

Corporate Social Responsibility in the Asia Pacific

This paper provides an overview of the state of Corporate Social Responsibility (CSR)¹ in APEC economies and is intended to inform the discussion on **how to incorporate CSR into APEC's regional economic cooperation agenda**. It draws on advice and input from member economies and international agencies as well recent reports and articles on the subject.

The business case for investment in CSR activity can be linked to a range of issues including the pursuit of new business opportunities through social and environmental innovation, improving competitiveness, attracting investment, reputational risk management, campaign pressure from nongovernmental organizations (NGOs) or trade unions, media exposure of business practices etc.¹ CSR is increasingly seen as an integral part of sound long term business strategy and corporate governance.

The survey among member economies showed that **CSR has been developing at different speeds and in different directions within all APEC economies** over recent years with each approach reflecting local factors, distinct business cultures and economic structures. The strong level of CSR activity and interest through-out the region is being driven by individual companies, especially MNEs but also SMEs, business associations, national governments and local authorities, international bodies, intergovernmental organizations, civil society and NGOs. **Attachment A** provides a snapshot of CSR developments in APEC economies.

The number of voluntary CSR initiatives continues to grow. These can take various forms such as certification schemes such as the ISO 14001 regarding environmental management standards and the development of the ISO 26000 standard giving guidance on social responsibility. There are also agreements between international trade unions and MNEs to apply standards in specific industries and supply chains as well as monitoring schemes associated with anti-sweatshop initiatives.

There are an array of **global initiatives that emphasize stakeholder dialogue and the sharing of best practices** including the United Nations Global Compact (promoting ten principles derived from international labor, environment, human rights and anti-corruption laws) and the Global Reporting Initiative (promoting triple bottom-line reporting). The ILO adopted the 'Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy' in 1977 and the OECD has issued 'Guidelines for Multinational Enterprises'.

The International Finance Corporation (IFC), of the World Bank Group, developed the 'Equator Principles' covering environmental and social issues in project finance and the UN has developed Principles for Responsible Investment to incorporate environmental, social, and governance issues into mainstream investment decision-making and ownership practices. A summary of APEC involvement in some of these initiatives is at **Attachment B**.

¹ CSR can be seen as the practices of the corporation that, as part of their corporate strategy, complementary and in support of the main business activities, explicitly seek to avoid damage and promote the well-being of stakeholders (clients, suppliers, employees, financial resource providers, community, government and the environment) by complying with current rules and regulations and voluntarily going beyond those requirements.¹

Nearly all governments in APEC economies have recognized the implications of CSR for public policy but there is often no integrated CSR public policy framework. This could be the result of benign neglect as CSR in some economies has developed rapidly in response to market pressures. In such circumstances the public sector can take a laissez-faire approach, endorse current trajectories, or facilitate the emergence of voluntary approaches that are more directly aligned with public policy goals.

In other APEC economies and sectors the market fails to provide the signals or the private sector may fail to respond to consumer preferences. There would then be a strong case for the public sector to establish clear incentives or lead the process in developing broad goals related to CSR. The challenge arises where these same economies lack the institutional capacity to put CSR instruments into place. This could be the starting point for assessing possible APEC capacity building initiatives on CSR.ⁱⁱ

The drivers for public policy interest in CSR are generally related to the specific domestic economic, political and social context of the economy as well as the ongoing influence of international factors including the development of global CSR standards and initiatives, changes in consumer expectations and the ever increasing public focus on human rights, labor standards and environmental concerns.

Developing economy governments in particular may view **CSR as a means to enhance sustainable development strategies** and a component of their national competitiveness strategies to compete for foreign investment and position their exports globally, as well as to improve poverty-focused delivery of public policy goals (See Table below).ⁱⁱⁱ

Rationales for Public Policy Interest in CSR

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| Economic | <ul style="list-style-type: none"> • Enhance international and national competitiveness (eg. aligning national investment strategies with the CSR interest of foreign investors) • Promote local export-oriented business – developing a competitive advantage from the market access aspects of CSR. • Achieve equitable and sustainable growth |
| Political | <ul style="list-style-type: none"> • Respond to pressure from/influence of external actors • Enhance international political influence and reputation • Address gaps in government capacity |
| Social | <ul style="list-style-type: none"> • Address challenges in socioeconomic development • Build upon traditional values while establishing a modern economy • CSR can help form partnerships between the complementary skills of public, private and civil society actors to promote sustainable development.^{iv} |

Public policies on CSR in APEC economies vary widely in the level of sophistication and implementation. A manual for analyzing CSR public policy has been developed by the Bertelsmann's Foundation. It provides a CSR Navigator Toolbox that includes a range of different policy instruments for developing CSR. This navigator tool could possibly be applied to all APEC economies to analyze the state of CSR public policy in order to identify possible capacity building needs.

