
CORPORATE ENVIRONMENTAL RESPONSIBILITY IN CYPRUS:

BRIDGING THE GAP BETWEEN KNOWLEDGE AND ACTION

Action for Cooperation and Trust is a peace building project in Cyprus which is funded by USAID and UNDP



Action for Cooperation and Trust

United Nations Protected Area
P.O.Box 21642, 1590 Nicosia, Cyprus
Tel. +357 22874777 or +90 3926014778
Fax: +357 22359066
www.undp-act.org





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This report is the outcome of the project “Global Compact Survey for the Environment”, which was officially initiated in August 2006. It is a follow-up initiative to decisions made at a major bi-communal environmental conference in June 2006 (the World Environment Day Ecoforum), which took place under auspices of UNDP’s peace building initiative in Cyprus, Action for Cooperation and Trust (UNDP-ACT).

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TABLE OF CONTENTS

Executive Summary

Background	5
Corporate environmental responsibility – bridging the gap between knowledge and action	6
Key Recommendations	7

CHAPTER 1 : WHY THIS REPORT WAS CREATED

Target readership and use of the report	9
Structure of the report	10
Methodology of preparing the report	10
Rationale for choosing the enterprises surveyed for this report	11

CHAPTER 2: the Global Compact

Introduction to the Global Compact	13
The 10 principles and procedure of participation	13
How the Global Compact connects with other UN Initiatives	14
What it means for business	15
The importance of reporting and communication	15
Local Networks of the Global Compact	16

CHAPTER 3: Cyprus' Business Landscape and Environmental challenges

General description of the Cyprus economy	17
Interconnection between these industries	18
Environmental Challenges	19
The Global Compact and Corporate Environmental Responsibility in Cyprus	22

CHAPTER 4: exploring The gap between knowledge and action

Level of awareness about the Global Compact	27
Level of awareness on environmental issues	28
The importance of the environment in business decision-making	30
Willingness to implement environmental responsibility principles	32
Reasons why some businesses might not apply environmental responsibility principles	34
Perception of environmental priorities	36
Perception on the Global Compact principles and other environmental initiatives	37
Business and Society Interactions	38

CHAPTER 5: Conclusions & recommendations

Overall conclusion	40
Maturity of Cyprus Businesses to be part in the Global Compact Initiative	40
What are the potential incentives for the Cyprus industry from its participation in the Global Compact initiative?	41
A step-by-step plan for engaging the Cyprus business community on Global Compact	
Cyprus' Capability	43

Conclusions - overcoming barriers to change

Bibliography & References

51

Annexes

52

EXECUTIVE SUMMARY

Background

This report is the outcome of the project “Global Compact Survey for the Environment”, which was officially initiated in August 2006. It is a follow-up initiative to decisions made at a major bi-communal environmental conference in June 2006 (the World Environment Day Ecoforum), which took place under auspices of UNDP’s peace building initiative in Cyprus, Action for Cooperation and Trust (UNDP-ACT).

A key objective of this initiative was to explore the level of awareness of Cypriot companies about corporate environmental responsibility and various kinds of initiatives aimed at supporting the role of business in the area of protecting the environmental assets of Cyprus. It was also intended to obtain their views about how important environmental issues are in their business decision-making process, and their willingness to implement actions to minimize the impact of business practices and operations on the environment of the island. The project aimed also at understanding the attitude of Cypriot businesses to environmental issues and corporate social responsibility (CSR) and their actual behaviour regarding such issues.

Under the overall coordination from the UNDP-ACT programme and in collaboration with the United Nations Environment Programme (UNEP)¹, two local research teams collected data from Cypriot companies under the supervision of two consultants selected by the Cyprus Chamber of Commerce and Industry, and the Turkish Cypriot Chamber of Commerce. The data collection was based on a structured questionnaire.

1. The involvement of UNEP was through its Division of Technology, Industry and Economics (UNEP DTIE), who works with business and industry to advance CSR as well as sustainable consumption and production. Like the UN Global Compact Office, UNEP DTIE works with business partners including associations from different industry sectors and national networks of the Global Compact such as those in Turkey and Greece.

Corporate environmental responsibility – bridging the gap between knowledge and action

Globally environmental protection is as high a priority for decision-makers as the traditional concerns of international peace and security. Few leaders today doubt the consequences of climate change on every aspect of humanity, and not least the risk that unchecked, it could be one of the major factors which may undermine the stability of countries, regions and the global order. The 2007/2008 Human Development Report, commissioned by the United Nations Development Programme, describes climate change as “the defining human development challenge of the 21st Century. Failure to respond to that challenge will stall and then reverse international efforts to reduce poverty. The poorest countries and most vulnerable citizens will suffer the earliest and most damaging setbacks, even though they have contributed least to the problem. Looking to the future, no country—however wealthy or powerful—will be immune to the impact of global warming”. The Report goes on to argue that climate change poses challenges at many levels. In a divided but ecologically interdependent world, it challenges all people to reflect upon how we manage the environment of the one thing that we share in common: planet Earth. It challenges us to reflect on social justice and human rights across countries and generations. It challenges political leaders and people in rich nations to acknowledge their historic responsibility for the problem, and to initiate deep and early cuts in greenhouse gas emissions. Above all, it challenges the entire human community to undertake prompt and strong collective action based on shared values and a shared vision.

Both the Human Development Report 2007/2008 and this current report on corporate environmental responsibility in Cyprus highlight a key message which needs to be internalized and acted upon - the world lacks neither the financial resources nor the technological capabilities to act. What is missing is a sense of urgency, human solidarity and collective interest. In Cyprus this truism finds its parallel in the fact that there is no absence of knowledge and awareness among the Cypriot business community of the importance of “Green Business”. The challenge is translating that awareness into action and generating a collective will that transcends the island’s divisions, so that all communities work together to protect their common and interdependent environmental assets.

The study of the Cypriot business community, which forms the basis for this report, shows that environmental considerations take second place in business decisions. This is due to the fact that the average businessman has been conditioned to think “short term”. The majority of the companies in the data set state that they include environmental considerations in their purchasing and production decisions. Despite this, there were very few concrete examples of practices employed by Cypriot business which serve to demonstrate this approach. Although companies expressed a willingness to implement actions which will minimise the environmental impacts of their operations, this willingness is restricted to following the obligatory requirements of the law and do not stretch to applying more proactive or innovative approaches. In spite of this, Cypriot businesses acknowledge that they should be doing more for the environment, but it seems that their perception of the high prices associated with “green business” is an obstacle. Thus, the fear of losing competitiveness is a deterrent to Cypriot companies, who otherwise may implement measures to match their expressions in principle to invest in environmental actions.

Cyprus businesses are at various stages of maturity with regard to taking part in the Global Compact initiative. The research indicates that if awareness is increased and businesses are encouraged by their respective associations, they will respond positively

to the Global Compact initiative, subject to the availability of resources. The resource in most short supply is management time to address Global Compact related actions. In this regard perhaps a key to the successful adoption of the Global Compact by small businesses is an “abridged version” of its key requirements.

Finally the research showed that with regard to the business community in Cyprus, the different approaches of the Greek Cypriot and Turkish Cypriot communities to environmental matters is likely to be a source of environmental degradation. While the environment knows no dividing lines, the different approaches to deal with environmental problems in both communities are beginning to have a negative consequence on the interconnected ecosystems of the island.

Key Recommendations

In order to enlarge the space for more Cypriot businesses to take environment- friendly actions, both Cypriot communities must focus on the implementation of measures which can remove barriers to knowledge, change attitudes and facilitate actions by providing needed infrastructure.

Such measures could include:

- Focus on market gatekeepers (e.g. banks, insurance companies, consultants)
- Establishing a dialogue with the public, decision-makers and other stakeholders
- Build awareness of the Global Compact by providing business leaders with simple guidelines which can be easily implemented
- Highlight the financial benefits of “going green”
- Creating practical tools to increase the capacity of managers to understand identify and apply environmental practices for their daily business.

Cyprus is an island blessed with a unique natural environment, and a unique blend of cultures. This combination has made the island one of the most visited destinations in the Mediterranean. If the people, the business leaders and the policy makers of the island wish to maintain this image then concrete environmental actions need to be adopted which involve the cooperation of the relevant decision-makers and people.. In Cyprus as elsewhere, the environment requires immediate attention and its protection depends on the mustering of political will which is coherent and integrated. Since Cyprus is a small island, all elements of its ecology are interdependent.

CHAPTER 1

WHY THIS REPORT WAS CREATED

Societies can choose to succeed, or they can choose to fail. History is littered with the ruins of civilisations who, faced with environmental degradation often of their own making, made the wrong choices, or did too little too late. This is the message from a recent book entitled “Collapse” (2004), by the famous bio-geographer Jared Diamond. Diamond describes how different civilizations – such as the ancient Maya, the Easter islanders, the lost Anasazi of North America and the Greenland Norse depleted their natural resources at such a rate, that their human action eventually led to population collapse and civil strife. In case readers failed to see the connection with the modern world, Diamond’s book provides modern examples of societal collapse where competition for environmental resources played a key role, such as the Rwandan Genocide in 1994. The phenomenon of environmentally-driven societal collapse tends to be particularly acute for island societies, which tend to have less resources to begin with, and more fragile ecosystems, and one interesting commonality between these collapses is that they occurred very shortly after those civilisations reached their apex, and very often those societies failed to see or act upon the environmental problems until it was too late.

Diamond is not alone in his call to integrate ecological concerns into the thinking of economists. Recent examples include speeches by Professor Dasgupta, of the University of Cambridge, at a recent lecture to the British Ecological Society, and by Professor David Suzuki² at the International Media and Environment Summit in Malaysia in 2005. According to Prof. Suzuki, some economists believe that the economy can grow forever, in some sort of exponential growth curve, hence ignoring the mathematical finiteness of the Earth, and treating the natural environment as an externality. Similarly, in arguing for economists to cease treating the environment as an externality, Dasgupta explains: “Degradation of ecosystems is like the depreciation of roads, buildings, and machinery, but with two large differences: (1) it is frequently irreversible (or at best the system takes a long time to recover) and (2) ecosystems can collapse abruptly, with little prior warning.” Like Diamond, he also describes how past and present ecological collapses (e.g. in Darfur) can trigger socio-economic decline in their wake.

In modern Cyprus, it is not too late to make a difference, and for this reason, protection of the environment and natural resources is one of the key pillars of the mission of UNDP’s initiative, Action for Cooperation and Trust (ACT) in Cyprus. Greek-Cypriot and Turkish-Cypriot business leaders can work together with civil society to protect their shared environment and natural resources. This will help to strengthen bi-communal relationships in the sphere of corporate social responsibility and also give opportunities to the business communities to collaborate and find common solutions to the environmental problems of the island.

2. Retired from the University of British Columbia in 2001 and now devotes his time to promoting environmental sustainability.

A key objective of this project was to find out the level of awareness of Cypriot companies about corporate environmental responsibility and various kinds of initiatives aimed at supporting the role of business in the area of protecting the environmental assets of Cyprus. It was also intended to obtain their views about how important environmental issues are in their business decision-making process, and their willingness to implement actions to minimize the impact of business practices and operations on the environment of the island. Consequently, this Report has used the corporate social responsibility (CSR) initiative of the United Nations – the Global Compact - as the key benchmark for understanding the attitude of Cypriot businesses to environmental issues and corporate social responsibility. In this vein one main objective is to understand the needs of Cypriot businesses and try to assist in their operations through the suggestion of a series of measures and actions (Chapter 5).

This report is the outcome of the project, “Global Compact Survey for the Environment”, which was officially initiated in August 2006. It is a follow-up initiative to decisions made at a major bi-communal environmental conference in June 2006 (the World Environment Day Ecoforum), which took place under auspices of ACT. The data underpinning the findings of the Report derive from an islandwide survey of business leaders conducted by the Cyprus Chamber of Commerce and Industry and the Turkish Cypriot Chamber of Commerce conducted in 2007. This information is supplemented by other data taken from additional surveys - the 2007 survey of business leaders opinion of environmental pollution in Cyprus, conducted by PriceWaterhouseCoopers (PWC); the 2007 Global Compact Awareness Survey by RAI Consultants, commissioned by UNDP-ACT; and the 2005 Eurobarometer attitudes of European citizens towards the environment.

Target readership and use of the report

This report is intended for business leaders, their collective representative organizations, as well as the Chambers of Commerce and Industry in both communities and relevant decision-makers.

The aim is to provide background information which will assist in formulating policy for further action towards adoption and implementation of the environmental principles of the Global Compact in Cyprus. It is also intended to stimulate collaboration amongst Cypriot industrial leaders in working together towards ensuring a better natural environment without sacrificing necessary profit margins. In the context of the Global Compact Initiative internationally, this pilot report for Cyprus is intended to demonstrate that putting the environment first makes good business sense.

Structure of the report

The report is composed of five chapters. The Global Compact is introduced in Chapter 2 and the four selected sectors of the Cyprus economy explained briefly in Chapter 3. Chapter 4 presents and discusses the results of the survey and analyses the main business and societal Interactions. Chapter 5 presents the overall conclusions and outlines a proposal for a course of action through a series of recommendations which are intended for the decision makers on the island.

Methodology of preparing the report

Starting in September 2006 two research teams designed a survey questionnaire, and used this tool to collect data from Cypriot companies in the two communities. This was done under the supervision of two consultants selected by the Cyprus Chamber of Commerce and Industry and the Turkish Cypriot Chamber of Commerce. A total of 52 questionnaires were administered by the two research teams (see Appendix I). In consultation with UNDP-ACT and the project advisor from the United Nations Environment Programme (UNEP), the research teams created the following methodology :

- 1) Drafting of a preliminary table of contents of the final report in order to act as a guide for the division of labour. This was done after studying the project aims and discussing the various issues together with the project advisor.
- 2) Design and completion of a questionnaire designed to collect information from leading businesses as to the degree of awareness of the Global Compact Environmental principles (Principles 7, 8 & 9) and the concepts of Corporate Social Responsibility in general.

In order to put the resulting data in context, the results of additional surveys (see Bibliography) has also been used to augment and add further evidence to the main findings of this report.

Rationale for choosing the enterprises surveyed for this report

The firms surveyed for the purposes of analysing the attitudes of Cypriot business in this report were selected from four sectors of the economy: Tourism, Agriculture, Construction and, Transport/ Distribution, for the reasons described below.

Agriculture is one of the main production sectors on the island. It also has a disproportionate impact on the environment. Approximately 70-80% of the water consumed is for agriculture and the use of pesticides and fertilizers reduce the sustainability of production through destruction of soil ecosystems and poisoning of groundwater supplies. For example, ammonia emissions from agriculture pose a major danger of eutrophication of aquatic systems, and pesticides are a danger to beneficial soil micro-organisms such as mycorrhizae.

Tourism is the key economic sector but it also affects the environment in ways that are not very obvious to the layman, by stressing for example the carrying capacity of the island and stretching scarce resources to their limits, as well as having an indelible impact on landscapes and being a significant additional source of waste emissions.

The construction sector is currently a booming sector, in particular in response to the demands of the tourism sector, and in turn produces heavy demands on the extractive industries. Moreover, the hidden environmental costs of the finished buildings are often ignored or misunderstood, whilst the results of environmental impact assessments are often overlooked.

Transport/Distribution interlinks with all the aforementioned sectors, consuming considerable fossil fuels, whilst emitting or re-suspending large amounts of pollutants into the atmosphere.

These sectors were chosen because collectively they represent a major percentage of the GDP outside the manufacturing industry, which is usually a “fashionable” target sector of environmental impact studies, creating the false public perception that industrial activity is at the root of all our environmental problems. Other sectors, such as financial services, do not have much direct interaction with the physical environment and thus does not warrant special attention, although it is recognised that there is no human activity which does not somehow leave an ecological footprint.

The sampling was purposely selective because if large firms are not aware of the Global

Compact initiative, the smaller ones are unlikely to be aware. In the Turkish Cypriot Community, six of the companies selected were involved in promoting the environmental principles of the Global Compact.

If it is found that some firms are aware, then they can be encouraged to take the next step and commit themselves to specific targets if they had not already done so. Their example then could be used to attract others to the concept. Similarly if there is no significant awareness, a large scale educative campaign would need to be planned and implemented as a follow-up to this project.

CHAPTER 2

THE GLOBAL COMPACT

The Global Compact is the United Nations corporate social responsibility initiative and in this Report it has been used as one benchmark to gauge the degree of Cypriot business receptivity to corporate environmental responsibility. However as this report shows, lack of knowledge about the Global Compact by Cypriot business leaders does not necessarily demonstrate a generalised dearth of knowledge of the impact of business on the environment or the responsibilities of business in the area of environmental protection. The Global Compact offers one framework for corporate social responsibility and also offers a network of knowledge that can be used by businesses to strengthen their role in supporting society's efforts to manage its natural resources in a sustainable manner. The Global Compact is the world's largest global corporate citizenship initiative and is first and foremost concerned with exhibiting and building the social legitimacy of business and markets. Today it has grown to almost 5, 000 participants, including over 3, 700 businesses in 120 countries around the world.

Introduction to the Global Compact

The rise of the Global Compact started on on 31st January 1999 when former UN Secretary-General, Kofi Annan addressed the World Economic Forum, in which he challenged business leaders to join an international initiative that would bring companies together with UN agencies, labour and civil society organisations to support universal environmental and social principles. The Global Compact's operational phase was launched at UN Headquarters in New York on 26 July 2000. Today, thousands of companies from all regions of the world have joined international labour and civil society organizations in the Global Compact, and are working to advance ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

The Global Compact is a purely voluntary initiative with two objectives:

- Mainstream the ten principles in business activities around the world;
- Catalyze actions in support of UN goals.

The Global Compact asks companies to embrace, support and enact within their sphere of influence, the 10 principles of the Compact which derive from the series of global protective norms that have been adopted by the international community:

- Universal Declaration of Human Rights
- International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- Rio Declaration on Environment and Development
- United Nations Convention Against Corruption

The 10 principles and procedure of participation

The ten Global Compact principles are:

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 Standards

- 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 all forms of corruption, including extortion and bribery.

As a voluntary initiative, the Global Compact seeks wide participation from a diverse group of businesses and other organizations. To participate in the Global Compact, a company:

- Sends a letter from the Chief Executive Officer (and endorsed by the board) to the Secretary-General of the United Nations expressing support for the Global Compact and its principles.
- Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations (described below).
- Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases and speeches
- Is expected to publish in its annual report or similar corporate report (e.g. sustainability report) a description of the ways in which it is supporting the Global Compact and its ten principles.

How the Global Compact connects with other UN Initiatives

The UN Global Compact Office (GCO) is the UN entity formally entrusted with the support and overall management of the Global Compact initiative. The Global Compact Office also has responsibilities with regard to advocacy and issue leadership, fostering network development and maintaining the Global Compact communications infrastructure. Furthermore, the GCO plays a central role in advancing the partnership agenda across the UN system and has overall responsibility for brand management and implementation of the integrity measures.

Within the governance framework and daily operations of the initiative, an Inter-Agency Team is responsible for ensuring coherent support for the internalization of the principles within the United Nations and among all participants. The agencies most closely associated with the ten principles also have an advisory role with respect to the management of the integrity measures complaints procedure. Six UN agencies are represented in the Inter-Agency Team. They are: the Office of the UN High Commissioner for Human Rights (OHCHR), the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), the United Nations Office on Drugs and Crime (UNODC), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO).

The Inter-Agency Team is represented on the Global Compact Board through the Global Compact Office's Executive Director. The six core UN agencies participate in the Leaders Summit and the Annual Local Networks Forum. UN agencies, especially UNDP, also play a very important role in many Local Networks around the world.

