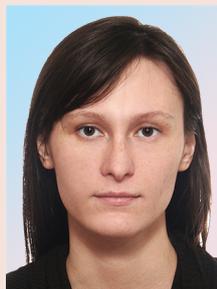


The Formation of the Mechanism of Cooperation between Socially Responsible Business and Regional Authorities in the Arctic Zone of the Russian Federation



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Abstract. In the current development conditions, the issue of distributing social functions between the state and a business is the most relevant. There are several institutions through which the state transfers social functions to organizations: social entrepreneurship, nonprofit organizations, and corporate social responsibility. These processes are the most important for the RF Arctic zone, which is resource oriented, and it is characterized by a special vulnerability to technogenic, biogenic, and socio-cultural threats. Mining companies adopt a voluntary social responsibility policy more often than companies from other industries. The results of the analysis of conducted studies show that a little attention is paid to issues of cooperation between socially responsible companies and regional authorities. This work is devoted to studying processes of the formation of mechanisms defining cooperation between socially responsible

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companies and regional authorities of the RF Arctic zone. Primary and secondary sources of information served as the informational basis. To collect primary data, we used in-depth unstructured interviews. Secondary data sources were official data from government and companies' websites, legal acts, and internal documentation of companies (annual reports, ordinances, regulations, policies, and reports on sustainable development). Content analysis of strategies, synthesis, and structural approach were used as methods of data interpretation. Access to company's internal documentation and the lack of updates on government and companies' official websites were restrictions of the research. Despite the existing bottlenecks in the research, the results are interesting for the further study of the mechanism of influence of business' social responsibility on the territories' socio-economic development and actualization of strategies for the Arctic regions' development.

Key words: socio-economic policy, corporate social responsibility, RF Arctic zone, mechanism of influence.

Introduction

Modern trends of the implementation of regional socio-economic policy in Russia are characterized by the diversification of social responsibility and the formation of common joint responsibility of the state and business. Denationalization of social responsibility occurs through the development of social entrepreneurship, attraction and support of socially oriented nonprofit organizations, and promotion of the development of corporate social responsibility. The development of social responsibility institutions is aimed, on the one hand, at reducing the financial burden of regional budgets, and, on the other hand, at improving the quality of social services provided. Thus, according to the authors' definition [1], social responsibility could be understood as the activity of a law-abiding company in relation to citizens of any territorial unit, aimed at providing social benefits for citizens and leading to improvement of the quality of life, preservation of biodiversity, reduction of the negative impact and comprehensive development of a given territorial unit. This is especially relevant for the Arctic regions due to their higher sensitivity toward any optimization reforms, aimed at reduction of state social costs: especially concerning life support systems.

Thus, the study of the formation of the mechanism of cooperation of companies and regional authorities' social responsibility in the RF Arctic zone will reveal the features of formal and informal interconnections between the region and business.

The methodology of the research is based on the systematic interdisciplinary approach. Theoretical constructions are based on the results of expert evaluation of domestic and foreign legislative acts, other legal documents, which directly or indirectly regulate corporate social responsibility (CSR), and on the results of interviewing selected focus groups¹.

On the basis of the content analysis of the strategy of the socio-economic development of the Arctic regions, the main characteristics of CSR and features of the entire communication process were identified (criteria analysis was the frequency of references of words "corporate

¹ The empirical research was conducted within the framework of the qualitative paradigm. In order to study the implicit elements of the mechanism of implementing corporate social responsibility of large companies, focus groups were held, the object of which were representatives of various social groups who were more or less aware of the organizational processes in the field of CSR: representatives of the district administration (8 people); employees of oil and gas companies (8 people), students who had internships in an oil and gas company (10 people).

social responsibility”, “public-private partnership”, “social project” in relation to the business, “private investments” – in relation to social projects, and the semantic analysis of mentions of oil-gas companies and their social role in the regional development).

Theoretical basis of the research is compiled from works of researchers of 20th century, who described the idea of transferring some social functions to business. Thus, H. Bowen said that business should be responsible for existing social problems in the region and take part in their solution. Social responsibility was reviewed as the possible way of business development, not the only correct one. H. Bowen is called the “father of Corporate Social Responsibility [2, 3]. The similar idea was supported by W. Frederick: resources of companies should be used not only for achieving business’ aims, but also for creating “universal socio-economic good” [4, 5].

S. Seti, S. Vartrik and F. Cochran, E. Freeman, L. Carroll more clearly formulated the role of socio-responsible business, which consists of carrying out social events that help solve social problems in the regions of presence [6, 7, 9, 10, 11].

