

AmCham Estonia

American Chamber of Commerce Estonia

Raising Estonian National Competitiveness:

AmCham Estonia Policy & Advocacy Priorities 2013–2014



Content

- 3** Introduction
- 4** Raising Estonian National Competitiveness
- 5** Talent Attraction and Retention as a Pillar of Estonian National Competitiveness
- 7** Taxation as a Pillar of Estonian National Competitiveness
- 11** Intellectual Property Rights (IPR) Protection as a Pillar of Estonian National Competitiveness
- 14** Sustainable, Transparent and Responsible Business as a Pillar of Estonian National Competitiveness

Introduction

Dear Members and Partners:

The importance of foreign investments in Estonia presents AmCham with a unique opportunity to be the strong collective voice for American, Estonian and international businesses in the country. As one of the most active business organizations in Estonia with a truly global perspective, AmCham Estonia members feel that AmCham is in a strong position with policy-makers to drive a focused business agenda.

Based on the feedback from our members, we have identified 4 main topics that AmCham describes as The Pillars of Estonian National Competitiveness.

The following 4 Position Papers have been compiled and issued by various AmCham Committees bringing together the views of specialists and experts from a variety of industries to analyze and combine the opinions of the entire AmCham membership. These Position Papers are presented together in this one publication for your attention and consideration.

The aim of this publication is to convey the views of the AmCham Estonia membership on matters of key relevance and to improve the business climate in the country.

