

# **SOCIALLY RESPONSIBLE BUSINESS**



## **A MODEL FOR A SUSTAINABLE FUTURE**



*The shaded areas of the map indicate ESCAP members and associate members*

The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. ESCAP, with 53 member States and nine associate members, is the largest regional intergovernmental platform and offers countries sound analytical products that provide insight into the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments supports countries' sustainable and inclusive development ambitions.

# **SOCIALLY RESPONSIBLE BUSINESS**

**A MODEL FOR  
A SUSTAINABLE FUTURE**

STUDIES IN TRADE, INVESTMENT AND INNOVATION 88

## **SOCIALLY RESPONSIBLE BUSINESS**

### **A MODEL FOR A SUSTAINABLE FUTURE**

United Nations publication  
Copyright © United Nations 2017  
All rights reserved  
ISBN: 978-92-1-120757-6  
e-ISBN: 978-92-1-362852-2  
ST/ESCAP/2810

For further information on this publication, please contact:

Ms. Mia Mikic  
Director  
Trade, Investment and Innovation Division  
ESCAP  
Rajadamnern Nok Avenue  
Bangkok 10200, Thailand  
Tel: (66-2) 288-1680  
Fax: (66-2) 288-1026  
E-mail: [escap-tiid@un.org](mailto:escap-tiid@un.org)

This publication may be reproduced in whole or in part for educational or non-profit purposes without special permission from the United Nations, provided that the source is acknowledged. The material in this publication may also be freely quoted. The ESCAP Publications Office would appreciate receiving a copy of any publication that uses this publication as a source.

No use may be made of this publication for resale or any other commercial purpose whatsoever without prior permission. Applications for such permission, with a statement of the purpose and extent of reproduction, should be addressed to the Secretary of the Publications Board, United Nations, New York.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the secretariat of the United Nations concerning the legal status of any country, territory, city, area, or the delimitation of any frontiers or boundaries. Where the designation "country or area" appears, it covers countries, territories, cities or areas.

Reference to dollars (\$) are to United States dollars unless otherwise stated. A space is used to distinguish thousands and millions.

Bibliographical and other references have, wherever possible, been verified. The United Nations bears no responsibility for the availability or functioning of URLs.

The opinions, figures and estimates set forth in this publication are the responsibility of the authors, and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. Any errors are the responsibility of the authors.

This publication has been issued without formal editing.

# Preface

This monograph is prepared by the Investment and Enterprise Development Section of the Trade, Investment and Innovation Division at the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). It aims to foster more inclusive, sustainable business practices and assist public and private stakeholders in the development of socially responsible business (SRB) in Asia and the Pacific. SRB is a model where businesses operate according to the long-term economic, social and environmental objectives of the community, or the triple bottom line of business. SRB, therefore, means that businesses have social and environmental obligations in addition to the financial obligations traditionally expected by shareholders. The primary purpose of this publication is to introduce this emerging SRB model because business is vital to achieving development aspirations, promoting the well-being of society and protecting the environment.

The monograph combines two earlier publications of the ESCAP Business Advisory Council (EBAC) and a new study by ESCAP. It provides the range of developments in SRB practices and understanding. The first publication is *The 3Cs for Responsible Banking in Asia and the Pacific: Corporate Governance, Corporate Social Responsibility and Corporate Sustainability*.<sup>1</sup> It discusses the three principles of SRB (the 3Cs). The second publication, *Corporate Agenda of Sustainable Development: Toward Responsible Business 2.0*,<sup>2</sup> presents an extended SRB model called the Responsible Business 2.0, which is based on the interaction of the 3Cs with the four enablers of SRB (technology, innovation, interconnectivity and metrics). The present publication introduces stakeholder engagement and government support as the fifth and sixth enablers. It also draws on a new ESCAP study that investigates the historical and theoretical backgrounds of SRB and its three main practices: corporate philanthropy, socially responsible investment and social enterprise.<sup>3</sup> The publication explores the dynamic interaction between the principles, practices and enablers of SRB. In addition, the sustainable business ecosystem that completes the entire SRB structure and drives the United Nations' Sustainable Development Goals (SDGs) is examined. Finally, a number of case studies on the implementation of SRB practices among the business communities are discussed.

The overall recommendation of this publication is that SRB is an effective development strategy. However, the lack of both government support and corporate capacity hampers the practice of SRB in Asia and the Pacific. Consequently, governments need to create effective governance structures and develop pro-SRB legal and policy frameworks. Business also needs to more actively support SRB but also be more accountable to external stakeholders. This need for greater multi-stakeholder collaboration is another crucial issue for effectively implementing SRB practices in the region. Overcoming these obstacles will present challenges, but SRBs are an effective model for helping the region achieve the SDGs.

# Acknowledgements

Mia Mikic, Director of the Trade, Investment and Innovation Division, ESCAP, and Marc Proksch, Chief, Investment and Enterprise Development Section of the same Division, provided overall guidance for this project. Datuk Seri Mohamed Iqbal Rawther, the former Chairman of the ESCAP Business Advisory Council (EBAC), provided advice and support. A group from the ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance reviewed the working draft of former editions contained in this publication. Thanks must go to the Task Force members: George Yuen, Lee George Lam, Andrew Weir, Peter Leung, Raghu Narain, Manuel Rybach, Pat-Nie Woo, Karan Kumar and Pok Wong. In addition, this project could not have been completed without the support from the Industrial and Commercial Bank of China (Asia) and its Chairman and Chief Executive, Chen Aiping. Fuad Azim Hashimi and Javeria Ameen of The Pakistan Business Council's Centre of Excellence in Responsible Business, Thomas Thomas of the ASEAN CSR Network and Marit Nilses of ESCAP reviewed the manuscripts of the publication and provided substantive inputs to improve it. Tathagata Chatterji, Nick Freeman and Astad Pastakia also reviewed earlier versions of the publication and provided a number of useful comments and inputs.

The present edition was prepared by Masato Abe at the ESCAP secretariat and Isabel B. Franco at the Institute for the Advance Study of Sustainability, United Nations University. Colin Mullins edited the manuscript and also provided substantive comments. Soo Hyun Kim assisted in the preparation of the manuscript. Administrative support was provided by Natthika Charoenphon, Kanda Rangsimawong, Charuwan Chongsathien, Yuvaree Apintanapong, Sharon Amir and Pranee Suriyan. Aqira Bhattachayutmaytri designed the cover of the publication.

The authors would like to express their gratitude to the research assistants, Ellen Derbyshire and Pankhuri Manoj Bansal, for their tireless effort and dedication and their substantive contributions to the publication. The authors would also like to thank the team of other research assistants (in alphabetical order): Masahiro Abe, Sakhi Agarwal, Celine Arens, Micelle Chee, Diana Dai, Callum Gallagher, I-Chan Huang, Tzu-Yu Huang, Gordon Israel, Wisanee Koopthanaroj, Yiqun Liu, Kosuke Miyazaki, Tho Huu Nguyen, Inyoung Park, Paul Plieger, Jeroen Schillings, Loren Thornton, Kyaw Min Tun and Stefania Valera.

# Authors

Masato Abe, Economic Affairs Officer in the Investment and Enterprise Development Section of the Trade, Investment and Innovation Division for the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Masato Abe has extensive experience in enterprise development with special emphasis on the SME sector, supply chain management and corporate sustainability. Prior to joining the secretariat of the United Nations, he worked in the global automotive, electronics and high-technology industries. He has so far published over 100 books, book chapters, journal articles, policy papers and other reports from various outlets, such as ADB, ADBI, ESCAP, IRU, OECD, UNCTAD, UNIDO, UNISDR and WTO. He holds degrees in marketing, business administration and economics, and is a research fellow at Thammasat University, Bangkok.

Isabel B. Franco, Ph.D. Postdoctoral Research Fellow in the Institute for the Advance Study of Sustainability at the United Nations University, and Adjunct Research Fellow at The University of Queensland.

Isabel B. Franco is a Postdoctoral Research Fellow at the United Nations University-Institute for the Advance Study of Sustainability. Ms. Franco also holds adjunct research positions at The University of Queensland, the Keio University and the Universidad Nacional de Colombia. She has worked as a consultant/advisor/researcher on sustainability at ESCAP, UNDP, the British Council and the International Mining for Development Centre and lectured on sustainability at various universities globally. She has lived, worked and researched in Africa, Asia and the Pacific and Latin America, liaising with governments, the private sector, academia, civil society and international organizations. Her academic expertise includes sustainable development, resource governance and extractives, livelihoods, corporate social responsibility, entrepreneurship and gender aspects of leadership. Ms. Franco is presently interested in examining better governance and stakeholder engagement for inclusive and sustainable development at both global and national levels.

# Contents

<b>Preface</b> .....	<b>v</b>
<b>Acknowledgements</b> .....	<b>vi</b>
<b>Authors</b> .....	<b>vii</b>
<b>Abbreviations and Acronyms</b> .....	<b>x</b>
<b>Section 1: Introduction</b> .....	<b>2</b>
<b>Section 2: A Review of Socially Responsible Business</b> .....	<b>4</b>
Aligning SRB with the United Nations Sustainable Development Goals (SDGs) .....	5
<b>Section 3: The SRB Model for a Sustainable Future</b> .....	<b>12</b>
What is the SRB Model for a Sustainable Future? .....	12
Why pursue the SRB Model for a Sustainable Future? .....	14
<b>Section 4: Three SRB Principles or 3Cs</b> .....	<b>17</b>
Corporate governance .....	17
Corporate social responsibility .....	21
Corporate sustainability .....	24
<b>Section 5: SRB Practices</b> .....	<b>28</b>
Corporate philanthropy .....	28
Socially responsible investment .....	29
Social enterprise .....	30
<b>Section 6: SRB Enablers</b> .....	<b>33</b>
Technology .....	33
Innovation .....	36
Interconnectivity .....	37
Metrics .....	37
Stakeholder engagement .....	40
Government support .....	41
<b>Section 7: A Sustainable Business Ecosystem: Creating Value for a Sustainable Future</b> .....	<b>43</b>
Sustainable business ecosystem: definition and process .....	43
Evaluating value creation .....	44
<b>Section 8: SRB Case Studies</b> .....	<b>48</b>
<b>Section 9: Policy Recommendations</b> .....	<b>52</b>
<b>Section 10: Conclusions</b> .....	<b>56</b>



# Contents *(continued)*

## Boxes

Box 1: Roles and structure of the board of directors .....	19
Box 2: Development of the CSR concept .....	22
Box 3: UN Global Compact's 10 guidelines .....	23
Box 4: OECD Guidelines for Multinational Enterprises in short .....	23
Box 5: ISO 26000 (ISO SR) .....	24
Box 6: IFC's sustainability framework .....	27
Box 7: Microfinance: a case of socially responsible investment .....	32
Box 8: Sustainable development through the Internet of Things (IoT) .....	34
Box 9: UNEP's energy technology initiatives .....	34
Box 10: China Mobile's mHealth .....	36
Box 11: Innovative SRB solutions: key success factors for woman entrepreneurs .....	36
Box 12: Collaboration of public and private sectors on SRB .....	46
Box 13: Disclosure of SRB activities by United Nations Global Compact signatories .....	47

## Figures

Figure 1: The SRB foundation: triple bottom line or 3Ps .....	4
Figure 2: Business' engagement with SDGs .....	10
Figure 3: SDGs – business impacts and opportunities .....	11
Figure 4: The SRB Model for a Sustainable Future .....	13
Figure 5: Benefits of the SRB Model for a Sustainable Future .....	14
Figure 6: Three principles of the SRB Model for a Sustainable Future or 3Cs .....	17
Figure 7: Key elements of the IFC sustainability framework .....	27
Figure 8: SRB practices .....	28
Figure 9: Creating value for a sustainable future through a business ecosystem .....	42
Figure 10: SRB disclosure of the United Nations Global Compact signatories in Myanmar, Republic of Korea and Sri Lanka .....	47

