial part of writing any thesis which allows the reader to understand how the research was done (Murray, 2002). In the following lines the components of the methodology, represented in the Figure 7 above, will be discussed.

3.1 Research methods

This thesis represents a qualitative study where data were gathered from multiple sources: the primary data gathered from the interviews and secondary data collected from voluntary produced annual and sustainability (when available) reports, published by selected oil companies. For the purpose of ensuring the validity of collected data, the triangulation method was used. This methodological choice allowed the author to process different sources of information in an effort to answer the stated research questions and accomplish the purpose.

3.1.1 Sample selection

The research population are the oil extracting organizations in Russia, altogether there are up to 299 oil extracting companies in this particular country, according to the Ministry of Energy of the Russian Federation (Ministry of Energy of the Russian Federation, 2016). To meet the deadlines of this research, the population had to be downsized to the fewer number of companies, and with the help of the Energy bulletin, published by the Analytical center for the government of the Russian Federation (Analytical Center for the Government of the Russian Federation, 2015) and the Environmental responsibility rating of oil & gas companies in Russia, compiled by CREON Group and WWF Russia with participation of National Rating Agency (World Wild Fund, 2015), the research population was gradually brought down to four companies: Lukoil, Tatneft, Slavneft and Gazprom Neft. The sampling method used in this thesis is a non-probability, purposive heterogeneous sampling, more known as the maximum variation sampling.

Table 3: Sample characteristics

	Lukoil	Gazprom Neft	Tatneft	Slavneft
Established	1993	1995	1950	1994
Type & Ownership	Public company	Public company; main shareholder Gazprom	Public company; main shareholder Republic of Tatarstan	Public company; main shareholder Russian Ministry of Property
Revenue, RUB bln (2015)	5749,050	1467,943	552,7	19,566
Crude oil production, mln t (2015)	100,7	55,7	27,2	15,5
Headcount (2015)	106 200	66 497	20 635	4212
Area of production	Russia (Nenets, Komi, Perm), Azerbaijan, Egypt, Uzbekistan, Kazakhstan	Russia (Krasnoyarsk, Omsk, Orenburg, Tomsk, Tyumen, Khanty-Mansi, Yamalo-Nenets), Serbia, Angola	Russia (Tatarstan, Orenburg, Nenets, Samara, Kalmykia), Syria, Libya	Russia (Khanty-Mansi, Krasnoyarsk)

The Table 3 above provides the sample characteristics, introducing the essential information about the companies analyzed in this thesis: the year of establishment, type of business entity and the main shareholder, revenue, crude oil production, number of employees and the area of production. The figures provided in the table illustrate how different these companies are from one another, which proves that this research was based on the method called maximum variation sampling.

3.1.2 Procedure for data collection

The main research method used in this thesis is qualitative method, as the data needed for this study is non-numerical. The interpretivist approach, chosen by the author and discussed above, results in the adaptation of qualitative method instead of the quantitative.

Two in-depth interviews were carried out to acquire the primary data essential for the research. It was rather difficult for the author to establish contact with the high-level managers from the largest oil corporations due to the cultural reasons, since in the Russian business environment the executives are extremely hard to reach. Nonetheless, it became possible for the researcher to find two interviewees, who act as experts in petrochemical field and represent Russian-owned organizations exemplifying the oil industry. Their anonymity was guarded whenever requested. The first interviewee has worked in the oil industry his entire professional life. For over 15 years he has been employed by Lukoil, one of the largest Russian private-owned oil corporations included in the sample of this study. Having worked both in Russia and in foreign subsidiaries of this organization – in Bulgaria, Poland, Croatia and Cyprus, - this interviewee was competent to answer the questions about the specific CSR actions of the company where he is working. Moreover, the researcher expected this manager to give his own opinion on the necessity of adopting social responsibility policies by the companies of this field and to evaluate the current situation in terms of CSR. The second interviewee, who did not wish to be called by his name in this paper, represents another leading petro corporation – Gazprom Neft. As Mister X is

one of the top managers of this company, he will be asked many questions concerning the CSR practices of the organization he is working at, as well as his own opinion of the necessity of adopting CSR policies. The essential information about the interviews conducted for this research is illustrated in the Table 4:

Table 4: Interviewees

Interviewee	Oil company	Position	Duration	Date
1	Lukoil	General director of LUKOIL Cyprus	1 h 5 min	September 29, 2016
2	Gazprom Neft	X	50 min	October 5, 2016

The stage of conducting the interviews posed an ethical dilemma, meaning that the author might have been tempted to influence the responses of the interviewees with an aim to make them give the information which would be beneficial for the research. At the same time, the respondents themselves may have either tried to show their companies to the best advantage, not answering honestly to the questions, or tried to make a good impression on the interviewer by changing the answers related to their personal opinion towards the subject of this study, as CSR remains quite a sensitive topic.

The choice of the questions for the interview was carried out carefully to avoid any privacy issues and not to ask the interviewees to disclose any restricted and confidential information. The interview questions asked by the researcher is found in the Appendix 1. The discussions were recorded using the microphone and noted carefully as both interviewees not only answered to the questions asked by researcher, but also made very meaningful suggestions, which helped the author a lot in understanding the topic of this thesis. After recording the conversations, the author transcribed them and then translated from Russian into English to prepare them for further analysis.

As it turned out at the stage of collecting the primary data, both interviewees have signed non-disclosure agreements at their companies, which posed a threat to the success of qualitative data gathering since they sometimes

refused to answer some of the questions. Surprisingly, they used this fact to their own benefit: when they for some reason did not want to answer a question raised by the researcher, they made reference to their signed non-disclosure agreement. Confidentiality was promised to one of the interviewees and had to be respected during the stage of the actual thesis writing, when the author used a pseudonym to refer to the information given by the employee of Gazprom Neft. Fortunately for the researcher, the anonymity was promised only to the individual, not to the entire organization, which allowed to refer freely to the organization's name, location, and financial figures.