Sincerely,



Andrus Alber

AmCham President

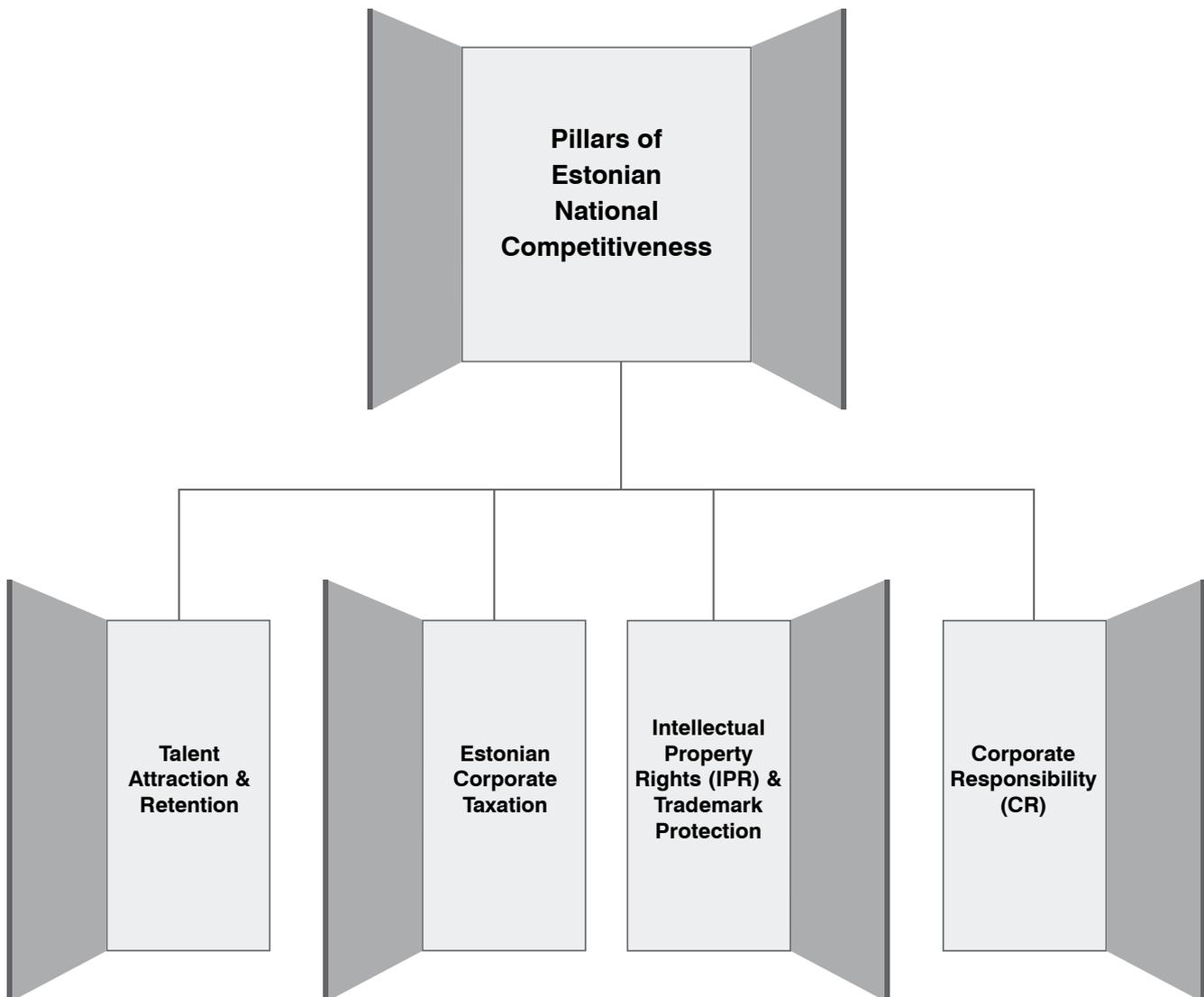


Daria Sivovol

AmCham Executive Director

Raising Estonian National Competitiveness

AmCham Policy and Advocacy Priorities 2013/2014



1. TALENT ATTRACTION & INTERNATIONAL EDUCATION
2. TAXATION
3. INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION
4. CORPORATE RESPONSIBILITY (CR)

Talent Attraction and Retention as a Pillar of Estonian National Competitiveness

AmCham Estonia Labor & Talent Committee Position Paper

The American Chamber of Commerce Estonia (AmCham Estonia) believes that Estonia must act decisively on several key talent attraction, retention and migration issues in the short term to help maintain a competitive position in the region and attract more foreign direct investment into the country.

As Estonia positions itself in the region as an innovative, IT-advanced market and technology-based economy, it is challenged to produce sufficient quantities of the highly qualified labor to meet growing demand. With the problem of an aging population, young students going abroad but more and more companies willing to grow and invest in their operations in Estonia, the AmCham Labor & Talent Committee believes that in the short term, highly qualified foreign professionals are the answer. But in order for Estonia to be successful in attracting and retaining highly qualified foreign workers, it is essential that they are met with a system and structure that make it attractive to come, work and live in the country. Here the question should not be whether we allow foreign talent to come or not, but how to attract international talent to Estonia while competing with other countries.

“The wiser the people living in Estonia the wiser values we create for Estonia and that makes our country more sustainable.”

Tiit Paananen, General Manager
Skype Estonia

Problem Definition:

Taking into account the current situation on the labor market and the current migration procedures in place, the following talent attraction & retention issues were raised by our members and outlined by the AmCham Labor & Talent Committee:

1. Very limited availability of human resources in certain industries

Estonia currently possesses a limited amount of the needed human resources in IT, engineering and many other industries. In the IT sector alone several thousand new staff could be hired if a pool of talent would be available. In some very narrow and specific technical or business areas there is not always a point for Estonia to educate people. It would be more reasonable to bring the few needed experts from abroad.

2. Lengthy and challenging migration policies for employers recruiting foreign talent

The experience of Skype shows that the 5-month average period from contract to employment of third-country nationals makes Estonian companies uncompetitive internationally. This will limit the eagerness of global companies to establish or broaden their development units or headquarters in Estonia.

3. Lack of migration support for expatriate families (migration conditions for spouses and children)

Estonia offers no migration support for expatriate families (spouses and children), which results in job offers refused, both at the top specialist as well as managerial level. (e.g. Skype aborts about 50% of discussions when questions about relocation come up.)

“The number one question for families moving abroad is, ‘What are the schools like?’ Globally mobile families need true international education: international accreditation, internationally authorized programs and internationally trained teachers that mirror a diverse student body. For Estonia to remain competitive, it needs to support independent international schools that meet these criteria. State schools will never suffice. These families require flexibility and a high degree of awareness to the particular needs of children living abroad that state institutions lack. Investment in independent international schools is critical, as it is the first question from top managers with children.”