In Cyprus, the Global Compact is one of the guiding principles of the sustainable development portfolio of UNDP-ACT, not only through the present project, but also through mainstreaming the principles into all environmental projects supported by the programme. For example, the Cyprus Organic Advisory Group and the Madison Dairy Advisory Group, two networks supported by UNDP-ACT, aim to improve the environmental impact of the farming and dairy sectors respectively. Another project, known as “Innovative Biological Approaches for the Reforestation of Environmentally-Stressed Sites”, aims to enhance bio-remediation efforts in mines and quarries, thus helping to palliate the effects of the extractive industries.

What it means for business

In recent years there has been an avalanche of standards and codes of practice relating to business management (e.g. ISO 9000, 14000, 17000). ISO is preparing the 26000 series which addresses Corporate Social Responsibility (CSR). It is evident that internationally and also locally there is concern about the “quality of managerial decisions”. It is increasingly recognized that businesses have a responsibility towards the society in which they operate and from which they derive resources and income. The intensity of business activity has created pressures on the environment which in many cases exceed the environment’s carrying capacity. A “business as usual” approach to the environment tends to disregard the effects of business operations on the environment, thereby increasing these pressures, which in turn increases the financial and social costs of operating businesses.

It is therefore important for business leaders to understand that they cannot continue to operate without respect for the environment. If they do not act voluntarily now, they will find that they will need to hastily and certainly expensively, conform to new legislation and norms imposed on them by a society who is no longer a silent bystander. Alternatively, they may find that the demand for their product wanes because of environmental impacts that can no longer be ignored (tourists, for example, will not flood to destinations with poor sanitation or severely degraded landscapes).

The Global Compact is an international initiative designed to create such a momentum and is designed to embrace all businesses, large and small, in an international corporate social responsibility movement, which can become a partner with the United Nations to address the World’s most pressing social and economic needs as outlined in the Millennium Development Goals, which world leaders adopted in September 2000.

Soon, many businesses will be made to feel rather uncomfortable if they continue business as usual in a world which is very conscious of the need to take practical actions for the protection of the environment. Businesses will finally realize (in fact some already have) that it makes good business sense to put the environment high in their agenda, and to manage natural resources, on which their own continued operation depends, in a sustainable way.

The importance of reporting and communication

The review of actions taken by participants around the world in support of the Global Compact is based on the so-called Communication on Progress (COP). The purpose of the COP requirement is both to ensure and deepen the commitment of Global Compact participants and to safeguard the integrity of the initiative. It also aims to create a rich repository of corporate practices that serves as basis for learning and continuous performance improvement. The COP is a description of the company’s activities taken to

advance the implementation of the Global Compact's principles. The COP is expected annually of all participating companies, and must be shared publicly with stakeholders - through annual financial, sustainability or other prominent public reports, in print or on the participant's website. Companies failing to communicate progress will be labelled "non-communicating" on the Global Compact's web site. Should a participant fail to submit a COP for two years, that participant would be labelled "inactive". This monitoring tool ensures that joining the Global Compact cannot be used by businesses simply to "greenwash" their names.

Local Networks of the Global Compact

An important element of the Global Compact's governance is the Local Networks. They are groups of participants that come together to advance the Global Compact and its principles within a particular country or geographic region. They perform increasingly important roles in rooting the Global Compact within different national, cultural and linguistic contexts, and also in helping to manage the organizational consequences of rapid expansion. Their role is to facilitate the progress of companies (both local firms and subsidiaries of foreign corporations) engaged in the Compact with respect to implementation of the ten principles, while also creating opportunities for multi-stakeholder engagement and collective action.

Local Networks determine their own internal governance arrangements and activities. However, all Local Networks are expected to meet the following basic requirements:

- **The mission of Local Networks:** Each network must be committed to the principles and practices of the United Nations Global Compact. This includes the ten principles themselves and the initiative's modes of engagement including learning, dialogue and partnerships. Within this framework, it is expected that they will define their own agenda and activities according to the local conditions and priorities of their particular country.
- **Composition of Local Networks:** Local Networks should be business-led, but inclusive. They must have at least some company participants. No single company or other organization should dominate the Local Network. Special care should be taken that SMEs are invited to play a part and/or other efforts should be taken to cater for the special needs of SMEs.
- **Minimum activities:** Each network is expected to run a minimum number of events/activities annually and to hold at least one General Meeting to which all its participants are invited.
- **Effective communication:** To facilitate communication with the Global Compact Office and the network's own participants, each network should establish a Focal Point authorized by the network to interact with the Global Compact Office and the wider Global Compact network.
- **Integrity measures:** To ensure proactive brand management and protect the integrity of the initiative, each network should display a willingness to actively support efforts by participants to develop Communications on Progress and to help find solutions to situations related to the integrity measures.
- **Annual report:** Each network should produce an Annual Activities Report, describing activities and initiatives undertaken in the previous year and planned for the next year. If the Local Network undertakes fundraising activities, the report should include a detailed financial statement.

CHAPTER 3

CYPRUS' BUSINESS LANDSCAPE AND ENVIRONMENTAL CHALLENGES

The report endeavours to tackle the impact of business on the Cyprus environment in an integrated and island wide manner.

General description of the Cyprus economy

The economy of Cyprus is essentially based on tourism, with associated food production and infrastructure, as well as services, since the extractive industries have ceased to contribute much to the GDP. Recent decades have seen a rapid growth of the construction sector, which provides residences and infrastructure for locals as well as tourist visitors. As sectors which play a key role in the economy whilst bearing massive potential for negative environmental impact, the following four sectors have been selected for the purposes of this study:

- a) Agriculture and Food
- b) Tourism
- c) Building and Construction
- d) Transportation and Distribution

Table 3.1 Land use and economic activity on the island of Cyprus. The Greek Cypriot, Armenian and Maronite population of the island accounts for approximately 82% of the population, and the Turkish Cypriots for approximately 18% of the population

Characteristic	
Total Area	9,251 km ²
Land use for the entire island (% - estimate)	
• Agricultural Land	29.81
• Forest Land	19.18
• Other	51.01
% Share in GDP for the entire island (estimate for 2005)	
• Agriculture	6.4%
• Tourism	18.2%
• Building and Construction	16.2%
• Transportation and Distribution	11.1%
% distribution of persons employed on the entire island per sector (estimate)	
• Agriculture	8.89%
• Tourism	11.38%
• Building and Construction	12.04%
• Transportation and Distribution	7.38%

Interconnection between these industries

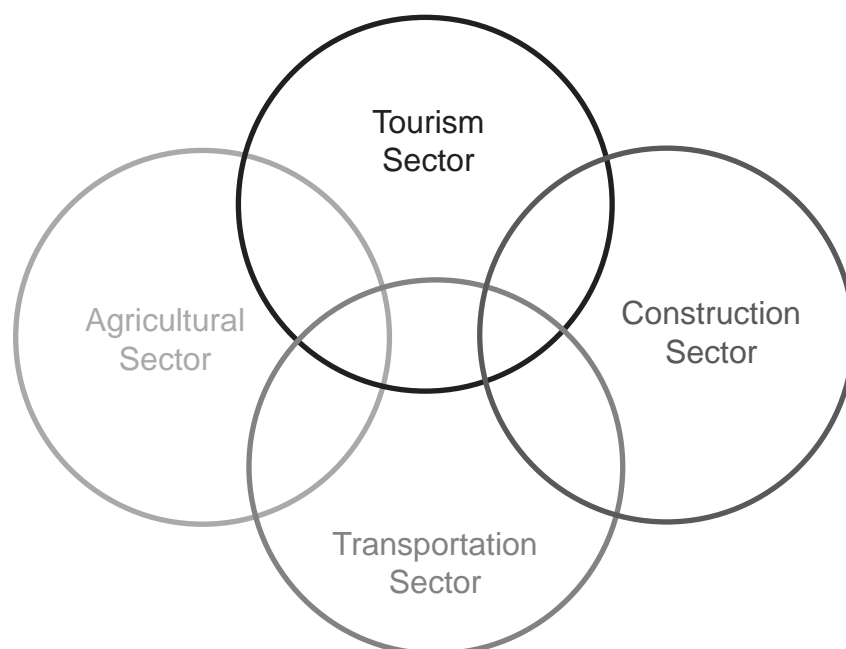
For any economy to function, all sectors must interact and exchange services and products. No sector can be considered in isolation from the rest. This is also reflected in the global economy when links exist in the trade of goods and services with other countries (trading partners).

It is therefore natural that the four sectors selected for this study are affected by the factors which influence the global economy and the economies with which they are linked, as well as with each other at the local level.

The agricultural sector depends on the transportation sector in order to move its supplies and products, and part of the demand for food production emanates from the large tourism industry. Interconnections also exist between the tourism and construction sectors to the extent that foreigners purchase property in Cyprus and make a holiday or retirement home, and tourists are accommodated in hotels built by the local construction sector. The major interdependency is that all sectors derive resources and discharge their wastes from and to a common and limited space.

Statistics on these interdependencies are available but they are not presented here as they will add little to the basic aims of this report. The reader is referred to the statistical services of the two communities (see Chapter 6) and the websites of the respective Chambers of Commerce and Industry. Figure 3.1 shows these interconnections and where the intersections exist between each sector of the economy.

Figure 3.1



Environmental Challenges

In Cyprus, as is the case everywhere else in the World, business activities inevitably have a major environmental impact. The following examples aim to capture some of the main environmental challenges which emerge from the activities of the business community island wide. The main environmental challenges for each sector are briefly summarized below and further expanded in the paragraphs which follow.

Tourism sector

- Catering for the sensitivities of the “Green – tourist”
- Cleanliness and tidiness of cities and countryside
- More cultural activities for the visitor

Tourism is by far the largest sector of the economy, and has a significant environmental impact. For example tourism development in environmentally sensitive areas results in destruction of important habitats, landscape value degradation, increased waste production and water consumption. The ecological footprint and in particular carbon emissions and air pollution related to the large amount of air traffic to and from the island must be taken into consideration. Encouraging sustainable tourism would help the developers and hotel industry achieve greater sustainability.

There are very few examples of hotels which cater entirely for the sensitivities of the Green – Tourist. The challenge for the hotel industry is to match the supply of “greener tourist services” with the demand for such services. To fully comply with such a philosophy, hoteliers must ensure all supplies and suppliers are screened by suitable audit schemes, not all of which are in place. The cost element cannot be underestimated and the hotel industry will need to do its market surveys and studies carefully. An important issue regarding tourism and its effects on the environment has to do with the hidden costs the tourism business will have to confront if they do not implement environmental management practices. Tourism is a natural resource based activity; therefore any damage to the environment actually damages the assets of and potential future development of the destination.

Maintaining the cleanliness of cities and countryside is a priority for those involved in the hotel industry. In recent years disrespect for the “commons”, involving fly-tipping and illegal dumping of waste has become a problem. While reports have shed light on illegal dump sites around the island, including inside the UN Buffer Zone, which contains some of Cyprus’ most environmentally diverse and rich natural assets, to date little has been done to tackle the problem or make communities and/or individuals accountable for their acts of “rubbishing” the environment. The occasional campaigns on radio and TV do not seem to be enough to deter people from using some open spaces as dump sites and the challenge is to create an effective education campaign which will instil a sense of civic responsibility.

Cyprus’ tourist sector needs to do more to conserve natural resources. The sector’s control of large installations which could have benefited from cogeneration systems, integration of solar heating and cooling into their conventional systems, while minimizing the consumption of water, means it must share the responsibility for not taking advantage of the presence of technologies which exploit renewable resources. Back in 1970 when the first modern hotel was being built in Paphos there were suggestions about reusing treated effluent to flush toilets . Back then such ideas were summarily dismissed. Today, however, such systems are subsidized but impossible to implement in existing buildings without major conversion work.

The tourist industry by its effort to create artificial environments, not native to Cyprus, has used excessive amounts of water for lawns and tropical plants for many years. It is only recently that the shortage of water forced hoteliers and agents of the leisure industry to rethink their strategies, and today native plants are being used for decoration and treated wastewater for irrigation. In some cases local authorities have been complicit in not immediately recognizing the opportunities to conserve water and through short-term thinking, have forced hotels to close all their wastewater treatment plants and even pull down the tanks and basins they had. What could have been done is the provision of treated water from the central wastewater treatment plants back to selected large users, like hotels, who now use potable water for irrigation. The former local Wastewater Treatment Plants of the hotels could have been used for storage of returned irrigation water or even converted to ice-banks to augment the air conditioning systems.

Agriculture sector

- Consumption of too much water for agricultural production
- Handling of agricultural residues
- Handling of animal manures and liquid waste
- Handling whey from Halloumi/Hellim production

Although agriculture accounts for a relatively small proportion of the economies of each community, its impact is disproportionately large. For example, agriculture accounts for 75-80% of water consumption, whilst farming intensification has caused a reduction in rural biodiversity and ground water pollution through the massive use of fertilizers and pesticides. Moreover increased reliance on monocultures of specific crops results in a massive threat to traditional crop biodiversity. On a small, desertification-prone island, such as Cyprus, this mode of production is not sustainable. Conversion of farms to organic farming would be a means to achieve greater sustainability in this sector, as would a reduction in the reliance on water-hungry crops, such as citrus. In sum agriculture consumes an estimated 70 - 80% of the scarce water resources island wide, while not contributing proportionally to the total GDP. The challenge is how to increase the contribution of agriculture to the economy while reducing, if possible, the water it consumes. The solutions here, as elsewhere, have to involve island-wide cooperation, because the problems are not neatly confined to one community or another. If one depletes or pollutes the water table in one community, there are consequences for the other community.

Agricultural residues, particularly prunings and animal manure, represent a considerable biomass resource, which at present is not utilized to its fullest extent. The challenge is to balance the needs and possibilities between the use of each residue type for fodder, feed, fuel or compost. For example, animal manures can be turned from a problem and nuisance into an asset when one considers their biogas and fertilizer potential. Very little is done in this direction even though there seem to be enough incentives. Liquid waste from slaughter houses also has biogas potential.

Whey is not looked upon as a raw material but rather as a waste product. In the Greek Cypriot Community the problem is minimized because it is used as a feed for pigs, and though this may not work for the Turkish Cypriot Community, Turkish Cypriot whey could be considered as an item of trade between the two communities. The Madison Dairy Advisory Group, which is supported by UNDP-ACT, has recently commissioned a study on the possibility of a bi-communal whey management strategy.

The main environmental problems from agriculture are the pollution from the use of fertilizers, particularly nitrates, the overdosing with pesticides and the large volumes of

animal manures concentrated in husbandry areas. For the Turkish Cypriot Community, in particular, the excessive use of water is a great concern, while the use of economic irrigation systems such as drip irrigation is very low. Not irrelevant is the use of high water consumption crops (e.g. Citrus) which contribute little to the income of farmers. If water for agriculture was charged at its real price many crops would stop being produced locally. Of course the issues are far more wide reaching than water economy. The real issues are socio-economic and of course beyond the scope of this short report. There is no doubt however that the implementation of schemes to educate and encourage farmers to use less water still have a lot of potential.

Construction sector

- Quality of quarry materials
- The “necessary evil” of the visual impact and dust emissions from large quarries
- Implementation of “Green Building Principles”
- Deforestation

The extractive industries, and in particular those businesses managing mining and quarrying enterprises, are concerned with the causal effects of their operations such as dust pollution, erosion of landscapes and ground and water pollution from the large amount of waste products. EU regulations exist for sustainable extractive industries, including Environmental Impact Assessments, aimed at minimizing dust emissions and remediation. Within the framework of the Global Compact, the extractive industry could move further towards sustainability.

The quality of quarry materials is an issue which from time to time emerges as a problem particularly in connection to the earthquake code needs. A challenge will be the rapid establishment of demolition waste recycling facilities and the use of such materials in construction. Quarries are seen by many as a “necessary evil”. While this may be true to a large extent, in a small island like Cyprus, where quarries cannot always be hidden from view there is the challenge of restoring sites which are no longer exploitable and applying “mining for closure” principles to all extractive operations. The question of dust and other particulate emissions from quarries is a problem which can be effectively handled by correct technical and management measures. The unused material from the quarries is another serious problem for the Turkish Cypriot Community. These materials can easily be used in some areas such as filling material and road infrastructure material. In reality, these materials are mostly illegally dumped. The issue of deforestation and consequent erosion and loss of topsoil at quarry sites is also a “necessary evil” but it can be effectively mitigated by good planning, something done quite effectively in the Greek Cypriot Community.

The principles of sustainable building, when implemented, can save considerable quantities of energy and water used by buildings during their entire operational life. Most of the measures to be taken are common sense. The benefits can further be multiplied if one considers that buildings can be rated, certified and thus gain market and price advantage when marketed. Land developers have not yet faced the pressure from the market to issue energy use certificates for their buildings and this may explain why many resist in implementing Green Building Principles. Some efforts already exist to create a change in the “culture” of designers, builders and their clients.

Apart from the extractive industry, the major environmental problem for the sector is the almost complete disregard for bioclimatic designs which could lower heating and cooling costs throughout the life of a building. This is a hidden problem and its solution has been postponed until forced upon the Greek Cypriot Community by EU regulations. Experts

often comment on Cyprus' missed opportunity to reduce the levels carbon dioxide emissions, when advice on building insulation was not heeded. One significant positive action which is credited to this sector is the ubiquitous presence of solar water heaters. On the other hand a serious negative point is the dearth of measures to promote external solar control devices which could bring the electricity consumption for air-conditioning to quite low levels.

Transportation sector

- Replacement of rolling stock with energy efficient vehicles
- Shortage of biofuels and biofuel infrastructure
- Solution of the chronic public transport problem

The challenges of the transportation sector are divided into two categories: 1) measures that are not within its direct control, such as the availability of biofuels infrastructure and a solution to the chronic problem with public transportation and 2) issues within the control of public transport companies such as the renewal of existing rolling stock.

A lot of previously-used rolling stock comes into the Greek Cypriot Community, which means that companies in the business are importing someone else's problems. Another issue is the inspection and repair of all engines which do not meet environmental standards. A considerable contribution to the environment would be the rationalization of land transportation of goods so that return trips are utilized better.

The transportation sector's main environmental problem is of course the large consumption of fossil fuels. It is understood that Cyprus can only purchase what is offered on the market in terms of rolling stock and fuels. In the Greek Cypriot Community it took pressures from the EU to introduce unleaded petrol, to make the regular inspection of vehicles mandatory and to control the speed on the highways not just for safety only but to reduce fuel consumption. For the Turkish Cypriot Community, the use of unleaded fuel was also started a few years ago. However, the quality of fuel is not at EU standards and this causes air pollution especially during rush hours. Although electric cars have begun to make their appearance on the streets, they are as yet an exception. Moreover, their environmental value is debatable in a country where the electricity grid itself depends on oil-powered plants (soon to be converted, in the Greek Cypriot Community, to gas-powered plants, which are a slight improvement in terms of emissions). Management measures are still lacking however. The large vehicle fleet could be rendered more efficient: many trucks travel half-full or even empty. Public transportation is also lacking with the result that the use of the private car has become an absolute necessity for the citizen. Many management measures could be taken to lessen the traffic jams such as staggered working hours, and the upgrading of public transport, including the re-introduction of a train system.

The Global Compact and Corporate Environmental Responsibility in Cyprus

In Cyprus, although some companies subscribe to the principles of the Global Compact, to date, no island-wide "Local Network", as defined by the UN Global Compact Office in New York, has been established. Companies participating so far in the Global Compact can be found on the website of the UN Global Compact (www.unglobalcompact.org).

In the Turkish Cypriot Community, UNDP's project, Partnership for the Future was instrumental in the networking of companies who subscribe to the environmental principles of the Global Compact, and today 18 companies have pledged to work together

to follow those principles. This enables them to increase the cooperation and coordination with the aim of promoting and implementing the principles of the UN Global Compact. As an example, they have launched awareness campaigns about water and energy efficiency.