To summarize, the primary data for this research is considered valid as both interviewees are expert in their field having worked in the oil industry their entire career, and moreover having worked for the same corporations for over 15 years. They have strong knowledge of current situation of the petrochemical sector in Russia.

As for the secondary data, the information for this thesis was collected from the annual and (when available) sustainability reports published by the chosen four companies. The access to this kind of data is facilitated by the bilingualism of the author, whose mother tongue is Russian, which would allow her to acquire access not only to the reports published in English, but also to the ones issued in Russian language. An overview of the corporate reports analyzed in this paper is given in the Table 5 below:

Table 5: Corporate reports

Company	Latest sources available
Lukoil	Annual report 2015: <i>Chapter 3 Corporate Responsibility, pp. 70-89</i>
Gazprom Neft	Sustainable development report 2015
Tatneft	Annual report 2015: <i>Chapter 5 Social responsibility & Chapter 6 Industrial Safety and Environmental Policy, pp. 164-197</i>
Slavneft	Annual report 2015: <i>No separate chapter</i>

According to the Table above, only one company out of four has published a separate report related to corporate responsibility issues. Two companies, Lukoil and Tatneft, had rather detailed description of their policies of social responsibility in the separate chapters of their annual reports. However, all of the four companies examined in this research have announced general

information regarding their social responsibility on the corporate websites. Whenever needed, the author will refer to these when analyzing the level of CSR disclosure by the organizations. Additional sources of information concerning these companies' CSR policies are their Codes of Conducts, Codes of Business Ethics, or Codes of Corporate Culture, published by the petro companies on their corporate web-sites.

3.1.3 Data analysis strategy

The process of data analysis is considered to be one of the most important stages of conducting a research. It allows the researcher to come up with new ideas and develop conclusions which can contribute to the academic body (Saunders, et al., 2009, pp. 480,516). To provide the readers of this paper with a clear understanding of research design the author decided to pay specific attention to describing the steps she took when analyzing the data. Figure 8 below depicts these steps:

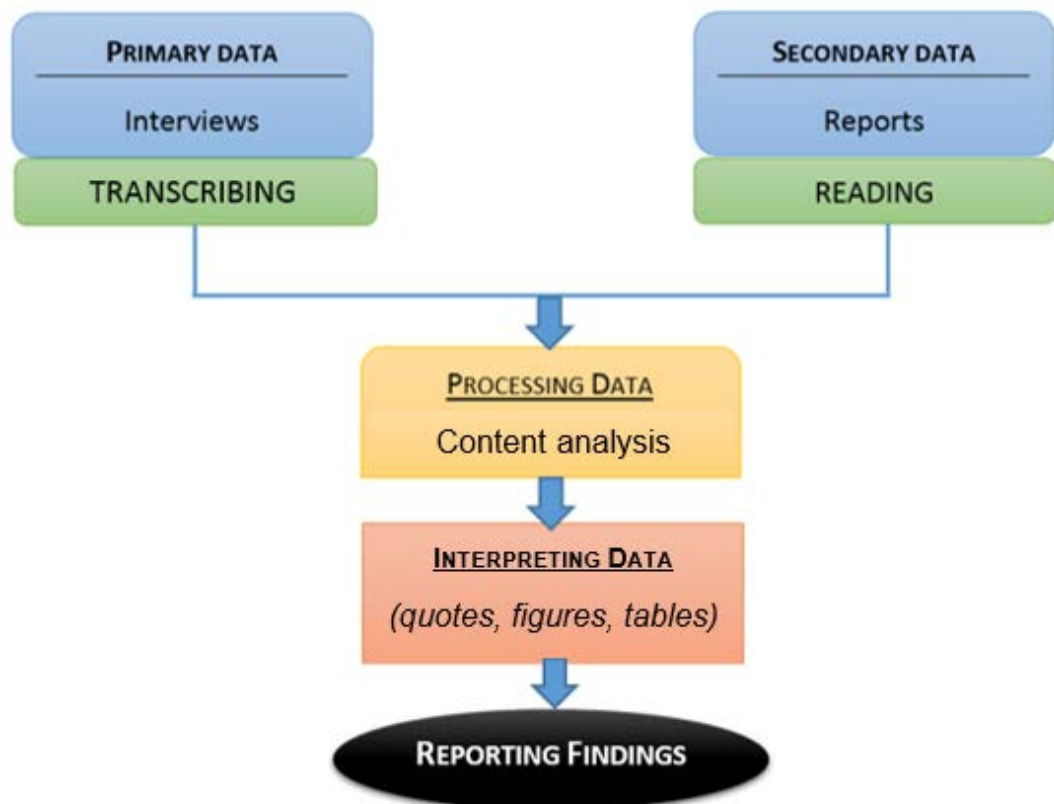


Figure 8: Data analyzing process

The Figure 8 above describes how the author analyzed the raw data gathered from primary and secondary sources. As for the primary data, the transcribed and translated interviews were further analyzed to identify the main ideas that could help answer the research questions. These ideas were reported in his paper in a form of direct quotes from the interviewees. The secondary data, in its turn, was processed using the content analysis method, which helped the author to come up with the tables representing the main indicators falling into four categories: human rights, labour, environment and anti-corruption. The processed data was interpreted in a graphical form, resulting in a number of tables which facilitate comprehension of these findings. The number of occurrences of certain indicators from Tables 6, 7, 8 and 9 was counted and were graphically presented in the Figure 7, which is a comparison of CSR reporting by the four oil companies and an answer to the second research questions asked in this study. To sum up, the actual findings of this thesis is a result of detailed analysis of the data gathered by the researches.