Kathleen Naglee, Director,
International School of Estonia

“The whole migration approach needs paradigmatic change – we should look at the limits rather as minimum norms we need to bring in Talents, than maximum limits: there should be no limits for highly educated and well-paid immigrants, the only limits we should set, are the education and income level.”

Heigo Kaldra, Country Manager,
Manpower

4. Necessity to strengthen the international education sector in the country

Some job offer refusals are due to a lack of a competitive, international, English language educational system in Estonia. The problem lies in a combination of issues including the extremely small expatriate community in Estonia, cancellation of contracts due to problems with non-EU spouses' residency and, not least the very high costs of the International School of Estonia (the cost of attracting international teachers, programs, licenses, accreditations, and authorizations). These are barely supported or subsidized in Estonia and thus, the full burden of the cost of international education is placed on the parents via prohibitively high tuition costs.

Corresponding Recommendations:

Short-term recommendations (could be implemented immediately):

1. There is an urgent need to restructure the English version of the Police and Border Guard Board website to make it more easily accessible for foreigners who need long-term working permits in Estonia, including removing the requirement of filling-out some requested forms in Estonian
2. The requirement of foreigners applying for the working permit via an Estonian embassy outside of Estonia should be reconsidered and foreigners should be allowed to apply for work permits in Estonia without leaving the country. This would minimize the processing time of the documents by eliminating the unnecessary document transit procedure between the embassies.
3. There is a requirement for the employer to arrange a new recruitment process when the residence permit of the foreign professional expires and the employer wants to continue the contract. This needs to be eliminated as it is a very time-consuming procedure for the employer and it also creates a sense of uncertainty for foreign professionals.

Medium-Term Recommendations (could be implemented in 6 months):

1. To speed the international hiring process, the Estonian Migration Authority should create an “express lane” for white-collar selective immigration, defined either by salary level or economic sectors. This means, candidates in pre-selected disciplines or above a certain salary level are fast-tracked for priority clearance by the Migration Authority, with the Authority guaranteeing a “yes/no” decision on a candidate to be made within a two-week period. (Program model: Singapore, Ireland.)
2. There should be a “family service package” considered for highly-skilled professionals coming through the “express lane” (mainly fast issuance of residence permits for spouses, children, but also advisory services on educational and job opportunities for family members)
3. The processing time of residence permits should be decreased from 6 months to a maximum of 1 month to help employers in their task to fill urgent positions.
4. There should be a system to make it easier for students from third countries to stay and work in Estonia after their graduation from Estonian or other EU universities
5. To improve international education competitiveness, the Estonian government should consider readjusting its commitment to international education by making exceptions in the Private Schools Act to support and subsidize the costs of only high quality international schools and not supporting only European focused programs at state schools that are not suited to the educational needs of global, international families.

Taxation as a Pillar of Estonian National Competitiveness

AmCham Estonia Taxation Committee Position Paper

The American Chamber of Commerce Estonia (AmCham Estonia) believes that Estonia needs to address several taxation issues outlined below in the short term to help maintain a competitive position in the region and attract more foreign direct investment into the country.

AmCham Estonia believes that the way to transform Estonia from a low-cost labor and contract-manufacturing country into an innovative and creative science and technology-based economy, would be to enhance a few nuances in the current Taxation system, including R&D incentives, labor taxes, and stock award programs.

As this Position Paper is based on the information available to the AmCham Estonia Taxation Committee – the Committee is of the opinion that a comprehensive analysis is necessary in respect to every issue raised in this paper, including, but not limited to determining the thresholds for potential tax incentives, how to avoid the misuse of the present and/ or possible tax exemptions in future and which companies would qualify for the tax credits.

Problem Definition:

Taking into account the current Estonian Taxation system and its competitiveness in the region, the following issues were raised by our members and outlined by the AmCham Taxation Committee:

1. Employment taxation/social taxes/sick leave compensation & tax burden

These issues concern all fields of activity in Estonia. In sectors where the added value is higher (especially in the service sector) the specifics of the Estonian social tax system have limited the recruitment of high-salary specialists from abroad. High labor taxes also affect the wage cost competitiveness in low value-added sectors, as the deferred taxation on reinvested profits does not provide a substantial relief to the employer. The net wages of lower-paid employees are under pressure due to the low tax free threshold.