Box 3.1 Environmental challenges in Cyprus and search for practical solutions: The case of waste management

Responding to Climate Change

There is now a global scientific consensus that Climate Change is a fact. The question is no longer about debating this fact, but on how to manage its consequences. According to a recent European Commission report, Southern and South-Eastern Europe will be most vulnerable to the effects of climate change: "Southern and South-East Europe: (Portugal, Spain, S. France, Italy, Slovenia, Greece, Malta, Cyprus, Bulgaria, S. Romania) The Iberian Peninsula will be most affected by droughts, with yearly rainfall dropping by up to 40% of current annual precipitation. Annual mean temperature ncreases throughout Southern Europe and the Black Sea region would be in the order of 4-5°C. Less precipitation and much warmer temperatures will lead to higher risks of water scarcity, droughts, heat waves, forest fires, biodiversity losses, soil and ecosystem degradation, and eventually desertification. More violent spells of rainfall will increase erosion, loss of organic matter from soil, and risks of flash floods. Less water will be available for hydropower and for cooling thermal power plants, particularly during hot summers. The risk of power disruptions will rise as the summer heat pushes up demand for air-conditioning. Agricultural yields could drop sharply as temperatures rise and water becomes scarcer. Yield losses could range from 10 to 30% in many large areas of the South. Tourist resorts could become too hot for summer holidays and tourism may shift to spring and autumn. Heat-related deaths could kill thousands of people prematurely every year: 30-55 additional deaths yearly per 100,000 persons in vast areas of Southern Europe."

The case of waste management

The natural environment of Cyprus is unified through interconnected and interdependent ecosystems and no line on a map can prevent the consequences of environmental degradation travelling from one community to another. The interconnections between the two communities can be exemplified by the issues of processing waste on the island. To date the creation of duplicate waste treatment systems (with the notable exception of the Mia Milia WWTP) for the two communities' various waste streams shows how environmental considerations can be complicated. The quantities of waste generated by each community is relatively small in terms of management and processing and this makes it difficult to develop cost effective management systems which can reach break even levels. If the waste products of each community were combined, treatment and recycling facilities could be managed more efficiently and made more financially viable. Practical examples of this kind are the treatment of used lubricants, the recycling of tyres and of car batteries. In the search for a site for a waste processing plant that could serve both Greek Cypriots and Turkish Cypriots the entire island must be seen as a unified whole. An integrated project of this type does not have to be situated on an arbitrary line on a map but rather located where it will make the best contribution to solving an island-wide problem with the minimum of negative impact, while benefiting both communities and the environment of the island as a whole.

Box 3.2 Blue Flag

The Blue Flag label is a certification system awarded to beaches (private or public) which fulfill the following criteria.

- Environmental Education and Information
- Bathing water quality
- Environmental Management
- Safety and services

There are currently 49 beaches in Cyprus, which have the certification and their number has increased steadily since the introduction of the scheme about twenty years ago.

The Cyprus Tourism Organisation and the Cyprus Marine Environment Protection Association (CYMEPA) initiated the introduction of the scheme to Cyprus in 1995. Since then the number of award winning beaches on the island has increased steadily. In 1996, Cyprus had 11 Blue Flags, 29 in 2000, and 49 in 2006.

The awards were launched in 1987, and they are given to beaches and marinas which fulfill specific criteria regarding the quality of bathing water, beach area management, safety and environmental education and information. The Blue Flag awards provide an incentive for local authorities to maintain beaches and upgrade their quality every year. The steady increase is evidence of the importance given by municipalities and hotels on the coast to the benefits of taking care of the environment that generates their income.

Box 3.3 Green Dot

Green Dot (Cyprus) Public Co. Limited was established in 2003 as a non-profit, private company whose main objective is to manage, on behalf of manufacturing and importing companies in Cyprus, their responsibility to recover and recycle all packaging materials they place into the local market. This is a need created as a result of harmonisation with the EU and more specifically by the Directive 94/62/EU on Packaging and Packaging Waste.

The Company is in the process of establishing the system and receiving approval for its operation. Due to this process it has entered into a consultation agreement with Fost Plus of Belgium to utilize the knowledge and experience of one of the most successful packaging recovery organizations in Europe.

Box 3.4 Organic Farming in Cyprus

In recent years, increased consumer demand for healthy produce, and increasing non-sustainability of conventional agriculture, have encouraged the agriculture sector to consider the option of organic farming, within the framework of EU Council Directive 2092/91/EEC. Various groups and associations have been formed to support this trend:

The Cyprus Organic Producers' Association (Greek Cypriot Community, 2000)
Organic Life and Farming Association: ORYAT (Turkish Cypriot Community, 2005)
Cyprus Organics Advisory Group (bi-communal, 2005)

According to the 2006 report "The World of Organic Agriculture", Cyprus has 1,018 hectares of land under organic farming, which is 0.71% of the total agricultural land (as compared to 13.53% in Austria, 6.22% in Italy, 4.39% in the UK, 2.72% in Greece, 1.05% in Israel, and 0.72% in Egypt). In 2006, according to the same report, Cyprus had 225 organic farms (as compared to 36,639 in Italy, 19,826 in Austria, 4,010 in the UK, 8,269 in Greece, 810 in Estonia, 500 in Palestine, 400 in Israel).

Box 3.5 Other Practical Examples of Business behaviour regarding the environment

In two examples, large land development/construction companies resisted the idea of making basic provisions in their new designs for water conservation measures and for energy minimization because they feared increased costs. A consultant provided them with a cost – benefit analysis of the scheme. After an initial gestation period both companies decided to incorporate measures which would facilitate the implementation of water conservation measures at a later stage making it much easier. They also decided to reconsider the use of thicker insulating brick in their external walls. However efforts to make them consider the selective use of modern adobe walls failed as they appeared to them as not “modern enough”.

In two other cases, a dairy and an industrial laundry implemented counter current washing and recycling as very effective means of reducing water and energy costs. Reducing daily consumption of the resource resulted in dramatic cost reductions. Both received the advice at the planning stage. What made them receptive to the ideas were the high water and energy bills and the very visible prospect of price increases in these basic resources in the foreseeable future.

In another example one company owner explained the value of paying attention to the environmental impact of his operations: “if I invest in financial aspects only and if I ignore the environmental and social issues, then my bad operational practices will harm the environment, people will get angry and irritated so this problem will gain social attention. The Turkish Cypriot Community is a small place so news of the problems caused by my company to the environment will spread, with the following consequences:

- a-if I am a construction company no one is going to buy homes from me
- b-if I am in the tourism sector, clients will stop coming to my hotel or tourism establishment
- c-If I am in the agriculture business, I will not be able to find local markets for my products, and so I have problems selling them, so I lose money
- d-if I am in the transportation and distribution sector, I will divert people from being my clients and they will surely find an alternative solution.”

This example shows both the wider and the narrower picture, but unfortunately few companies have reached this degree of awareness.

Another example for one well known company relates to implementing ISO 14000 standards. The company’s project coordinator stated that it was a burden on the company, because as they are trying to be compliant with ISO 14000 standards, extra money is being spent for this purpose and the most frustrating issue for this company is the fact that other companies from the same sector would not do anything. The kind of complaint that arose was, “Why am I paying extra money and losing from my profit while trying to save and protect the environment?”. This situation was faced in almost every sector, because now it is a challenge for the companies to be compliant with the ISO standards, however almost all the companies implementing the ISOs had the same concern: the authorities must regulate and audit companies who are not compliant with the ISO 14000 standards, and these companies have to get serious penalties, in order to stop unfair sector competition.

CHAPTER 4

EXPLORING THE GAP BETWEEN KNOWLEDGE AND ACTION

The companies sampled for this report came from the sectors of Tourism, Transport, Food and Agriculture and Building and Construction. The firms selected for the survey were fairly large and well-known, with the assumption that (a) if they are not aware of the principles of Global Compact then smaller firms are unlikely to be so, and (b) if they are aware then they can be used as case studies and examples for the smaller firms. Thus larger companies have the potential to be “Champions” of the Global compact and other corporate social responsibility values.

The 52 companies of the data set employ a total of 6,635 employees. From the 52 companies, only 19 gave data on their annual turnover. These 19 companies (employing a total of 2,518 employees) have a total annual turnover of about US\$ 338 million. The oldest company of the data set was created in 1935 and the most recent in 2004. The distribution of these companies in the various sectors is given in Figure 4.1 and Figure 4.2 below. It is to be noted that three companies from the Turkish Cypriot Community sample had already subscribed to the principles of the Global Compact.

It will also be noted that Cyprus is viewed as an integrated set of interdependent ecosystems. This may confuse the reader approaching the subject from an economics point of view, since it is clear that the economic situation of the Greek Cypriots is not the same as that of the Turkish Cypriots, and that the influence of the EU acquis communautaire on decision-making is higher for Greek Cypriot businesses. However, from any point of view, but in particular from the ecological point of view, it does not make sense to treat the two communities as separate entities, since Cyprus is essentially composed of interlinked ecosystems which are not neatly divided along the buffer zone. Air pollutant emissions, no matter where they originate, will affect the entire island, as will water shortages. Moreover, the environmental problems faced by both communities are essentially the same (water shortages, erosion, pollution etc.) and therefore require integrated island-wide solutions. In fact, some of these solutions might present trading opportunities between the communities (e.g. whey from the Turkish Cypriot Community could be useful for Greek Cypriot pig farms). Thus, unless we want to treat environmental considerations as externalities, it is necessary to consider the island as a whole, rather than to try to set artificial boundaries on the impact of business on the environment.

Figure 4.1

Company Distribution for Companies run by Turkish Cypriots

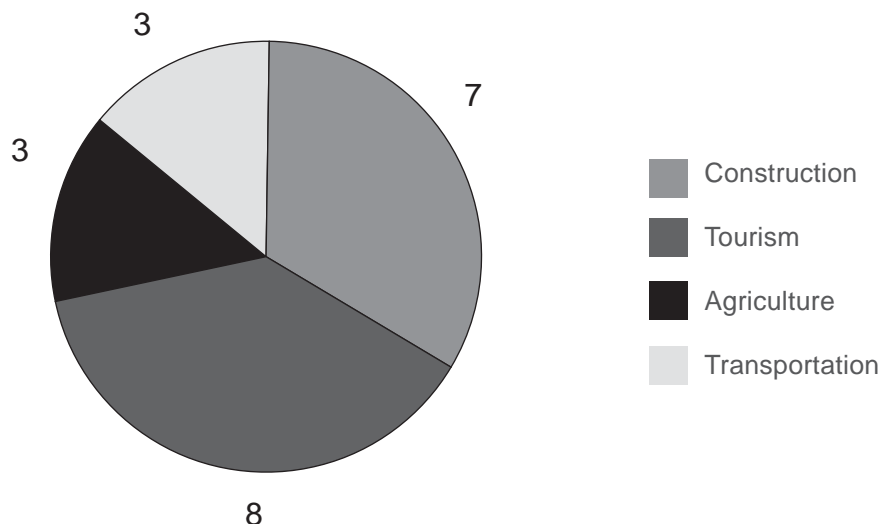
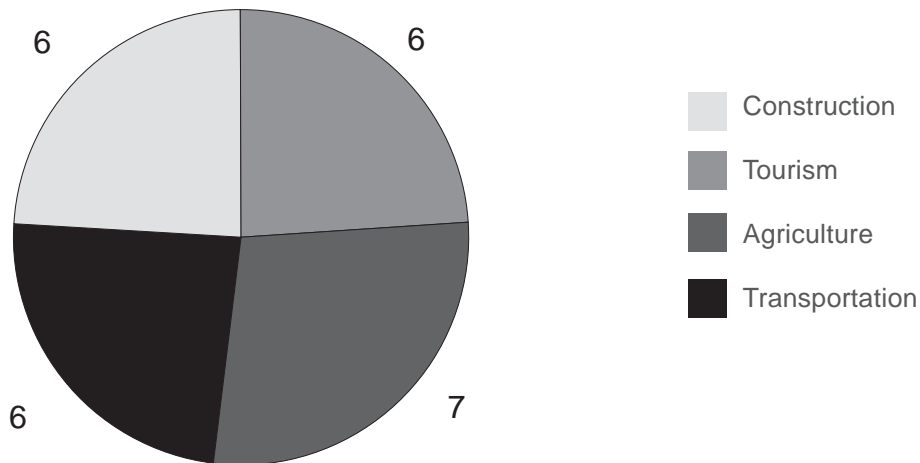


Figure 4.2

Company Distribution for Companies run by Greek Cypriots



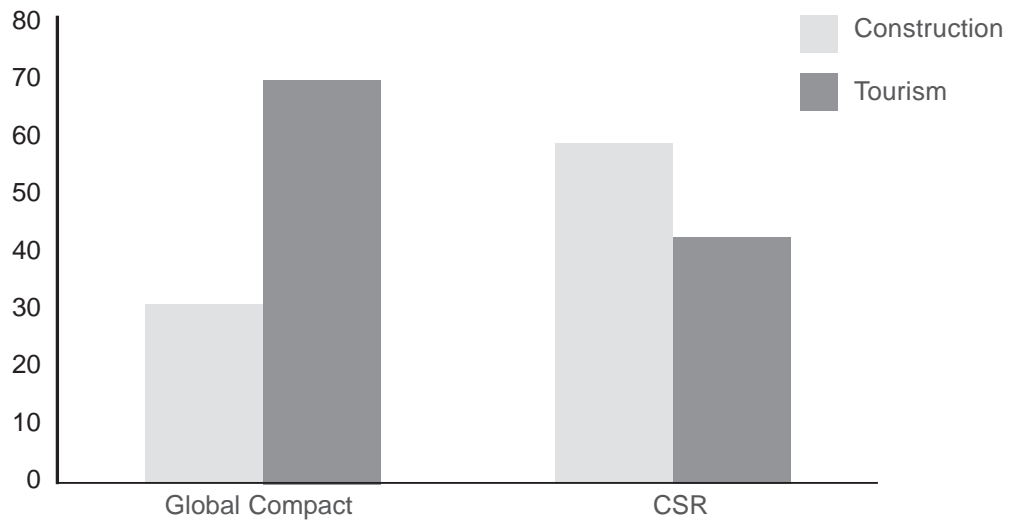
Level of awareness about the Global Compact

The survey results showed that very few top managers knew about the Global Compact (Figure 4.3). This is confirmed by Phase II of a survey (Annex 5) undertaken by RAI on the behalf of UNDP on corporate social responsibility in May 2007. That survey, which examined a broader range of companies, nevertheless confirmed that only 20% had heard about the Global Compact or the principles of Corporate Social Responsibility, with large companies being more aware than small and medium enterprises.

This is probably due to the relatively low exposure of the Compact to Cypriot companies. Indeed, this finding did not necessarily indicate that Cypriot business leaders are unaware of the importance of certain social issues in business but rather that they do not know that these have been codified by the UN Global Compact and the other Corporate Social Responsibility initiatives and movements. This was demonstrated by the fact that more businesses have heard of CSR than the Global Compact. For the question “Have you ever heard of the U.N. Global Compact Initiative?” 31% of the companies in the data set declared that they know the Initiative, while 69% of them have never heard of it. On the other hand, when asked “Have you ever heard the term Corporate Social Responsibility?”, 58% of the companies replied positively and 42% of them negatively, indicating a significant familiarity of the companies with the concept of CSR. This can be explained by the fact that the UN Global Compact is not the only initiative promoting CSR (the EU, for example, has its own set of CSR guidelines).

Figure 4.3

Familiarity with the Global Compact and the CSR



Level of awareness on environmental issues

Cypriot businessmen are more aware of environmental issues and this awareness seems to have been created by prolonged exposure to information from the international community, especially regarding the *acquis communautaire* and the flood of new harmonized EU legislation on the protection of the environment. The large sums of European funds earmarked for the improvement of the environment in Cyprus have also helped in making enterprises look at the opportunities for grants and subsidies for environmental improvements as well as investment opportunities in environmental or so-called “green” businesses. Phase II of the CSR survey mentioned above (Annex 5), however, revealed that only 32% of those interviewed knew about the environmental principles of the Global Compact (and even then, they were not necessarily aware that these principles were those of the Global Compact). There is a discrepancy here between the businesses run by Greek Cypriots and those run by Turkish Cypriots - in the former there is greater awareness (42% in 2007) than in the latter (30% in 2007). An interesting detail is that there is a strong degree of compliance with the three Global Compact Environmental principles, whether or not the company was aware of these principles as stated by the Global Compact.

In order to ensure the island-wide impact of the EU environmental *acquis communautaire*, the EU TAIEX missions are working for the preparation for the implementation of the *acquis communautaire* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol No.10 of the Act of Accession.

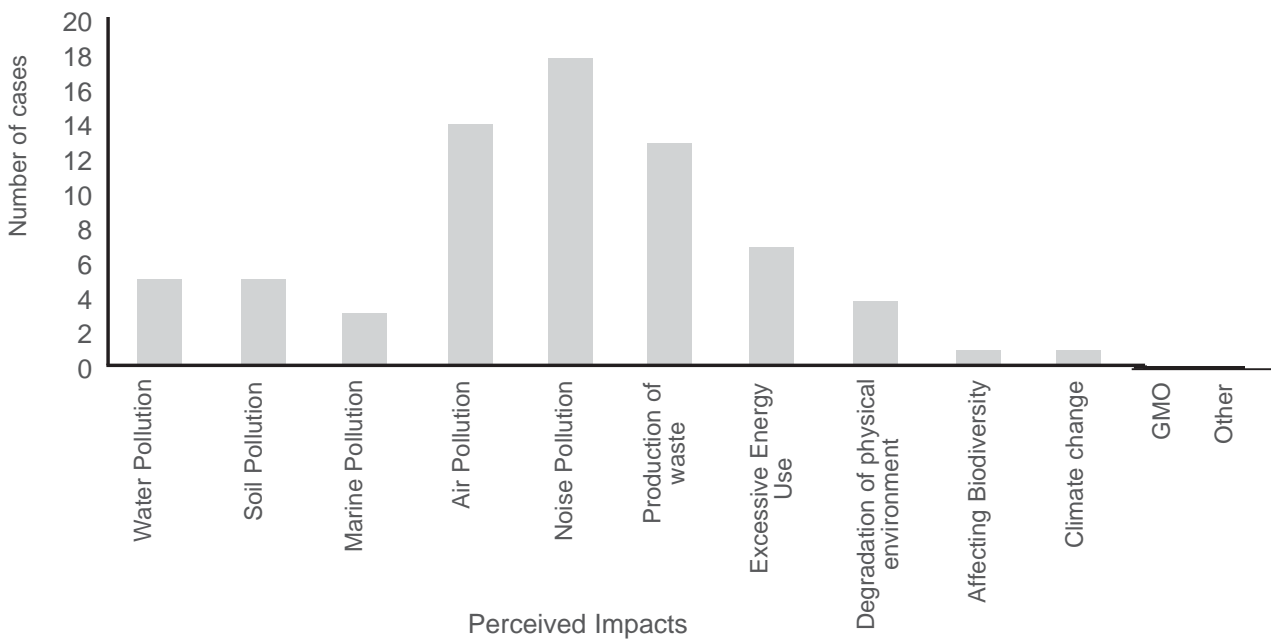
Slightly more than half of the companies (55%) in the data set believe that their activities are causing an environmental impact, while a considerable number (45%) think that their activities are not causing any environmental impacts. A recent survey by PriceWaterhouseCoopers³ (PWC) found that only 23% of companies believe that their

3. Respondents in the survey were 225 companies, broken down into various sectors, such as retail (21%), import and export (10%), property development (9%).

activities have a negative impact on the environment, but maybe that different figure emanates from the fact that the PWC survey was focussing mainly on the retail sector, which was not analysed here. A survey by RAI, on corporate social responsibility, which was conducted in parallel to the Global Compact Environment Survey, reported that only 6% of companies interviewed felt that their business had no impact on the environment. But the RAI survey covered a wider range of sectors, such as financial/banking, manufacturing/construction, trading, tourism/catering, media, transport, IT services/communications, shipping etc.