## Tables

Table 1: Select environmental and social issues under the SDGs .....	6
Table 2: Relative advantages and disadvantages of unitary and dual boards .....	20
Table 3: Benefits of sustainability reporting .....	26
Table 4: SRB practices, characteristics, stakeholders and implications .....	31
Table 5: UNEP energy technology projects for Asia and the Pacific .....	35
Table 6: Select IRIS metrics for the banking and finance sector.....	38
Table 7: Select SASB metrics for the banking and finance sector .....	39
Table 8: Standards and guidelines for measuring value creation .....	40
Table 9: Stakeholder engagement: key actors .....	40
Table 10: Sustainability value chain .....	45
Table 11: A checklist for benchmarking and evaluation .....	55

# Abbreviations and Acronyms

3Cs	Corporate governance, corporate social responsibility and corporate sustainability
3Ps	Profits, people and planet
ADB	Asian Development Bank
ADB I	Asian Development Bank Institute
ASEAN	Association of Southeast Asian Nations
CEO	Chief executive officer
CSO	Civil society organization
CSR	Corporate social responsibility
EBAC	ESCAP Business Advisory Council
ESBN	ESCAP Sustainable Business Network
ESCAP	Economic and Social Commission for Asia and the Pacific
ESG	Environmental, social and governance
ETF	Exchange-traded fund
FACET	End-user Finance for Access to Clean Energy Technologies in South and Southeast Asia
G4	Fourth Generation of Guidelines
GABV	Global Alliance for Banking on Values
GDB	Pound sterling
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Ratings System
GRI	Global Reporting Initiative
ICBC	Industrial and Commercial Bank of China
ICSU	International Council for Science
ICT	Information and communications technology
IFC	International Finance Corporation
IIRC	International Integrated Reporting Council
ILO	International Labour Organization
IRIS	Impact Reporting and Investment Standards
IRU	International Road Transport Union
ISO	International Organization for Standardization
ISO SR	ISO 26000:2010 – Social Responsibility

IoT	Internet of Things
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MFI	Microfinance institute
NAB	National Australian Bank
NGO	Non-governmental organization
NPO	Non-profit organization
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the High Commissioner for Human Rights
PS	Performance standards
PwC	PricewaterhouseCoopers
RMB	Renminbi or Chinese yuan
SASB	Sustainability Accounting Standards Board
SCB	Siam Commercial Bank
SDGs	Sustainable Development Goals
SFBC	Sustainable Fashion Business Consortium
SME	Small- and medium-sized enterprise
SMS	Short message service
SNV	Netherlands Development Organization
SRB	Socially responsible business
SRI	Socially responsible investment
SROI	Social Return on Investment
TBL	Triple bottom line
TNC	Transnational corporations
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNGC	United Nations Global Compact
UNIDO	United Nations Industrial Development Organization
UNISDR	United Nations Office for Disaster Risk Reduction
US\$	United States dollar
WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development
WTO	World Trade Organization

## SECTION 1: INTRODUCTION

Today's global business environment is radically changing to address the environmental and social challenges of our time. The increasing threat of severe climate change, as well as the widening of gaps between socioeconomic groups and frequent social unrests<sup>4,5</sup> are pressuring businesses to change normative management practices and operations towards development that is both inclusive and sustainable. While shareholders have a vested interest in financial economic returns, stakeholders are more broadly interested in, or concerned with, business' objectives, policies and operations which may impact global sustainability.<sup>6</sup>

In this context, the notion of socially responsible business (SRB) – often interchangeably called responsible business conduct, corporate social responsibility or sustainable business – is becoming more relevant.<sup>7,8</sup> SRB is an approach where businesses operate in accordance with the long-term economic, social and environmental objectives of the society.<sup>9,10</sup> SRBs not only meet shareholders' financial expectations but they also address stakeholders' concerns. Stakeholders are the various internal and external individuals or groups who have an interest in a business because they are concerned about how its policies and operations affect them. These may include governments, local communities, civil society organizations (CSOs), non-governmental organizations, employees, consumers and suppliers.<sup>11</sup> Because SRBs promote inclusiveness and sustainability, this approach creates a higher level of shared value amongst shareholders and stakeholders. Such an approach also aligns with the 2030 Agenda for Sustainable Development or the Sustainable Development Goals (SDGs). These require businesses to engage stakeholders and play a proactive role in addressing global issues.<sup>12</sup>

SRB fosters contemporary business practices that go beyond traditional forms of corporate philanthropy, and positions corporations as powerful agents of global change. Embarking on more inclusive and sustainable business practices is pivotal for helping businesses meet social and environmental demands and for overcoming the challenges of socioeconomic development both nationally and globally. This approach is rapidly changing the role of businesses by placing them at the forefront of inclusive and sustainable development.

SRB also provides a competitive advantage to businesses. Integrating the SRB agenda into business strategies and operations helps companies meet not only shareholder expectations, but also consumer and stakeholder expectations. Consumers and stakeholders have become increasingly conscious of businesses' practices on inclusiveness and sustainability, and SRB can reconnect the company's success with community's prosperity.<sup>13</sup>

SRB has been relatively well studied and documented in the Western context,<sup>14</sup> but more research is necessary to understand Asia-Pacific enterprises' perspectives on SRB. Although there have been many successful SRB activities in the region, most Asia-Pacific businesses have not implemented SRB practices that align with international principles and national legislation. Consequently, governments should facilitate the business community's embrace of SRB practices. There is considerable room for developing stronger and more effective frameworks that can enable SRB implementation.

Accordingly, this publication aims to increase the knowledge of policymakers and corporate leaders on the SRB approach. Analysis of the foundations, principles, practices and enablers of SRB reveals the key role this approach can play in promoting inclusiveness and sustainability, and ultimately, in contributing to the SDGs. A deeper understanding of SRB will assist both public and private sectors to integrate a greater level of SRB practices into business operations of small and medium-sized enterprises (SMEs) as well as large enterprises and transnational corporations (TNCs). Finally, organizations that have implemented these practices demonstrate how the SRB approach can foster the global change necessary for a sustainable future.

After this introduction (Section 1), Section 2 reviews the “triple bottom line,” which is the conceptual foundation of the SRB approach, and then reviews how SRB aligns with the SDGs. Section 3 introduces the “SRB Model for a Sustainable Future,” our main contribution to this field. Section 4 presents three principles for SRB or 3Cs (i.e., corporate governance, corporate social responsibility and corporate sustainability), while Section 5 explains SRB practices (i.e., corporate philanthropy, socially responsible investment and social enterprise). Section 6 links the 3Cs and the SRB practices with six enablers, i.e., technology, innovation, interconnectivity, metrics, stakeholder engagement and government support. Section 7 focuses on how the abovementioned components can create a sustainable future through a business ecosystem. Section 8 showcases select case studies. Policy recommendations for both governments and businesses are put forward in Section 9, followed by conclusions in Section 10.

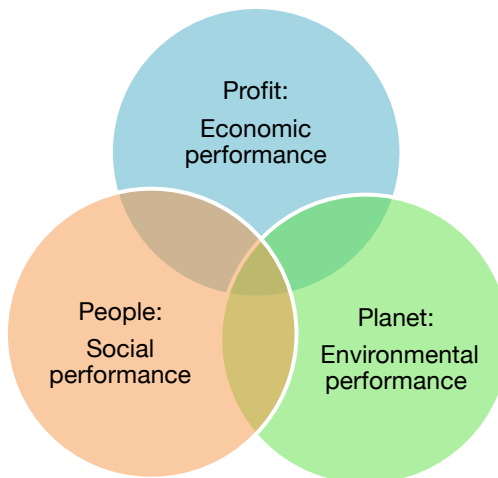
## SECTION 2: A REVIEW ON SOCIALLY RESPONSIBLE BUSINESS

The literature emphasizes that socially responsible business (SRB) transcends the exclusive emphasis on economic growth and actively contributes to building a sustainable future.<sup>15,16</sup> As opposed to the more traditional conception that only the bottom line matters, a SRB is a business that “meet[s] the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>17</sup> Implicit in this view is the idea that business also has a responsibility to society and the environment.

SRB is built on the triple bottom line, or TBL, a strategic approach to business that encompasses the economic, social and environmental performances of a firm's activities.<sup>18,19</sup> TBL, therefore, focuses on the need to balance three goals, namely: (i) the traditional business bottom line of generating profits for the company and its shareholders; (ii) the social bottom line of ensuring that the company's activities do not adversely impact (and ideally, benefit) the greater community of people; and (iii) the environmental bottom line of looking after the planet by ensuring that the company's activities do not harm the environment, whether that be in terms of greenhouse gas emissions, biodiversity issues, etc.<sup>20</sup> The TBL approach is often called as 3Ps as it covers three key constituents: profits, people and planet (see Figure 1).<sup>21</sup>

Global development bodies and think-tanks have encouraged the private sector to embrace SRB as a constituent part of their business strategies and operations; thereby, becoming more transparent, accountable and responsible to the environment and to society.<sup>22</sup> In response to the global call for SRB, international frameworks and instruments to help SMEs and TNCs meet social, environmental and economic objectives have proliferated.<sup>23,24,25,26,27</sup> Consequently, public and private stakeholders at the national and local levels of governance are taking the idea of SRB more seriously. While governments and CSOs have promoted SRB practices despite a scarcity of capacity and resources,<sup>28</sup> many firms have embarked on SRB practices under the guidance of the international community.

**Figure 1: The SRB foundation: triple bottom line or 3Ps**



Many companies today fully understand that shareholders are inclined to deploy capital in businesses that have a net positive impact on the triple bottom line—often called socially responsible, or impact, investing.<sup>29,30</sup> Integrating SRB ideas into the business agenda allows the private sector to make relevant investments responsibly.<sup>31</sup> Shareholders have also increased efforts to convince the boards, management and employees to enhance their conduct to better contribute to the triple bottom line.

SRB norms also create shared value for stakeholders, particularly for communities and the environment adjacent to business operations.<sup>32</sup> As a result, companies have demonstrated a stronger commitment towards social and environmental sustainability in recent years, with the intent of achieving lasting legacies and positive outcomes for the people and locations where they operate.<sup>33</sup> Despite these good intentions, businesses' limited understanding of SRB hinders the effectiveness of international agendas and national legislation. Consequently, continuing to rethink existing business practices is necessary so that stakeholders' concerns are more comprehensively addressed and SRB has a greater global impact.<sup>34</sup>

### Aligning SRB with the United Nations Sustainable Development Goals (SDGs)

SRB was developed in conjunction with the United Nations Sustainable Development Goals (SDGs), and their predecessors, the United Nations Millennium Development Goals (MDGs). SRB facilitates companies' engagement with the mandates of the SDGs and enhances their ability to address pressing global challenges. By aligning corporate strategies and practices with the SDGs, companies can realize opportunities that can generate both financial returns and social and environmental values.






The SDGs are a series of 17 goals and indicators that all United Nations member states will use as a framework for formulating their inclusive and sustainable development agendas and policies over the next 15 years (2016-2030).<sup>35</sup> They are an extension and expansion on the 2000 MDGs. The SDGs cover a wide range of fields, including the reduction of poverty and hunger, the achievement of universal education and gender equality, the fostering of global partnerships and the promotion of inclusive and sustainable economic development and growth. Table 1 below presents select environment and social issues under the SDGs, highlighting the priority areas where SRB can contribute meaningfully.