With respect to high labor taxes, inflexibility of taxation of fringe benefits is a significant concern for labor-intensive companies (but also other areas) in several employee motivation topics – e.g. taxation of travel cost arising from commuting between home office and headquarters or taxation of costs borne by the employer to improve the health of employees. Another problem inherent in the social tax system is its lack of flexibility (joint payments for health insurance and pensions), which is expressed primarily in the tax burden of many non-residents.

Foreign investors are also deterred by the current regulation on sickness benefits, which firstly, does not motivate employees to cure themselves at home during the contagious period and secondly, forces employers to pay the benefit for the rest of the time the employee is not able to fulfill his/her duties because of illness. This is even more controversial considering that the entire social tax burden is left on the shoulders of the employers.

“ Tax Policy is regularly acknowledged to be one key aspect facing investors. Although the Estonian tax system has remained simple and effective, continuous improvements are necessary to stay competitive in the region. ”

Kristjan Järve, Grant Thornton
Rimess OÜ

2. Stock award program with fringe benefit tax for the employer

At the moment the Estonian Income Tax Act clearly mentions only the taxation of stock options, but at the same time does not define explicitly the concept of stock options. Although in the meaning of the law all other (unmentioned) instruments (e.g. stock awards aka Restricted Stock Unit (RSU)) are considered as equal to options, they are not expressly regulated. As of 2011, the moment of taxation for the stock options occurs when the option is exercised and no fringe benefit tax is to be paid at the moment when the option is granted. Moreover, as a tax exemption, issuing a stock option is not considered a fringe benefit if three years pass after issue of the option to the employee and before exercising it. If the employee should decide to sell the option within three years, the fringe benefit tax is paid by the employer instead of the employee. The latter is still taxed on capital gains from the sale of option shares.

There are number of problems regarding the grant of the stock options/awards: firstly, the high tax cost of the benefit for the employer and zero for the employee; secondly, the taxable fringe benefits received by a resident employee are in general not included in the taxable income of the employee for Estonian tax purposes; thirdly, the absence of clear guidelines from the local tax authorities and/or relevant court practice regarding the stock award/stock option programs. It should be mentioned that in bigger companies different programs may be used in parallel at the same time: for example under ESPP (employee share purchase plan) employees can allocate part of their income to purchase shares at a discounted price and as fringe benefit tax applies to this too, then companies cannot apply that. This creates cases of unequal treatment for employees within the same company.

3. Absence of R & D credits/incentives

The main problem is that there are high employment taxes in Estonia. The Estonian corporate tax system benefits profitable companies who can turn their profit into additional investments and thereby boost growth. However, R&D companies are usually not profitable in the development phase, so the corporate tax system does not provide any support to such companies. On the contrary, because salary costs in the R&D sector are often multiple times higher than those in the production sector, the tax burden for R&D companies in comparison to the value of their assets and profits is significantly higher than that of low value production companies.

4. Necessity to cap social tax

The effectiveness of an upper ceiling depends essentially on the size of the cap. Although the government has already introduced the plan to implement such a cap for social tax, the concern is the delay in actual application, as well as the high threshold and the intention to impose the cap only on pension share.

Setting the cap is essential and will foster the recruitment of educated and highly-skilled employees from abroad and encourage foreign investors to invest into the higher added-value segments and respective jobs. In addition, it reduces the emigration risk for highly skilled specialists. Moreover, it would also help to fight more efficiently against tax optimisation using companies' dividends distributions instead of paying salaries.

5. Taxation of capital gains

Although Estonia applies participation exemption to dividends received from subsidiaries and profit received from foreign permanent establishments, there is no participation in respect to capital gains from the sale of shares of a subsidiary. Such participation exemption may be found for example in Finland, Sweden, Lithuania, Latvia (since 2013), and the Netherlands etc. It's a huge disadvantage compared to the neighboring countries, where the shares of a subsidiary may be sold without any tax at the level of the parent company.

“The Estonian corporate income tax system is unique and provides a competitive edge for entrepreneurs. Nevertheless, as the national tax system is still developing we are losing out to several neighboring countries that provide tax exemptions which allow profit from the sale of shares of a subsidiary. Not allowing this in Estonia may divert local headquarters and higher paid jobs away from the country, which will further weaken our economy. Therefore, at least a serious discussion is needed to allow Estonia to catch up with the tax competition in our region.”