Of the 24 companies that believe they are causing an environmental impact most of them believe that these are related with noise pollution, air pollution and production of wastes (Fig. 4.4). It is interesting to observe that only 3 of them believe that they are affecting the marine environment (in an island!) and only one of them admits that they affect climate change and only one admits to having an impact on biodiversity.

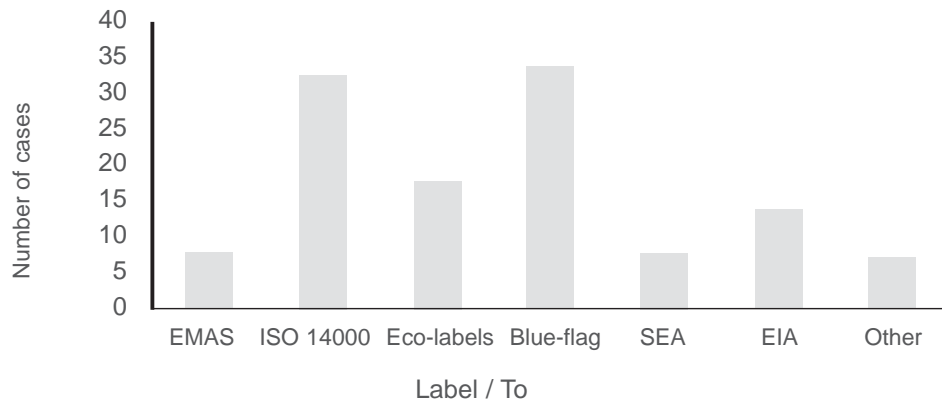
Figure 4.4
Areas of Impacts



Almost three quarters of the companies in the data set know of the ISO 14000 environmental standards and the Blue-Flag label. Significantly fewer companies know other environmental labels or tools (Fig. 4.5).

Figure 4.5

Knowledge of Ecolabels and Environmental Tools

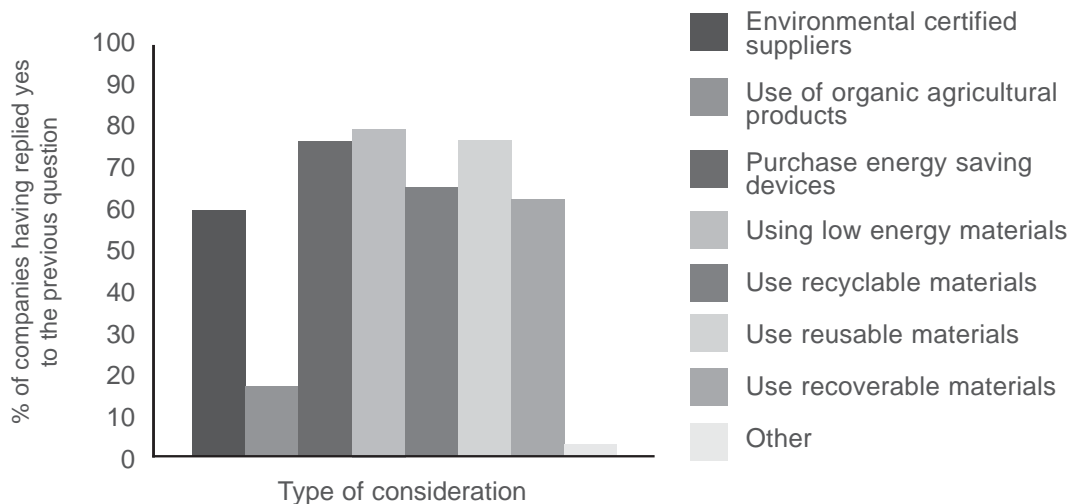


The importance of the environment in business decision-making

The majority of the companies in the data set (80% or 35 companies) state that they include environmental considerations in their purchasing decisions. These considerations are related with the use of low energy materials (28 companies)⁴, the use of re-usable materials (27 companies), the purchase of energy-saving devices (27 companies), the use of recyclable materials (23 companies), the use of recoverable materials (22 companies) and the use of environmentally certified suppliers (21 companies). In a similar manner, 75% of companies state that they are including environmental considerations in their production decisions (Figure 4.7), again with a focus on energy, water and waste (but also noise reduction). Phase II of the UNDP/RAI survey (Annex 5) confirms that companies actively participate in energy conservation (66% in 2007) and recycling (62% in 2007). However, according to the UNDP/RAI survey, companies also try to reduce pollution prevention (72% in 2007).

Figure 4.6

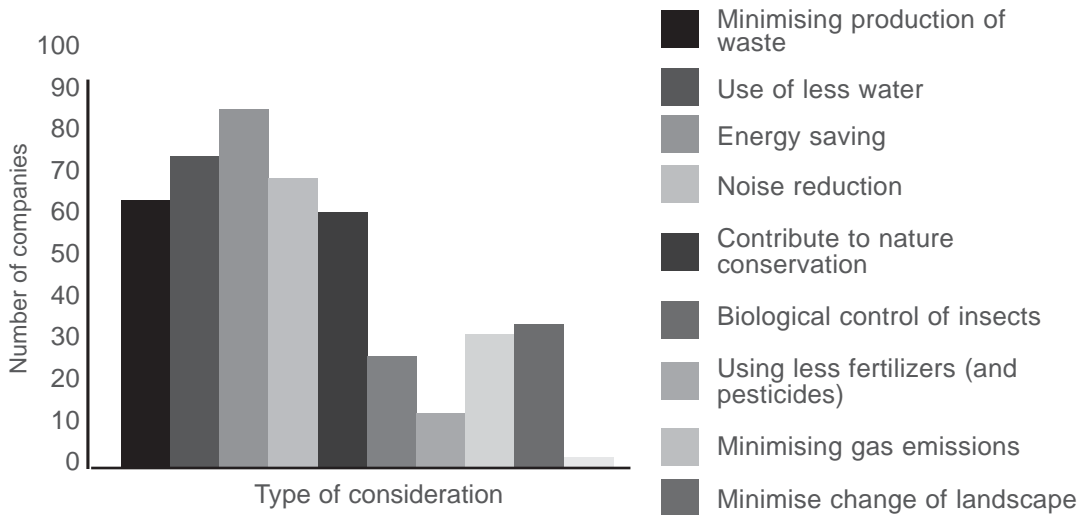
Environmental Considerations of Purchasing decisions



4. Energy-savings similarly featured prominently in the RAI survey as a measure to reduce environmental impact

Figure 4.7

Environmental Considerations on Production decisions

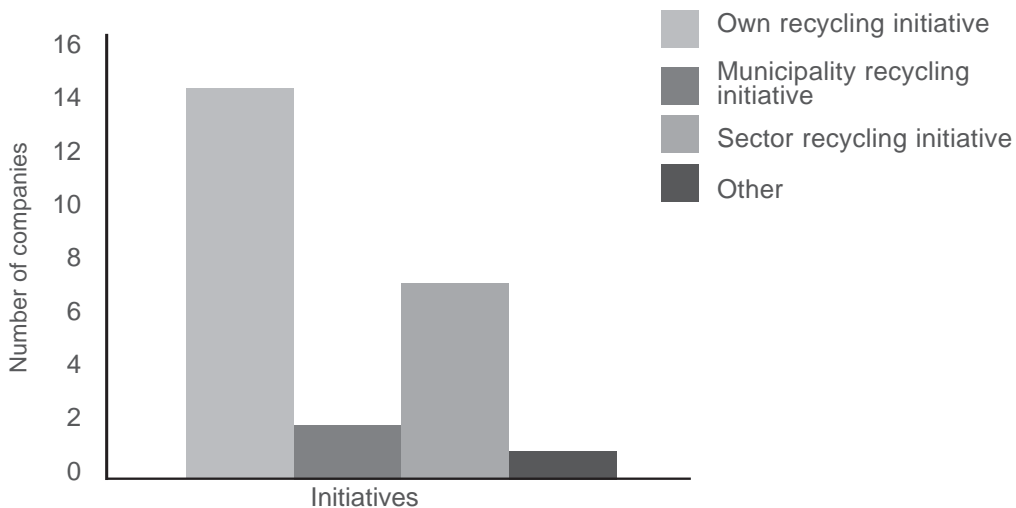


Half the companies in the data set (51%) participate in recycling initiatives⁵, with most of these companies initiating their “own recycling initiative” (Fig. 4.8). This participation in waste minimisation and recycling is confirmed by the UNDP/RAI survey Phase II (Annex 5), where, for example, in 2007, 62% of respondents said they tried to reduce environmental impact in terms of waste minimisation and recycling.

In spite of these positive approaches and attitudes to environment-friendly practices, the environment continues to feature as an “after-thought” for most companies and environmental considerations are a low priority in the business decision-making process.

Figure 4.8

Participation in Recycling Initiatives



5. This particular session was devoted to energy issues

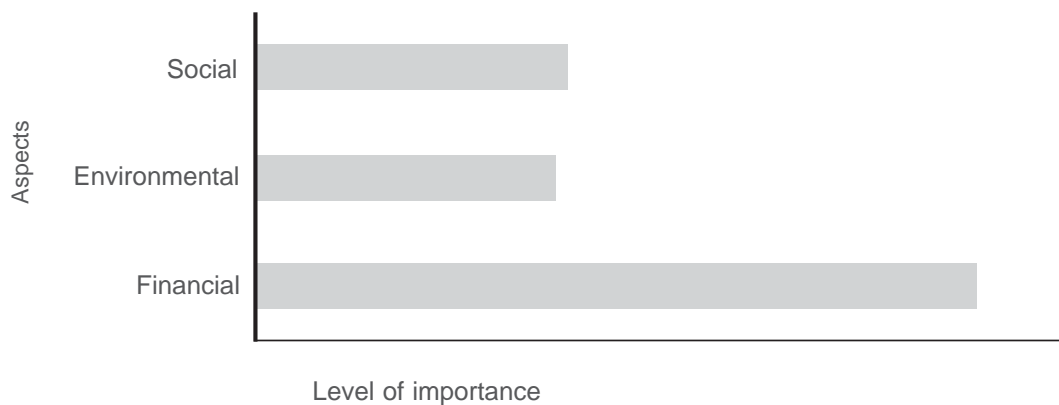
Similarly, Phase I of the study undertaken by RAI on the behalf of UNDP on Corporate Social Responsibility (see Annex 4) found that many companies claimed to “support” the environment, but in reality had no planned budget specifically for this purpose. In Phase II of that study, these suspicions were confirmed, when 48% of respondents admitted that they had no budget for Environmental Responsibility, and 23% didn’t know if they had a budget for Environmental Responsibility!

Figure 4.9 and the UNDP/RAI survey (Annexes 4 and 5) confirm that the environment and social considerations continue to be out-ranked by financial prerogatives. In general terms this is explained by the fact that the average businessman has been conditioned to think “short term”. Long term benefits are difficult to predict and quantify and hence require a businessman to show extra courage in applying scarce funds to ensure long-term environmental sustainability. The notion “Think Globally, Act Locally” has not been internalised by business decision-makers to make the extra efforts that may benefit future generations in the long term. This is most evident in the construction sector where the energy consumption of buildings and the environmental cost of operating buildings is not even a matter for discussion for most in the sector. It would be valuable to conduct research into the actual commitment of businesses towards the environment in financial terms.

Willingness to implement environmental responsibility principles

Figure 4.9

Influence of financial, environmental and social consideration in the decision making process



The majority of the companies in the data set (89%) say they are ready to invest in environmental actions even if the benefit is long-term. A similar group of companies (82%) are aware that by taking no action for tackling the environmental impacts they cause, they are creating a social cost that indirectly affects them. This apparent awareness and apparent willingness of business, in principle, to take actions to minimise environmental impact, is at first glance, confirmed by their actions. According to the recent survey by PriceWaterhouseCoopers, 70% of respondents stated that their company is taking actions to minimize environmental pollution, while Phase II of the UNDP/RAI survey, showed that 72% of respondents claimed to be taking pollution prevention measures, 62% are

recycling, and 66% are trying energy conservation measures. However, it is unclear what those actions really are. In fact, only 40% of the companies in the data set claimed to already participate in environmental protection initiatives, which seems far less than the proportion in the UNDP/RAI and PWC surveys. However, the lack of clarity of the data on this subject is probably the result of confusion by the business community on how to define “environmental initiatives”. The UNDP/RAI survey (see Annex 4), does indeed suggest that although companies “support” the environment, they have neither a clear plan nor a strategic vision on how to do so. Similarly, the PWC survey confirms that only 53% of companies view environmental issues as strategically significant to their organisation in the next five years.

The apparent discrepancy between embracing environmental practices such as recycling, conservation of water and energy and minimizing waste, with the low importance given to environmental considerations in the business decision-making process (Fig. 4.9), is probably due to the fact that most businesses only adopt environmental corporate responsibility if they are forced by law to comply with the current legislative requirements. This suspicion is confirmed by Phase II of the UNDP/RAI survey (see Annex 5). When asked why they have no budget for environmental responsibility, 76% of respondents answer that this is because there is no law enforcing it. So legal obligations seem to be a crucial factor determining the scope and extent of environmental responsibility actions.

Another reason why companies would be interested to invest in environmental responsibility is to save costs. Almost half of the companies in the data set (49%) think that the impact of taking measures towards making their business more environmentally friendly will be average; 36% think that the cost will be small and 15% that the cost will be high. Three quarters of the companies in the data set (74%) believe that by taking voluntary actions, they will be contributing towards the reduction of the indirect costs, while the remaining 26% does not share this opinion. In Phase I of the UNDP/RAI survey (Annex 4), 68% of respondents agreed at least in part that they could save money by reducing environmental impact, hence confirming that there is an understanding among business leaders of the financial rewards possible in being “green”. In Phase II of that survey (Annex 5), one of the top three reasons for environmental responsibility, as stated by the respondents, was “it’s a long term investment”. Nevertheless, as mentioned above, enterprises include in these “cost savings” the avoidance of penalties or fines that they would otherwise pay if they were in breach of environmental compliance legislation. This is demonstrated by the PWC survey, in which 68% of respondents were aware of their legal liabilities. We can speculate that they are including environmental considerations in their purchasing decisions, such as energy saving devices and low energy materials because this also lowers their cost.

Surprisingly, consumer demand is not a major factor in encouraging corporate environmental responsibility. Almost half of the respondents (52%) state that their customers are not demanding any environmentally friendly products. However, when Cypriot consumers are asked about these issues, their response is different. For example, in the recent Eurobarometer survey on the attitudes of citizens towards the environment, 91% of Cypriot respondents agreed with the statement: “In your opinion, should policy makers consider the environment to be just as important as economic and social policies?”, and 47% considered buying ecologically-friendly products, even at a slightly higher price, as the main thing they as consumers could do for the environment. Those Cypriot companies that do follow the principles of environmental responsibility can lead the way to educate other businesses, because they are aware that investing in environmental responsibility is “good for the company’s name” (Phase II of the UNDP/RAI survey).

Reasons why some businesses might not apply environmental responsibility principles

Lack of pioneers to lead the way

One reason that companies might not consider environmental responsibility is if nobody is leading the way. In Phase II of the RAI survey, when asked why they have no environmental responsibility budget, 52% answered “because nobody else does it” and 28% said “we never thought of it”. There is therefore a strong need for environmental corporate leadership in Cyprus.

Lack of awareness

Many companies are not aware that the environmental responsibility principles have been codified as a set of rules governing the ethical behaviour of businesses. In this respect each environmental principle could be turned into typical DOs and DON'Ts lists to aid each business person to understand the way in which he/she can address the generality embodied in a one line statement, respecting in this way the lack of time and the willingness of a business person to address issues he/she considers of low priority. In addition, they may not be aware or convinced of the business case argument. This approach highlights environmental measures in core business as a matter of resource efficiency, which can be addressed in a manner that improves the operational performance and financial performance of the business. This approach, however, requires training on the “how” and awareness of new business models that show a longer term, strategic approach.

They may believe that their contribution is insignificant compared to the magnitude of the problems.

One slogan of the Green Movement is “Think globally, act locally”. While the term “globally” is more or less understood somehow through exposure to the daily news about extreme climatic phenomena it may not be equally obvious how switching off an unneeded light could be a personal contribution to Earth’s environmental protection. And more particularly while switching a light off can be done without cost, replacing an incandescent lamp with an economy fluorescent lamp requires some small personal sacrifice. Indeed, it is not always evident to people of the long term benefits of small investments taken in the short term. One can only look at company financial statements done on an annual basis, to see that there is no way to assess the benefits of small investments over a long period of time.

The argument for a broader economic view

The main mistake of economists and business leaders worldwide is to treat the environment as an externality, whereas in reality, depletion of the natural environment should be factored in to economic models as a cost, similar to the cost of depreciation of equipment, or depletion of resources (e.g. Dasgupta, 2007). According to Phase II of the UNDP/RAI survey, the companies which do have a budget for environmental responsibility are fully aware that their company depends on a healthy environment. These companies could form the core of a pioneering environmental leadership drive in Cyprus.

Another mistake is to compare renewable energy investments with the cost of electricity from conventional sources. When the price of conventional fuels rises, so does the cost of electricity and the cost of introducing Renewable Energy Sources (RES). The classical

economic analysis invariably reaches the conclusion that RES is not yet financially feasible. In fact analysts have been reaching this conclusion for years and the world has been in this trap for decades. If the economics are ignored (within reason) and one went forward with a personal sacrifice and installed, say PV roofs on ones house one could make a dent in the electricity production graph from conventional power stations. If one waited until the economics become favourable one can never escape the trap. In addition, the removal of environmentally-unfriendly subsidies might help tip the financial balance sheet in favour of renewable energies and energy efficiency, a theme much discussed at the 15th session of the Commission on Sustainable Development in New York, in April/May 2007⁶.

A third problem is the widely-held myth in business circles that consumers do not care for environmentally friendly products. As discussed above, this is not the case, although it is indeed unclear if consumers would actually implement their stated willingness to pay more for environmentally-friendly products in practice.

Finally, companies also seem to assume that they cannot obtain a competitive edge from sustainable products. This is made abundantly clear in Phase II of the UNDP/RAI survey, where in 2007, only 39% of companies answered a clear “yes” when asked if the sustainability of their products could be advantageous. Although many companies are aware of the costs in being environmentally responsible, few are aware of the existing subsidies for environmental responsibility (54% only, according to the PWC survey).

Fear of commitment and the perception that commitment leads to a lack of flexibility in business decisions, particularly those that add costs to their operations.

The aversion to commitment particularly when it involves costs which are difficult to justify in the short term context of business accounting, is not only a characteristic of the Cypriot businessman. The Global Compact as well as the more specific environmental scheme EMAS⁷, require longer term commitment which it seems not many will be willing to take. Important here may be defining options that show results in the medium term (e.g. 4-8 months), as opposed to just contrasting short and long term.

Lack of strategic thinking and lack of understanding of what productivity actually means⁸.