6 | **Table 1: Select environmental and social issues under the SDGs**

Goals	Selected environmental and social issues	
	Goal 1: End poverty in all its forms everywhere.	<p>Livelihood strategies and food security of the poor often depend directly on healthy ecosystems, which provide diversified goods and services.</p> <p>Climate change affects agricultural productivity; for example, ground-level ozone damages crops.</p> <p>The use of innovative and sustainable energy is important for eradicating poverty.</p>
	Goal 2: End hunger, achieve food security, improve nutrition and promote sustainable agriculture.	<p>Women bear the brunt of collecting water and fuel woods; tasks are made harder by environmental degradation, such as water contamination and deforestation.</p> <p>Empowering women strengthens food security and nutrition, which prompts micronutrient diets and strengthens sustainable agriculture.</p> <p>Equal access to education bolsters food and nutrition security and increases sustainable agriculture.</p> <p>Universal access to safe drinking water and sanitation are vital for food security and nutrition, and access to water of adequate quantity and quality is vital for sustainable agriculture.</p> <p>Steady economic growth and better resource use are essential for food security and sustainable agriculture.</p>
	Goal 3: Ensure healthy lives and promote well-being for all at all ages.	<p>Up to 20 per cent of the total burden of disease in developing countries may be associated with environmental risk factors.</p> <p>Preventative environmental health measures are as important as and at times more cost-effective than health treatment.</p> <p>Sanitary water is essential for healthy lives and helps decrease child mortality.</p> <p>Over consumption of natural resources is damaging to health and the climate.</p> <p>Unsustainable fishing practices and poor ocean management threaten the food supply and, therefore, health.</p> <p>Unsustainable land management is a threat to the food supply and human health.</p>
	Goal 4: Ensure inclusive and equitable education and promote lifelong learning opportunities for all.	<p>Free, equitable and quality primary and secondary education for all girls and boys leads to relevant and effective learning outcomes.</p> <p>Access for all girls and boys to quality early childhood development care and pre-primary education is key to their success in primary education.</p>



Goals	Selected environmental and social issues	
	<p>Goal 5: Achieve gender equality and empower all women and girls.</p>	<p>All forms of discrimination against all women and girls must be ended everywhere.</p> <p>Women's full and effective participation and equal opportunities for leadership are needed at all levels of decision-making in political, economic and public life.</p> <p>Sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls must be adopted and strengthened at all levels.</p>
	<p>Goal 6: Ensure access to water and sanitation for all.</p>	<p>Provision of clean water reduces the incidence of diseases that undermine health and contribute to mortality.</p> <p>Access to water is integral to development.</p> <p>Water is vital to increasing agricultural productivity and industrial food processing.</p> <p>Sanitation in a school setting is vital to school attendance for girls.</p> <p>Water stress and water disasters are detrimental to development.</p> <p>Basic human water rights must be enhanced by transport.</p> <p>International agreements and national strategies for determining and establishing water rights are key to developing pacifist societies and institutions.</p>
	<p>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	<p>Universal access to affordable, reliable and modern energy services must be ensured.</p> <p>The share of renewable energy in the global energy mix must be increased.</p> <p>The global energy efficiency can be improved.</p>
	<p>Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	<p>Sustaining per capita economic growth in accordance with national circumstances is recommended; in particular, at least seven per cent gross domestic product growth per annum in the least developed countries.</p> <p>Higher levels of economic productivity are required through diversification, upgrading technology and innovation, especially by focusing on high-value added and labour-intensive sectors.</p>
	<p>Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation.</p>	<p>New biodiversity-derived medicines hold promises for fighting major diseases.</p> <p>Infrastructure and scientific research can strengthen agricultural productivity and sustainable food production.</p> <p>Sustainable infrastructure and industrialization include water and sanitation infrastructure and water use efficiency.</p>

Goals	Selected environmental and social issues	
	<b>Goal 10: Reduce inequality within and among countries.</b>	<p>Poor countries and regions are forced to exploit their natural resources to generate revenue and make huge debt repayments.</p> <p>Unfair globalization practices may create harmful side-effects in countries that do not have effective governance regimes.</p> <p>Access to sanitation and clean water is essential for eradicating poverty and reducing inequality.</p> <p>Equality allows people to combat and diminish climate change and adjust to it.</p> <p>Equality allows people to use reliable energy sources.</p>
	<b>Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.</b>	<p>Adequate, safe and affordable housing and basic services should be provided to all.</p> <p>Slums must be upgraded.</p> <p>Safe, affordable, accessible and sustainable transport systems should be provided to all.</p> <p>Improve road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations.</p>
	<b>Goal 12: Ensure sustainable consumption and production patterns.</b>	<p>All countries must adopt sustainable consumption and production practices.</p> <p>Developed countries should take the lead and consider the development and capabilities of developing countries.</p> <p>An increased number of companies should voluntarily adhere to public disclosure about their environmental and social impacts by publishing sustainability reports.</p>
	<b>Goal 13: Take urgent action to combat climate change and its impacts.</b>	<p>Resilience and adaptive capacity to climate-related hazards and natural disasters must be strengthened in all countries.</p> <p>Climate change measures should be integrated into national policies, strategies and planning.</p>
	<b>Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.</b>	<p>Marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution, must be prevented and significantly reduced.</p> <p>Enhance scientific cooperation at all levels to study and counter the impacts of ocean acidification.</p>

Goals	Selected environmental and social issues	
	<p><b>Goal 15:</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forest, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>	<p>Terrestrial and inland freshwater ecosystems must be conserved, restored and used sustainably in line with international agreement obligations.</p> <p>The implementation of sustainable management of all types of forests is promoted. This aims to halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p>
	<p><b>Goal 16:</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p>	<p>All forms of violence and related death rates must be significantly reduced everywhere.</p> <p>Abuse, exploitation, trafficking and all forms of violence against and torture of children must be eradicated.</p> <p>The number of specially-abled employees should increase in the workforce and workplace facilities equipped for them as necessary.</p>
	<p><b>Goal 17:</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.</p>	<p>Domestic resource mobilization and domestic capacity for tax and other revenue collection are enhanced, including through international support to developing countries. Additional financial resources for developing countries from multiple sources are sought.</p>

Note: Modified from the UNEP Environment for Development Report and the ICSU Review of Targets for the Sustainable Development Goals.<sup>35</sup>

Innovative tools have been developed to help companies maximize their contribution to the SDGs. For example, companies can employ the SDG Compass, a guide that sets sustainability in terms of the SDGs as the main corporate objective.<sup>37</sup> Developed by the GRI, UN Global Compact and the World Business Council for Sustainable development (WBCSD), this guide can be used by both large and small businesses to align their corporate strategy with the SDGs. It lays out five key steps:

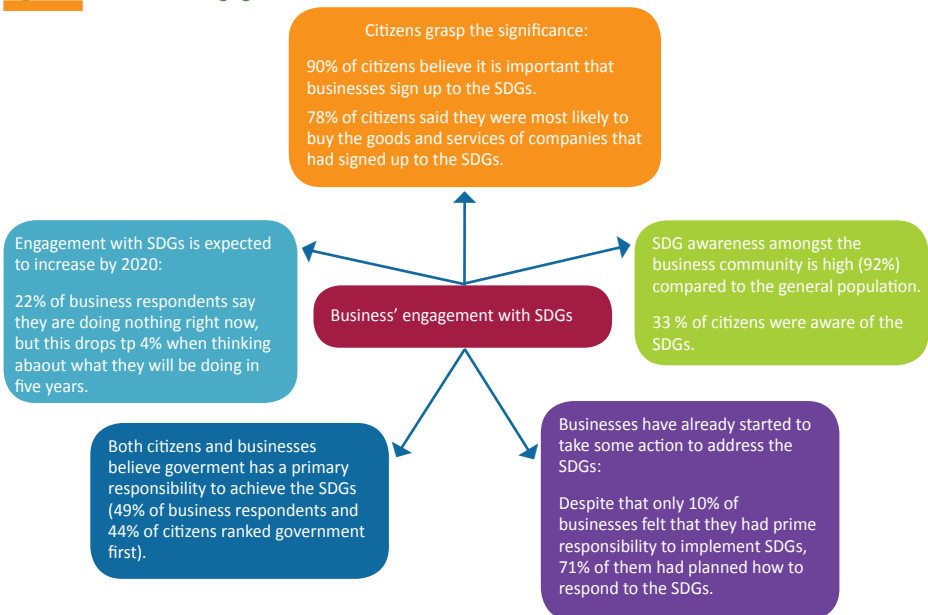
- (i) Understanding the SDGs
- (ii) Defining priorities for SRB activities
- (iii) Setting goals for SRB activities
- (iv) Integrating SRB activities in business operations
- (v) Reporting and communicating

These five steps provide a useful way to measure and manage company's contribution to the SDGs.

While the private sector is highly aware of the SDGs and their potential impact on business operations, the understanding of and involvement in the SDGs are still in the beginning stage. A global survey carried out by the PricewaterhouseCoopers (PwC) in 2015 confirmed this assessment.<sup>38,39</sup> The survey revealed that:

- (i) a majority of surveyed businesses are aware of the SDGs;
- (ii) many businesses have already implemented specific activities to address the SDGs;
- (iii) most consumers are willing to buy goods/services from firms which engage with the SDGs;
- (iv) both businesses and consumers believe that governments have a primary responsibility to achieve the SDGs; and
- (v) many businesses lack specific objectives, targets and tools to engage with the SDGs effectively.

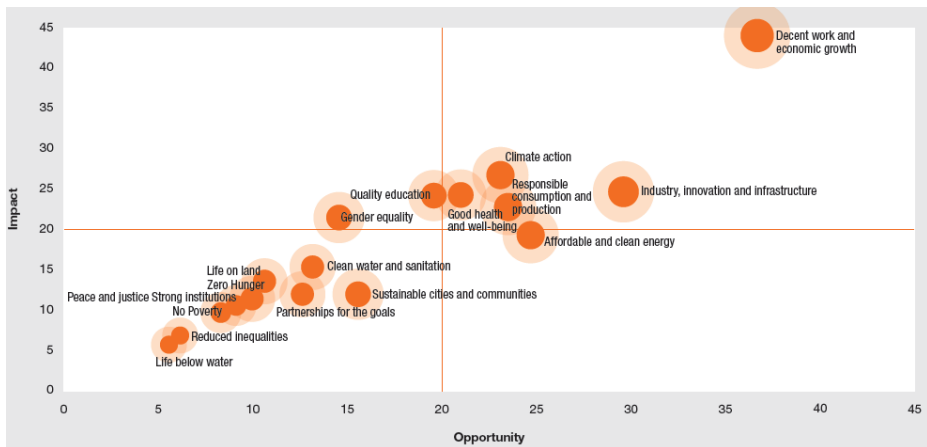
**Figure 2: Business' engagement with SDGs<sup>40</sup>**



The findings of the survey show not only the important role that governments play in implanting the SDGs but also how weak current corporate strategies and capacities are for achieving this task. The detailed results of the survey are summarized in Figure 2.

Businesses also look at individual SDGs differently as each goal may have very different consequences or opportunities in terms of future operations. PwC's global survey in 2015 suggests that companies prioritize their engagement with each SDG according to their growth strategy, resource, expertise and other key factors.<sup>41</sup> In Figure 3, those SDGs in the high impact and high opportunity quadrant (e.g., decent work and economic growth; industry, innovation and infrastructure; and climate action) are likely to receive more attention from businesses, while those in the low impact and low opportunity quadrant (e.g., life below water; reduced inequalities; and no poverty) will garner less. Therefore, governments, CSOs and international development agencies like the UN can help further understanding of how these SDGs align with businesses' strategies and operations and how/why business' role in inclusive and sustainable development is crucial to success.

**Figure 3: SDGs – Business impacts and opportunities**



Source: PwC (2015).

## SECTION 3: THE SRB MODEL FOR A SUSTAINABLE FUTURE

As society has become increasingly interconnected through globalization, the network of stakeholders in business has continued to expand. At the same time, disparities in various aspects of economic and social well-being within groups, among groups or between countries have increased, and environmental degradation has also intensified. Due to an expanding network of external and internal stakeholders, the intensified and growing inequality and the continued deterioration of the environment, corporate strategy needs to balance the interests of economic profit with the social and environmental welfare of a globalized society.