Works of researchers of 21st century include modern practices of socially responsible companies. D. Rondinelli and M. Berry analyzed different events which affect the development of the region and selected 20 types of events, such as the development of own stricter standards, the provision of financial support for environmental activities, the participation in the creation of protected areas, the implementation of clean production practices, waste recycling, etc. [12]. L. Shen, K. Muduli, and A. Brave reviewed the impact of business’ social responsibility on the region by grouping them in three types: economic, social, and ecological [13]. Special attention is paid to the relationship

between companies, which produce natural resources, and local population, because these companies’ activities directly and indirectly affect the quality of life and the development of the region. The activity of companies which produce, for example, oil leads to a failure of the ecosystem. If the company’s activities were or are carried out within accepted standards, the ecosystem recovers after some time, and environmental damage to local residents does not lead to a significant deterioration of the life quality. Thus, companies may use social programs to get compensation for damage caused [14].

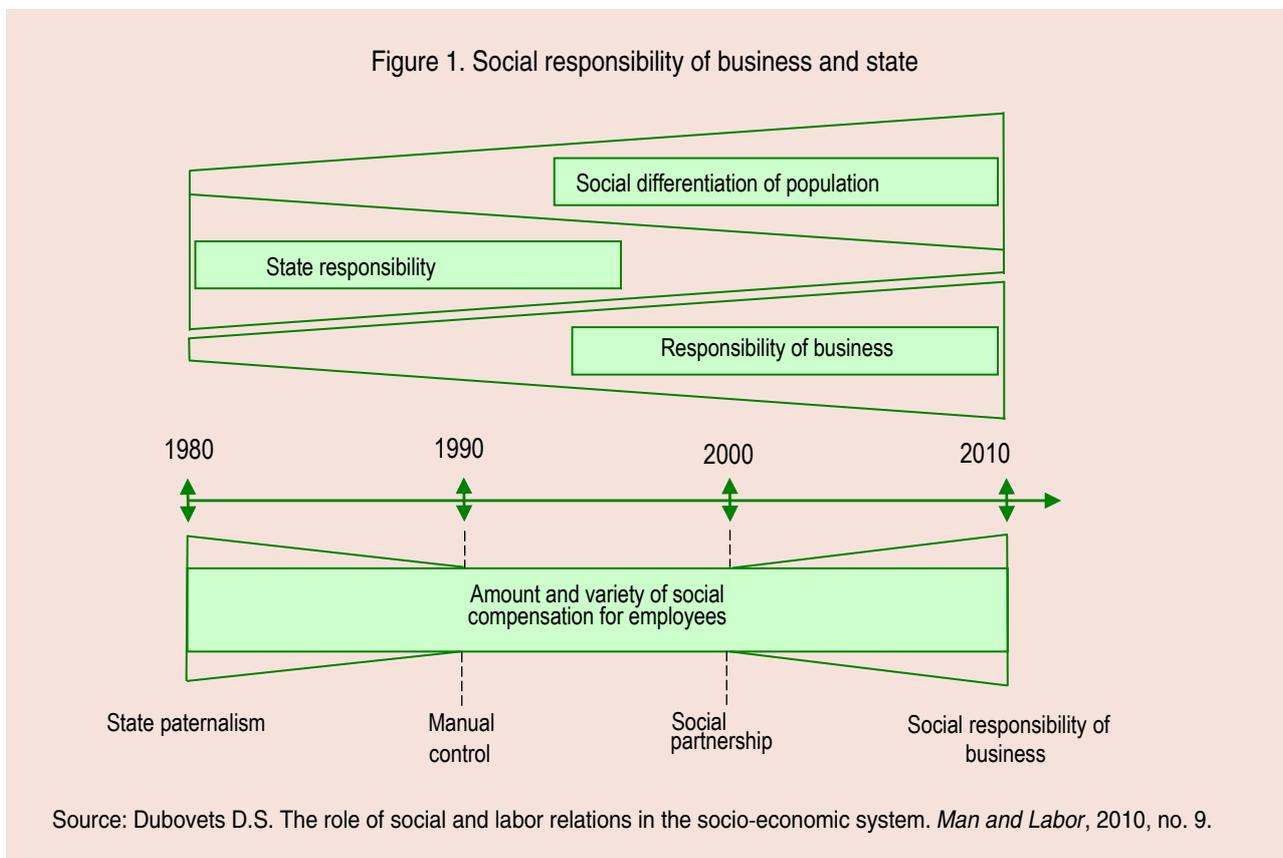
A.M. Fadeev, A.E. Cherepovitsyn, F.M. Larichkin said that state and northern regions need to build the policy of cooperation with countries which would bring them to the solution of existing socio-economic problems: to implementation of hydrocarbon resources’ social value. At the same time, the main problem is considered to be the need to achieve certain production indicators, which leads to the non-use of all potential social value [15]. A.N. Pilyasov and N.Yu. Zamyatina, who also studied social development of the Arctic zone, argued that socio-economic development should be considered according to the “lower level” and local communities’ needs [16]. Partnership with business, a common form of which is public-private partnership in the social sphere, gains significant weight [17]. R.N. Pavlov considered the essence and role of social entrepreneurship in the state as one of the possible forms of transition from the “kingdom of necessity” to the “kingdom of freedom”. E.V. Popov, A.Yu. Veretennikova, I.V. Naumov, K.M. Kozinskaya revealed factors, which affect increase of the level of socially oriented business: growth of social autonomy and gender equality [18, p. 249; 19]. At the same time, increase of the number of socially oriented