Ranno Tingas, Tax Partner, Ernst & Young Baltic AS

Participation exemption will give Estonia an additional competitive advantage and a signal to potential investors that regional holding companies with regional managerial jobs are welcome in Estonia.

It should be emphasized that without this exemption foreign companies will be rather reluctant to establish their regional headquarters in Estonia, which as a result will mean fewer highly skilled jobs and decision makers contributing to the Estonian economy.

Corresponding Recommendations:

1. Employment taxation/social taxes/sick leave compensation & tax burdens:

- Keep reducing the personal income tax rate, or at least increase the income-tax-free minimum threshold in order to cut labor tax costs on below average wages in labor-intensive sectors.
- Consider dividing the social security tax burden between employees and employers.
- Consider making health insurance (13%) voluntary in certain circumstances (e.g. where the health insurance is covered by a private insurance system).
- To ensure the sustainability of the health care system, the costs made for the benefit of the employees' health should be exempt from fringe benefit tax. In addition, a system should be introduced so that employer contributions towards voluntary sickness, life and accident insurance are exempt of tax up to a certain threshold.

2. Stock award program with fringe benefit tax for employer

- Promote among the employers the grant stock awards and stock options instead of simple monetary payments to the employees. This also minimizes the company's expenses and generates tax benefits. Moreover, since these compensations often come with certain requirements, businesses often use them to encourage employees to stay longer with the company – the synergy from the good relationship benefits both parties;
- Encourage the government to review different compensation mechanisms and adjust Estonian taxation legislation to cover this present situation. At the moment there is too much ambiguity around the stock options and this does not create the sense of stability that companies need. Different compensation mechanisms (e.g. stock awards, RSUs and ESPP) should all be regulated in the Estonian Income Tax Act.
- Consider allowing the fringe benefit tax exemption to different compensation mechanisms (e.g. shorten the tax exemption period from the present three years to one year). Laying down precise and understandable guidelines how the stock options and/or stock awards should be taxed in various different situations (e.g. how the stock options/awards granted to the employee should be taxed if the tax residency of the employee changes during the granting and vesting period) instead of forcing the employer to obtain a written ruling from the tax authorities;
- Offering different kinds of solutions for postponing or even exempting stock awards and/or stock options from the fringe benefit taxes (consider setting a cap to the fringe benefit tax regarding the stock awards and/or stock options; offering registration of the stock awards program to shorten the time period where it's being taxed and for avoidance of the misuse of the program).

“In recent years countries in Europe and worldwide have entered into serious tax competition. Investors are being attracted with various tax benefits, lowering of corporate taxes and shifting the tax burden from businesses to consumers. Estonia is following the same trends, but the competition is outrunning us. In this paper we propose specific areas and ideas how the tax environment in Estonia could be improved in order to contribute to the effort of making Estonia a regional business hub.”

Joel Zernask, Head of Tax & Legal Services in Estonia, KPMG Baltics

3. Absence of R&D credits/incentives

- Capping the social tax of temporarily employed foreign R&D experts as such experts will not benefit from Estonian state pensions and other social security guarantees as much as Estonian residents. It is recommended to reduce the health insurance part of the social tax from 13% to 3%.
- Lowering of personal income tax of temporarily employed foreign R&D experts from 21% to 10%.
- Exempting profits from intellectual property licensing (e.g. patents) from corporate income tax or lowering the applicable tax rate (e.g. to 5%).
- For those companies, that will manage to effectively develop innovative products and protect those with patents we would propose exempting the profits from the utilization of such patents or taxing those profits with 5% corporate income tax, instead of the standard 21%.

4. Necessity to cap social tax

- The problem of Estonian high payroll taxes would be significantly alleviated by establishing a social tax cap. Applying an upper ceiling (cap) for social tax as soon as possible is a must.
- The tax legislation should be amended in such a way, that starting from a certain level – our assessment suggests, starting from 2 x monthly gross average salaries – neither the employer nor employee would have to pay social tax from gross salary (labour taxes will be fully paid up to this amount). Similarly, all social benefits should be capped with the same limit to decrease the governmental expenses.
- Consider reducing the cap threshold, as well as its extension, in addition to the health insurance share of the social tax. In order to balance the regressive effect from setting such cap, limitations on social security benefits for employees who exceed the cap should be considered.