4 RESULTS AND DISCUSSION

While the previous chapter discussed the actual methods of gathering the data for this thesis, in the following pages the proper findings from primary and secondary data relevant to the research questions will be presented to the reader. It would not go amiss to remark that the findings received from the primary data helped the researcher in answering the first research question, which is “What are the CSR activities Russian oil companies engage in?”, while the findings from the secondary data contributed to answering the second research question, “To what extent do these companies report their CSR activities?”. Starting from the results of two interviews, the author will pass to the findings from secondary data, which are collected from the voluntarily published reports and the information shared at the companies’ web pages.

4.1 Results from the primary data

As mentioned in the methods section, the primary data for this research was gathered by conducting two in-depth interviews with the experts in the oil

industry and representatives from two companies out of four analyzed in this paper. The purpose of the following subchapters is to present the findings from the interviews, at this stage without discussing them.

4.1.1 Lukoil

Lukoil is a Russian public joint stock company (further abbreviated as PJSC), second by the hydrocarbon production volume among the Russian petro companies (World Wild Fund, 2015, p. 7) and first by the revenue, which resulted 84,677 U.S. Dollars in 2015 (Fortune, 2016). The company's history dates back more than a quarter of a century, and during these years the organization has experienced transformation in many fields including the proper CSR. According to the interview with Nikolay N. Ivchikov, from year after year Lukoil

“spends more and more money on sponsorship, engaging in such activities as, for instance, building schools and hospitals. The company also supports the Tchaikovsky Symphony Orchestra. Lukoil's Charity Fund was established in 1993, it is one of the first corporate funds of post-soviet Russia.”

Other than charity, highlighted in the foregoing extract, Lukoil also engages in the number of CSR activities that address their proper employees. The interviewee lays emphasis on the so-called

“loyalty programme, which means that an employee is devoted to the company and wishes to continue his career working there. The shares are attached to the mid- and high-level executives as a form of remuneration. According to the results of these executives' performances the dividends are paid out, which is a strong non-financial motivation.”

Furthermore, Lukoil employees are provided with internships and career development trainings, their families get medical insurances, and children's tuition fees at schools are also compensated.

As for the interference of the state in company's corporate social responsibility policies, the topic which took the majority of the time allotted to the interview, it became clear that the government definitely has the voice in the distribution of oil companies' revenues.

“The state dictates how much we should spend on the social needs. Governmental enactments regulate which share of revenues stays at the discretion of the company and which is

spent in the interests of the national budget. Since the oil industry is on government's constant inspection, we are expected to follow the norms of the society where we operate. There are no exemptions for Lukoil."

For the further understanding of the nature of the relationship between the state and the company it is significant to determine whether the CSR activities are driven by the "governmental enactments", as stated in the extract above, or originated from the company's goodwill. Mr Ivchikov believes that Lukoil

"imitates the government in the finest sense of this word. The best undertakings related to the social welfare, which were introduced in our country, now are successfully adapted by Lukoil. Moreover, even when the state changes the rules for the game, Lukoil tries not to do the same thing."

The expert does not see the CSR as a part of this company's strategic thinking, and neither he believes that CSR is no more than a marketing tool. When describing the benefits which Lukoil obtained thanks to the implementation of CSR, the interviewee mentioned

"personnel retention, more friendly business environment when collaborating with partners, and good reputation of our company"

Nikolay Ivchikov judges the successful CSR implementation by the company he is working at to be caused by the size of this organization:

"the bigger an oil company is, the more responsibilities it takes. CSR is a natural form of existence for any company which has something to do with the resources, and CSR should not be treated as a miracle or anything outstanding."

4.1.2 Gazprom Neft

Gazprom Neft PJSC (Neft stands for "oil" in Russian) is a subsidiary of Gazprom founded in 1995. While the parent company is the Russian biggest producer and transporter of natural gas, the subsidiary is ranked fourth by the oil production volume with 36,6 million tons in 2014, which is more than two times lower than Lukoil produced in the same year. The influence of Gazprom, which is a parent company, enlarges upon the various operations of Gazprom Neft, including the proper corporate social responsibility. According to the interview with Mister X, an anonymous executive from this petroleum corporation,

“our company has to follow the directives of the executives from Gazprom. What we do is copy their CSR activities with the budget that we have.”

The CSR activities of this company are motivated by the holder of the 95% of Gazprom Neft's shares – by its parent company. Gazprom and Gazprom Neft have common social investments in such activities as, for example, promoting professional sports:

“as everybody knows Gazprom is the general sponsor of Zenit, one of our country's top football club. The money comes from the revenues of Gazprom's subsidiaries, including us. We also invest in one Serbian football club named “Red Star” and in other sports such as ice hockey.”

This expert sees sports investment as a mutual benefit for the company and for the society. While they take care of disadvantaged children from unprivileged families and place them in the sports sections, the brand's name becomes more and more recognizable for its responsible activities. Aside from sports, Gazprom Neft sponsors cultural events, such as The Bolshoi Festival of Russian Music founded by Emir Kusturica. As Mister X comments,

“this festival is an example of our company promoting CSR activities not only in Russia, but also in Serbia. Kusturica's name is known worldwide and thanks to this investment our company is now advertised in Europe as the most significant investor in Serbia. ”

When speaking of the recognition of Gazprom Neft's social responsibility programmes abroad, it turned out that there are major differences in the CSR practices of the oil companies in Russian and the foreign petroleum corporations such as Royal Shell and Total. The interviewee emphasizes that the approaches are distinct:

“What we do cannot be compared with the CSR of foreign corporations. What they do is just invest, but what we do is building the towns and cities with all the infrastructure to provide people who work for our company with good living conditions. The entire towns were built exclusively for Gazprom Neft employees and their families, and even if we no longer produce gas there, the schools, hospitals and stadiums that we constructed will stay.”