In this context, this publication introduces an innovative framework for business that can drive the global agenda for inclusive and sustainable development: The SRB Model for a Sustainable Future. The model aims to increase our understanding of the origins of SRB and the way SRB principles, practices and enablers interact with other aspects to create value for a sustainable future. Moreover, this model meets the needs of both private and public stakeholders by bridging the gap between the theory and practice of SRB.

### What is the SRB Model for a Sustainable Future?

The SRB Model for a Sustainable Future is a form of corporate self-regulation that plays a pivotal role in a socially minded business. The model enables firms to deliver long-term value to their direct and indirect stakeholders without compromising their ability to meet the needs of future stakeholders, with a particular focus on the creation of social, environmental and financial value.<sup>42</sup> The model comprises four key components: foundation, principles, practices and enablers.

The first component is the triple bottom line, or 3Ps, approach to sustainability. It is the foundation of the model and posits the economic, social and environmental spheres as the three core elements for formulating strategies to achieve inclusive and sustainable development. However, an analysis of the social and environmental effects of business activities suggests there is still a gap between the triple bottom line and the concrete corporate actions necessary to bring the three elements into business practice.<sup>43</sup>

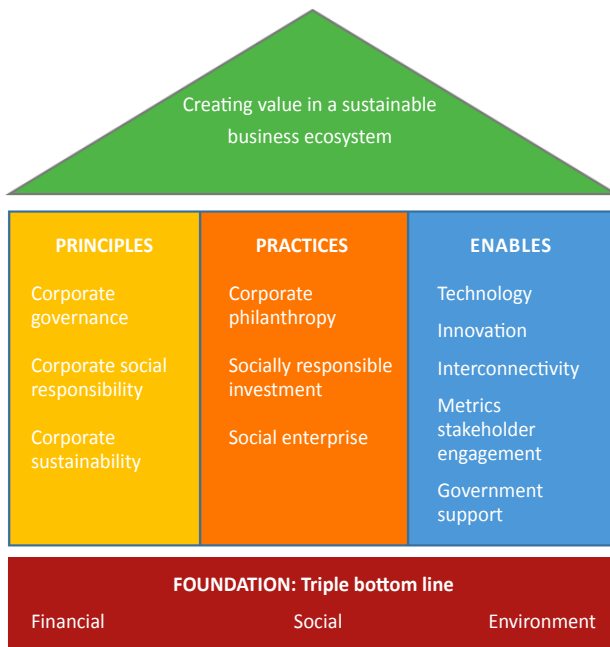
Second, the model helps firms realize the potential of three primary principles: corporate governance, corporate social responsibility and corporate sustainability.<sup>44</sup> Corporate governance is a system and/or tools for governing corporate social responsibility and corporate sustainability.<sup>45</sup> While corporate social responsibility is the integration of issues of concern held by the wider society with a company's business models or operations and also its voluntary interactions with stakeholders, corporate sustainability is the ability of a company to produce valued products or services while maintaining its future operations and meeting the needs of various stakeholders.<sup>46</sup> The model identifies that firms should develop a corporate governance system and/or tools for addressing the business' social responsibility and corporate sustainability.

Third, the three principles are practically applied using the three practices of SRB, namely corporate philanthropy,<sup>47</sup> socially responsible investment and social enterprise. These practices are achieved by integrating societal concerns in companies' business models, operations and interactions with stakeholders. In other words, the model helps businesses to put the principles into action while developing relevant corporate policies and managerial agendas.

The last key component of the model consists of six enablers. These are technology, innovation, interconnectivity, metrics, stakeholder engagement and government support. The enablers help businesses transform the principles into daily practices and therefore, drive the corporate agenda for a sustainable future. Importantly, the model suggests that the SRB principles and practices cannot be realized and cannot promote a sustainable future effectively without the aid of the enablers.

Finally, the dynamic interactions of the principles, the practices and the enablers assist organizations in creating value in a sustainable business ecosystem (Figure 4). The sustainable business ecosystem is a scenario in which organizations proactively align their business strategies and operations with the long-term economic, social and environmental objectives of the community. The ecosystem helps organizations meet the obligations of stakeholders as well as the expectations of shareholders. The sustainable business ecosystem is also based on the triple bottom line and creating shared value amongst shareholders and stakeholders. In short, the business ecosystem converts the SRB concept into corporate actions such as community involvement and development, stakeholder dialogues, multi-sector partnerships and social investment; thus, creating value for their social and environmental contributions.

**Figure 4: The SRB Model for a Sustainable Future**



Source: Authors'.

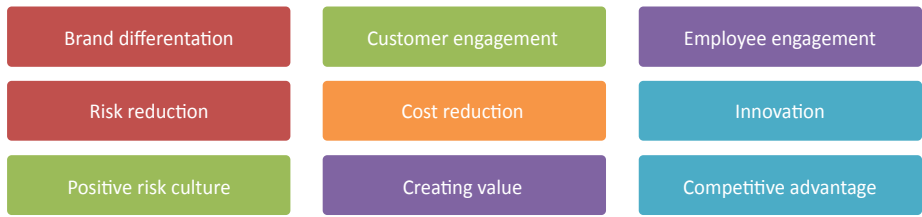
The model demonstrates how a business can enhance its reputation through integrating the interests and needs of various stakeholders into the daily operations of the company. Moreover, a company can increase the sustainability of its profits by establishing a greater awareness of the social and environmental climates in which it operates. As a result, a more prosperous and sustainable future depends on businesses considering the welfare of customers, employees, business partners, society and the environment.

The model should be embedded in long-term business strategies that transcend short-term considerations, and it should be formally adopted as a corporate strategy so that companies are more accountable to external stakeholders. The model illustrates that companies uphold the social and environmental standards established by governments and the international community. Moreover, it demonstrates how companies adopt and apply effective self-regulatory practices and management systems that increase transparency in their operations.

### Why pursue the SRB Model for a Sustainable Future?

The SRB Model for a Sustainable Future identifies positive returns for all stakeholders, including consumers, employees, investors, communities and others. Figure 5 highlights the short and long-term benefits that result from employing the model. These include brand differentiation, customer and employee engagement, innovation, cost reduction, risk reduction, positive risk culture, and creating value and competitive advantage.

**Figure 5: Benefits of the SRB Model for a Sustainable Future**



Source: EBAC (2016).

### Brand differentiation

The SRB Model for a Sustainable Future lays the groundwork for a business to develop a solid reputation and differentiate itself from its competitors. Once SRB initiatives are recognized, they enhance the business' image and it's "brand" vis-à-vis others. The model can be a tool to raise a business's own brand image and reputation, which are core corporate motives.<sup>48</sup> Many companies can also use brand differentiation to justify SRB initiatives on the grounds that they enliven a company's morals and even raise the value of its stock through improved corporate image by strengthening its brand.

### Customer engagement

Similarly, SRB attracts customers because there is a growing demand to purchase goods and services from socially and environmentally responsible businesses. Most customers show stronger interest in engaging with more externally accountable businesses, especially those that work with SDGs. A PwC survey found that 78% of consumers were willing to buy the goods and services of companies that had signed up to the SDGs



(see Figure 2 again).<sup>49</sup> In addition, the SRB Model for a Sustainable Future fosters customer engagement by incorporating issues of concern held by wider consumer organizations such as advocacy groups and volunteer watchdogs. It also encourages firms to outreach their customers proactively to identify customers' concerns and develop high valued goods and services.

### Employee engagement

Employees are also more enthusiastic to work for a company that considers their needs and prioritizes responsible business conduct. This promotes a sense of belonging, establishes a more harmonious work place, and ultimately, enhances motivation and performance. For example, in a British Telecom survey,<sup>50</sup> more than one-third of respondents said that working for a caring and responsible employer was more important than the level of compensation, and nearly half would leave an employer that did not have responsible business conduct policies. Thus, the SRB Model for a Sustainable Future can be important for attracting and retaining employees.

### Innovation

The SRB Model for a Sustainable Future also allows firms to catalyze, champion and even indirectly support innovative ideas that can both improve business performance and benefit society at large. For example, Credit Agricole,<sup>51</sup> one of France's largest retail banking groups, provides specialized financial products for innovative green and low carbon initiatives by translating research into commercial outcomes. Such initiatives financially supported by Credit Agricole could contribute to both commercial success and improvement of society. Firms benefit when investing in novel research projects that have an impact on the communities and the environment in which they operate.

### Cost reduction

The SRB Model for a Sustainable Future has evolved with the transformation of how individual stakeholders interact with businesses, make transactions and access products and services (including financial services). Costs can be reduced significantly by changing business operations and considering social and environmental factors. For example, telephone banking has made banking services more accessible for people in both developed and developing countries. While this improved access increases the viability and sustainability of the financial institutions' operations, it also extends service to disadvantaged stakeholders in remote communities at lower transaction costs.

### Risk reduction

By mainstreaming the SRB Model for a Sustainable Future as a general approach to business conduct, risks involved with customer (and other stakeholder) relations will decrease. Socially conscience development of products and services can ensure that these products and services address the concerns of consumer groups. The model also reduces risks resulting from unethical conduct or unexpected incidents such as mismanagement of financial resources, unethical behaviour in the workplace and fatal accidents caused by poor quality standards or ignoring safety requirements. The model can reduce a number of potential issues that may hinder firms' relationships with customers and other stakeholders.

## Positive risk culture

The SRB Model for a Sustainable Future addresses the need for a more positive risk culture. This need has arisen due to changing regulatory requirements and increasing awareness of external risks in the markets.<sup>52</sup> Positive risk culture is characterized by focusing on customer needs, enhanced accountability and leadership, well-calculated risk taking, and increased incentives and value creation. Corporations following the SRB Model for a Sustainable Future are more capable of developing a culture based on integrity, trust and respect for the law and the stakeholders. To achieve a positive risk culture, the board of directors<sup>53</sup> should establish appropriate governance mechanisms following the model. The board not only has ultimate responsibility for the governance structure, but it is also accountable for promoting positive risk culture. However, several factors may inhibit establishing a positive risk culture. These include complex operations and supply chains, unnecessary regulatory requirements, lack of corporate strategies and priorities, and poor governance structure. Despite such formidable challenges, a strong board of directors guided by the SRB model can more ably address these obstacles and promote a positive risk culture.

## Creating value

The overarching aim of the SRB Model for a Sustainable Future is to create value for society at large by establishing a sustainable business ecosystem built on the triple bottom line. The model facilitates the creation of shared value amongst shareholders and stakeholders, such as consumers, suppliers and distributors, while encouraging firms to provide better goods and services according to the needs of the wider society. By developing and maintaining a network of stakeholders, firms create sustainable value for society over the long-term.

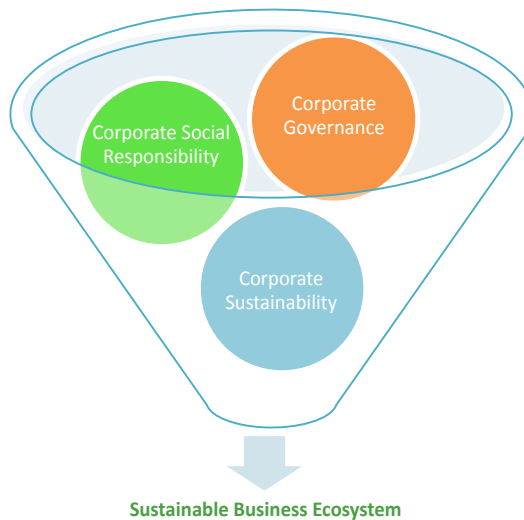
## Competitive advantage

The SRB Model for a Sustainable Future gives a competitive edge to companies that want to expand or upgrade their operations or positions in the market. Businesses that identify the social and environmental demands of the market and create products or services to meet them can gain competitive advantage over their competitors. An example of this is the development of hybrid/electric cars in response to public concerns about carbon emissions.<sup>54</sup> Businesses that implement the model and engage society's concerns are more likely to produce goods and services that can meet diversified consumer needs.