5. Taxation of capital gains

- Allow participation exemption in respect to capital gains from the sale of shares of a subsidiary.

Intellectual Property Rights (IPR) Protection as a Pillar of Estonian National Competitiveness

AmCham Estonia IPR Protection Position Paper

Raising Estonia's National Competitiveness Through a Knowledge-based Economy

It is not cheap labour that creates wealth in today's world – first and foremost, it is innovation (i.e. remarkable technical solutions and services, enthralling pieces of work and other intellectual property). The American Chamber of Commerce in Estonia (AmCham) finds that Estonia has all it needs to become a main contractor instead of a subcontractor. Estonia should aim at developing high-quality and valuable solutions and implementing them throughout the world. Such an aim can only be achieved by valuing and effectively protecting the intellectual property, supporting innovation and improving the country's competitive strength.

AmCham holds Estonian people and the local education system in high regard – the residents of Estonia are capable of coming up with valuable and innovative solutions. Sadly, these ideas are not always realised effectively, so that they could be applied in the interests of furthering Estonia's prosperity. Although the Government of the Republic Strategy Paper "Estonian Success 2014" set out the target to improve the protection of intellectual property rights and the Estonian Research and Development and Innovation Strategy 2006–2013 "Knowledge-based Estonia" emphasises the need to be more active in protecting intellectual property rights and raising the awareness of the public (measures 3 and 4), the targets set have not yet been achieved.

Definition of the concerns:

1. Generally low regard of intellectual property rights versus physical property rights – to value the intellectual property is something that people in Estonia have not been raised with. Physical property is historically defining prosperity and has been considered primary to skills and knowledge that form the basis of intellectual property. In case of intellectual property, it is the creator (right-holder) who needs to be protected versus the interests of the end-user.
2. Shortcomings in shaping business ethics – the members of the management bodies of domestic legal persons do not monitor enough the use of intellectual property in the enterprises, especially in SMEs; they are more likely to claim that they were not aware of the committed infringement.
3. Lack of instant legal reaction to infringements – formally, Estonia has legal regulations required for the protection of intellectual property rights, but they are often not followed in reality. For example, only some years ago, each police prefecture had a special team that handled the investigation of crimes related to infringements of intellectual property rights, with each team comprising of several members. Now, only one person per prefecture is responsible for intellectual property issues. Therefore, in reality, the prohibited acts are generally not followed up by an immediate intervention (the identification of the offender; combating the infringement; calling upon the person to stop the infringement; punishment) by the relevant authorities. To make matters worse, the ongoing drafting of Estonian legislation is moving in the opposite direction compared to the internationally agreed approach prevalent in Europe and other developed jurisdictions. This emphasises the

“ A Knowledge-based economy and flexible financial system have given us a strong competitive advantage. The rapidly growing creative industries sector has put the protection of intellectual property issues in the public spotlight. I hope that over the time we should have a decent experience in ensuring the protection of intellectual property, and thereby foster even more innovation. ”

Rain Laane, General Manager,
Microsoft Baltics

need to make the protection of intellectual property rights significantly more effective in Estonia than it is now.

4. Lack of legal clarity – in some cases, the existing legal regulations are not helpful as they are not clear enough.
5. Intellectual property right-holders are not able to effectively protect their rights and claim proper compensation for the damage incurred. Firstly, right-holders lack the means to efficiently combat the infringements themselves. Secondly, legislative proceedings are complicated and costly, and result in unacceptable deadlines and delays. Thirdly, the compensation that is paid to the right-holders is insufficient to actually cover the whole damage incurred. Fourthly, the legislation does not provide for preventative punitive compensation for damage, unlike in Lithuania for example. Overall, in Estonia, the infringement of intellectual property rights has become economically advantageous for offenders.
6. Unjustified restriction on intellectual property rights is to be avoided in all sectors. There is a need to emphasize that protected forms of branding and trademarks form a key part of industrial intellectual property rights. AmCham is pleased to note that in recent written submissions by the Ministries of Justice and Economy and Communications to the draft Tobacco Products Directive of the EU (revising the Directive 2001/37/EC), the Ministries remain strongly committed to ensuring that the international trademark rights are not violated by the EU legislative initiatives. AmCham fears that any precedent of limiting intellectual property rights in one sector may be used to limit other legal fields of commerce which may be deemed unhealthy such as soft drinks, fast food, candy or any other products.