On the subject of the benefits this corporation gets thanks to the CSR implementation, the interviewee mentions the improved interaction with the local communities where the company operates and, above all, achieving company's long-term interests:

“After all, we invest in the regions where we operate, build the roads that we need for transporting our own products or the supplies and engage with the people we see either as our employees or customers. Getting media attention is a positive side effect.”

4.2 Results from the secondary data

The following lines were collected from the annual reports published by the companies. The researcher also found it appropriate to use not only the reports published by the enterprises themselves, but furthermore to support them with other sources such as the Environmental responsibility rating of oil & gas companies in Russia (World Wild Fund, 2015) for the purpose of ensuring the validity of the data. The findings from the reports will be classified under four main sections – Human rights, Labour, Environment and Anti-Corruption, - which correspond to the division of the Ten UN Principles and the reporting guidelines discussed in the theory chapter. The presence of these relatively short subheadings prevents readers from losing the main point when familiarizing themselves with the findings.

4.2.1 Human rights

This section is dedicated to the area of human rights, which is one of the most important topics covered in the UN Principles. First of all, oil companies are expected to report the influence of their operations on the lives of the people from local communities. The guidelines for reporting this issue, as well as for the other issues discussed below, are provided by the GRI, the ISO 26000, and the IPIECA. The only oil company, which has at least partially reported its community involvement, is Lukoil. This petro company engages with the authorities in those regions where it has the operating sites, including both Russian and foreign regions (Lukoil, 2015, p. 88). Tatneft, Slavneft and Gazprom Neft have not mentioned anything specific about the community involvement, though the last one stated that local communities are at risk “of a negative environmental impact” caused by this company’s operations. (Gazprom Neft, 2015, p. 129).

Investment and procurement practices – an area which indirectly relates to the interaction with the local people since these actions aim to facilitate and encourage local businesses by contracting them, – is not discussed neither in

the report of Gazprom Neft nor in the Slavneft's. Lukoil mentions its initiatives designed to promote Russian small- and medium-sized businesses rather than foreign suppliers (Lukoil, 2015). This choice is politically influenced, since many Russian companies have decided to support so-called import substitution in the light of the sanctions set by the European Union.

Security and human rights practices are company's actions aimed to monitor and prevent the risks anyhow related to the sensitive area of human rights (GRI, 2013, p. 30). None of the four oil organizations reported their practices of using public or private security forces. The grievance mechanisms stand for the organization's activities designed to promote their employees to freely express their objections and resentments caused by the workplace issues. This indicator is not covered in the reports of the analyzed enterprises. The exception is Tatneft, because this company justifies the lack of the grievance mechanisms by the absence of any grievance from the employees in the given year. (Tatneft, 2015, p. 197)

The last but not least issue to be discussed under the human resources section is the oil companies' impact on the lives of indigenous people inhabiting remoted Russian regions where these organizations operate. The nature of the petroleum industry together with the abundance of groups of indigenous people living in the areas rich with oil resulted in rather decent level of the disclosure of this issue. Lukoil communicates with the minorities using the help of the Assembly of Indigenous Minorities of the North which represents the local indigenous population. The minorities are financially remunerated if and when Lukoil uses their land (Lukoil, 2015, p. 86). Gazprom Neft, in its turn, respects the traditional lifestyle found in the indigenous tribes inhabiting the Russian North and tries to minimize the negative effect of its operations on their lives. The representatives of indigenous communities attend the meetings where they can discuss such issues as the conditions of relocation whenever needed (Gazprom Neft, 2015, pp. 48, 114, 118).

Table 6: Human Rights issues

	Lukoil	Gazprom Neft	Tatneft	Slavneft
Local communities	Partially	-	-	-
Investment and procurement practices	Partially	-	Partially	-
Security practices	-	-	-	-
Grievance	-	-	Partially	-
Indigenous people	+	+	-	-

The Table 6 above summarizes the content of the reports related to the human rights issues, where “+” corresponds to the decent level of reporting certain issue and “-“ in those cases when the topic was absent on the pages of the corporate report. Sometimes the researcher had to use a word “partially” to describe the disclosure of certain issue, in particular if the indicator was mentioned, though not discussed sufficiently to give a reader of the report a clear picture of the CSR practices concerning certain matters.

4.2.2 Labour

The following section is dedicated to the responsible labour practices and societal expectations of companies to be able to treat all of their employees fairly and to prevent the risks related to the dangerous nature of working in the oil industry. While the previous section has already covered some of the issues related to the employees, the most important indicators of the company’s responsible policy towards its workers will be covered in the following lines.

First of all, the companies are expected to promote equal opportunities and diversity for their employees, in other words, to compose their workforce of people of various age, gender, cultural background, and so on. Gazprom Neft has successfully managed this task according to their report. The company discloses the average number of the employees by age and gender (Gazprom Neft, 2015, p. 56). Lukoil, in its turn, has also published their personnel breakdown by gender and by age (Lukoil, 2015, p. 80). Tatneft did not provide the readers of their report with a percentage, but still published the figures corresponding to the employment by gender. As for the equal remuneration

for men and women, it turned out that these oil companies are less likely to disclose whether they pay the same salary to the people of different gender. Tatneft assures that they provide “equal remuneration for men and women for the work of equal value. The principle is exercised by use of a unified wages tariff schedule for all employee categories regardless of gender” (Tatneft, 2015, p. 177), however, the numbers illustrating this issue are absent in the report. Gazprom Neft also assures that the wages are not determined by employee’s age or gender without corroborating this statement with financial figures.

Freedom of association and the employees’ right to collective bargaining are the core labour standards expected to be covered in the CSR reports of oil companies. In its Declaration on Human rights observance, Tatneft assures that the rights of their workers to bargain and form working unions is respected by the company (Tatneft, 2015, p. 177). Unfortunately, the rest of the companies do not cover this issue in their reports.