## SECTION 4: THREE SRB PRINCIPLES OR 3Cs

The three principles of the SRB Model for a Sustainable Future, the 3Cs, are corporate governance, corporate social responsibility and corporate sustainability. They were first identified and defined by the ESCAP Sustainable Business Network (ESBN) Task Force on Banking and Finance.<sup>55</sup> These principles are constituent components of the SRB model (Figure 6). They establish strong ethical guidelines so that business practices meet globally accepted standards for the valuing and pricing of products, services and assets, engaging with stakeholders, and assessing and managing risks.

**Figure 6: Three principles of the SRB Model for a Sustainable Future or 3Cs**



Source: EBAC (2016).

This Section reviews the three principles. Each principle is defined, and its role in the SRB Model for a Sustainable Future explained. The discussion also examines the historical evolution of each principle and the existing international agendas that facilitate the application of the principle; thereby promoting a sustainable business ecosystem.

### Corporate governance

Corporate governance, the first SRB principle, is defined as a system and/or tools for governing corporate social responsibility and corporate sustainability.<sup>56</sup> It guides corporate missions, visions, mandates, values and actions so that companies can achieve their financial, social and environmental goals successfully in the long-term.

Within the SRB Model for a Sustainable Future, corporate governance supervises a network of issues. The principle informs and monitors a whole host of managerial decisions, including where to conduct business, with whom to conduct business, which products and services to offer, the degree to which an organization puts its own capital at risk for proprietary activities and so forth. In short, good standards and guidelines in corporate governance must be developed and implemented to avoid unexpected and/or unpleasant

incidents. Strong corporate governance guards enterprises and financial institutions against poor management, misconduct by staff and general business and financial risks. It reduces exposure to those kinds of risks.

Corporate governance must consider the needs of and impacts on various stakeholders and the society at large, as focusing exclusively on maximizing shareholder value can damage the environment and society. Moreover, corporate governance should protect not only the stakeholders explicitly involved in the conduct of business, but also those vulnerable communities and environments tangentially related. In this sense, the purpose of corporate governance is to mainstream the regulations, rules and policies that increase transparent relationships between firms and their stakeholders. To this end, Governments have also sought to protect their country's economy, society and business community through enforcing the rules and regulations on corporate governance. Good corporate governance makes for good business for all.

### Developing corporate governance guidelines

Corporate governance was first coined in the Cadbury Report, published in the United Kingdom in 1992.<sup>57</sup> The catalyst for this report and the development of corporate governance were the increasingly common failure and mismanagement of large companies at that time,<sup>58</sup> which undermined investor confidence in the processes and conduct of the entire business community. The Cadbury Report established corporate governance as an important baseline for regulating the policies and activities of a firm or a financial institution.<sup>59</sup>

Corporate governance plays an important role for all businesses. The Cadbury Report emphasised listed firms (i.e., firms whose shares are publicly traded on a secondary market) for a number of reasons: (i) the high-profile corporate governance scandals of a few listed firms at that time; (ii) the fact that corporate governance malpractices by larger firms are likely to have a much greater impact; and (iii) the so-called "agency problem," where a relatively small number of senior executives run a company, but it is owned by potentially millions of shareholders, each of whom may have different incentives and priorities.<sup>60</sup> However, corporate governance is not only important for large, publicly-traded companies. Good corporate governance helps reduce the risks that smaller firms may face as well. At the other end of the spectrum, cases of corporate malfeasance in state-owned enterprises illustrate that regardless of size or ownership, good corporate governance is critical.

Following the Cadbury Report, further corporate governance guidelines were developed. They include the OECD Principles of Corporate Governance,<sup>61</sup> the Equator Principles,<sup>62</sup> the United Nations Guiding Principles of Business and Human Rights,<sup>63</sup> and national variations in the United States, the European Union and other countries around the world.

The OECD Principles of Corporate Governance was launched in 1999 to provide policymakers, investors, corporations and other stakeholders a benchmark for guiding corporate governance.<sup>64</sup> The latest version, developed in 2015,<sup>65</sup> identifies six categories:

- (i) The basis for effective corporate governance;
- (ii) The rights and equitable treatment of shareholders and the functions of key ownership;
- (iii) Institutional investors, stock markets and other intermediaries;
- (iv) The role of stakeholders in corporate governance;
- (v) Disclosure and transparency; and
- (vi) The responsibilities of the board of directors.

The OECD Principles of Corporate Governance have helped many organizations and banks develop their own rules, regulations and codes of corporate governance; thereby improving the standard of both internal and external conduct. For instance, based on the OECD guidelines, the Hong Kong Monetary Authority created a supervisory policy manual stressing the importance of corporate governance to SRB.<sup>66</sup>

The Equator Principles is another risk management framework to better identify, assess and manage environmental and social risks in projects in which they are involved.<sup>67</sup> It was introduced in 2003 and the third iteration was issued in 2013.<sup>68</sup> The Equator Principles provide a global minimum standard for due diligence thus supporting responsible risk decision-making. They cover all industry sectors and four financial products: (i) project finance advisory services; (ii) project finance; (iii) project-related lending; and (iv) bridging loans. A hypothetical example shows how the Equator Principles function: if one or more banks were providing financial assistance to a project, and it was proven that the project developer, or one of its suppliers, was using child, trafficked or prison labour, then the relevant banks would stop participating in the project. Over 90 financial institutions, spanning 37 countries, have adopted the Equator Principles. This represents over 70 per cent of all international project finance activities in developing countries.<sup>69</sup> The Equator Principles provides firms and banks a global benchmark to monitor and evaluate various corporate risks.

Finally, the United Nations Guiding Principles of Business and Human Rights (also known as the Ruggie Principles) is a corporate governance initiative pertinent to SRB. The Ruggie Principles, established in 2011, help business determine whether their activities impact human rights.<sup>70</sup> The guidelines stipulate that a company or bank respects human rights as they are defined by international standards, and that the business also prevents human rights abuses throughout its value chains. To meet this responsibility, firms must have in place formal policies and processes, including due diligence processes, to address human rights issues.

### **Box 1: Roles and structure of the board of directors**

The responsibility for corporate governance typically (but not exclusively) lies with the board of directors, who ultimately decides the direction and risks firms will adopt. The board of directors of a public company is elected or appointed by the representatives of shareholders and typically consists of executive officers, including a chairman and chief executive, and non-executive officers, such as external experts and auditors who are not directly influenced by the internal conduct of the firm. It serves as the representative of shareholders and oversees the activities of senior management. While the regulatory environment for corporate governance in Asia and the Pacific has progressively matured, sound corporate governance largely depends on firms' own internal mechanisms, particularly with the boards of directors.<sup>71</sup>

On behalf of shareholders, the board of directors assesses the business climate, guides firms' long and short-term strategy, determines the objectives and direction of the firm, develops policy, supervises managerial performance and pursues suitable returns for shareholders, while avoiding conflicts of interest and balancing demands from different stakeholders.<sup>72</sup> Board members "act on a fully informed basis, in good faith, with due diligence and care and in the best interest of the company and the shareholders."<sup>73</sup> Consequently, the board should adopt SRB to improve both social and environmental outcomes as well as business transparency for stakeholders. To achieve this, the board must continuously develop and adopt appropriate governance mechanisms, while promoting positive risk culture within the firms.<sup>74</sup>

**Box 1: (continued)**

There are two common ways the board of directors is constructed: unitary board or dual board.<sup>75</sup> A unitary board consists of senior executives along with external stakeholders and is common in Anglo-Saxon countries (e.g., Australia, Canada, Ireland, the United Kingdom and the United States) as well as some others (e.g., Japan and the Russian Federation). A dual board is more predominant in Austria, Germany and Poland.<sup>76</sup> This configuration consists of two separate bodies, a supervisory board comprised of non-executives and management board of executives. Global trends favour the unitary board because it increases the capacity to represent both stakeholders' and shareholders' interests and enhance transparency through direct communications between external and internal actors (i.e., executives and non-executives). One disadvantage, however, is the monopoly of power and influence held by the chief executive officer (CEO), who also often serves as chairman of the board. On the other hand, a dual board increases shareholder and stakeholder representation, and balances the power between the CEO and the board chairman. However, the risks associated with information flow between two separate boards of shareholders, stakeholders and managers may decrease communication capabilities for proper and timely decision-making.<sup>77</sup> Table 2 below provides a summary of the respective advantages and disadvantages of the two approaches.

**Table 2: Relative advantages and disadvantages of unitary and dual boards**

	Board of directors (unity board)	Supervisory board (dual board)
Advantage	<ul style="list-style-type: none"><li>• Capable of representing shareholders' interests;</li><li>• Flexible and relatively inexpensive form;</li><li>• Direct contact between executives and non-executives enables sound monitoring and counselling; and</li><li>• Efficient information flow and non-executives' access to corporate data.</li></ul>	<ul style="list-style-type: none"><li>• Capable of representing shareholders' interests;</li><li>• All members are non-executives;</li><li>• Balancing the power of CEO and board Chairman;</li><li>• Higher objectivity and independence, particularly in the process of management evaluation and compensation policy; and</li><li>• No personal connections enable sound monitoring and counselling.</li></ul>
Disadvantage	<ul style="list-style-type: none"><li>• Power position of CEO who also is Chairman of the board;</li><li>• Over-dependence on CEO policy; and</li><li>• Building a coalition between CEO and outside directors (evaluation of board work and resisting to takeovers).</li></ul>	<ul style="list-style-type: none"><li>• Higher cost of board functioning;</li><li>• Poorer information flow and non-executives' access to corporate data;</li><li>• Lack of direct contact between executives and non-executives; and</li><li>• Risk of majority shareholder dominating the board.</li></ul>

Source: Aras and Crowther (2010).<sup>78</sup>

**Box 1: (continued)**

In Asia and the Pacific, firms are often part of a larger conglomerate of companies, so the board needs to be aware of its specific responsibilities to in-group stakeholders as well as its duties to shareholders. To do so, independent directors should be appointed and firewalls put in place, thereby ensuring an adequate degree of impartiality from the parent company, and that any wrongdoing or negligence within the larger group would not damage the firm's own safety or soundness.<sup>79</sup> For this purpose, the OECD Principles of Corporate Governance suggest good practices for nominating and electing board members.<sup>80</sup>

The board of directors must also improve the relationship between the shareholder and stakeholder by increasing transparency through proper disclosure mechanisms.<sup>81</sup> Therefore, the board should recommend that the organization produce an integrated report at least once a year. It could be a standalone report that links high level data in other reports concisely and comprehensively way. Alternately, it could be a prominent segment of the annual report, including yearly financial statements. Regardless of the form, the report should cover the matters that most strongly affect the organization's ability to create value. Based on the board's reporting and disclosure, stakeholders can make informed assessments of a firm's corporate performance and its short, medium and long-term prospects.