goals and the number of participants in social organizations does not affect the companies' development. The results obtained prove that the popularization of socially oriented business is possible through the development of the principles of democracy. The authors review the issues of social entrepreneurship, which is different from the business' social responsibility due to the fact that business initially has commercial goals and uses the resulting profit to solve problems in the sector of healthcare, culture and sports, and social entrepreneurship is focused on obtaining a social effect and functioning in the social sphere. J. Moon and D. Vogel suggested that the relationship between the state and a socially responsible business may be reviewed using two approaches: a socially responsible business and the government are mutually exclusive in solving social issues, or it is a relationship between a market participant and the government [20].

D.S. Dubovets, on the basis of the analysis of a payer of social compensations to personnel, examined the evolution of social responsibility in Russia, proving that the country uses an approach of mutual exclusion of business and government while performing a social function (Fig. 1) [21].

The main negative effect of shifting social responsibilities from the state to the shoulders of companies is the increase of social differentiation of the population [21]. However, many factors influence the differentiation of the population's income, and the very existence of the phenomenon does not depend on the performer of social functions.

Therefore, researchers paid attention to different aspects of the interaction of the region and a socially responsible business, such as the analysis of theoretical approaches to the role of business, cooperation effects, and industrial specifics of socially responsible business.



However, the question of the examination of the mechanism of the effect of social responsibility on the region's development remains unsolved in the works of Russian and foreign scientists, and it requires further study.

Results of the research

In this paper, the “mechanism of the influence of corporate social responsibility” is understood as the system of links, elements which cooperate with each other and set each other in motion. To describe the mechanism, the existing elements, forms of influence, their order and method of interaction are given below.

The modern mechanism of interaction between socially responsible oil-gas companies and regional authorities, which affects the development of the Arctic zone of the Russian Federation, is based on companies' common policy and goals of the region. Goals of the region are usually presented in the strategies and programs of the socio-economic development. They represent the interests of society, and policies of companies in the region are reflected in the following documents: ethical or social code; the sustainability report, report on social development or the report on corporate social responsibility; annual report; ordinance; other reports, regulations, codes.

The study of the formation of the interaction mechanism was carried out on the example of the Nenets Autonomous Okrug (NAO), because it is one of the territories where large oil-gas companies have significant experience of implementing CSR. According to the Consolidated state register of subsoil sites and licenses, from 1993–2018, the license to extract hydrocarbon resources on the territory of the NAO was received by 72 companies, 20 of which follow the policy of social responsibility [22]. Most of companies belong to the holdings of the “LUKOIL”, “Rosneft”, and “Gazprom” group of companies.

It was revealed that the mechanism is formed within the interaction of formal institutions, fixed in the form of legislative, regulatory and legal acts, standards, and informal ones, which represent stereotypes of thinking, habits, norms of behavior, and “contractual capacity” that develop over time and depend on mental characteristics of the society. Let us consider four main forms of interaction between companies and the region within the formation of a mechanism:

- cooperation that occurs within the framework of legislation;
- usage of recommendations or standards for maintaining corporate social responsibility;
- cooperation in the process of obtaining a license for the extraction of hydrocarbon resources;
- interest of public authorities and companies.

1. Interaction that occurs within the framework of legislation. As a result of the examination of the normative field of social responsibility of oil-gas business in the Arctic, three types of legal acts were identified:

Legal acts, regulating the specifics of a company's activity. Primary ones are the RF Law “On Subsoil”², the Federal Law “On Production Sharing Agreements”³; Nenets Autonomous Law “On the Amendments to the NAO Law “On Subsoils Usage”⁴. These legal acts reflect actions that companies are required to perform and that cannot be attributed to corporate social responsibility. Their examination helps to avoid situations, when the company issues obligations, established by law, for social responsibility.

² On Subsoil: Law of the Russian Federation no. 2395-1, dated February 21, 1992 (ed. on 30.09.2017). SPS Konsul'tantPlyus.

³ On Production Sharing Agreements: Federal Law no. 225-FZ, dated December 30, 1995. SPS Konsul'tantPlyus.

⁴ On the amendments to the NAO law “On Subsoils Usage”: Law of Nenets Autonomous Okrug no. 357-OZ, dated December 22, 2017. SPS Konsul'tantPlyus.