Occupational health and safety refers to the reporting of companies’ approaches to mitigate health and safety risks caused by the dangerous nature of the oil industry. The petroleum organizations should monitor the activities that are potentially hazardous and attempt to decrease the number of injuries. In their annual report Lukoil has announced the number of incidents (events that could have been prevented) and accidents (events that could *not* have been prevented) in 2015, as well as the change in these numbers from 2014 to 2015, which allows to see that the company succeeded in reducing both figures (Lukoil, 2015, p. 78). Gazprom Neft reports the number of employees injured in accidents at work and the number of incidents. Both numbers are provided not only for one year, but for the period from 2011 until 2015 (Gazprom Neft, 2015, pp. 78-81). Tatneft chose to disclose the spending on activities designed to prevent injuries rather than report the number of incidents and accidents. Slavneft, in its turn, publishes neither the number of injuries nor the spending on preventing them. However, in the annual report the company ensures the “fulfillment of HSE obligations” and strives for the “decrease in the indicators of occupational injuries and accidents” by contributing to the occupational safety of the production facilities (Slavneft, 2015, p. 18).

Training and education is another issue that is supposed to be reported by the oil companies in the labour related CSR activities. Lukoil has a practice of providing their workers with such training programs as “workshops, off-site seminars, special training programs, overseas internships, professional development courses, retraining programs, professional training days, and distance learning courses” (Lukoil, 2015, pp. 82-83). Moreover, this petroleum organization provides training opportunities for students from Russia’s top universities. Lukoil’s report lacks the numbers of employees undergoing these trainings and the financial spending on the abovementioned programs.

Gazprom Neft not only reported the number of workers who underwent training in 2015, but furthermore provided the headcount of trainees by gender for the period from 2011 until 2015. Company’s total spending on personnel training is also mentioned on the pages of the Sustainable development report (Gazprom Neft, 2015, pp. 62-63). Tatneft reported the number of employees who received training in 2015, and the financial figure illustrating the company’s spending on training and development (Tatneft, 2015, p. 75).

Child labour and forced labour correspond to the Principles 5 and 4 of the UNGC respectively. Nevertheless, neither of these issues is discussed by any company except for the Tatneft, which mentions not carrying out “any activities exploiting child labor” (Tatneft, 2015, p. 177). The Table 7 below illustrates the presence of the labour issues disclosure in the reports of the four oil companies:

Table 7: Labour issues

	Lukoil	Gazprom Neft	Tatneft	Slavneft
Equal opportunities and diversity	Partially	Partially	Partially	-
Bargaining	-	-	+	-
Occupational health and safety	+	+	Partially	+
Training and education	Partially	+	+	-
Child labour	-	-	+	-
Forced labour	-	-	+	-

4.2.3 Environment

The guidelines for CSR reporting designed specifically for the oil industry pay the majority of their attention to the environmental category, which is caused by the nature of this industry and its impact on the surrounding environment.

Firstly, the oil companies failed to report the tonnage of renewable and non-renewable input materials they used in the given year.

Secondly, the energy consumption is illustrated in the report of Lukoil, which disclosed both consumption of electricity and heat in terms of megawatt hours and in financial terms, stating how much the company spent on each source of energy (Lukoil, 2015, p. 77). Gazprom Neft provided the figures corresponding to the energy consumption by different sources of energy and the changes of these numbers from 2012 till 2015 (Gazprom Neft, 2015, pp. 96-97). Moreover, this company reported the figures illustrating its attempts to forgo purchasing energy in favor of generating the energy at company's own facilities. Tatneft has reported their fuel and energy consumption by various sources, also mentioning the consumption of energy by company's major power plants (Tatneft, 2015, pp. 38-39).

Energy efficiency in the context of this study stands for oil companies' efforts to use energy in a more responsible manner which is measured by dividing energy output by energy input. All four companies successfully managed to report this indicator.

Water is considered one of the integral elements in the petroleum industry, as the companies belonging to this industry consume impressive amounts of fresh water in their operations (IPIECA, 2015, p. 57). In their 2015 annual report Lukoil briefly explained the structure of water consumption and provided the numbers for both consumption and discharge for the last three years (2015, p. 73). Gazprom Neft elaborated on their key projects designed to minimize water consumption and published such figures as volume of water consumption and water withdrawal from different sources from 2011 until 2015 (Gazprom Neft, 2015, pp. 90-91) Tatneft also reported the withdrawal of water by source as well as volume of water recycled and reused (2015, p. 192). Slavneft, in its turn, reported only water consumption by its subsidiaries – members of the Slavneft group.

Preserving biodiversity is an environmental action taken by many companies belonging to the extracting industries. When examining the reports of the Russian oil corporation, it was noticed that some of them describe the programs they created to contribute to the nature conservation, like Gazprom Neft's practices of restoring the population of different fish species in the Gulf of Finland and Pechora sea (Gazprom Neft, 2015, p. 94) and in Western Siberian and Caspian seas by the Lukoil (Lukoil, 2015, p. 73). Other companies like Tatneft do not bother to describe their fauna and flora rehabilitating programs, but yet disclose how much they spend on "biodiversity preservation and natural areas conservation" (Tatneft, 2015, p. 193).

Emissions mitigation programs should be included to the environmental subchapters of sustainability or CSR reports, mentioning separately the greenhouse gas emissions. Gazprom Neft turned out to be the only company which transparently disclosed the information concerning the air emissions, providing the readers of their report with an understandable diagram of sources of emissions, the list of activities causing the emissions and finally the CO₂ emissions in millions of tons (Gazprom Neft, 2015, pp. 87-88).

The information regarding oil companies' waste disposal can be found on the pages of Lukoil's report, where the waste disposal to generation ratio for the years 2014 and 2015 is drawn (Lukoil, 2015, p. 71), as well as in the report of Gazprom Neft, where the decent description of the company's waste management system is accompanied with the actual figures of waste disposal in millions of tons (Gazprom Neft, 2015, pp. 91-92). Furthermore, Tatneft has published the bar chart depicting waste generation and management for the period 2006-2015 (Tatneft, 2015, p. 191).