## Corporate social responsibility

Corporate social responsibility (CSR), also called corporate conscience or corporate citizenship,<sup>82,83</sup> is the second SRB principle. It has also become a standard part of most business strategies in the last decades. According to the United Nations Environment Programme (UNEP), CSR is the integration of issues of concern held by the wider society with companies' business models or operations and also their voluntary interactions with stakeholders.<sup>84</sup> This is similar to the definitions adopted by other pertinent agencies, such as United Nations Industrial Development Organization (UNIDO)<sup>85</sup> and the United Nations Global Compact (UNGC),<sup>86</sup> to name but two. While it can be a benchmark for corporate conduct, CSR is typically voluntary. While organizations must comply with legislation and regulation, their CSR activities adhere to economic, legal, ethical and/or discretionary expectations of external stakeholders.<sup>87,88</sup>

With the increasing prevalence of social and environmental issues and growing concerns of various stakeholders, many organizations have incorporated the CSR approach into their business conduct. However, CSR looks different in different businesses. CSR improves the image of a business as socially and environmentally friendly, but CSR activities are also often related to labour protection and safety, human rights and anti-corruption.<sup>89</sup> Banks also employ CSR to better engage with their customers, as well as to fund SMEs and green businesses.<sup>90</sup>

CSR also strengthens community relationships and enables communities to tackle social issues and poverty challenges.<sup>91</sup> Although CSR agendas vary greatly, they are crucial when businesses seek community consent to start or expand operations. Consequently, CSR should be conceived as a collaborative, bottom-up approach at the local or community level. In reality, however, CSR is often a top-down corporate approach, involving a

limited number of grass-root stakeholders. This top-down and narrowly focused approach can escalate conflict at the local level as it may increase community discontent and diminish the opportunities to create substantive change. This situation may also contribute to loss of productivity at the corporate level, which is contrary to the intentions for implementing CSR.<sup>92</sup> Although these negative outcomes are possible, implementing CSR is overwhelmingly a positive for both businesses and the societies where they operate.

### Box 2: Development of the CSR concept

CSR is an oft-discussed concept, and there is quite a considerable body of literature on the topic. Nevertheless, there is not a common definition and consensus about what CSR exactly entails. At one end of the spectrum, Milton Friedman argues that “[t]he only social responsibility of the firm is to increase its profits;”<sup>93</sup> thereby, effectively dismissing the notion or the need for businesses to act socially responsible. Instead, by making profits, the market and the government regulator (buoyed by greater corporate income tax revenues) would be better able to address the needs of the wider community and provide the necessary social goods. The business of business should be to conduct business, as it were, and not to try and pursue goals that are outside of firms’ core competencies, and that come with transaction costs that lessen profits for shareholders. Friedman’s argument is fuelled by an ethos of radical individualism and corporate self-interest,<sup>94</sup> but this neoliberal economic agenda has been largely rejected. Rather, CSR has been embraced and the current business climate favours close engagement between business and stakeholders.<sup>95,96</sup>

In contrast to Friedman, Archie B. Carroll’s definition of CSR focuses on the perception of other stakeholders. CSR encompasses “the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”<sup>97</sup> A similar approach to CSR was developed by R. Edward Freeman. His stakeholder theory proposes that corporations have social accountability, and therefore, they need to engage with external stakeholders, such as civil society and governments.<sup>98</sup> These more inclusive definitions of CSR have become more widely accepted by the global business community as to what the “business” of CSR should really be about. Furthermore, it is now generally recognized that business cannot be profitable for an extended period of time if it operates in isolation; rather, it needs to support and nourish the social, environmental and other contextual “spaces” that it inhabits.

### Guidelines of CSR

Various bodies and organizations have proposed guidelines to help improve and promote CSR in businesses. Such guidelines typically provide information on how to approach, design and apply CSR, as well as how to monitor, evaluate and report on CSR initiatives. Below is a brief overview of some of these guidelines, intended to serve as an initial point of reference and entry for organizations considering whether to do more in the field of CSR.

Perhaps the best-known CSR initiative is the United Nations Global Compact (UNGC), a strategic policy initiative that features 10 guidelines for business (see Box 3).<sup>99</sup> The Global Compact Management Model helps companies ensure that their CSR strategy is aligned with those of the Global Compact and its 10 guidelines.<sup>100</sup> An important component of this approach is that businesses must regularly evaluate and report on their compliance with the 10 guidelines in order to display the Global Compact kite mark.



**Box 3: UN Global Compact's 10 Guidelines<sup>101</sup>**

The UN Global Compact's 10 guidelines cover human rights, labour, the environment and anti-corruption. According to the guidelines, businesses should:

**Human Rights**

1. support and respect the protection of internationally proclaimed human rights;
2. ensure they are not complicit in human rights abuses;

**Labour**

3. uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. eliminate all forms of forced and compulsory labour;
5. abolish child labour;
6. eliminate discrimination in respect to employment and occupation;

**Environment**

7. support a precautionary approach to environmental challenges;
8. promote greater environmental responsibility;
9. encourage the development and diffusion of environmentally friendly technologies;

**Anti-Corruption**

10. fight corruption in all its forms, including extortion and bribery.

The OECD has also actively promoted CSR, specifically by addressing the role of transnational corporations (TNCs) in promoting inclusive and sustainable development. The OECD Guidelines for Multinational Enterprises<sup>102</sup> are government-backed recommendations addressed to TNCs operating in or from adhering countries.<sup>103</sup> The non-binding CSR guidelines apply globally to TNCs of any sector and size.<sup>104</sup> As multinational enterprises are a crucial part of the international economy, the guidelines' aim is to promote their positive contributions to achieving economic, environmental and social progress worldwide.

**Box 4: OECD Guidelines for Multinational Enterprises in short<sup>105</sup>**

- Adopted in 1976 as part of the OECD Declaration on International Investment and Multinational Enterprises;
- Revised five times to adapt to the changing landscape of the global economy;
- Constitute voluntary guidelines and standards for CSR from governments to TNCs;
- Cover various issues such as human rights, employment and industrial relations, the environment, information disclosure, combating bribery, consumer interests, science and technology, competition and taxation; and
- Have a unique implementation mechanism that helps enterprises and stakeholders observe the guidelines, while also providing a mediation and conciliation platform for resolving practical issues that may arise when implementing the guidelines.

### Box 5: ISO 26000 (ISO SR)<sup>106</sup>

In 2010, the International Organization for Standardization (ISO) launched a new international standard for CSR, naming it ISO 26000:2010-Social Responsibility, widely known as ISO SR. The standard is not concerned with certification. Rather, it clarifies what CSR is and explains how companies can act socially responsible by putting CSR principles in practice in their daily operations.

By implementing ISO SR, firms optimize their internal processes and ensure integration between their management system and their efforts towards responsibility and sustainability. Integrating the CSR principles throughout the business helps firms behave ethically and fosters respect for stakeholder interests, the rule of law and human rights. Businesses can become more accountable by establishing a wide range of response mechanisms and reporting instruments, such as social investment instruments, social audits, multi-stakeholder consultation and other accountability mechanisms and processes.<sup>107</sup>

## Corporate sustainability

Corporate sustainability is the third SRB principle. Sometimes seen as a broader term than CSR, it can be defined as the ability of an organization to produce valued products or services while maintaining its future operations and meeting the needs of various stakeholders.<sup>108</sup> It is also understood as an approach that creates long-term value by implementing a business plan that adequately accommodates the needs of stakeholders in the economic, social and environmental spheres.<sup>109</sup> Thus, corporate sustainability focuses on the long-term growth and future of organizations and their stakeholders, rather than on short-term profits. A greater awareness of long-term economic, social, and environmental performances helps businesses to address the needs of future investors and stakeholders. The current trend in the business community indicates that many companies have moved their focus away from short-term profit toward long-term sustainable growth.<sup>110</sup>

Corporate sustainability derives from shareholders and stakeholder theories. Shareholders are the individuals and institutions that hold stock in a company and are effectively, the owners. Stakeholders, on the other hand, refer to all the parties that have a direct or indirect interest in the activities of the company, whether as customers, communities, suppliers, etc. Instead of focusing solely on generating profits for its shareholders, companies and banks interested in corporate sustainability consider the interests of all stakeholders in their decision-making and value creation processes.<sup>111</sup> For some companies, reconciling the two competing objectives can be difficult, but balancing the interests of shareholders and stakeholders is one of the key tenets of attaining corporate sustainability. Companies that maximize profits for their shareholders but destroy stakeholder value, may face a number of consequences, including regulatory enforcement, deteriorating goodwill, a tarnished/sullied public image and economic consequences. Consumers could avoid the business' product and those shareholders that place a high value on stakeholder issues may sell their shares.

Conversely, when value is transferred from shareholders to stakeholders in an unbalanced way, board members and senior executives may be accused of failing their fiduciary duties to work in the interests of shareholders, causing shareholders to abandon the company and undermining its long-term profitability and sustainability. In this regard, maximizing shareholder value is important to economic sustainability and therefore, part of the overall sustainability paradigm.<sup>112</sup> Consequently, sustainable value occurs only when companies are able to attain positive value for both shareholders and stakeholders; this is not always an easy task and can be challenging.

The Global Alliance for Banking on Values (GABV) has proposed six key strategies to achieve corporate sustainability. These show why business practices should have a deeper commitment to long-term development:<sup>113</sup>

- (i) adopting the triple bottom line approach at the heart of the business model;
- (ii) helping communities, serving the economy and enabling new business models to meet the needs of both shareholders and stakeholders;
- (iii) developing long-term relationships with clients and understanding their economic activities and the risks involved;
- (iv) enhancing resilience to outside disruptions;
- (v) fostering transparent and inclusive governance; and
- (vi) imbedding all SRB principles within the culture and practice of the firm.

These strategies are inter-connected, practitioner-based and pro-active, covering both cultural and operational aspects of corporate sustainability. Based on the strategies, firms should develop and implement appropriate practices for enhancing sustainability. These practices may include, among others:<sup>114</sup>

- (i) taking full responsibility for the social and environmental impacts of transactions;
- (ii) protecting stakeholders' rights;
- (iii) responding to stakeholders' needs; and
- (iv) supporting the role of market and governance in establishing public policy and regulations to facilitate more sustainable conduct.

### Sustainability reporting

After adopting the corporate sustainability principle, firms should track and maintain records of their sustainability performance and then produce annual reports. Sustainability reporting is also relevant to management. According to the Global Reporting Initiative (GRI), a leading global framework for sustainability reporting, there are four significant benefits to sustainability reporting:<sup>115</sup>

- (i) Revenue growth
- (ii) Risk management
- (iii) Access to capital
- (iv) Cost savings and operational efficiency

Consequently, sustainability reporting is becoming a widespread practice in business. In 2008, 49% of banks and financial institutions partook in sustainability reporting globally; this figure increased to 70% in 2013.<sup>116</sup>

Sustainability reporting is critical for measuring corporate sustainability. Sustainability reporting is not simply accounting for investing and operating business that may impact external environmental and social stakeholders. Rather, it requires monitoring (and even often supervising) of how the sustainability principles affect corporate culture and operations as well as those throughout the value or supply chains. Integrating sustainability reporting effectively can maximize economic and financial performance while also contributing to social development and environmental protection (see Table 3).

Table 3: Benefits of sustainability reporting

<div>Stakeholders</div> <div>Benefits</div>	Suppliers	Internal		Clients and Shareholders	Society/ Environment
Revenue growth	Identify opportunities for new business developments	Improve competitiveness and business		Develop new products and services	Boost local economic growth
Risk management	Reduce the risk of supply chain reputational damage	Enhance governance through greater compliance and transparency		Manage environmental risk	Manage reputational risk
Access to capital				Improve access to finance	Meet stock exchange listing requirements
Cost saving and efficiency	Build better relationship	Reduce waste	Motivate work-force	Build better relationships	

Source: UNEP (2006).<sup>117</sup>

Similarly, other organizations have developed methodologies to measure corporate sustainability. For instance, The Global Reporting Initiative (GRI) is an international non-profit organization (NPO) whose mission is to promote the use of sustainability reporting as a way for companies or organizations to become more sustainable and contribute to sustainable development. Since 1997, the GRI has pioneered and developed a comprehensive sustainability reporting framework with a set of guidelines that assess the economic, social and environmental impacts of business’ daily operations.<sup>118</sup> The reporting framework captures the evolution of SRB in general, and the degree of corporate sustainability in particular. To help companies prepare robust and purposeful sustainability reports, GRI launched a fourth generation of guidelines (G4) in 2013.<sup>119</sup> G4 allows organizations to choose between two “in accordance” options: (i) core or (ii) comprehensive. The choice depends on what best meets the reporting needs of the organization and its stakeholders. In the core option, the organization should report at least one indicator whereas in the comprehensive option, the organization should report all indicators related to the aspect.<sup>120</sup>

### Box 6: IFC's sustainability framework

The IFC, part of the World Bank Group, is an international financial institution providing loans and offering advisory and investment services with the ultimate aim of encouraging private sector-led growth in developing countries. The IFC sustainability framework was first adopted in 2006 – and updated in 2012 – and constitutes the basis of the Equator Principles.<sup>121</sup> This framework provides firms corporate sustainability policies and performance standards.