This deficiency does not allow Cypriot SMEs to think creatively and they are trapped into just counting items. A tool to assist them in getting out of this trap is needed. Experience shows that training seminars on subjects dealing with increasing sales and improving collections' efficiency are always oversubscribed while those dealing with cost reductions, loss prevention and production efficiency improvement have difficulty in attracting enough participants. It is especially noteworthy that micro enterprises are pressed for time to attend seminars in general. Training seems also to suffer from the same problem as environmental protection issues. Business leaders understand the importance and need for improvement but the respective actions have low priority on their daily agendas. Cypriot SMEs need to start thinking in terms not only of products but also services that go with them. For example, providers of chemicals for agriculture can teach the farmers how to more efficiently use the chemicals they are sold, instead of using them for the wrong

6. This particular session was devoted to energy issues.

7. EMAS stands for Environmental Management Audit System

8. (NB Productivity defined as the ratio of monetary outputs to monetary inputs, is generally thought that it can be increased by increasing outputs (sales). Few business owners, particularly of SMEs, understand that they can increase productivity by minimizing just input (losses) or even better maximize outputs while minimizing inputs at the same time. The latter requires “working smart rather than working hard”).

purposes. This will lead to the farmers as customers being more satisfied, but also will reduce the damage done to the environment by inappropriate use of chemicals. Moreover, it is always to the benefit of companies to diversify their product range. There is no reason why agricultural chemical providers cannot make a profit by also selling biological control products, for example. There is thus a need to change the focus beyond short term sales figures to longer-term market opportunities and customer loyalty.

SMEs feel that they are overwhelmed by bureaucracy

The current environmental checks and balances in law and practice i.e. the protection mechanisms and whether these are being enforced and if not why not, are discussed further below. There appears to be a general shortage of enforcement infrastructure and manpower. There just are not enough resources to keep track of what each enterprise, particularly industry, is doing for the environment, including the basic requirements of obedience to the laws, to the degree that these exist. Increased monitoring and policing is a necessity in order to increase the cost of not conforming and thus help in the change of attitude through risk management, i.e. in order to minimize the risk of receiving a fine a business will perform as prescribed by the law and thus be more profitable by minimizing financial loss (in fines) over time. This of course is the “stick” side of a “carrot and stick” policy. The “carrot” part, which can be more effective in the long run, is for any business to see the benefits to itself of being environmentally more responsible. This can be done through market forces and through customer demands interpreted in a way that sensitizes their concern of the environment.

Perception of environmental priorities

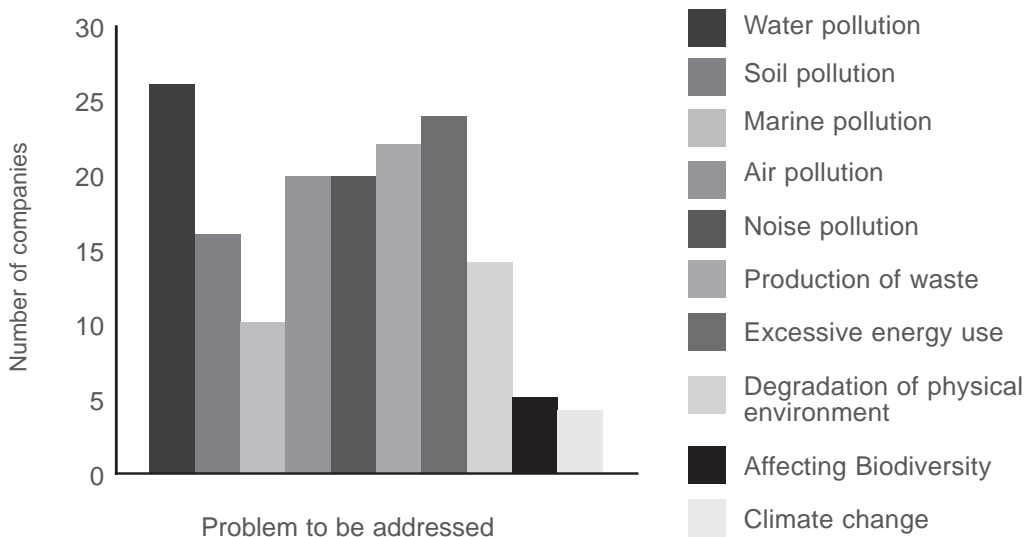
Nearly all respondents surveyed for this report are aware of the main environmental problems of Cyprus. In terms of prioritising their investment in environmental protection, it seems that business leaders favoured action on water pollution, energy use, production of waste, but did not really consider climate change or biodiversity as priorities (Fig. 10). Energy and waste reduction (e.g. recycling) also comes top of the list in Phase II of the UNDP/RAI CSR survey (Annex 5), whilst climate change and pollution were not ranked so highly in terms of investment. From the discussion above, it can be presumed that the reason those two factors are a priority is that businesses cannot function without clean water or electricity, and can save costs by reducing water and energy consumption. Similarly, companies can save costs by re-using materials such as paper. To a certain extent, this is confirmed also by Figures. 4.6 and 4.7 (environmental priorities in purchasing and production decisions). In contrast, climate change and pollution are more intangible concepts and the direct link with the productivity of the company difficult to understand.

In contrast, the recent Eurobarometer survey found that in Cyprus citizens see climate change, water pollution, the health impact of chemicals, air pollution as their main priorities. It does seem that businesses and citizens do agree on the issue of water pollution. The PWC survey of businesses, meanwhile, found that the companies interviewed ranked air pollution, waste management and water issues as the main problems, in that order⁹. This would explain why, according to Phase II of the UNDP/RAI survey, 72% of companies interviewed are engaged in pollution prevention measures.

9. However, it must be borne in mind that the PWC survey focussed on the retail sector, and that they did not interview companies owned by Turkish Cypriots, so the results are not directly comparable.

Figure 4.10

Priorities for environmental investment



Perception on the Global Compact principles and other environmental initiatives

The survey shows that businessmen have little or no knowledge about the Global Compact environmental principles. Other environmental standards such as ISO 14000 and EMAS are a little better known because of market pressures and advertising. The ISO standards in particular have very good recognition globally, showing greater brand recognition in international business and trade. According to the PWC survey mentioned earlier, 62% of businesses feel that implementation of ISO 4001 and EMAS standards could help their company in managing environmental issues.

An exception is a group of Turkish Cypriot business leaders who had the chance to participate in an awareness programme about the Global Compact. Some of them were prompted to join in the action but it seems that the lack of understanding of the seriousness of the commitment created a negative overall effect. It is this public commitment and reporting which is the foundation for successful implementation of the Global Compact worldwide.

One factor which must not be ignored is the size of businesses. The small size¹⁰ and consequently the small turnover of most businesses do not afford them the luxury or time to consider issues that they regard as secondary. So long as the environment is regarded as a secondary issue it may not feature prominently in the decision-making process of business. It will take much effort to show the benefits, especially in the short term, for taking the environment into consideration.

Unfortunately, short term financial benefits can only be created by a mechanism of avoiding financial losses incurred by fines and punishment in the market. When the cost of doing things right is less than the cost of doing them wrong, then it appears rational to

10. According to the Global Compact rules, companies with less than 10 employees will not be entered into the database of participating companies (see the FAQ in the Global Compact Website)

move in the direction pointed to by society and its formal and informal instruments. At the moment it seems less costly to pollute and waste resources rather than make expensive investments for long term benefits.

Business and Society Interactions

Level of demand for environmental products from the consumers

In response to the question whether the customers are demanding environmentally friendly products and how the businesses react, the answers were mixed with the overall conclusion that if customers demand environmentally friendly products they try to satisfy them but they depend on their suppliers. Some of them think that the customers are not aware about environmentally friendly products. Nevertheless, nearly half of the companies (49%) believe that customers are demanding environmentally friendly products and services. Thus there may be a perception that customers are indifferent to environmental concerns, which would explain another reason for the minimalist, compliance approach to CSR by Cypriot business. However, the Eurobarometer survey shows that in reality 91% of Cypriots believe that environment should be taken into account in policy-making, alongside economic and social considerations, and Cypriots are particularly environmentally aware when compared with the rest of the EU. Moreover, it seems as if business is waiting on the consumers, whereas the consumers are waiting on business to take the lead in environmental responsibility. For example, still according to the Eurobarometer survey, when citizens were asked why they don't make more efforts to protect the environment, a significant proportion (19%) of Cypriots answered "it does not have an impact as long as the big polluters (corporations and industry) do not do the same". There is therefore a need for dialogue between business and the citizen.

The response to the environmental demands of customers, when such are manifest, seems to be rather passive, with almost all respondents mentioning that they purchase environmentally friendly products if they can find them at reasonable prices. Businesses do not seem to actively seek environmentally friendly products as part of their purchasing policy.

The role of intermediaries

Intermediaries, are suppliers and subcontractors. In response to the question about their role, most respondents replied that it is important but they did not seem to understand the role of each part of the supply chain. For example, some of the companies think that this is not applicable for their sector. A supplier and a subcontractor will supply what was asked for by the buyer (the business) which is not necessarily what the customer demands. Some of the companies complained that they could not get enough help on this subject.

Of course as consumers are becoming more sensitive, the business acumen of the Cypriot businessman will act as to bring to the market environmentally friendlier products. At first they may appear as alternative options but slowly they will replace the non-friendly product. The customer can also demand better quality products which last longer thus avoiding resource waste which is associated with cheap throw away products.

"The polluter pays" principle

All respondents agree that the polluter should pay. Again the replies were rather passive and superficial because no one seemed to comment that they themselves were at least indirectly a polluter as consumers of goods, services and energy. Any consumption

above real needs contributes to avoidable waste and its associated pollution. The polluter pays principle is applied in most recent projects implemented by companies run by Greek Cypriots, such as increased fees for refuse collection and packaging, operated through the Green Dot System whereby manufacturing companies are charged a quantity based fee for all their packaging which contractors are paid to collect and recycle. On the other hand the polluter pays principle is not implemented by companies run by Turkish Cypriots.

CHAPTER 5

CONCLUSIONS & RECOMMENDATIONS

Overall conclusion

The overall conclusion which can be inferred from this Report (but which will require confirmation through further research) is that most industries only pay lip service to the environment and take action under only two kinds of conditions:

- (a) If required by law (regulatory pressure)
- (b) If everybody else does it (peer pressure)

Thus much still needs to be done to align the knowledge which does exist about the benefits corporate environmental responsibility and the actions needed to create a more deeply rooted culture for sustainable business, which derives from a societal consciousness, and does not only respond to the blunt instruments of legal observance. As this report shows this is an islandwide concern and taking actions to protect the environment is only feasible if undertaken through islandwide actions. Thus, apart from the normal concerns of addressing the sustainable use of the natural resource base, the embrace of a “Green Business” culture can act as a powerful and mutually beneficial tool for building trust and channels of cooperation between the Turkish Cypriot and Greek Cypriot communities. Thus the knowledge, global networks and opportunities provided by participation in the Global Compact may offer Greek Cypriot and Turkish Cypriot business leaders a common professional platform from which to expand their commercial networks while acting in the interest of environmental sustainability and reconciliation.

Maturity of Cyprus Businesses to be part in the Global Compact Initiative

Cyprus Businesses are at various stages of maturity with regard to taking part in the Global Compact initiative. As mentioned elsewhere, it was found that most are not aware of the Global Compact and its requirements and implications.

If awareness is increased and businesses are encouraged by their collective associations they may well respond to the Compact, subject to the availability of resources. The resource in shortest supply is management time, and thus a key factor to the successful adoption of the Global Compact by small businesses is the production of an “abridged version of its key requirements. Anything perceived as bureaucratic by businesses is resented and given the lowest of priorities. One must not underestimate this very practical restriction and one must be careful not to misinterpret the results of the survey.

Another striking fact was that only 49% of companies believed there was a demand from consumers for environmentally-friendly products. However, as we saw from the Eurobarometer survey described earlier, 47% of Cypriot respondents answered, when asked how they would contribute towards the environment, that they would purchase ecologically-friendly products, even if those are slightly more expensive¹¹. Ninety-one percent of Cypriots indicate that environmental factors need to be considered in policy-making decisions. Moreover, even that limited acknowledgement of the demand from consumers/citizens did not prompt a more proactive approach to investments to protect the environment. It would be interesting as a follow-up to conduct a market research survey of customers and whether or not they are willing to pay more for environmentally-friendly products. The results of such a survey would help the industry to be more in touch with the actual opinions of its consumer base.

11. This was their second-most favoured option, behind recycling (64%)

European statistics show that 91% of all enterprises employ less than 10 persons. This implies care has to be taken in developing support for companies of different sizes: micro, small, medium or large. It should be expected that the primary concern of the management of such firms is to keep running on a day to day basis. Everything else seems secondary and it is perceived as a waste of precious time by the owner/manager/proprietor. This is not to be interpreted as lack of concern for the environment. Of course in every generalization there are the exceptions and it is such exceptions that CSR proponents should highlight in order to demonstrate examples for other businesses to follow..

What are the potential incentives for the Cyprus industry from its participation in the Global Compact initiative?

Cypriot industry can benefit from participation in the Global Compact in several ways:

1. Cyprus being a small island with a small population, business leaders cannot exist in anonymity, nor remain isolated from the environmental and social consequences of their financial activities. They breathe the same air, drink the same water and eat the same foods as all other Cypriots, and therefore their own health, and that of their children, depends directly on the maintenance of a healthy ecosystem.
2. It is not in the interest of Cypriot business to appear to stay distant and indifferent to the global concerns for greater investments in CSR, in particular within an increasingly globalised economy, where international firms which portray themselves as flagships of corporate environmental responsibility are becoming established on the island¹². Associations representing businesses can play a role to act in a way which encourages firms to commit themselves to the Global Compact.
3. The whole island can improve its business practices and use the collective bargaining power of its businesses to demand environmentally friendly products from the suppliers and other intermediaries. The consumer will then be able to find such products and services in the market and break the vicious circle (i.e. that there is no demand for environmentally friendly products simply because none are on offer). Instead of thinking "supply and demand" one should think "demand and supply" with regard to the availability and accessibility of environmentally friendlier products.
4. A more environmentally aware, and thus more demanding population is gradually being nurtured. This is particularly important as a means to convince the new generation that the whole of society cares. Today we see evidence of the phenomenon that young children at school are taught the benefits of environmentally friendly actions and yet when they come out of their school they do not see examples of these actions. One good example of this paradox is recycling. Young children are encouraged to segregate and collect waste such as plastic, metal and paper but have few places to deliver these recyclable products. According to the Eurobarometer survey described earlier, Cypriots are particularly environmentally aware, and expect business to take the lead in demonstrating environmental responsibility. Business needs to establish confidence among citizens that it can deliver on environmental concerns. Presently such trust is absent, since in the Eurobarometer survey the citizens of Cyprus indicated companies were least trusted when it came to environmental issues.

12. One such recent example is the implantation of the "Carrefour" chain of supermarkets. They have recently undertaken a massive publicity campaign about their environmentally-friendly activities, which include provision of recyclable bags, contribution of funds to repair the damage caused by a recent forest fire etc. They obviously believe that being perceived as green will provide them with a competitive advantage. Local businesses will ignore that message at their peril.

5. There is a clear economic advantage in making the effort to operate the island's businesses in a way which shows respect to the environment and to the sustainability of future generations.
6. Working with the Global Compact in UN-business partnership will enable local companies to benefit from the learning approach advanced under the Compact initiative and ensure that business in all of Cyprus stay in touch with internationally recognised standards of conducting responsible and sustainable business. The national networks of the Global Compact offer opportunities for companies of all sizes to learn from each other and new trends in other countries facing similar problems.

Table 5.1

	Action	No action
Benefits	<ul style="list-style-type: none"> • Increased positive publicity for the company • Increased productivity of resources • Fostering the spirit of continuous improvement • Create the image of an "action company" 	<ul style="list-style-type: none"> • Temporary savings in monetary costs • Temporary comfort in complacency
Costs	<ul style="list-style-type: none"> • Management time to deal with improvement measures • Investments in new processes and equipment 	<ul style="list-style-type: none"> • Management time to deal with non conformities • Costs due to penalties / fees resulting from non-compliance to regulations • Lost profits from sensitized customers • Perpetuation of false perceptions • Perpetuation of a "don't care" attitude • Rising material costs due to scarcity and loss of local resource base, due to overexploitation of local natural resources such as water

Long term risks posed by the environmental challenges and the failure to address these are the difficulties inherent in procrastination and the accumulation of problems which will have to be addressed with urgency and haste later on. In fact delay may make some problems unsolvable and intractable. The danger of doing "too little, too late" is real, with the threat of negative publicity and financial penalties for affected businesses .

Adoption of CSR laws and practices can be a risk management tool for business because the sensitization of the consumer is a process which is practically unstoppable, especially given the rise of greater civil society actions in the environmental field and the exposure to EU norms and practices. Social pressure both from within and from outside the island influences the creation of new laws, regulations and restrictions, and the effects of CSR requirements will inevitably make a mark on the Cypriot business landscape. Violation of the social will, as expressed in laws, means loss in management time, prestige and income. So going along with the stream or, even better, acting proactively to embrace a CSR strategy would appear to be a sound risk management strategy.

As was discussed in chapter 2, tourism is the locomotive of the Cyprus economy. Recent surveys support the premise that Cypriot destinations perceived as overcrowded, and without good environmental practices will lose part of the global tourism pie. The biggest cost of no environmental action for the Cypriot tourism business will therefore be the cost of going out of business.

A step-by-step plan for engaging the Cyprus business community on Global Compact

- 1. Make the principles relevant and simple:** Undertake an analysis of the structure and demographics of business and understand the special difficulties of being small. The policy of each business is essentially the policy of its manager. So it should be made simple for him/her to follow the Global Compact principles in his/hers practical day-to-day routine. This should involve a targeted awareness campaign for business leaders following the simplification of procedures. One example of procedural simplification is the introduction of EMAS – EASY as an abridged version of EMAS for small businesses. EMAS – EASY is currently being promoted by training consultants together with their clients in the Greek Cypriot Community. The Global Compact environmental principles should be distilled down to a simple list of practical suggestions and guidelines. This could be part of a campaign aimed at the creation of awareness not only of the principles and the mechanics of the Global Compact but also of the identifiable benefits to each business. An example of a simple guide for SMEs is *The Efficient Entrepreneur* (<http://www.efficient-entrepreneur.net/>) of UNEP, an online source that introduces the SME to environmental management through a simple month-by-month thematic programme. This text is available online free of charge. It is already available in Turkish and can be adapted and translated to Greek as well. Another useful publication for SMEs was produced by the European Commission's Directorate General for Enterprise and Industry, and is entitled "Opportunity and Responsibility – How to help more small businesses to integrate social and environmental issues into what they do".
- 2. Consumer pressure and Market research:** A serious consumer market research needs to be conducted, in order to obtain evidence of public awareness of environmentally-friendly products and their desire to obtain those products if they were made available. It is suspected that business is underestimating the willingness of consumers to pay more for environmentally-friendly products. For example, in the Turkish Cypriot Community, those companies that sell organic produce are having no problem finding customers. A consumer survey – of local consumers and foreign visitors¹³ - can provide local business a barometer and reference to do their marketing planning. However, one must bear in mind that customers might be disingenuous in their replies to a questionnaire: they might in principle say that they are willing to buy organic produce, for example, but in practice might never do so. Sometimes, it depends on how the choice is presented to the customer. One example is that customer booking flights online, if given the option, might on the spur of the moment click on an option to pay a little extra to compensate for the carbon emissions of their trip. Also, the market research might enlighten producers about whether or not to brand certain products "green", because the word "green" or "organic" is often translated in the consumer's mind as "more expensive".