Legal acts, which regulate charitable and voluntary activities. The primary ones are: The Universal Declaration on Volunteering⁵, Federal Law “On Charitable Activities and Charitable Organizations”⁶, Federal Law “On Gratuitous Aid (Assistance) of the Russian Federation and Amendments and Additions to Certain Legislative Acts of the Russian Federation on Taxes and Establishing Benefits on Payments to State Extrabudgetary Funds in Connection with Implementation of Gratuitous Aid (Assistance) of the Russian Federation”⁷, Nenets Autonomous Okrug Law “On Contracts and Agreements of the Nenets Autonomous District”⁸. Despite the fact that corporate social responsibility implies voluntary actions, the organization of these actions falls under legislative regulation, which, in turn, reflects the main ways of implementing social activity and the main principles of legal regulation of the social sphere.

Normative acts regulating the activities of the government and other state bodies. The primary one are Resolution “Recommendations on Support for Volunteering”⁹, the RF President Decree “On National Goals and Strategic Objectives of the Russian Federation through to 2024”, “On Privileges for Payment of Electric Energy (Capacity) on the territory

of the Nenets Autonomous Okrug”¹⁰, “On the Establishment of the Lowered Tax Rate on Profit of Organizations for Certain Categories of Taxpayers”¹¹. This group of documents shows the interest of the region in the business development.

As the result of the analysis of global, federal, and local normative-legal acts (43 documents were analyzed), which have a direct and indirect influence on the formation of the mechanism of cooperation of corporate social responsibility, possible ways of implementing companies’ social policies and companies’ public instruments of motivation were identified for the participation in the development of the region – a territory of presence. Thus, the implementation of the company’s social policy is possible through charity, financing of nonprofit organizations, through public-private partnerships, the conclusion of concession agreements, and financing of socially oriented enterprises. The company may independently participate in social activities and in the organization and financing of other legal entities, activities of which are of a social nature. The analysis showed that the regulation of companies’ social activity is aimed at preventing violations of citizens’ rights and freedoms or protecting the interests of parties of an agreement.

State methods of motivating companies to participate in the development of the region and to conduct social events include: the creation of legal acts that allow securing rights and regulating emerging contradictions; co-financing of joint projects, the participation in the registered capital of companies; the creation

⁵ The Universal Declaration on Volunteering, adopted at the 16th World Conference of International Association for Volunteer Effort in Amsterdam, January of 2001.

⁶ On Charitable Activities and Charitable Organizations: Federal Law no. 135-FZ, dated August 11, 1995. SPS Konsul’tantPlyus.

⁷ On Gratuitous Aid (Assistance) of the Russian Federation and Amendments and Additions to Certain Legislative Acts of the Russian Federation on Taxes and Establishing Benefits on Payments to State Extrabudgetary Funds in Connection with Implementation of Gratuitous Aid (Assistance) of the Russian Federation: Federal Law no. 95-FZ, dated May 4, 1999. SPS Konsul’tantPlyus.

⁸ On Contracts and Agreements of the Nenets Autonomous District: Law of Nenets Autonomous Okrug no. 38-OZ, dated June 28, 2010. SPS Konsul’tantPlyus.

⁹ Recommendations on Support for Volunteering: A/RES/56/38 Resolution, adopted by United Nations on January 10, 2002.

¹⁰ On Privileges for Payment of Electric Energy (Capacity) on the territory of the Nenets Autonomous Okrug: Law of Nenets Autonomous Okrug no. 368-OZ, dated February 8, 2018. SPS Konsul’tantPlyus.

¹¹ On the Establishment of the Lowered Tax Rate on Profit of Organizations for Certain Categories of Taxpayers: Law of Nenets Autonomous Okrug no. 88-OZ, dated October 8, 2013.

of necessary infrastructure for the production of hydrocarbon raw materials; the usage of financial levers, such as taxation or payment exemptions, allowing companies to reduce the costs of hydrocarbon production; the regulation of prices using the mechanism of customs duties (import substitution).

At the same time, the imperfection of the regulatory system may lead to conflicts of interest and limit companies' rights to operate. In particular, public authorities should ensure the right of small indigenous peoples to conduct traditional economic activities in places of traditional residence. It leads to restrictions for oil-gas companies to operate in areas that belong to places of traditional residence. In Nenets Autonomous Okrug, such places include Zapolyarny municipal district (except for the urban work settlement Iskateley). A conflict of interests emerges: on the one hand, there is a goal "to get economic benefits", and, on the other hand, there is a need "to preserve cultural heritage".

Normative acts pay attention to the issue of the state support for hydrocarbon companies' activities, but these companies' voluntary participation in the development of the region through carrying out of social events is rarely mentioned. At the same time, a large block of normative acts is aimed at the legislative consolidation of labor rights, the regulation of safety issues, the development of the social sphere, and the introduction of innovations in all spheres of society' life.