The ESG aspect (i.e., environment, social and governance) is one key way to measure corporate sustainability, so the IFC framework includes three pillars: 1) policies on environmental and social sustainability, 2) performance standards on sustainability, and 3) access to information on sustainability performance (Figure 7). The framework brings together the three pillars and facilitates corporations' efforts to promote sustainable development and enhance their risk management capability.<sup>122</sup>

Figure 7: Key elements of the IFC sustainability framework

IFC sustainability framework consists of three pillars



Source: Adapted from IFC Sustainability Framework.<sup>123</sup>

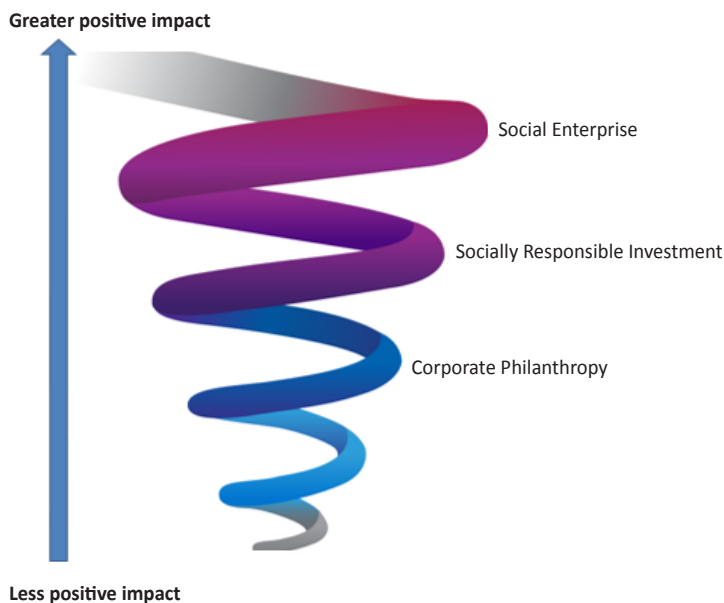
IFC suggests businesses implement sustainability policies in their daily operations in accordance with its sustainability framework. As a result, the framework's performance standards have been used as a benchmark for IFC's clients who implement and operate projects financed by IFC.<sup>124</sup> The eight performance standards (PS) are:

- PS 1: Assessment and management of environmental and social risks and impacts
- PS 2: Labour and working conditions
- PS 3: Resource efficiency and pollution prevention
- PS 4: Community health, safety and security
- PS 5: Land acquisition and involuntary resettlement
- PS 6: Biodiversity conservation and sustainable management of living natural resources
- PS 7: Indigenous peoples
- PS 8: Cultural heritage

## SECTION 5: SRB PRACTICES

This Section presents a review of SRB practices in the SRB Model for a Sustainable Future. The major practices are (i) corporate philanthropy, (ii) socially responsible investment, and (iii) social enterprise. These practices are the operational transformation of the SRB principles previously discussed and are ranked in ascending order from corporate philanthropy to social enterprise based on the expected level of impact on stakeholders and the environment (see Figure 8).

**Figure 8: SRB practices**



Source: Authors'.

Corporate philanthropy is the most basic level of the SRB Model for a Sustainable Future. In corporate philanthropy, contributions to the society and environment are voluntary. There is no obligation to engage or align business operations and strategies with stakeholders. With socially responsible investing, shareholders actively seek not only financial returns, but also positive social and environmental outcomes from their investments. Social enterprise is the top of the SRB model. It has the greatest capacity to drive positive change. In social enterprise, profit is viewed as an outcome of achieving solutions to social and environmental challenges. This Section outlines the three practices in the SRB model and analyzes the level of inclusiveness and sustainability of each practice as well as the stakeholders that are positively impacted by businesses that implement these SRB practices.

### Corporate philanthropy

Corporate philanthropy is the practice of businesses giving back to the community by donating towards a cause that may be related to social and environmental issues.<sup>125</sup> Examples include giving a scholarship to

disadvantaged children, constructing public facilities or providing disaster relief. Corporate philanthropy can be tangible donations such as cash gifts, products or in-kind contributions, or intangibles such as human resources, expertise or time.

Both shareholders and stakeholders view philanthropic companies as good corporate citizens, incentivizing more philanthropic activities. In addition to enhancing a company's reputation, corporate philanthropy also improves brand value, increases employee motivation and fulfils self-interests.<sup>126</sup> Although less common throughout the Asia-Pacific region, in the West, tax incentives for charitable donations have encouraged corporate philanthropic activities.<sup>127</sup> Corporate philanthropy is good for stakeholders, but it is also good for shareholders and good for businesses.

Traditional "responsible" business often takes the form of corporate philanthropy,<sup>128</sup> and while undoubtedly positive, it has certain shortcomings. For example, the beneficiaries of such philanthropy are often limited to the company's direct stakeholders and shareholders. Moreover, this old form of philanthropy does not oblige a business to change practices or operations due to stakeholder or environmental needs so the activities of corporate philanthropy tend to be ad-hoc and its impact would be limited.<sup>129,130</sup> Lastly, traditional corporate philanthropy is often more fickle, and during a business downturn, philanthropic action often decreases.

The concept of philanthropy in Asia and the Pacific is less mature than it is in the developed countries in the West, where there are systems in place to capture and track philanthropic donations.<sup>131</sup> In Asia and the Pacific, region-wide philanthropy statistics do not exist, so estimating the amount of corporate philanthropy is difficult.<sup>132</sup> There is also a lack of quantitative and qualitative research on corporate philanthropy in the region. However, recent economic growth in the region has sparked the establishment of monitoring groups for philanthropic activities. For instance, The Asia Centre for Social Entrepreneurship and Philanthropy, formed by the National University of Singapore in 2011, analyzes the intersection of social entrepreneurship and philanthropy in the region.<sup>133</sup>

In the SRB Model for a Sustainable Future, corporate philanthropy is the most basic form of SRB due to selective stakeholder benefits and the lack of obligations to stakeholders in the medium to long term. While it can contribute significantly to society and the environment if planned and implemented properly and effectively, corporate philanthropy is not able to benefit a wider group or type of stakeholders other than the direct recipients of the donation. In addition, corporate philanthropy does not obligate businesses to change their management practices or operations to include stakeholder and environmental needs.<sup>134,135</sup> Hence, corporate philanthropy is a short to medium term commitment towards global change and typically has less impact than the other SRB practices.

## Socially responsible investment

Socially responsible investment (SRI) is defined as an investment process that seeks to achieve social and environmental objectives alongside financial ones.<sup>136</sup> Environmental, social, and governance (ESG) criteria are used to evaluate whether a company is a socially responsible investment.<sup>137</sup> The SRI strategy implies that businesses that invest and operate with an ESG conscience are more stable because they have less company specific risks, lower costs of debt and higher credit ratings.<sup>138</sup> Therefore, an increasing number of retail and corporate investors are adopting SRI practices into their wealth creation strategies by investing in socially responsible companies, mutual funds, exchange-traded funds (ETFs) and investment funds.<sup>139</sup>

In addition to the conventional investment screening methods, such as financial performance, leverage metrics and valuation ratios, ESG factors are reviewed either before or after the financial analyses as additional screening criteria. The two main methods in selecting SRIs are negative and positive screening. Negative screening refers to the exclusion of certain businesses or industries based upon the failure to meet ESG criteria. For example, businesses in the tobacco and gaming industry are often excluded. Positive screening, on the other hand, considers investment opportunities that are favourable in the ESG criteria.<sup>140</sup>

The Social Responsibility Association Australasia identifies three types of SRI.<sup>141</sup> These are the best of sector, thematic investment and impact investing. The best of sector SRI promotes the adoption of higher ESG criteria by comparing companies against one another based on specific issues such as carbon emission benchmarks and governance standards. Similar to the best of sector SRI, thematic investment is another positive screening approach. It selects sustainable investments in certain sectors based on positive ESG impacts such as environmental technology, sustainable agriculture and forestry, waste management and community investment. The third and final type of SRI is impact investing. It is more advance and involves "actively placing capital in businesses and funds that are directed toward solving specific and significant environmental and social challenges while providing returns to the investor that range from principal to above market."<sup>142</sup>

These different SRI options offered in mutual funds, ETFs and pension funds allow investors to diversify their investments amongst companies with favourable ESG track-records across multiple sectors; thus, contributing to positive outcomes for a larger number of stakeholders. Although such individual investments spread amongst multiple sectors may have only a small impact, the growing popularity of SRI means a significant impact can be achieved collectively.

## Social enterprise

Social enterprise is the SRB practice that has the greatest potential to affect change. Social enterprise is the "recognition, formation, evaluation and exploitation of opportunities to create new businesses, models and solutions with a focus on achieving blended value"<sup>143</sup> and creating wealth. Examples of social enterprises are cooperatives, mutual organizations, charity organizations, and more recently, benefit corporations or B Corps.<sup>144</sup> Although there have been many interpretations of what constitutes social enterprise in recent years, it is understood here as a financially self-sustainable and non-dividend distributing commercial entity.<sup>145</sup>

The baseline of social enterprise as an instrument to foster SRB begins with an understanding of social needs that also represent profitable opportunities. Profits derived from social enterprise are reinvested in the business itself, with the aim of increasing social impact by expanding the company's reach, improving products or services and supporting its social mission.<sup>146</sup> In this sense, a social enterprise must be constructed using a bottom-up approach where gaps and unmet needs in the society and environment are identified. Since social enterprises can meet community needs and expectations, they can more effectively address local issues than other approaches.

While addressing a particular local issue, a social enterprise also aims to upgrade the social system by creating a greater value for the community it operates in.<sup>147</sup> To achieve this, social enterprises "need to develop social system change capabilities-[which] are under-pinned by particular knowledge, skills, and routines—built around a social problem/opportunity,"<sup>148</sup> and around a particular client (e.g., individual, community and region).

Once local-level needs are identified, a social enterprise organizes resources and talents to develop creative solutions to addressing these issues.<sup>149</sup> Importantly, social enterprises prioritize stakeholder considerations over



financial gain. This approach closely aligns with the SDGs, but is the antithesis of the “traditional” business model where shareholder considerations greatly overshadow stakeholders.

Social enterprise challenges the status quo by improving social wellbeing through a portfolio of products and services whose profits are allocated to create greater social wealth. Social enterprise fosters the creation of social wealth and combines the gains from independent and corporate social ventures with those created through community assets such as natural, human, social and cultural endowments.<sup>150,151</sup> Empirical research also shows that combining a community's primary assets with other forms of capital (e.g., financial capital, manufactured capital, natural capital, human capital, social capital and intellectual capital<sup>152</sup>) results in greater sustainable outcomes for both social enterprises and the communities where they operate.<sup>153</sup>

This Section explains the three major practices under the SRB umbrella (i.e., corporate philanthropy, socially responsible investment and social enterprise) and their implications for the triple bottom-line. This knowledge can help organizations adopt operations and management practices that are better aligned with stakeholders and the environment; and thereby contribute to inclusive and sustainable development. Finally, Table 4 summarizes the three SRB practices with their characteristics, stakeholders and implications.