13. Since the millions of annual visitors to the island have to be fed by the catering industry

3. **Improve enforcement of the EU environmental acquis communautaire:** The existing EU acquis communautaire is fully understood by experts in both communities, but this does not mean that enforcement is always successful island-wide. This will require negotiation with and further awareness-building of the relevant decision-makers. Without enhanced enforcement, one will have more difficulty achieving a critical mass of conversions to environmental sustainability, since as suggested in the survey, business leaders often tend to limit themselves to legal obligations. Moreover, according to the recent Eurobarometer survey, when Cypriot citizens were asked which measures would help solve environmental problems, their favoured option (52%) was “Making national/EU regulations stricter, with heavy fines for offenders”.
4. **Work with the wider donor community in complementary ways:** Build on the achievements of other donors, for example the EDGE project, which is involved in financial reform in the Turkish Cypriot Community, as well as the REAP project, also in the Turkish Cypriot Community, which certified Energy Service Companies (ESCOs), which are now accredited to teach other businesses about energy efficiency. Another partner to engage could be the NGO CYMEPA, which is currently preparing a guide for energy and water efficiency for the tourism industry in the Greek Cypriot Community.
5. **Educate the business community:** Hold learning forum events organised under the UN Global Compact, where companies can learn from a collection of good practices and success stories, including existing local projects, and in particular can learn from each others’ experiences.
6. **Improve Public/Private dialogue and partnerships:** It is a known fact that business decision-makers form their views and opinions through interactions with a wide range of other stakeholders. In this respect, there is a need for better dialogue between decision-makers and business people, and in particular at the local community level for transportation and urban development planning. One aspect which the authorities could focus on was recommended by civil society organisations at the 15th session of the Commission on Sustainable Development in New York in April 2007: legislators should remove environmentally-harmful subsidies and focus on subsidising environmentally-friendly activities. In the PWC survey, only 54% of respondents were aware of subsidies that are available concerning reduction of particular environmental impacts, so it may also be a question of further advertising existing subsidies.
7. **Focus on market gatekeepers:** Mindful of the need to reach small companies – SMEs – ways can be examined of reaching them through market gatekeepers. Two prime examples are local banks and insurance companies. All small companies have bank accounts and insurance. The finance industry is showing greater awareness for longer terms risks and opportunities associated with sustainable development. Some banks offer special interest loans for green projects. Some ask for energy efficiency and green electricity use at properties that fall under their asset management. Banks and insurance companies under the UNEP Finance Initiative commit themselves to incorporating environmental criteria into their due diligence procedures and in the development of new service packages.

Convening local banks and insurance companies could be a very affective way of catalysing a more pro-active approach to CSR by companies from all industry sectors. This is using financial market and investor pressure, in addition to consumer and regulatory pressure. Another category of gatekeepers are consultants who advise companies. These consultants require “training of the trainers” in order to be able to better advise companies on the benefits of subscribing to the environmental principles of the Global Compact.

8. Focus on the benefits of the Global Compact: In order to encourage a paradigm shift in Cypriot businesses towards strategic thinking, one needs to organise awareness campaigns focussing on environmentally-friendly measures as cost saving strategies, as means to diversify their customer base, and as ways to build customer loyalty and to obtain a competitive edge. Moreover, as part of these campaigns, one could envisage prizes for “green” companies. As mentioned before, this would also entail a shift from product-based thinking to service-based thinking. For example, providers of agricultural chemicals can benefit from improved customer loyalty if they teach farmers how to use pesticides more strategically, and can also get a share of the growing organic farming market if they sell integrated pest management solutions alongside their existing chemical range. Obviously, companies need to make a profit, but the aim here is to show that there are alternative ways of doing so, and to emphasise to the business community that the principles of the Global Compact are entirely voluntary, not just another layer of binding legislation. Moreover, within the constellation of CSR initiatives, one should emphasise the benefits of the UN Global Compact, which include its simplicity, its approach as a learning experience, its voluntary nature, and its internationally recognised principles and norms.

9. Encourage island-wide cooperation based on the principles of the Global Compact: Whether this is through a local network or by other informal means, the cooperation which was initiated as part of this report and research should be pursued in order to advocate the principles of the Global Compact across the island, across sectors, and to encourage more companies to sign up to those principles. Examples of concrete awards of projects for international or local donors to consider are:

- Awards for environmentally sustainable business – this has already been pioneered in Cyprus through the implementation of the European Business Awards for the Environment, which were launched recently with the assistance of the Cyprus Chamber of Commerce and Industry, and which are aimed at rewarding companies which make an outstanding contribution to sustainable development. International donors could build on this concept to promote cooperation between businesses from both communities along the lines of sustainable development

- Creating a permanent forum for island-wide dialogue and exchange of ideas on corporate environmental responsibility, maybe within the framework of the Cyprus Environmental Stakeholder Forum, an existing bi-communal environmental advocacy forum, or under the auspices of the Chambers of Commerce.

- Grants for young entrepreneurs to develop environmentally-friendly technologies under the patronage of established companies, who would agree to further develop and commercialise the winning concepts

- Widely distributing simple guides for different sectors on corporate environmental responsibility as a cost-saving mechanism – in essence building on existing work by initiatives such as the SAVE and REAP programmes, supported by USAID (water and energy savings) and CYMEPA (tourism industry) and Green Dot (recycling) in the but giving these efforts a bi-communal scope.

10. Focus on strategic sectors: The development of training materials to promote the concepts of Cleaner Production and Sustainable Consumption can also include a special sectoral focus, e.g. on hotels in the tourism sector. The development of such materials can be done with UN agencies such as UNEP, UNDP and UNIDO. Often relevant materials exist (also online), but simply require local adaptation and translation. There are opportunities here for e-learning.

11. Leading by example: Finally, enlightened businesses can lead by example by becoming Corporate Social Responsibility and Global Compact Champions. The awareness and mobilization campaign must be complemented by the highlighting of examples of good practice and win-win situations. This could include an annual prestigious prize with some financial incentives. Recognition can also be given to good examples of reporting (“communicating progress”) under the UN Global Compact. Countries such as the UK have developed a simple template that SMEs can use to report progress on implementation of the principles of the Global Compact. Study tours to countries where such examples exist could help the Cyprus business community adapt these ideas to the Cyprus context.

Cyprus’ Capability

According to the 2005 Eurobarometer survey on Environment attitudes of European citizens, 72% of Cypriots feel well informed about environmental issues, which means that businesses in Cyprus are operating in an environmentally-literate society, which is likely to make certain demands on their environmental standards.

Cyprus does not lack the knowledge and skills to implement radical solutions. There have been considerable advances since independence but the measures need to be consolidated into firm policies which do not only touch the final users but also involve and engage all planners, designers and contractors.

The process for forming policies regarding the environment needs to be refined, so that politicians are also engaged in the long term commitment to environmental protection which reaches beyond the average term of office by a given administration. Communities and individuals islandwide need to search and find a common practical definition for patriotism which of course has nothing to do with ethnic origin. Can Cypriots learn to put Cyprus first in all their decisions including their personal ones? Cypriots have a beautiful word called meraki in Greek which derives perhaps from the Turkish merak. This is a word that Cypriots use to describe doing something with soul, creativity or love i.e. when one puts “something of oneself” into what one is doing, whatever it may be. Most certainly solving environmental problems requires meraki (merak) from the head to the tail in Cypriot society.

Conclusions - overcoming barriers to change

This report and its findings are expected to serve as a vehicle to increase the level of awareness across Cypriot society of environmental challenges and stimulate the application of Global Compact corporate responsibility standards through joint ventures undertaken by business and civil society between the two communities and within each community. The process of producing the report established the urgency of the need of these business sectors to address environmental concerns, with the objective to create a “standing” forum for such issues. The multi-stakeholder Learning Forums under the UN Global Compact provide a model that can be followed here.

The cause of environmental sustainability is not only an end in itself, in accordance with the Millennium Development Goals, but also as a means to help Greek Cypriot and Turkish Cypriot business interests to work together and with civil society in a way that will promote better inter-communal relations and trust. The key aim is to engage decision-makers, business leaders and civil society on the impact of business on the environment and to indicate recommendations for future action and partnerships to address these challenges. The Cyprus Problem also has some effects on the environmental behaviour of businesses. For example, it may encourage short-term thinking, while a solution could

bring with it a change in the economic landscape of the island. One effect of the problem is the suspension of the *acquis communautaire* in accordance with Article 1 of Protocol No.10 of the Act of Accession, Although several programmes funded by USAID and the EU are now attempting to promote economic convergence of the two communities and to prepare for the implementation of the *acquis communautaire* island-wide.. But with the advent of the Green Line Regulations, there are potential trading opportunities linked to the resolution of environmental problems. The Green Line regulations, in particular, give a role to the Turkish Cypriot Chamber of Commerce (Article 4.5), and therefore provides a modality for trade between the two communities. The example of whey, a by-product from the cheese-making industry, is illustrative. Greek Cypriot farmers feed whey to pigs, and therefore is considered as a resource. Many Turkish Cypriots do not generally eat pork, and therefore for them whey is considered a waste product. There is an obvious incentive here for Turkish Cypriots to sell whey to Greek Cypriot pig farmers, thus enhancing commercial relations between communities, and at the same time solving a serious waste management issue. The Madison Dairy Advisory Group (MADAG)¹⁴ is currently in the process of investigating options for an island-wide approach to whey management. However, it seems that under Article 4.9 of the current Green Line Regulations, this may not be a possibility in the near future. Conversely, the environmental problems on the island could cause further tensions between communities, in particular in an island such as Cyprus which has a serious shortage of rainfall. In other parts of the world, competition for natural resources has been a serious source of strife. This makes it even more important, within the Cyprus context, to promote island-wide cooperation to resolve environmental issues before they cause a further crisis.

The behaviour, including thoughts, perceptions and actions, of the owner-manager of the SME and particularly of the micro-enterprise are identical to the behaviour of his/her company. The daily pressures from the market and the difficulty to reconcile the time requirements of family and business makes environmental and CSR actions a low priority for most Cypriot businesses who restrict their CSR actions to obeying the law in order to avoid fines. In general Cypriot businesses are loathe to take initiatives or make CSR investments with long term benefits in mind, since these are often difficult to quantify and take time to reap returns. However, the key characteristic of the Global Compact is that it is voluntary but self-binding because of its requirement of public commitment. The business must realize that this commitment can be a tool for cost savings, and for the long term financial sustainability of the company. The businessman also needs to be assisted in linking the main “burning issues” of the green consumer such as personal health, preservation and improvement of the ecosystem, protection of nature and wildlife with the benefits to all customers such as health, satisfaction and prestige in participation in the global action to protect the environment. The business needs to connect customer loyalty to a common cause e.g. showing and publicizing how profits from a product or service contribute to societal needs by visibly participating in campaigns and other philanthropic activities. In other words, the businesses need to be assured that they have a “social licence to operate”.

Within this context there is a need to overcome barriers to change, which include:

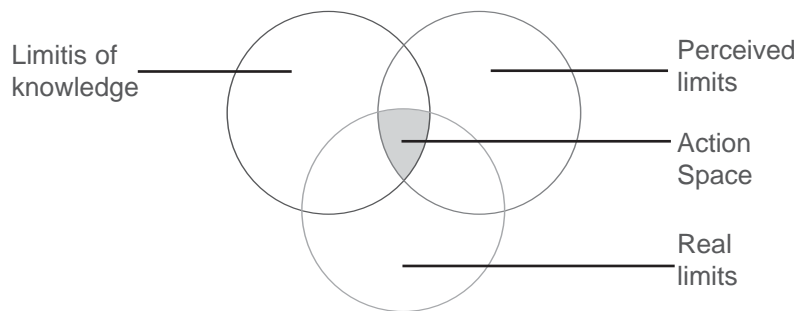
- 1) Limits of knowledge, especially as regards the financial benefits of environmental responsibility
- 2) The real limits of what can or cannot be done

14. MADAG is a bi-communal group aimed at improving the quality of milk and dairy product production in Cyprus, and in particular mitigating the environmental impact of the industry. MADAG is supported by UNDP-ACT.

- 3) The perceived limits of what can or cannot be done
- 4) Lack of incentives and of local examples to achieve what can be done

The space between the interaction of these factors provides the scope for solutions and action (Figure 5.1)

Figure 5.1



In order to enlarge the action space, policy makers must instigate measures which remove barriers to knowledge, change attitudes and facilitate actions by providing needed infrastructure. In other words, the aim is to produce a paradigm shift in business thinking from merely paying lip service to environmental principles in order to avoid fines, to a more strategic, pro-active approach to preserving the natural environment which forms the essential resource for the sustainability of their activities, as symbolised in the diagram below:

Figure 5.2 – progression of business attitudes towards the environment

Phase I (most common in Cyprus)	Phase II	Phase III
Pay lip service to environmental concerns to avoid penalties	Seeing environmental measures as cost-saving measures	Strategic approach towards the environment as a resource for the ultimate sustainability of any business, and as a means to ensure customer loyalty.

→

This paradigm shift will not occur in a vacuum. In a small island such as Cyprus, the social context is vitally important. The onus here is on the public, as consumers, voters, and acquaintances or relatives of business leaders, to make a decision on which kind of future they want, and on creating a social context within which it is not profitable for business to ignore environmental considerations. Businesses cannot be blamed for needing to make a profit, but society can potentially be held culpable if strict environmental parameters are not established to give the “green” business a competitive edge. Therefore the paradigm shift must affect society as a whole. This must begin by dispelling myths such as the widely held belief that environmental considerations are a luxury and must come second to economic concerns. This view can only be held if one ignores the immense financial cost of repairing environmental damage as compared to preventing it in the first place. As summarised by the Economics Nobel Prize-winner Joseph Stiglitz, “Poverty can lead to environmental degradation, and environmental degradation can lead to poverty¹⁵”.

In fact, having started this report with a summary of his analysis of environmentally-driven societal collapse, it is appropriate to finish with the following warning from Jared Diamond’s *Collapse*: “Thus, because we are rapidly advancing along this non-sustainable course, the world’s environmental problems will get resolved, in one way or another, within the lifetimes of the children and young adults alive today. The only question is whether they will become resolved in pleasant ways of our own choice, or in unpleasant ways not of our choice, such as warfare, genocide, starvation, disease epidemics, and collapses of societies. While all those grim phenomena have been endemic to humanity throughout our history, their frequency increases with environmental degradation, population pressure, and the resulting poverty and political instability”.

15. Joseph Stiglitz, in his book “Globalisation and its discontents”

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ANNEXES

ANNEX 1: Questionnaire

Global Compact in Cyprus: A Focus on the Environmental principles

GLOBAL COMPACT SURVEY IN CYPRUS FOCUS ON ENVIRONMENTAL PRINCIPLES

Protection of the environment and natural resources is one of the key pillars of the work for UNDP initiative Action for Cooperation and Trust (ACT) in Cyprus. To protect environment and resources, Greek-Cypriot and Turkish-Cypriot business leaders can work together in civil society. This will help to strengthen the bi-communal relationship for corporate social responsibility and also give opportunity to the business communities to collaborate and find solutions to environmental problems of the island.

This project, “Global Compact Cyprus Survey for the Environment”, will be one of the first practices for the Cyprus business community to find the impact of the economy on environment.

The aim of the survey is to find out the level of awareness of the companies’ about the Global Compact and other UN initiatives and also their awareness on general environmental issues. It is also aimed to get their views that how importance of environmental issues in their business decision making process, their willingness to implement actions to minimise the impacts.

The findings will be used as a tool to inform the authorities, business leaders and civil society about the impact of business on the environment and indicate recommendations for future action and partnership to protect the environment and natural resources.

Participation to the survey is based on a voluntary basis. All collected personal data will be kept confidential. Survey data will be published only as totals and averages and without mentioning specific individuals or companies.

A. GENERAL QUESTIONS:

Name of Company

Sector Number of Employees

Date Created Annual turnover

Tel of company Fax

Address of company

e-mail Web-address

Name of Contact Person

Position in the Company

Tel number of Contact Person

e-mail of contact person

Do you give permission to publish the either the name of you or the company?

Your name YES NO

Company's name YES NO

B. GLOBAL COMPACT:

Have you ever heard of the U.N. Global Compact Initiative?

YES NO

2. If yes, what do you understand from this initiative?

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.....
.....
.....
.....

3. How did you learn about the U.N. Global Compact Initiative?

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.....
.....
.....

4. If you have already taken some action? What prompted you?

.....
.....
.....

5. Have you ever heard about the term Corporate Social Responsibility (CSR)?

YES NO

6. If yes, what do you understand about this term?

.....
.....
.....
.....
.....

C. ENVIRONMENTAL ISSUES:

7. Do you think that your company is causing some environmental impacts by its activity?

YES NO

8. If yes, in which of the following areas?

- Water Pollution
- Soil Pollution
- Marine Pollution
- Air Pollution
- Noise Pollution
- Production of Waste
- Excessive Energy Use
- Degradation of physical environment
- Affecting Biodiversity
- Climate change/desertification
- GMO
- Other (define)

9. If no, are you absolutely sure that your company is NOT creating any problems related with:

- Water Pollution
- Soil Pollution
- Marine Pollution
- Air Pollution
- Noise Pollution
- Production of Waste
- Excessive Energy Use
- Degradation of physical environment
- Affecting Biodiversity
- Climate change/desertification
- GMO
- Other (define)

10. Are you aware of the following environmental management's tools or labels?

- EMAS
- ISO 14000
- Eco-labels
- Blue-flag
- SEA
- EIA
- Other

D. ENVIRONMENTAL ISSUES IN DECISION MAKING PROCESS

11. Are you including environmental considerations in your purchasing decisions?

- YES NO

12. If yes, what kind:

- Environmental certified suppliers
- Use of organic agricultural products
- Purchase energy saving devices
- Using low energy materials
- Use recyclable materials
- Use reusable materials
- Use recoverable materials
- Other (define)

11. Are you taking any environmental considerations in your production process beyond the requirements of the law?

- YES NO

12. If yes, what kind:

- Minimising production of waste
- Use of less water
- Energy saving
- Noise reduction
- Contribute to nature conservation
- Biological control of insects
- Using less fertilizers (and pesticides)
- Minimising gas emissions
- Minimise change of landscape
- Other

13. Are you participating in recycling initiatives? (Reverse logistics)

- YES NO

14. If yes, what kind:

- Own recycling initiative
- Municipality recycling initiative
- Sector recycling initiative
- Other (define)

15.. Consider that every corporate decision you are making is depending on the following elements. Attribute a total of ten points in the importance that you give in each area. (The sum should be 10)

- Financial
- Environmental
- Social

E. ENVIRONMENTAL IMPACTS

16. Are you willing to implement actions that will minimize environmental impacts?

- YES NO

17. How much money are you ready to voluntarily invest on implementing environmentally friendly actions.

- Percentage on gross profits

18. In which environmental are would you prefer to invest?
(Rank, 1 has the highest priority)

- Water Pollution
- Soil Pollution
- Marine Pollution
- Air Pollution
- Noise Pollution
- Production of Waste
- Excessive Energy Use
- Degradation of physical environment
- Affecting Biodiversity
- Climate change/desertification
- GMO
- Other (define)

19. Are you ready to invest on environmental actions even if the benefit is long-term?

- YES NO

20. By taking no action for tackle environmental impacts caused by your company, are you aware that you are creating a social cost which indirectly affects you?

- YES NO

21. What do you think the cost to your company of taking measures towards making business more environmentally friendly be?

- Small
- Average
- High

22. Do you believe that by taking voluntary actions, you will be contributing towards the reduction of the indirect costs?

YES

NO

23. Explain your answer.

.....
.....
.....
.....

F. ENVIRONMENTAL BEHAVIOUR

24. Are you aware of the main environmental problems of Cyprus?

YES

NO

25. If yes can you list them in order of priority according to your opinion?

.....

26. Are you participating in any environmental protection initiatives?

YES

NO

27. If yes can you list them?

G. PERCEPTION ON THE GLOBAL COMPACT

28. What do you understand by the following phrases:

PRINCIPLE 7: BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES.

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PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY.

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.....

PRINCIPLE 9: ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

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.....