2. Recommendations or standards for corporate social responsibility. Another form of the interaction between the society and hydrocarbon companies is the usage of voluntary standards and recommendations for corporate social responsibility and standards for reporting on the company's sustainable development. Incentives to comply with the

standards are the existing industry traditions, public pressure, or the requirement of partners or suppliers [23]. For example, the Code of Business Ethics of PJSC "LUKOIL Oil Company" includes the statement that the company expects suppliers to approve the principles of the Code and to follow the standards of ethical business maintenance, while the Social Code of PJSC "LUKOIL" specifies the criteria for selecting suppliers¹².

As the result of our expert evaluation of more than 20 standards and recommendations for conducting social activities, all of them were grouped into the following categories:

- by the sphere of application: standards that focus on regulating environmental, labor protection, or economic issues;
- by coverage level: international or federal;
- by the stage of regulation: standards that focus on the process and provide guidance for action; standards that help generate reports, results, and evaluate the presented indicators.

It was revealed that most of the standards are aimed at regulating social and environmental aspects of company's activities. At the same time, all standards aim to help a company build a policy that would contribute to the achievement of sustainable development goals. Just a few guidelines focus on the sustainable development reporting process. Thus, through the usage of standards, the state can participate in the regulation of social business practices through associations, unions and other alliances.

3. Cooperation in the process of obtaining a license for the extraction of hydrocarbon

¹² The Code of Business Ethics of PJSC "LUKOIL Oil Company". Available at: <http://www.lukoil.ru/FileSystem/9/312213.pdf> (accessed: 12.05.2019); the Social Code of PJSC "LUKOIL", adopted at the meeting of the Board of Directors of PJSC "LUKOIL", dated October 24, 2017, №16. Available at: <http://lukoil.ru/FileSystem/9/166582.pdf> (accessed: 12.05.2019).

resources. On the basis of interviews, established practices of cooperation between licensing entities were identified. The license for the extraction of minerals is issued on a competitive or auction basis, and it consists of the following steps: announcement of a competition with its placement on the government's official website; collection of applications with necessary documents; carrying out of an auction; making a decision by a competition's commission. Respondents noted that, in addition to obtaining a license for mining, companies draw up a technical project and sign an agreement, which, in particular, includes work on the territorial arrangement of the production site and measures for the elimination of the environmental damage. In addition to mandatory paragraphs, the agreement may contain additional clauses, such as the social role of a business in a resource extraction region. Applications with the highest number of socio-economic effects for the region have the best chance of approval. The examination of technical assignments allowed us to conclude that companies write down measures for the rational usage and the protection of the environment, the increase of a well's oil recovery.

4. Interest of public authorities and companies. The President of the Russian Federation urged companies to use the corporate social responsibility policy at the 13th Congress of the Russian Union of Industrialists and Entrepreneurs in 2003¹³. He noted that "social responsibility of entrepreneurs is absolutely necessary component of the participation in the production process"¹⁴.

¹³ Official website of the President of Russia. Available at: <http://kremlin.ru> (accessed: 29.04.2019).

¹⁴ Official website of All-Russian quality organization for social responsibility matters. Available at: <http://www.ksovok.com> (accessed: 29.04.2019).

The analysis showed that the interest of public authorities in the development of corporate social responsibility is expressed by oral messages and by mentioning the role of companies in the development strategies.

- **On the federal level:**

1. Russia's Energy Strategy for the Period up to 2030¹⁵. It proclaims the usage of innovations by companies, R&D stimulation, ecological safety, and the transition to new structure of fuel and energy complex the priorities of the development. The document outlines the need for companies to present indicators of the sustainable development and to implement standards of corporate social responsibility. The general measures of state support for corporations, in particular, for the development of the social sphere by companies, are wrote down; measures for the creation of conditions for the implementation of social programs in the field of the personnel development are also noted. The financial participation of the state in the formation of the necessary infrastructure is indicated. The Arctic is singled out as one of the regions of the development of the fuel and energy complex.

2. The Development Strategy of the Arctic Zone of the Russian Federation and National Security for the Period Up to 2020¹⁶. It lists the problems of the Arctic development and the goals of its further development. The emphasis is put on the provision of the state support for oil and gas companies. The need to attract extra-budgetary sources of funding and the development of public-private partnerships is mentioned in the Strategy.

¹⁵ Russia's Energy Strategy for the Period up to 2030: adopted by the decree of the RF Government no. 1715-p, dated November 13, 2009.

¹⁶ The Development Strategy of the Arctic Zone of the Russian Federation and National Security for the Period Up to 2020: adopted by the decree of the President of Russia no. Pr-232, dated February 8, 2013.