Corresponding Recommendations:

1. Make the protection of intellectual property rights one of the state's priorities, including: improving administrative capacity for detecting and combating offences and dealing with offenders; monitoring the activities of law enforcement and administrative authorities in the field of intellectual property in order to identify the causes of problems; and reorganising their activities so that legal protection would fully function.
2. Reconsider the whole process of decriminalising the infringement of intellectual property rights.
3. Systematically notify and educate the public in the field of intellectual property, particularly teaching the public to value intellectual property more (including expanding intellectual property-related education in educational institutions, carry out awareness campaigns etc.).
4. Implement effective control procedures in order to ensure that dishonest companies, which have gained a competitive advantage by the exploitative abuse of intellectual property, cannot compete with other enterprises in selling products or providing services to the Estonian public sector. Effective controls would also protect honest entrepreneurs from unfair competition related to the infringement of intellectual property rights.
5. Oblige the members of the management board of a legal entity to monitor and verify the use of intellectual property and be liable for associated infringements.
6. Establish preventive (punitive) compensation for damage in order to ensure appropriate compensation for the damage done (e.g. in the sum of the two- or threefold standard price of the infringed right).

“IPR protection is an indication of public awareness of innovation and creativity and how these are valued, together with the State's position on this. The level of IPR protection directly affects Estonia's competitiveness in the region, including the amount of investment and is a measure of trustworthiness of our country, its companies and partners.”

Kaido Uduste, Business Software Alliance

This document has been compiled by AmCham Estonia IPR Committee consisting of the following members: Anneli Jõesalu; Microsoft; Kaido Uduste; BSA; Erik Mandre; Estonian Organization for Copyright Protection, Maris Leemets, Philip Morris International; Martin Hiir; Estonian Software Union; Rain Laane, Microsoft Estonia; Daria Sivovol, AmCham.

Please note, that the AmCham Estonia IPR Committee Position Paper is based on the information available to the Committee and presents only the issues put forward by AmCham members which are mainly in the ICT sector. The Committee is of the opinion that a comprehensive analysis is necessary in respect to every issue in this paper but also to the Industrial Property and Trademark protection that has not been addressed in this Position Paper.

“ Intellectual property rights (IPRs) are a strong cornerstone of the international economic system and provide significant value to their legal owners and retail circles. IPRs are vital to boost international innovation and growth, as well as to create jobs. It is therefore crucial to protect IPRs in Estonia to maintain its competitive position in the global economy. ”

Maris Leemets, Philip Morris
Estonia



Sustainable, Transparent and Responsible Business as a Pillar of Estonian National Competitiveness

AmCham Estonia Corporate Responsibility (CR) Position Paper

What more needs to be done to place Corporate Responsibility at the core of Estonian Business?

“There is no doubt that Corporate Responsibility affects Estonian national competitiveness in the region – the awareness is rising constantly and the more developed the society, the more CR is valued.”

Heigo Kaldra, Country Manager, Manpower

Imagine a situation where a customer has to choose between two equally strong companies offering the same price and quality – one company demonstrates that responsibility is a key value while the other does not. Which would you choose?

If we apply this to a business community, or even to a nation's reputation, again the question would be, *which would you choose?*

For businesses in Estonia, the question is no longer “Why is CR important?” – being responsible is a natural part of doing business. Is this true? Is it true that all business dealings in Estonia are sustainable, transparent and responsible? The answer to that is probably not all, but working together with organizations such as Vastutustundliku Ettevõtluse Foorum (the Responsible Business Forum), AmCham continues to raise awareness and place CR at the heart of business activity in Estonia.

AmCham's Corporate Responsibility Committee focuses its activities on a commitment to promoting an understanding of Corporate Responsibility among the Chamber's members and the wider business community. This commitment places particular emphasis on sustainable business development via four pillars of **workplace, economy, community and environment**.