Next environmental issue that author of this thesis expected to find on the pages of petro companies' annual and sustainability reports is the proper environmental impact of their products. The final products of the oil industry addressed to the end user are themselves hazardous and therefore there is a need to caution the customers exposed to these products. Still, none of the oil companies' reports, reviewed in this paper, disclosed the information concerning the negative impact of their products, such as fuel, on the environment.

Last but not least among the environmental issues to be discussed by the companies belonging to the oil industry is their overall expenses on environmental protection and safety, which is named as “total investment” in the Table 8 below among other indicators related to the environmental category:

Table 8: Environmental issues

	Lukoil	Gazprom Neft	Tatneft	Slavneft
Materials used	-	-	-	-
Energy consumption	+	+	+	-
Energy efficiency	+	+	+	+
Water usage	+	+	+	Partially
Biodiversity at risk	Partially	+	Partially	-
Greenhouse gas emissions	Partially	+	-	-
Significant air emissions	+	+	+	-
Waste	+	+	+	-
Environmental impact of products & services	-	-	-	-
Total investment	+	+	+	-

4.2.4 Anti-corruption

Anti-corruption corresponds to the last Principle of the UNGC and implicates the elimination of bribery and extortion. This section is without exception the least discussed by the four companies analyzed in this paper. Gazprom Neft and Tatneft report having no incident involving corruption in 2015 and both companies attempt to describe their mechanisms of preventing corruption. Tatneft states having a policy of “zero” tolerance for corruption and bribery (Tatneft, 2003), without giving further explanation of the actions designed to prevent bribery and corruption or to punish, for instance, the managers who receive bribes. Gazprom Neft, in its turn, opened an Anti-Fraud and Anti-Corruption Hotline, with a purpose of monitoring and combating corruption and fraud (Deegan, 2002). However, these companies do not have any anti-corruption training programs for their employees, and neither of them describe the risks associated with bribery in their reports. Slavneft describes the “complex of actions aimed at prevention of corruption” in their Regulations for business ethics (Slavneft, 2009, p. 5), including the 24/7 hotline. Unfortunately, even though these companies have foreign business partners

and export their products, the transparency of payments to the governments of the host countries where these petroleum organizations operate is also lacking in spite of the recommendations to report this issue made by authoritative organizations such as the GRI, which has an indicator named “Political contribution by country” and the ISO 26000, which pronounced the similar indicator under the name “Political involvement” (GRI, 2013; ISO, 2010).

Table 9: Anti-corruption

	Lukoil	Gazprom Neft	Tatneft	Slavneft
Anti-corruption	Partially	Partially	Partially	-

Table 9 above is an overview of these companies’ attempts to disclose their corruption preventing mechanisms. As none of them provided transparent and clear descriptions of measures designed to mitigate the risk of corruption, the author could only evaluate Lukoil’s, Gazprom Neft’s and Tatneft’s reports as partially disclosing this issue.

5 CONCLUSION

5.1 Summary of key findings

The purpose of the final chapter of this thesis is to achieve research objectives by answering the research questions stated in the introduction and to revise what was achieved in the thesis (Murray, 2002, p. 232). The author of this paper also considered it crucial to mention on the following pages whether there were any mismatches between theory behind the concept of corporate social responsibility and the proper findings of the research. The assessment of credibility of this paper together with the suggestions for future research made by the author and rising from the limitations of the research have complemented the summarizing chapter. The apparent parallel between the introduction and the conclusion of this paper corroborates the straightforward structure of the present thesis.

RQ1: What are the CSR activities Russian oil companies engage in?

Summarizing the information gathered from the literature available on the topic and findings of this thesis, there are different CSR activities these companies engage in. To start with, the findings from the primary data confirmed that major CSR spending is made on sports and culture, according to the previous studies and to the interviews conducted by the researcher (Ivchikov, 2016; X, 2016; Analytical Center for the Government of the Russian Federation, 2015, p. 13).

As it was already mentioned in the methodology, this author of this research used triangulation method, which helped the researcher to compare the data from reports in open access and the inside information gathered in the interviews. The results from the primary data do not contradict with the content of the reports, but though the interviews revealed the realities of the Russian oil industry that were not mentioned anywhere in the secondary data, such as the governmental interference in oil company's affairs when it comes to distributing the charity money. All in all, the results of this study would have been very different if it based only on the content analysis, and the researcher would have answered the abovementioned question differently.

RQ2: To what extent do these companies report their CSR activities?

The previous chapter of the present research has a rather detailed description of the CSR reporting by the oil companies, facilitated by the division of the indicators into four categories: human rights, labour issues, environmental issues and anti-corruption. When comparing these reports and examining the presence of the indicators falling in the abovementioned categories, it was noticed that the environmental issues are the most discussed compared to the other three subdivisions, which can be seen from the Figure 9 below:

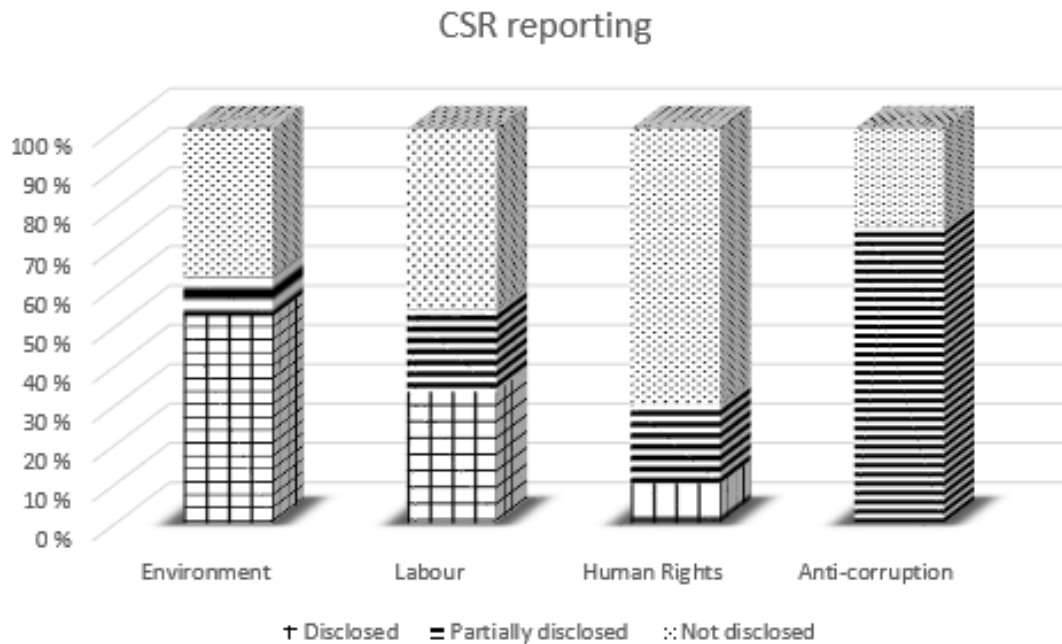


Figure 9: Comparison of categories of CSR reporting by companies

The subsequent category is labour issues, which has rather good level of disclosure as the oil companies describe in detail their practices of occupational health and safety as well as the training programmes for the employees, abandoning such important issues like workers' right to bargain. Human rights related subchapters of the annual and sustainability reports, surprisingly for the author of this paper, lacked many important matters such as grievance mechanisms and the relationship of a certain company with the local community. The previous research promised rather satisfactory description of the interaction with the local people, especially with the indigenous minorities, however, not every company of the analyzed in this paper gave detailed definition of their attitude towards the mentioned above communities, specifically, the organizations failed to describe how they settle the involuntary resettlements. As for the anti-corruption issues, they were poorly reported by all petro companies, which revealed the mismatch between theory and findings, since the previous research promised the decreasing of corruption thanks to the adoption of CSR policies.

According to the findings of this research, the Russian petroleum companies decide by themselves whether or not to report their CSR activities and how to report them. Even though it was not an intention of this research to examine whether or not the reports satisfy the guidelines provided by such organizations like the Global Reporting Initiative, the ISO, the AccountAbility

or others, two analyzed companies examined in this research – Gazprom Neft and Tatneft – provided the appendices to their reports in the form of the tables with the GRI G4 indicators and corresponding pages where the readers of the report could find relevant information. However, their reports' correspondence to the guidelines remains self-declared and yet not approved by the Initiative.

The last but not least mismatch between the theory and the findings of this research concerns the freedom from governmental interference, which was promised by the previous studies as one of the benefits of adopting the practices of corporate social responsibility. In fact, the findings of this paper prove that for the Russian oil companies it happens the other way around: when the government notices that the enterprise is willing to spend their money on CSR, it interferes in the division of company's profit and demands even higher spending of money in the interest of the budget, leaving the company almost no choice in the decisions concerning the CSR (Ivchikov, 2016).

Alongside with answering the two abovementioned questions, the research had three major objectives - to evaluate the availability of the CSR reporting by Russian oil companies, to examine the CSR practices implemented by the same organizations, and finally to draw conclusions about the applicability of CSR policies to the Russian petroleum industry. From the pages of this thesis it can be seen that all objectives were met and significant findings of the research allow the author to make conclusions based on the discussion of the theory and the findings from data.

5.2 Recommendations

The third objective of this research was to draw conclusions concerning the applicability of CSR policies to the companies of Russian petroleum industry. The author of this thesis would like to make certain recommendations for these companies and emphasize what they could implement in terms of corporate social responsibility.

Since the findings of this research revealed that the current state of anti-corruption policies by oil companies is not on the sufficient level, there are certain recommendation the researcher would like to make concerning the

prevention of corruption and bribery. The author of this research assumes that disclosing non-financial information concerning the prevention and monitoring of bribery and other corruption-related risks can significantly improve public opinion of relationship between businesses and the Russian government. The attempts of these petro companies to monitor corruption and bribery in a form of opening hotlines is not sufficient to combat corruption on companies' many levels. The recommendation for the companies is to engage in anti-corruption programmes, for instance, to become members of Anti-corruption charter of the Russian business. Another suggestions is to follow guidelines of Ernst & Young, a global legal association, which provide companies of oil and gas industry with detailed instructions on preventing the bribery risks (Ernst & Young, 2014).

As for the quality of CSR reporting, the oil companies analyzed in this thesis are not officially approved by the GRI and the ISO, but declared their CSR reporting satisfying the guidelines of these organizations. The author of this thesis would like to notice that these companies mistake some irrelevant information from their reports to correspond to the guidelines, which is likely to prevent the Global Reporting Initiative, in particular, to include these Russian companies to the list of its members. The recommendation for the petro organizations is to check carefully their reports before claiming that they correspond to the instructions provided by the producers of standards.

To summarize this section, there is a lot of room for improvement in terms of corporate social responsibility of Russian oil companies, and the author of this research recommends the petroleum companies to familiarize themselves with the findings of this paper and to continue implementing CSR, which can help these companies improve their relationship with the Russian society, to overcome people's suspicion that these companies exploit the resources and public wealth, and, last but not least, to gain good reputation.