3. The state program “The Strategy for the Development of the Arctic Zone of the Russian Federation and National Security up to 2020”¹⁷. Subprogram 3 identifies issues of the development of the oil and gas sector in the Arctic with a focus on the usage of innovations. It also emphasizes the need for cooperation between the state and business. While describing the participation of public authorities in the implementation of the program, the need to maintain a balance of interests of the state, business, and society is mentioned. Within the selected areas of the Arctic development, companies may conduct social events for the development of science, innovation, and environmental protection. The state’s interest in the participation of companies in the implementation of planned activities is confirmed by the presence of extra-budgetary sources of funding.

4. The Strategy of Spatial Development of the Russian Federation until 2025¹⁸. It determines the planning of the territory’s development and analyzes existing problems. The strategy mentions the regions included in the Arctic zone of the Russian Federation as mineral resource centers, which indicates their resource orientation. The strategy, on the one hand, puts forward the need to move away from single-profiled entities, and, on the other hand, the development of mineral resource centers is considered to be one of the tools for implementing the goals of the strategy. This creates a contradiction and questions the implementation of set goals.

¹⁷ The state program “The Strategy for the Development of the Arctic Zone of the Russian Federation and National Security up to 2020”: adopted by the decree of the RF Government no. 366, dated April 21, 2014.

¹⁸ On the approval of “The Strategy of Socio-Economic Development of Nenets Autonomous Okrug until 2030”: the decree of the RF Government no. 207-p, dated February 13, 2019.

• **On the regional level:**

1. The Strategy of Socio-Economic Development of Nenets Autonomous Okrug until 2030¹⁹. Content analysis showed that “corporate social responsibility” and “social projects”, in relation to business, were not mentioned in the strategy at all. It recognizes the important role of oil and gas resources in the economic development of the region. While describing the development of NAO, almost every section examines the effects of the activities of oil and gas companies, primarily expressed in the form of investments, budget revenues, and job creation. Development planning focuses on solving existing problems, such as unemployment, by reorienting personnel to the basic sector. The text of the document highlights the needs for economic diversification, which there are no detailed projects. The region regards extensive economic development as the basic direction of the development. The strategy mentions one of the mechanisms of interaction with companies – the usage of PPP (mentioned 10 times, including 4 mentions in relation to mining companies), but without identifying the main participants of the oil and gas business.

For companies, the interest in the implementation of the corporate social responsibility policy might be expressed in the following benefits:

- through awards and certificates for public recognition;
- for membership in a club that promotes social responsibility ideas, to get contacts, for conclusion of agreements, for promoting business, to get investment, etc..

¹⁹ The Strategy of Socio-Economic Development of Nenets Autonomous Okrug until 2030: adopted by the decree of the Meetings of deputies of Nenets Autonomous Okrug no. 134-sd, dated June 22, 2010.

World clubs are the following ones: Business for Social Responsibility²⁰, The Conference Board²¹, CSR Europe²², The European Bank for Reconstruction and Development²³. The following associations are popular in the Russian Federation:

- Russian Managers Association²⁴;
- The Russian Union of Industrialists and Entrepreneurs, Committee on Social and Demographic Policy²⁵;
- The Chamber of Commerce and Industry of the Russian Federation, which publishes “Register of reliable suppliers” and “Register of socially responsible organizations in Russia”²⁶.

While planning business development, companies focus on economic (tax revenues) and social (creation of jobs) effects for the region. At the same time, the region is ready to participate in the creation of economic infrastructure for the development of new fields. However, the issue of using infrastructure after the development of oil and gas complex remains unresolved: will citizens and other companies be able to access it? Existing strategies for the development of the Arctic regions should be updated with the emphasis on the significant role of a socially responsible business in regulating social problems due to the willingness and interest of business to participate in their solution.

²⁰ Official website Business for Social Responsibility. Available at: <https://www.bsr.org> (accessed: 04.05.2019).

²¹ Official website The Conference Board. Available at: <https://www.conference-board.org> (accessed: 04.05.2019).

²² Official website CSR Europe. Available at: <https://www.csreurope.org> (accessed: 04.05.2019).

²³ Official website European Investment Bank. Available at: <https://www.eib.org/en/index.htm> (accessed: 04.05.2019).

²⁴ Official website Russian Managers Association. Available at: <https://amr.ru> (accessed: 08.05.2019).

²⁵ Official website of The Russian Union of Industrialists and Entrepreneurs. Available at: <http://www.rspp.ru> (accessed: 08.05.2019).

²⁶ Official website of The Chamber of Commerce and Industry of the Russian Federation. Available at: <https://tpprf.ru> (accessed: 08.05.2019).

The results of the study of formation processes of the mechanism of oil and gas companies' corporate social responsibility influence on the regional development of the RF Arctic zone allowed developing a formalized scheme, which shows the cumulative cooperation of CSR formal and informal institutions (*Fig. 2*).