Problem Definition:

Quoting from an article in AmCham's latest publication – Vision 2013 – Marko Siller, Executive Manager of the Responsible Business Forum in Estonia states that some ways that responsible behavior can add value to your business, include:

- Cost optimization. Saving resources like energy, fuel, water, or materials such as paper will result in lower direct costs.
- Productivity and quality. Healthy, skilled and motivated employees lower staff turnover and ensure higher quality output and productivity.
- Key to increasing exports. Increasingly consumers, business partners and clients alike value responsible companies and this can help in achieving success in foreign markets.
- Attracting investors. A responsible attitude increases credibility and belief in the sustainable future of the business.
- Growing the customer base. More and more people consider social and environmental aspects as important factors in their decision-making process.
- Source of innovation. Close interaction with stakeholders and taking into

“Being socially responsible creates goodwill and a positive image for Estonia. Trust and good reputation are some of our most valuable assets.”

Kiira Kure, Operations Manager, Hineright Estonia

consideration socially responsible market developments may result in innovative product solutions or business models.

- Risk management. By acting responsibly, a business develops a greater understanding of the expectations of stakeholders and the possible negative impact of the business; this gives an opportunity to lower financial and reputation risks.

The issue is how to encourage all businesses to recognize the value of CR and how to promote to the global business community that when doing business in Estonia you can be sure that transparency, responsibility and sustainability are watchwords applied by business, NGOs and by Government, both centrally and locally.

Corresponding Recommendations:

- Work to ensure that CR is no longer viewed as some nice-to-have extra activity that a company undertakes when it has the time and money. Instead, work to promote the understanding that responsibility is simply the way that business is done; that it is about values and attitude; that it is about acting responsibly in hard times as well as in good.
- Work with NGOs, Chambers of Commerce and the business community to continue to place CR at the heart of Estonian business development. This should include the training of business managers and entrepreneurs and creating opportunities for building CR knowledge.
- Encourage CR to be taken into account as a part of public procurement.
- Work to maintain the current trend for businesses to move their main contribution to their CR activity away from being simply sponsorship and charitable fund-raising and more towards connecting responsibility strategically to core activities.
- Encourage the effective implementation of CR principles to be reflected at national level with benefits that enhance a business's competitiveness.
- Encourage the definition of CR principles as part of each company's culture.
- Increase consumer awareness of CR and responsible purchasing.

“ CR is serving as a pillar for sustainable business practice where companies invest resources in their team members, and in environmental and social programs. These activities serve to increase the positive image of a company where in today's economy more and more customers prefer partnering with companies who are devoted to continued CR activities. ”

Kaire Kleesment, Swissôtel Tallinn

“ Estonia has a well-earned reputation for a being a great place to do business; with easy to follow legislation; clear and transparent business practice; principled and effective governance – any responsible business has a place here. ”

Gordon Fyfe, Central Reservations Center Manager, Hurtigruten

This document has been compiled by the AmCham Estonia Corporate Responsibility Committee consisting of the following members: Gordon Fyfe, Hurtigruten; Piret Jaaks, Coca-Cola Hellenic; Kiira Kure, Hireright; Mart Engelbrecht, Hewlett Packard; Kaire Kleesment, Swissotel Tallinn, Heigo Kaldra, Manpower; Reelika Lume, AVON; Katrin Kahn, LEXTAL; Ilvi Jõe-Cannon; Marina Pushkar, AmCham Estonia; Daria Sivovol, AmCham Estonia.

AmCham Estonia

American Chamber of Commerce Estonia

Established in 1997, the American Chamber of Commerce Estonia (AmCham Estonia) is a leading foreign business hub in Estonia comprising of 120 companies from a wide range of sectors with operations and employees in Estonia and across Europe. AmCham Estonia speaks for American, Estonian and International companies operating in Estonia and aims to ensure a growth-orientated business and investment climate in the country. AmCham Estonia is a member of the AmChams in Europe Association (ACE) and of the U.S. Chamber of Commerce.



www.amcham.ee

American Chamber of Commerce Estonia • Tallinn Business Center, Harju 6, 10130 Tallinn, Estonia
Phone: +372 6 310 522 • GSM: +372 53 329970 • amcham@amcham.ee