CSR has relevance for a wide range of areas that are already important elements of the APEC agenda, including market access, trade and investment facilitation, corporate governance, international standards, corporate networks, codes of conduct, government procurement, sustainable development, capacity building, education and human resource development, mining, tourism, SMEs, anti-corruption etc.

CSR can impact on market access for example when CSR considerations are included into global supply chains as market entry requirements (eg. labeling requirements, certification schemes etc.). Such conditions can increase the costs of doing business and impact on a firm's entry into export markets. **APEC is well designed to help coordinate some of the linkages between CSR, regional competitiveness and trade and investment promotion.** These linkages may not always be apparent as many government actions that enable or drive CSR are not described as such.

CSR is currently the focus of APEC work in a number of fora. ABAC is undertaking work on CSR as a 2008 priority. Responsible Tourism was the theme of the 2008 Tourism Ministers Meeting. The most detailed consideration of CSR in the APEC context appears to have taken place in the Human Resource Development Working Group. Both the Capacity Building Network (CBN) and the Labour Social Protection Network have identified the potential for collaboration on CSR issues. The CBN has published two comprehensive reports on CSR. One report developed under the corporate governance work programme approached CSR from a risk management perspective. The other report considered the role of CSR in the global supply chain. It found that companies are embracing CSR as a framework for global supply chain management and that governments have a key facilitating role in CSR at both the regional cooperation level and within individual APEC economies.

While CSR activity is strong and growing – **the level of awareness and the application of CSR principles in both the private and public sectors is far from universal.** CSR is of relevance to public sector agencies as they can often lead the way in setting standards for good corporate practice such as managing relations with stakeholders (including with employees and suppliers), promoting sustainable development and transparency. **APEC (especially through ABAC) could play a facilitating role in promoting CSR awareness and capability in both the public and private sectors.** Some of the voluntary (non-mandatory) strategies used to promote CSR by public, private and civil society actors include:

- **Transparency:** To identify voluntary programs to certify processes or products, and ensure transparency in the processes in which SMEs are involved.
- **Facilitating:** To enable or increase the adoption of management tools such as voluntary product labeling schemes and guidelines for company management systems or reporting. It may include fiscal incentives or specific procurement procedures.
- **Improving Promotion and Advocacy:** To enhance CSR awareness through conferences, workshops, training programs, baseline indices, etc.
- **Partnering:** To tackle complex social issues by initiating and managing public and private stakeholder partnerships that combine complementary skills.
- **Endorsing:** To include CSR in the political agenda and demonstrate the success of CSR management by recognizing the efforts of companies, for instance, through awarding schemes.^v

Some possible elements of an APEC Agenda on CSR could include the following:

- A strong political commitment from APEC Leaders to raise CSR awareness in 2008 including recognition of relevant APEC and ABAC work in this area.
 - Diagnostic of APEC structure to identify areas of expertise in committees and working groups to include in an APEC CSR framework.
 - Mapping of CSR linkages across the APEC agenda.
 - Online APEC CSR Resource Centre (through ABAC) including an inventory of resources on CSR practices and the most relevant CSR principles & standards for the Asia-Pacific.
 - APEC CSR regional network of business organizations and experts.
 - Survey of APEC CSR public policies and possible capacity building needs.
 - Business outreach and promotion of CSR best practices in APEC.
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References

ⁱ Ward, Halina (2004) 'Public Sector roles in Strengthening Corporate Social Responsibility: Taking Stock' (World Bank).

ⁱⁱ Ward (2004)

ⁱⁱⁱ Ward (2004)

^{iv} Adapted from the 2004 World Bank report & the 2007 Bertelsmann's Foundation report: The CSR Navigator.

http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2007_10_24/CSR_Navigator_short_final.pdf

^v Cici, Carlo & Raghieri, Federica (2008) 'Recommended actions to foster the adoption of CSR practices in SMEs' (Inter-American Development Bank).

List of Attachments

Attachment A – Snapshots of CSR Developments in APEC economies.

Attachment B – Summary of APEC Involvement in Key CSR Initiatives

Attachment C – Full Economy Responses on CSR Developments