The policy of the region and companies in the field of solving social problems is reflected in the goals, for which both parties cooperate in four examined forms. In addition to the presented forms of cooperation between the region and companies, the mechanism is based on the effects obtained from the cooperation and adjustment of goals. The mechanism of influence triggers a socio-dynamic multiplier, the effect of which is manifested in the economic, social, and environmental effects on the meso- and micro-levels of the corresponding territory.

A. On the meso-level:

1. *Economic effects* are connected, first of all, with the expansion of the financial basis of regional and local budgets – territories of presence. The provision of the social stability of a territory, population's employment, and the creation of new jobs. Improvement of the region's image to show that it is a great place for work and life.

2. *Social effects* are manifested in the improvement of the local society's life quality, in the growth of its well-being (increase of material, financial, social, and spiritual benefits) (*Tab. 1*).

3. *Environmental effects* are primarily related to maintaining biodiversity and minimizing anthropogenic impact on the environment.

As examples of social effects on the meso-level, we can review the initiatives implemented in Nenets Autonomous Okrug by the “LUKOIL” Group of Companies, OOO “SK Rusv’etpetro”, and JSC “Total”.

Figure 2. Mechanism of interaction between socially responsible big business and regional authorities of the Arctic zone of the Russian Federation

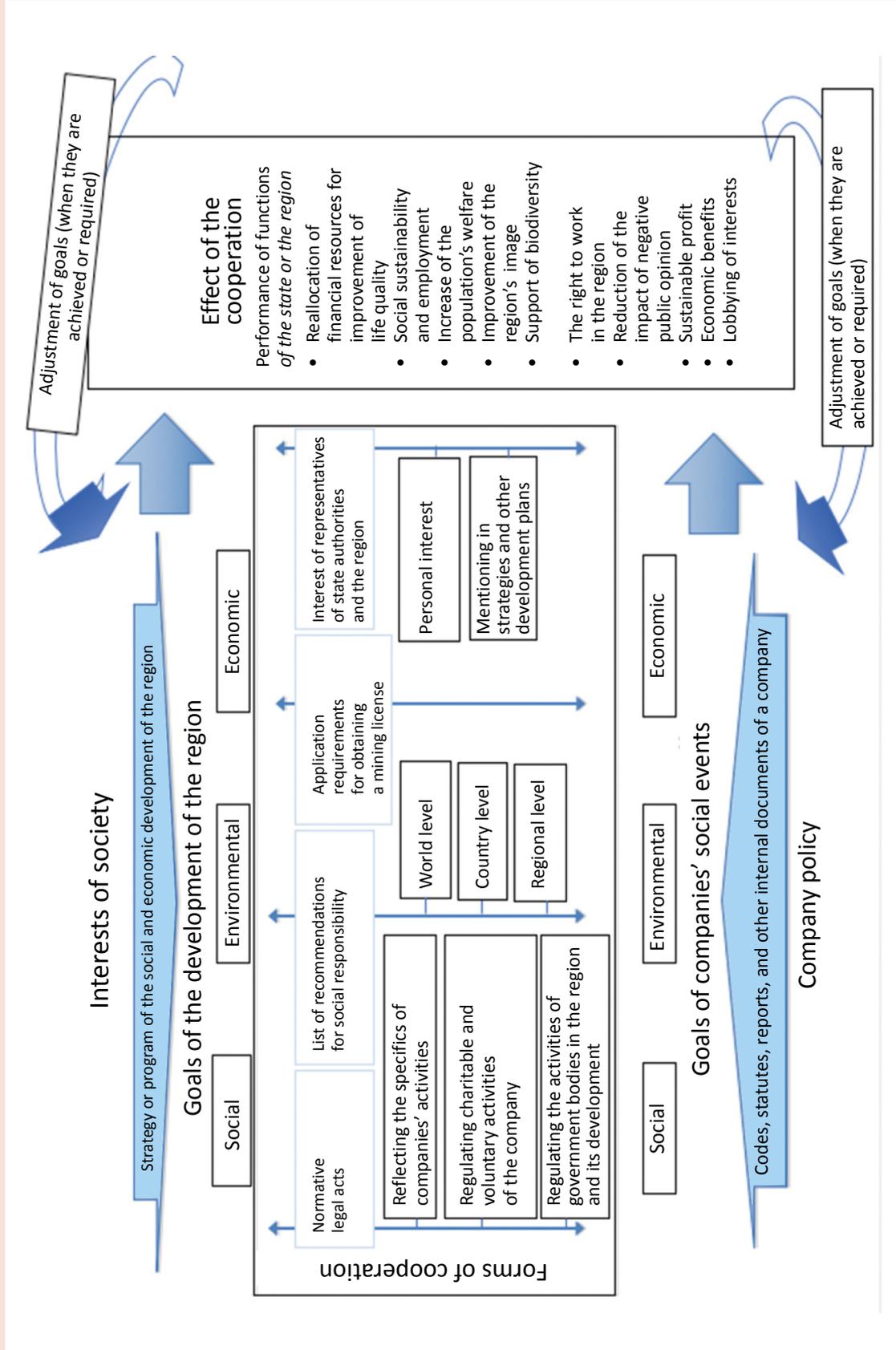


Table 1. Examples of social activity of oil and gas companies in Nenets Autonomous Okrug