29. Are you aware of the following initiatives and/or agreements

- Agenda 21
- World Summit on Sustainable Development
- Convention ratified by Cyprus
- EIA
- SEA
- Relative responsibility of your actions

H: BUSINESS AND SOCIETY INTERACTIONS

30. Are your customers demanding environmentally friendly products and services?

YES NO

31. If yes, how do you respond to this demand?

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.....

33. What is the role of “intermediaries” (suppliers, subcontractors etc) of your industry value chain on helping you or not you on respond to demands for environmentally friendly products and services?

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.....

33. What is your attitude towards the “polluter pays principle”?

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.....

THANK YOU FOR YOUR KIND ATTENTION AND PATIENCE.

ANNEX 2: Statistical analysis

The first statistical treatment of the data set was related with the acceptance of extreme values (outliers) of the sample. An outlier in a dataset is defined as a case, which appears to be inconsistent with the rest of the data, in relation to an assumed statistical model (in our case the model of normal distribution). Hence, an outlier either occurs with a very small probability in the assumed model or does not belong to the population (i.e. is a “contaminant”). Such infrequent results indeed raise a red flag. Statistics provides a useful and scientific context in which to analyze such results but not a mechanical working rule. The treatment of the outliers depends on the nature of the data set.

In biological experiments for example it is extremely important to know the exact “laboratory conditions” that were followed in each repetition of the experiment. In the case of outliers, we should review and analyze these conditions and perform technical and statistical analysis on them. With that way we could uncover the real reasons behind the outliers. We could then, by better controlling the conditions, remove the problem (if there was a problem with the conditions) and reduce the overall process variability, or remove the outliers (if there was no problem with the conditions) and reduce the model variability.

In economic and social research on the other hand it is important to assess the effect of the outliers in the behaviour and distribution of the model, by estimating statistical measures (like the average) of specific, usually quantitative, variables. Some other researchers insist on the use of historical data and data from similar studies. The comparison of the behaviour of a given data set (with and without outliers) with historical data may indicate the acceptance or rejection of the outliers. In that case the historical data should come from the same population.

In our data set the variable that used for the test of outliers was the one related with the question about the percentage of gross profits that a company is ready to voluntarily invest on implementing environmentally friendly actions.

Two methods are usually used for testing for outliers in data sets. The first method (the Extreme value test) is useful for small numbers of data and when only one or two measurements are considered to be likely to be outliers. The second method (Rosner's test) is useful for larger numbers of data (>25) and can detect numerous outliers.

The Extreme value test (also known as Dixon's test) provides an appropriate method for examining whether an observation is an outlier. The test is relatively simple to use. If more than one outlier is considered to be possible (from visual inspection of the data using frequency and/or normal probability plots) then the presumed outliers must be tested in sequence from the least severe to the most severe.

The Rosner's test has two steps. In the first step it is determined the maximum number of outliers that might be present. Then the mean and standard deviation of the remaining data (after the k most extreme observations have been removed) is estimated. A critical value is then estimated and compared with the normal values of the test.

Both tests were performed in our data set. Both tests indicated that these 6 cases should be excluded as outliers. In all these cases the percentage of gross profits that a company is ready voluntarily to invest on implementing environmentally friendly actions was equal or greater than 10%.

To give a more comprehensive description of the effect of these outliers in the variable, we used (as it is indicated by the Rosner's test) the mean of the variable. In the data set with

all the questionnaires the average value of this variable was 3,78%, implying that on average a company is ready to invest 3,78% of its gross profits on implementing environmentally friendly actions. If we remove the 6 outliers then the average drops to 1.78%. The important observation here is that by adding 6 more cases in the treated data set (that is to say about 11% of the observations) the average of the variable is change by 100%!

This observation together with the results of the two tests indicated that these 6 outliers should be rejected from the data set. Therefore the statistical analysis was performed on a data set of 45 questionnaires.

For each one question the distribution of answers was then estimated. For the qualitative variables, the mean, standard deviation, range and average were also estimated. The main results of the statistical analysis are presented in the following sections. A detailed statistical table is annexed in the report. In the following sections the use of the word significant indicates a "significant statistical difference".

Detailed comparative data of the economies of the Greek Cypriot and Turkish Cypriot communities.

	Greek Cypriot Community				Turkish Cypriot Community			
	2005	2004	2003	2002	2005	2004	2003	2002
Agriculture and food industry	n.a*							
Share of the GDP	n.a	2,7%	3,3%	3,7%	9.0%	10.0%	9.6%	
Employment	n.a	9,1%	9,4%	6,9%	13.6%	23.4%	14.5%	
Crop Production	n.a	44.6%	45.5%	47.1%	n.a			
Irrigated Crops		n.a				n.a		
Citrus products	n.a	6.5%	5.2%	5.4%	n.a	139593 tons	143626 tons	146594 tons
Table Grape	n.a	3.4%	3.5%	2.7%	n.a	1757 tons	1330 tons	
Deciduous Fruits	n.a	5.7%	5.8%	6.6%	n.a	15344 tons	11900 tons	15235 tons
Fresh Vegetables	n.a	16.0%	15.4%	18.4%	n.a	63670 tons	53940 tons	55721 tons
Dry land Crops	n.a				n.a			
Cereals Products	n.a	2.9%	5.7%	5.1%	n.a	158584 tons	159857 tons	142233 tons
Nuts	n.a	0.3%	0.4%	0.6%	n.a			
Almond	n.a				n.a	512 tons	410 tons	488 tons
Walnuts	n.a				n.a	88 tons	106 tons	114 tons
Pistachio	n.a				n.a	18 tons	19 tons	16 tons
Olive	n.a	2.9%	2.8%	3.7%	n.a	5796 tons	3203 tons	5293 tons
Others	n.a				n.a			
Industrial Crops	n.a	0.5%	0.4%	0.5%	n.a	133 tons	151 tons	301 tons
Tobacco	n.a	No	No	No	n.a	127 tons	117 tons	199 tons
Cotton	n.a	Applicable	Applicable	Applicable	n.a	0 tons	0 tons	0 tons
Sesame	n.a				n.a	0 tons	8 tons	102 tons
Peanuts	n.a				n.a	6 tons	26 tons	0 tons
Leguminous Vegetable Products	n.a	0.6%	0.5%	0.5%	n.a	3008 tons	3850 tons	3460 tons
Livestock products								
Meat		29.7%	28.2%	25.8%				
Milk		12.3%	14.6%	15.3%				
Eggs		2.2%	1.7%	2.6%				
Other		1.2%	1.5%	1.4%				
Tourism								
Provisions of GDP					22%	20.9%	19.1%	
Tourist accommodation establishments	937	955	951	946	133	116	115	
Beds	95648	96535	95185	94466	13.145	11.926	11.550	
Number of arrivals	2.656.742	2.477.544	2.416.454	2.495.257	805.583	733.898	589.549	
Employees	37.794	32.100	31.900	32.000	7871	6099	6083	
Establishments	6.863							
Building and Construction								
Employees	31.768		29.200	27.314	17.5%	12.6%	19.7%	
Number of urban buildings				867	792	580		
Residential building				390	312	268		
Houses				241	207	138		
Apartments					149	105	130	
Shops				17	30	8		
Other				70	138	36		
Number of rural buildings				1942	1172	956		

	Greek Cypriot Community				Turkish Cypriot Community			
	2005	2004	2003	2002	2005	2004	2003	2002
Residential building				822	503	422		
Houses				732	431	363		
Apartments					90	72	59	
Shops				7	12	10		
Other				291	154	102		
Total Structural Constructions	2,199.4 m2	1,885.0 m2			233.417 m2	253.977 m2	342.254 m2	
Establishments	6.728							
Transportation/Distribution Share of the GDP					11.45%	12%		
Employments	24.245	21.900	21.600	21.900	9.1%	8.7%	8.7%	
Registered ships	1.802	1.913			43	47		
Establishments	4.590							

*n.a: Not yet available

ANNEX 3: CSR survey results – phase I

In parallel with this project, RAI was commissioned by UNDP-ACT to undertake a survey on corporate social responsibility. The results of this survey provide complementary additional information that may answer some of the questions raised in the Global Compact Cyprus Environment Survey. Printed below are only the sections of the CSR survey corresponding to the environmental principles of the Global Compact.

Methodology

Global Compact and Corporate Social Responsibility Sample Structure			
	Total	GC Companies	GC Companies
Total	184	80	104
Governmental / Semi-governmental (NGOs)	3	-	3
Financial / Banking	9	3	6
Manufacturing / Construction	62	34	28
Trading	43	25	18
Tourism / Catering	32	5	27
TV / Media / Publishing	8	3	5
Transport	6	3	3
IT services / Communications	5	2	3
Trade Unions	2	-	2
Port / Marina / Shipping	3	1	2
Town Council	2	-	2
Other	9	4	5

Data collection method

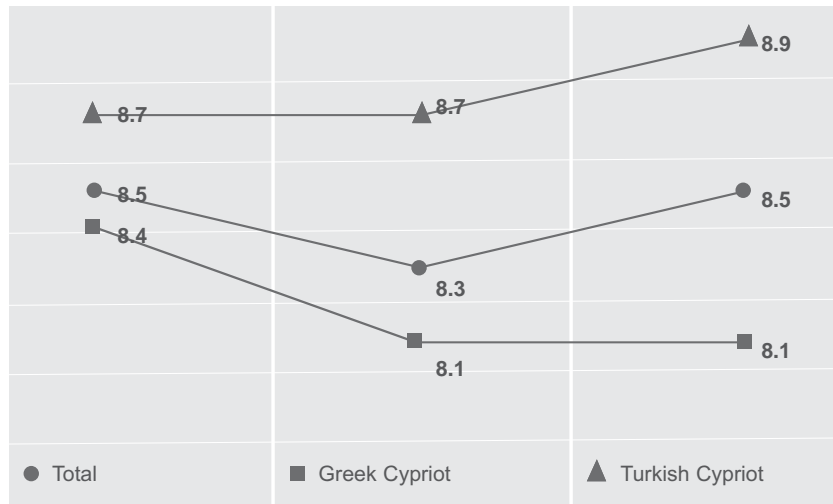
All the information included in this report was gathered through telephone interviews with the managers, directors or other high ranking members of the organizations included in the sample. Respondents were asked to reply to a number of questions of a questionnaire and their answers were compiled to produce statistical results.

Sample selection

The sample was selected randomly from databases of Cyprus companies and organizations (a Greek and a Turkish Cypriot database).

The resulting sample structure, according to the field of operation of the companies selected is shown in the following table.

Incidence of Own Company Complying with Principles of Global Compact Environment protection



The degree to which the respondents claimed that their companies supported and respected the environment was high - well over 8 points on a 10 point scale.

However, compared to the degree to which the respondents claimed that their companies supported most of the other principles of the Global Compact, support of the environment was lower.

Supports precautionary approach to environmental challenges

Promotes greater environmental responsibility

Encourages development and diffusion of environmentally friendly technologies

Scale:
1= Not at all 10= Very much

Annual Budget for Corporate Social Responsibility and Environmental Responsibility

Annual budget for CSR and for ER
Base: All who have a history of giving

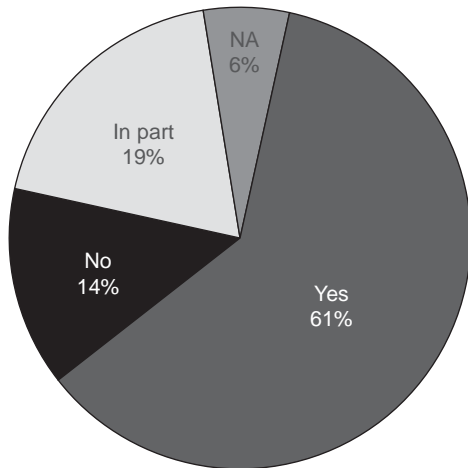
	CSR (2006)	ER (2006)	CSR (2007)	ER (2007)
	%	%	%	%
No Budget	23	48	26	37
Up to CYP 2.000	17	8	9	3
CYP 2.001 - CYP 5.000	15	6	5	8
CYP 5.001 - CYP 10.000	6	6	6	3
CYP 10.001 - CYP 20.000	6	1	4	9
CYP 20.001 +	10	6	8	5
Don't Know	22	23	42	38
Average mean	CYP 9.309	CYP 4.348	CYP 9.309	CYP 4.348

Reflecting the fact that many of the companies included in our sample donated to charity or to other philanthropic causes as and when this was requested from them. Relatively sizeable proportions (23% referring to CSR and 48% referring to Environmental Responsibility) reported that they had no planned budget for this purpose.

On average, budgets available for Environmental Responsibility were approximately half of those planned for Corporate Social Responsibility causes - with an average of CYP9.309 quoted for CSR and CYP4.348 quoted for ER.

Whether Company Tried to Reduce Environmental Impact in Terms of Energy Conservation

Where applied energy conservation
Base: All interviewed (184)

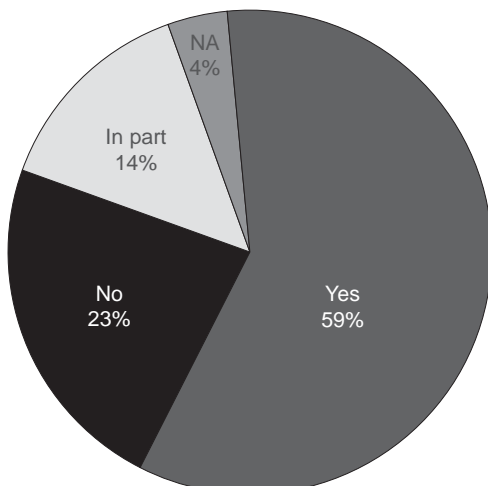


61% of the companies included in our sample claimed that they tried to reduce environmental impact in terms of energy conservation, whilst 14% did not, 19% went some way towards applying energy conservation.

A small proportion of 6% felt that their company operations did not have an impact on the environment, so reducing it did not apply to them.

Whether Company Tried to Reduce Environmental Impact in Terms of Waste Minimisation and Recycling

Whether applied waste minimisation and recycling
Base: All Interviewed (184)



Waste minimisation and recycling was practiced by 59% of the companies of those interviewed as a way of reducing negative environmental impact.

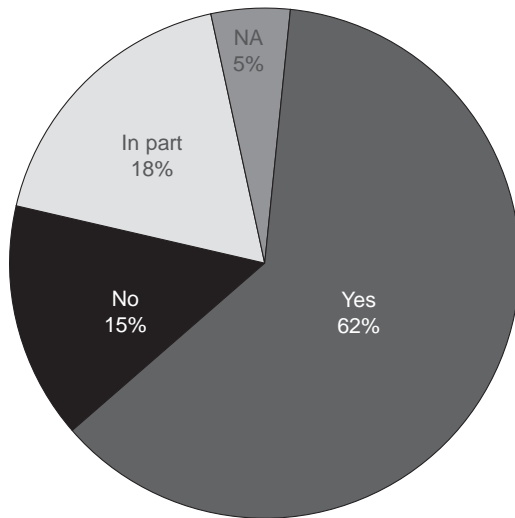
Nearly a quarter did not attempt to reduce environmental impact through recycling or the minimisation of waste and 14% only went some way towards it.

4% felt that this kind of action did not apply to their companies.

Whether Company Tried to Reduce Environmental Impact in Terms of Pollution Prevention

Whether applied to pollution prevention

Base: All interviewed (184)



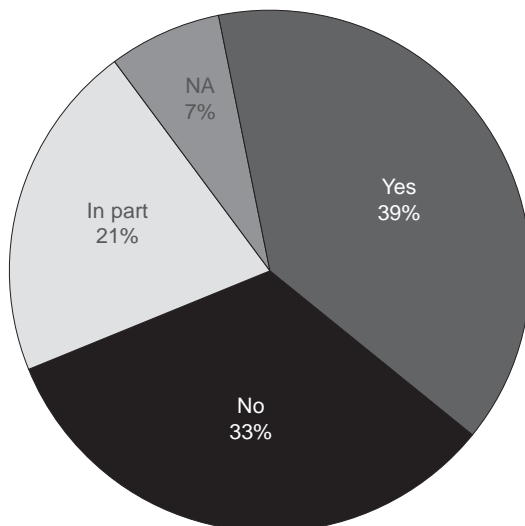
62% of the companies in our sample did something towards reducing the environmental impact through pollution prevention. 15% did nothing and 18% did so in part.

5% felt that this kind of action did not apply to their companies.

Whether Company Tried to Reduce Environmental Impact in Terms of Sustainable Transport Options

Whether uses sustainable transport options

Base: All interviewed (184)



Sustainable transport options were not a popular option of the majority of the companies that were included in our sample.

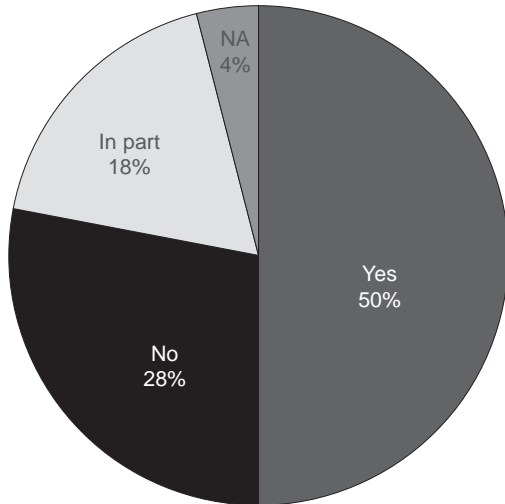
A minority of 39% of them reported that this was one of the actions they took in an attempt to reduce the negative impact of transport on the environment.

21% claimed that they selected sustainable transport options in part, whilst 33% did not and 7% felt that this type of action was not relevant to their company and its operations.

Whether Company Can Save Money by Reducing its Environmental Impact

Whether company can save money by reducing environmental impact

Base: All interviewed (184)



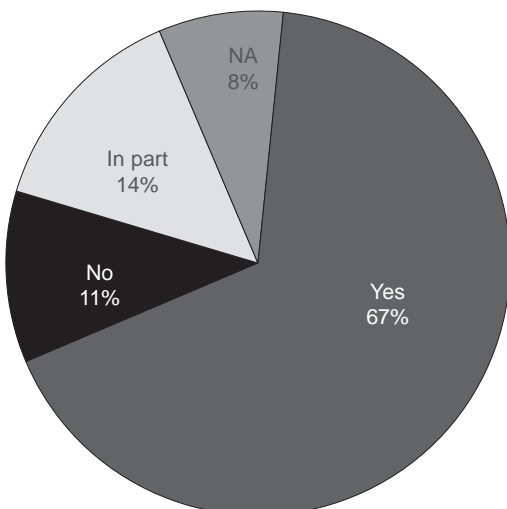
50% of those interviewed believed that their companies could indeed, save money by taking action to reduce its environmental impact. 28% thought that they could not make any savings by reducing their company's environmental impact and 18% were not sure that they could.

4% felt that this kind of action did not relate to their company or its operations.

Whether Company Considers Environmental Impact When Developing New Products or Services

Whether consider environmental impact

Base: All interviewed (184)

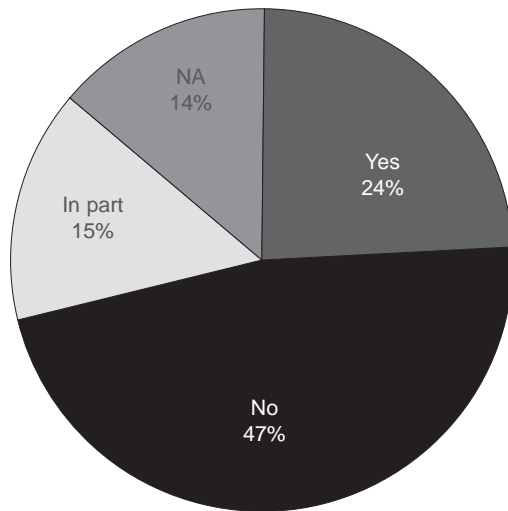


Their environmental impact was one of the considerations that they took into account when 67% of the companies in our sample developed new products.