5.3 Evaluation of own research

5.3.1 Research validity and reliability

The research is considered credible when the requirements of validity and reliability are satisfied; validity shows "whether the findings are really about

what they appear to be about”, while the reliability stands for the consistency of the findings (Saunders, et al., 2009, pp. 156-157). There were several threats to the reliability of this research, such as the bias of the author of this paper or the bias of the interviewees, which was explained in the subchapter related to the ethical issues of this research. The validity of the findings, in its turn, was threatened by the number of factors. First of all, the researcher was tempted to include in the literature review only theory that supports the findings of the study. Secondly, the choice of methods and the actual stage of collecting data posed a threat to the validity, since the author of the research could have misinterpreted the data in her own interest. Additionally, there was a threat that the participants of the research (in this particular case, the interviewees) might have dropped from participating in the research.

All in all, the findings of this paper are considered credible thanks to the use of primary data collected from the interviews with the experts in the oil industry, who are the managers in the analyzed petro companies. The triangulation method in a form of combining different sources of data minimizes bias and assures the credibility of the findings of the research.

5.3.2 Scope and limitations

The author finds it crucial to explain any limitations associated with the topic of this research and explain to the reader what could not be accomplished due to the scope of the research. First and foremost, the thesis is limited to the oil industry only, abandoning the gas and other energy or mining industries. Secondly, it focuses only on Russian-owned companies, not paying attention to the global petro companies such as Total, Exxon, British Petroleum, Shell and others which have been successfully operating on the territory of the Russian Federation during the last years.

Another limitation is that in this paper the author concentrated only on large enterprises representing the top-10 of the Russian oil extracting companies, since the smaller companies either do not have a sufficient information available in the Internet or in some case no web-site at all. Since these smaller oil businesses are not in the spotlight of the media, they do not feel obliged to disclose their non-financial actions. The majority of them do not refer to the term of corporate social responsibility at all. On the early stages of conducting this research, in particular, when looking for the experts of the oil

industry who could have been interviewed, the author several times heard questions concerning the essence of CSR from the managers of medium- and small-sized Russian oil companies, which illustrates that these managers are unfamiliar with the term. All in all, the findings of this research are non-generalizable to small-sized oil companies.

Furthermore, the findings of this paper are not generalizable for the companies representing the oil industry in other countries where the political environment is different from the Russian Federation. Even though there are many developing countries which experience the “oil curse” same way as Russia does and often suffer from the same problems, the case of Russia is unique due to the importance of the role that hydrocarbon plays in the life of the society and due to the growing dependence of country’s economy on oil export after the collapse of the Soviet Union. The combination of the fragile biodiversity, remoted regions inhabited with the indigenous communities and the societal expectations of the petro companies discussed in this research is non-generalizable for other states.

The subject of this study is likely to raise ethical dilemmas, because as mentioned in the previous chapters, the involvement of the oil companies in the lives of Russian people is by nature a sensitive topic, not openly discussed in this society. The author’s own wish to put her country in a more favorable light may also stand in a way of conducting the research in a non-biased manner.

The last limitation is that the timeline of this research only allows to evaluate the restricted number of the companies. However, in suggestions for future studies the author mentions implications for the further research on this topic based on the conclusions of this paper in hope that other researchers have more time to analyze Russian oil industry in a proper way.

5.4 Suggestions for further research

As it was already mentioned in the previous pages, this research has a number of limitations, and the author would like to make suggestions for the further research on the topic of CSR implementation by companies representing the Russian oil sector. First suggestion is to conduct a survey

among the employees of the oil companies in Russia with a purpose of examining their perceptions and expectations of labour practices implemented in the organizations. For instance, occupational health and safety practices of these companies deserve a more profound research based on the opinions of the proper workers of the oil refining plants rather than their manager and CEOs. Another suggestion is conducting the research among indigenous minorities inhabiting the oil-rich lands and threatened by the operations of the petroleum industry; this research is the best way to learn whether the oil companies keep their promises to respect the traditional lifestyle of these minorities, which the organizations often declare in the sustainability and CSR chapters of their reports. Thirdly, the author recommends that future research is made among the companies-members of peer organizations that apply pressure concerning CSR implementation. This way the researchers can examine whether the petro companies which engage in contests or other events have better indicators of CSR reporting than the enterprises which avoid participating in such events. In addition, the suggestion for future researchers is to compare the CSR reports of oil companies with the relevant documents published by the organizations belonging to other industries. This future studies can examine whether the statement made by previous researchers (Guenther, et al., 2006; Frynas, 2012) that oil companies have better non-financial reporting indicators than other kinds of companies.

To conclude, corporate social responsibility practices of Russian oil companies is a good topic for deeper research especially as long as there are debates on CSR in the academic community and in the light of the crisis of the Russian petroleum industry and the fact that the prices of oil per barrel have dropped dramatically in the last couple of years. The author of this paper believes that the ideas stated on the antecedent pages will be heard and taken into consideration.

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APPENDICES

Appendix 1. Interview guide

Background questions

- When have you started working for this company?
- Have you ever worked in any industries other than the petroleum industry? What is the difference between oil industry and the other one in terms of corporate social responsibility?
- Can you give an example of changes in terms of CSR during the time you have been working for the company?
- Have you noticed any difference between CSR activities of Russian and foreign oil corporations? What are these differences?

Factual questions

- Can you give an example of any important governmental regulations that influence the CSR policy of the company you are working in?
- Are CSR activities performed by your company driven by governmental policy, non-governmental led or originated from the company itself?
- Is corporate social responsibility a part of the company's strategic thinking?
- Who are the people involved in making decisions related to the CSR implementation?
- Did it become necessary to implement CSR techniques to enter the foreign market?

Personal opinion questions

- How do you define CSR?
- In your opinion, what benefits the company gets from implementing CSR?
- From your perspective, what are the components of a good CSR policy?
- How do you feel about Russian oil corporations spending the majority of their sponsorship and charity money on sports investments?

Appendix 2. The Ten Principles of the UN Global Compact

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.

(United Nations Global Compact, 2014)