Company	Year of implementation	Event	Amount	Result/ effect
“LUKOIL” Group of Companies	Since 2005 to present moment	Competition of social and cultural projects on the territory of presence	~42 million rubles	About 200 projects were supported
	Since 2015 to 2018	Support for reindeer herding agricultural cooperatives “Kharp”, “Erv” and “Izhemskii olenevod i Ko”	~120 million rubles	Carrying out of an annual holiday, delivery of necessary medications
	2017	Study of the impact of the company’s activities on the environment, together with ROO “Sovet po morskim mlekopitayushchim”	~50 billion rubles	Carrying out of a conference, addition to the Knowledge Bank
	2017	Restoration of fish resources, preservation of biodiversity.	280.2 million rubles	Preservation of the existing ecosystem in places of presence
JSC “Total”	2009	Financing the construction of social infrastructure facilities	-	School no. 2 was built in the locality of Iskateley
OOO “SK Rusv’etpetro”	2016	Financing the resettlement of dilapidated housing	20 million rubles	People, who lived in dilapidated houses that were not suitable for living, received new apartments
Sources: official website of “LUKOIL” oil company. Available at: http://www.lukoil.ru/ ; official website of OOO “SK Rusv’etpetro”. Available at: https://www.rvpetro.ru/ ; official website of the Government of Nenets Autonomous Okrug. Available at: http://adm-nao.ru (accessed: 30.09.2019).				

Б. On the micro-level:

1. *Additional economic benefits* of a company: developing the potential of the workforce, entering new markets, and improving relations with local community.

2. *Sustainable profits in the future*: by investing some money in social and philanthropic programs, corporations reduce their current profits, but, in the long run, create a favorable social environment.

3. *Economic benefits* in the form of tax preferences (*Tab. 2*).

4. *Lobbying of interests* is aimed at creating a positive image of a company. It can reduce the citizens’ degree of distrust, who later perceive a company as active participant in the regional development²⁷.

5. Reduction of the impact of negative public opinion.

The mechanism of cooperation between socially responsible business and regional

authorities was examined on the example of Nenets Autonomous Okrug. However, due to the similarity of the specifics of the development of the Arctic regions and their dependence on the extractive industry, the results may be extrapolated to all territories of the Arctic zone of the Russian Federation.

Conclusions

The study examined the mechanism of influence of socially responsible business on the socio-economic development of the regions of the RF Arctic zone on the example of oil and gas companies in Nenets Autonomous Okrug. The existing mechanism is based on formal and informal institutions. Formal ones include the current legal framework, while informal ones include customs of business intercourse, practices, and the “contractual capacity” of the process’ participants.

The positive effects, acquired after the cooperation, are among main factors, which motivate the region to provide access to territories with mineral resources and to issue a license for the extraction of these minerals. Social programs are also the mechanism of

²⁷ Lobbying refers to the process of defending one’s interests in ways defined by law (consultations, expert advice, public hearings, etc.). Articles 30–45 of the Constitution of the Russian Federation. SPS Konsul’tantPlyus.

Table 2. Economic benefits received by oil and gas companies

Benefit	Characteristic
0% tax on mining	In case of regulatory losses or associated gas production and other cases of article 342 of the Tax Code of the Russian Federation.
Reduction of the amount of mineral extraction tax	Reduction of the amount of deductions for processing gas condensate.
13.5 % income tax	Reduction of the tax rate to the regional budget.
VAT exemption	Transfer of goods and property rights for charitable activities, implementation of medical and educational services.
Reducing of the income tax	Expenses for the production and distribution of social advertising are taken into account; concessions for participants in regional investment projects (rate reduction to 0%).
Sources: Tax Code of the Russian Federation, On the Establishment of the Lowered Tax Rate on Profit of Organizations for Certain Categories of Taxpayers: Law of Nenets Autonomous Okrug no. 88-OZ, dated October 8, 2013.	

relocating resources by municipal and regional authorities in order to address social and environmental issues. For a company, positive effects serve as incentives to participate in the development of the region. They also form a strategy of the further development in a selected region. Thus, companies and the region are responsible for addressing social problems existing in the region. The normative and legal framework sufficiently regulates corporate social responsibility and

reveals primary means of implementing social activities.

The further study of the formation of the mechanism of business' social responsibility influence on the socio-economic development of the Arctic regions of the Russian Federation will show the features of the existing social relations between the region and business. It will also reveal the potential of the regional market of social services, especially – in remote areas.

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