11% had no such consideration and 14% claimed that they considered the environmental impact of their new products in part.

Whether Sustainability of Products or Services Can Help Gain Advantage

Whether sustainability of products or services can be advantageous
 Base: All interviewed (184)



A minority of the respondents (24%) believed that the sustainability of the products or services provided by their company would give them an advantage in the marketplace.

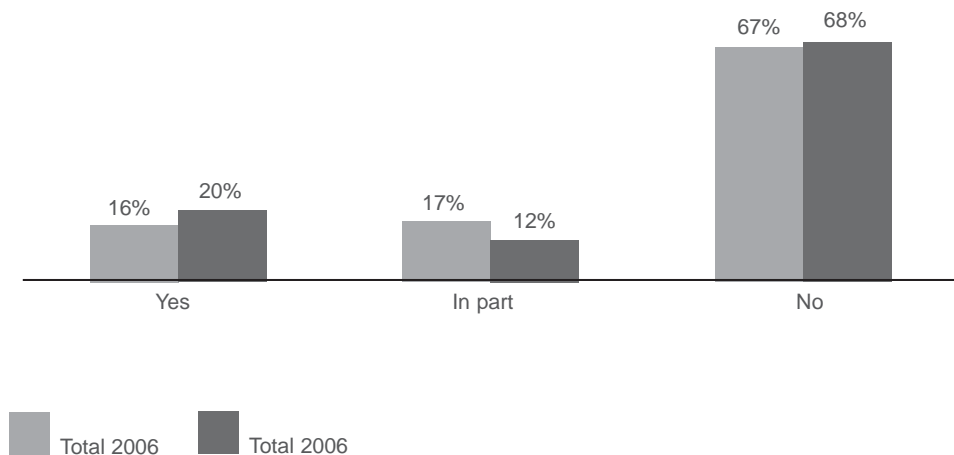
Nearly half of them (47%) did not see any positive correlation between the sustainability of their products or services and their market position, whereas the remainder either thought that it could help them in part or that this issue did not apply to their companies.

ANNEX 4: CSR survey results – phase II

Phase II of the survey undertaken by RAI on the behalf of UNDP was completed in July 2007. This second phase was designed to answer additional questions raised by the surveys mentioned above. Below is a snapshot of some of the results relevant to this report. The methodology and companies interviewed are the same as for phase I.

Awareness of Global Compact and Corporate Social Responsibility

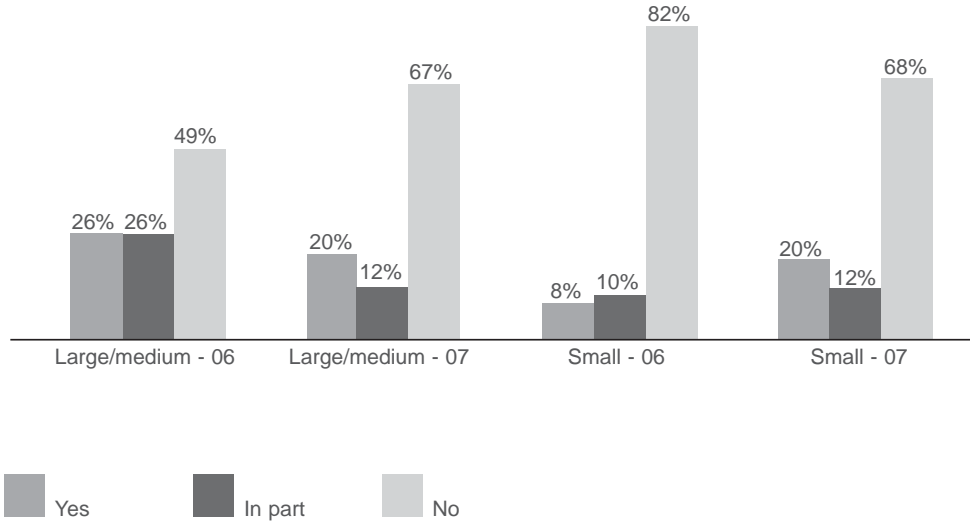
Whether ever heard about Global Compact and Corporate Social Responsibility
 Base: All interviewed



Awareness of Global Compact and Corporate Social Responsibility (Cont'd)

Whether ever heard about Global Compact and Corporate Social Responsibility Issues

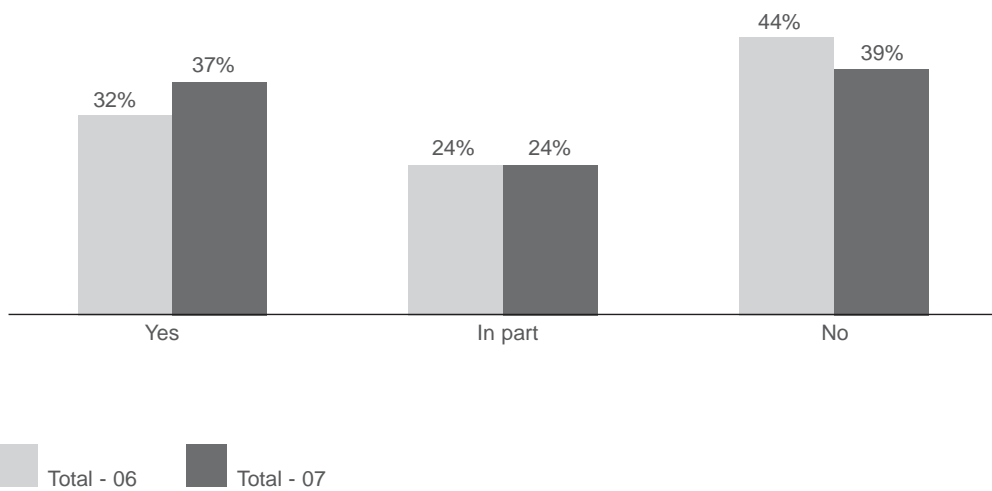
Base: All interviewed



Awareness of Environmental Principles

Whether aware of what Environmental Principles are

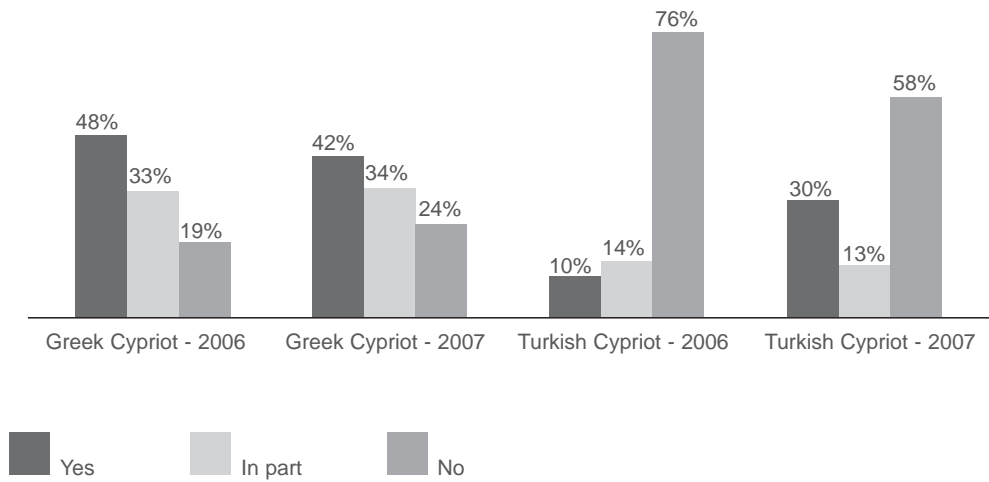
Base: All interviewed



Awareness of Environmental Principles (cont'd)

Whether aware of what Environmental Principles are - by community

Base: All interviewed

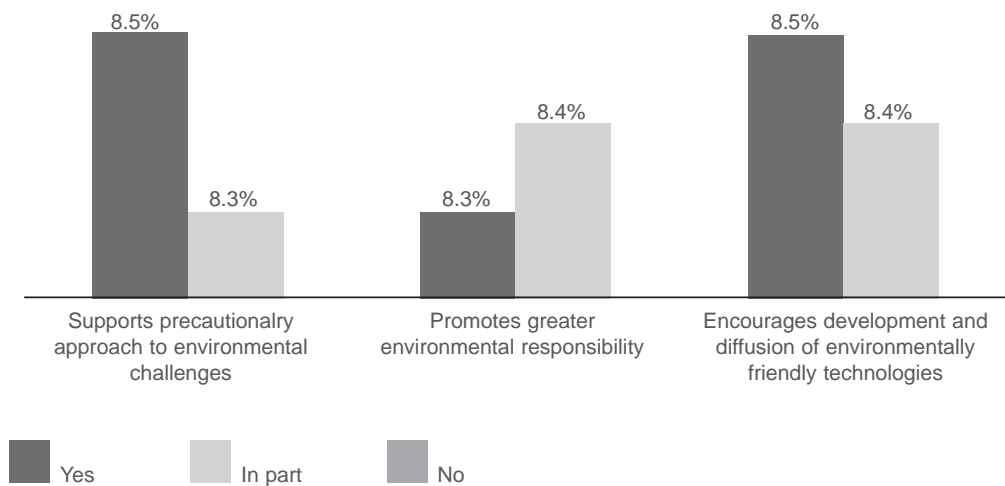


Incidence of Own Company Complying with Principles of Global Compact Environment Protection

Degree to which own company supports and respects environment

Base: All interviewed

Scale:
1= Not at all 10= Very much



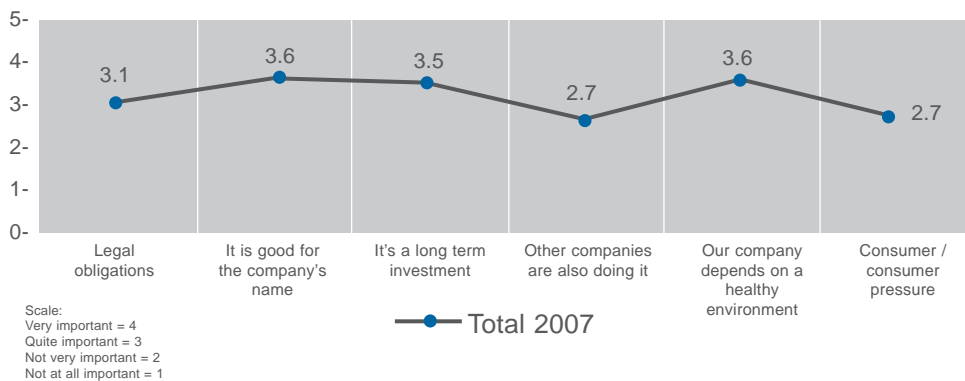
Annual Budget for Corporate Social Responsibility and Environmental Responsibility

Annual budget for CSR and for ER
 Base: All who have a history of giving

	CSR	ER
	(162)	(162)
	%	%
No Budget	23	48
Up to CYP 2.000	17	8
CYP 2.001 - CYP 5.000	15	6
CYP 5.001 - CYP 10.000	6	6
CYP 10.001 - CYP 20.000	6	1
CYP 20.001 +	10	6
Don't Know	22	23
Average mean	CYP 9.309	CYP 4.348

Influences on decision go invest in Environmental Responsibility

Importance of each factor in decision to invest in Environmental Responsibility
 Base: All who have an annual budget



Areas of Environmental responsibility

Areas Allocate ER

Base: All who do not have an annual budget

	%
Energy saving	73
Water consumption	71
Water reduction (recycling)	67
Air pollution	65
Nature conservation	57
Maintaining integrity of landscape	57
Water pollution	51
Degradation of physical environment	51
Soil pollution	45
Noise reduction	37
Climate change	33

Reasons Why no Budget is Allocated for ER

Importance of each factor in decision to invest in Environmental Responsibility

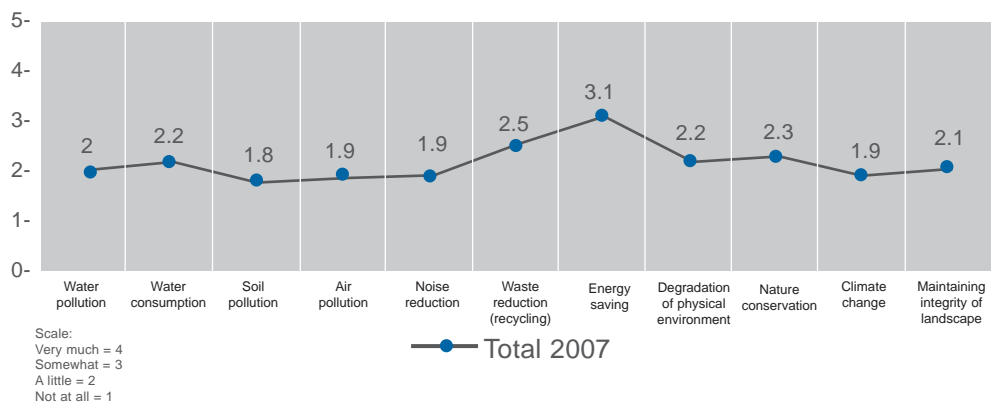
Base: All who do not have an annual budget

	%
There is no law enforcing it	76
Nobody else does it	52
We never thought of it	28
The cost would be too high	17
There is no benefit to our company from it	17

Extent of Saving Money by Reducing Environmental Impact on...

Importance of each factor in decision to invest in Environmental Responsibility

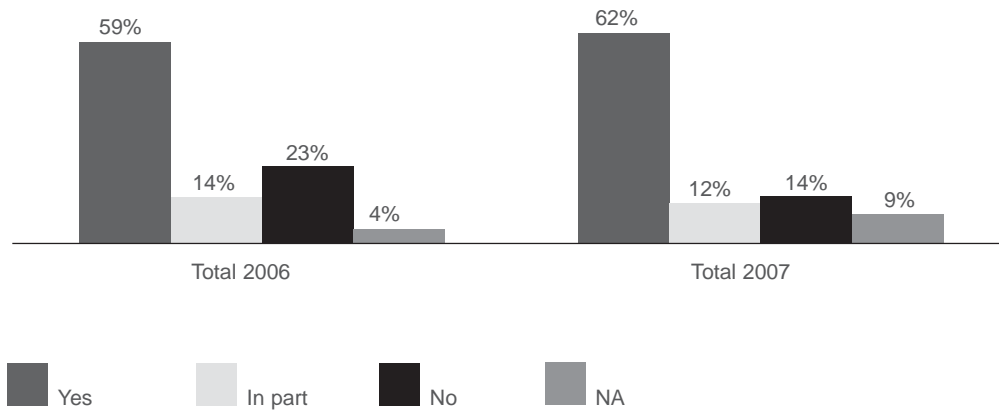
Base: respondents



Whether Company Tried to Reduce Environmental Impact in Terms of Energy Conservation

Whether applied energy conservation

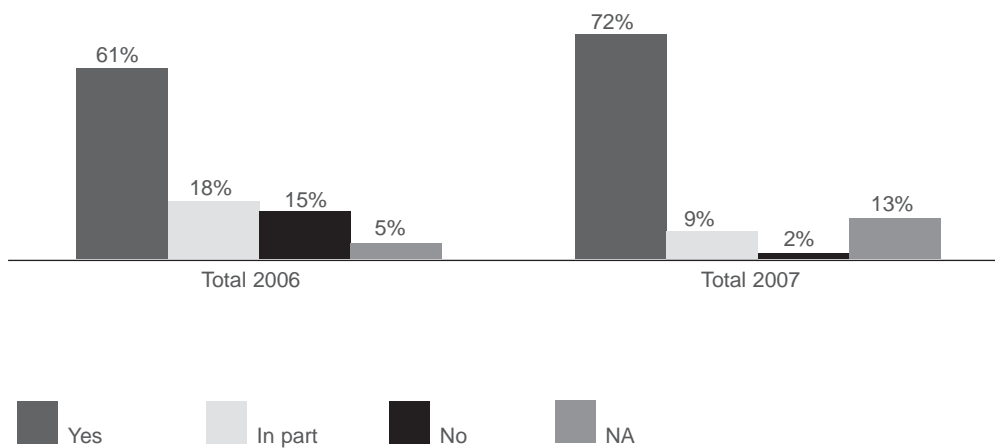
Base: All interviewed



Whether Company Tried to Reduce Environmental Impact in Terms of Pollution Prevention

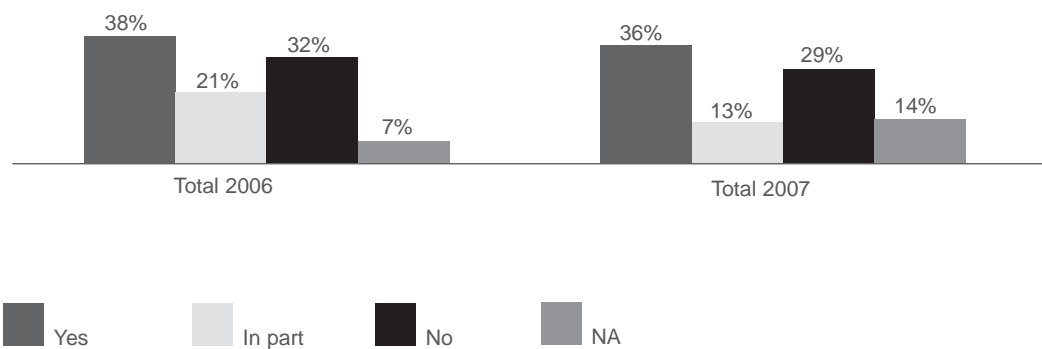
Whether applied pollution prevention

Base: All interviewed



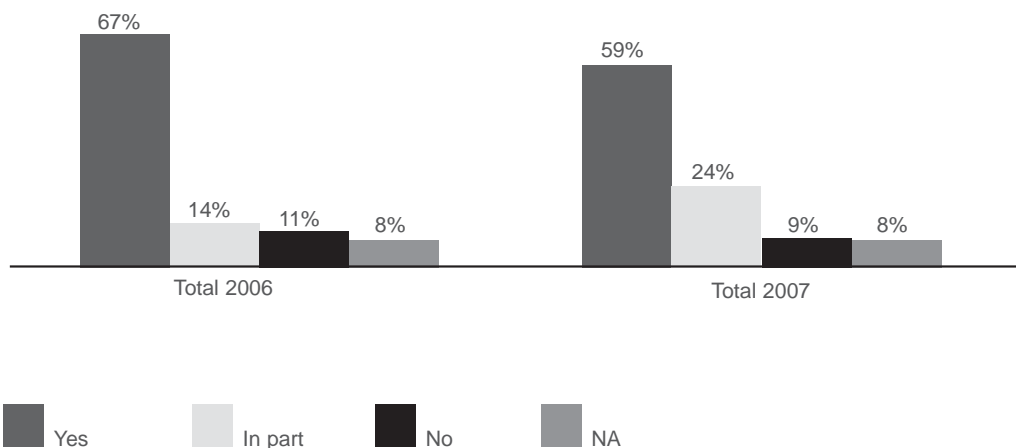
Whether Company Tried to Reduce Environmental Impact in Terms of Sustainable Transport Options

Whether uses sustainable transport options
Base: All interviewed



Whether Company Considers Environmental Impact When Developing New Products or Services

Whether Company Considers Environmental Impact
Base: All interviewed



Whether Sustainability of Products or Services Can Help Gain Advantage

Whether sustainability of products or services can be advantageous
Base: All interviewed