**Table 4: SRB practices, characteristics, stakeholders and implications**

SRB practices	Characteristics	Stakeholders and implications
Corporate philanthropy	Corporate philanthropy is an SRB practice intended to give back to the community by donating towards a cause.	For shareholders, corporate philanthropy enhances reputation.  For employees, corporate philanthropy increases motivation and fulfils self-interests.
Socially responsible investment (SRI)	SRI is an investment process that seeks to achieve social and environmental objectives alongside financial gains.	Investors incorporate SRI principles into their investment strategies.  SRI fosters more socially and environmentally sensitive business decisions and actions by investors.
Social enterprise	Social enterprise is a financially self-sustainable and non-dividend distributing commercial entity.  A social enterprise's profits are reinvested in the business itself, with the aim of increasing social impact by expanding the company's reach, improving products or services and supporting its social mission.	Stakeholders' needs, rather than financial gain, are the priority of social enterprises.  Conventional shareholders do not exist.

Source: Authors'.

### **Box 7: Microfinance: a case of socially responsible investment**

Microfinance, an example of socially responsible investment, was popularized by Dr. Muhammad Yunus, the 2006 Nobel Laureate and founder of the Grameen Bank in Bangladesh. It comprises a wide range of financial services, such as microloans, savings and micro-insurance and is geared towards the poor and low-income groups as well as micro, small and start-up enterprises.<sup>154</sup> These financial services provide access to formal finance.

Many types of organizations provide microfinance. These include microfinance institutions (MFIs), not-for-profit organizations, self-help groups, state-owned banks and commercial financial institutions. While these organizations differ considerably in their operating models, they often share one important common characteristic: high repayment rates. For example, in the Grameen Bank group model, borrowers are divided into five-member groups and each group jointly assumes debts. Consequently, peer pressure and collective responsibility help control the default risk.<sup>155</sup> Many MFIs have successfully proven that the poor are “bankable” and that the base of the pyramid, e.g., the poor and micro enterprises, is a financially viable market.

One notable feature of microfinance in the region is that MFIs specifically target women as client group. This has strongly facilitated women entrepreneurship within the region. Microloans enable women to start their own modest firms, such as roadside fruit stands, in order to support their families. Microloans target women not only with the objective of empowering them but also for a practical reason – women are a better credit risk than men.<sup>156</sup>

The nominal interest rate charged by most MFIs in the Asia-Pacific region range from 30 per cent to 70 per cent per year, which is very high compared with the rates of commercial banks and subsidized lending organizations.<sup>157</sup> The high nominal interest rate is mainly due to the high cost of funding, inflation and the cost of administration and operation associated with MFIs.<sup>158</sup> Although the rate of interest on microloans is high by developed country standards, it is generally much lower than the rates charged by loan sharks, the typical source of credit in developing countries. As a result, microfinance remains attractive to the poor and SMEs, and the microfinance sector in Asia and the Pacific has grown impressively.<sup>159</sup> More recently, debate about the ethics of profiting from the poor<sup>160</sup> and the serious problem of market saturation and over-indebtedness have led to more stringent scrutiny of microfinance.<sup>161</sup> Nonetheless, microfinance remains a powerful tool for financial inclusion, particularly for the poor and SMEs.

## SECTION 6: SRB ENABLERS

A sustainable business ecosystem is built on three primary principles: corporate governance, corporate social responsibility and corporate sustainability, or the 3Cs. However, these three principles cannot be transformed to workable SRB practices (i.e., corporate philanthropy, socially responsible investment and social enterprise) without the aid of the enablers. The six SRB enablers are technology, innovation, interconnectivity, metrics, stakeholder engagement and government support. These six enablers are interconnected and constituent elements of the SRB Model for a Sustainable Future. They act as the avenues by which companies and financial institutions can formulate and implement inclusive and sustainable policies and practices.

### Technology

Technology plays a key role in enabling SRB. Technology assists companies in enhancing innovative initiatives and interacting with a greater number of stakeholders; thus, promoting inclusiveness and sustainability in the society and the environment. For example, by analyzing real-time data through the Internet of Things (IoT), firms can visualize resource inefficiencies and thus minimize the negative externalities resulting from their business practices and value chains (Box 8).<sup>162</sup> More generally, clean energy technology clearly demonstrates technology's role in enabling SRB. Clean energy technologies help develop biodiverse ecosystems, reduce poverty and promote social equity, while also boosting economic growth.<sup>163</sup> In short, technology can help businesses integrate SRB with their daily operations and strengthen their engagement with stakeholders.

However, barriers exist to translating sustainable technologies into commercially marketable products or services. In particular, businesses incur significant risk in early stage development when they must demonstrate legal, operational and financial viability in order to receive the funding necessary to carry out development activities.<sup>164</sup> In this regard, banks and financial institutions can support technology developers and innovators. Through new financial technology (FinTech), banks and financial institutions are better able to facilitate investment and provide finance more widely to new technology driven projects which have not been traditionally bankable, such as climate change solutions and rural microfinance. For instance, significant developments in mobile banking technologies empower anyone who has access to a mobile phone (over 75 per cent globally) by allowing those in remote areas to access banking facilities and other services that would not have been possible previously. This kind of technological progress in the banking and finance sector is a major catalyst of economic growth, generating a multiplier effect from increased new businesses, business expansion and job creation.

### **Box 8: Sustainable development through the Internet of Things (IoT)**

The Internet of Things (IoT) is a potential game changer for SRB. IoT is the intelligent connection of people, processes, data and things by embedding sensors and software in physical systems and connecting them to a network. The information received facilitates better management and coordination through real-time analysis and decision-making. IoT can be applied in many fields, such as industry, energy, agriculture, transportation and civic infrastructure, all of which are foundational to inclusiveness and sustainability.<sup>165</sup> McKinsey Global Institute has estimated that the economic value of IoT has the potential to be as much as \$11.1 trillion USD per year in 2025.<sup>166</sup>

One example of how IoT can foster sustainable development and empower disadvantaged communities is M-KOPA, a Kenyan company that provides low-cost solar power to low-income households on a pay-per-use instalment plan.<sup>167</sup> In partnership with information and communications technology (ICT) service providers throughout its value chains, M-KOPA can monitor real-time performance and billing/payment status. This information helps M-KOPA provide its service more efficiently. M-KOPA aims to serve more than 1 million low-income households in Kenya by 2018.<sup>168</sup>

### **Box 9: UNEP's energy technology initiatives**

The ever-increasing rate of energy production and consumption remains unsustainable and threatens not only the environment but also the human health and quality of life, particularly for those in developing countries. Energy technology projects facilitated by the United Nations Environment Programme (UNEP)<sup>169</sup> in Asia-Pacific countries are examples of how technology-driven partnerships among financial institutions, technology developers, international organizations and others can promote climate change solutions.<sup>170</sup> UNEP advocates for and supports various programmes to make clean and renewable energy technologies more reliable and accessible in the commercial markets. The projects in Table 5 below highlight UNEP's energy and finance work within Asia and the Pacific.

**Box 9: (continued)****Table 5: UNEP energy technology projects for Asia and the Pacific<sup>171</sup>**

Name	Duration	Partners	Project highlights
Pilot Asia-Pacific Climate Technology Network and Finance Centre	2012-2016	Asian Development Bank, United Nations Environment Programme, Global Environment Facility, the Government of Japan, the Government of the Republic of Korea and VITO-Flemish Institute for Technological Research NV	"A climate change technology finance centre in Manila [is] piloted to address key barriers to climate technology transfer and deployment in Asia and the Pacific." <sup>172</sup>
Seed Capital Assistance Facility	2009-2022	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety, United Kingdom Department for International Development, UN Foundation, Global Environment Fund	This programme "addresses the financing gap and provides financial support on a cost-sharing basis to low carbon projects via private equity ..., venture capital ... funds and project development companies." <sup>173</sup>
End User Finance for Access to Clean Energy Technologies in South and Southeast Asia (FACET)	2010-2017	Frankfurt School of Finance and Management, SNV Viet Nam and Hivos Indonesia	"FACET's main goal is to help overcome the financial barriers to implementing ... [clean energy] technologies. The programme aims to initiate and increase domestic bank lending to end-users of small-scale clean energy applications in South-East Asia." <sup>174</sup>

Innovation is the second enabler of the SRB model. Innovation is crucial in adding value and increasing productivity; thus, acting as the driver of corporate growth and sustainability.<sup>175</sup> Innovation is often a response to technological advancement but may also be a result of a company's desire or need to address social and environmental issues. A 2013 global survey by KPMG found that 72 per cent of sampled firms agreed that "innovation of new products and services is a key opportunity arising out of company's efforts to bring in social and environmental change."<sup>176</sup> Many companies have already integrated the concept of sustainability into their innovation efforts. Initiatives such as China Mobile's mHealth and Ant Financial demonstrate how innovative approaches by SRBs can foster meaningful social and environmental change (Boxes 10 and 11).

#### **Box 10: China Mobile's mHealth<sup>177</sup>**

China Mobile Limited is the largest mobile-service provider in China and has been in the Dow Jones Sustainability Indices since 2008. It is recognized by the UN Global Compact as the best practice in China for sustainability. The company commits to wider social-impact goals through continuous innovation and multi-stakeholder engagement. For example, one of its projects, mHealth, is a medical information and booking service that provides navigation assistance and information on hospitals, doctors, departments and medical policies through SMS. A 2012 pilot project conducted in Guizhou Province was an overwhelming success. It reached 88 per cent of the provincial population, enhanced access to health services, improved financial protection, eased government administration burden and reduced corruption. Additionally, the project generated significant goodwill for the company and increased the customer base. In 2015, China Mobile Government and Enterprise Service Company in Beijing took over the responsibility of mHealth and has expanded its services throughout the nation leveraging lessons learned from the pilot project.<sup>178</sup>

#### **Box 11: Innovative SRB solutions: key success factors for woman entrepreneurs**

SDG 5 establishes targets for women entrepreneurship in areas such as participation in leadership and decision-making and ownership rights to resources. However, women entrepreneurs are often held back by high costs and barriers to female labour force participation in many countries in Asia and the Pacific. Providing women greater access to innovative solutions, such as new finance and credit schemes, Internet based training and education platforms and business support networks, is critical for building women entrepreneur's capacity and developing their businesses.<sup>179</sup>

One innovative solution to meeting the financing needs of women entrepreneurs has been initiated by Ant Financial, an ICT initiative with Internet applications in China. In partnership with IFC and Goldman Sachs' 10 000 Women Initiative, Ant Financial has launched a new credit scheme that provides loans to women-owned small businesses in China by assessing the creditworthiness of woman owners based on data gathered from their online transactions and behaviour instead of their ability to provide collateral.<sup>180</sup> Women often cannot provide collateral, so this greatly increases women-owned SMEs' access to financing.

**Box 11: (continued)**

Many innovative ICT initiatives that enhance networking and build social capital are also being created and owned by women entrepreneurs themselves. For example, WEConnect International is a network that allows woman-owned businesses to showcase their products to buyers all around the world, while Girls in Tech provides online learning modules and participatory online events for woman entrepreneurs.<sup>181</sup> These examples show a few innovative ways women entrepreneurs are being empowered.

Innovation in financing is also needed to accelerate investment in social development initiatives and climate change solutions. In this sense, innovative finance, such as digital financing, crowd funding, FinTech, non-traditional collateral and impact investing, creates opportunities for firms that would otherwise encounter difficulty obtaining financial services to pursue solutions for social and environmental issues. A report by ESCAP on "Fostering Women's Entrepreneurship in ASEAN"<sup>182</sup> focuses on how greater usage of innovative finance can empower woman entrepreneurship for sustainable development.

**Interconnectivity**

Interconnectivity is the third SRB enabler. The three dimensions of the SRB foundation, the triple bottom line, are social, environmental and economic issues. Given the mutual dependence of society, the environment and the economy, a change to one of these dimensions will affect the other two.<sup>183</sup> Moreover, as research emerges demonstrating that SRB initiatives can yield enhanced performance across all social, environmental and financial aspects, more business executives are realizing that achieving inclusiveness and sustainability does not have to come at the expense of financial performance.<sup>184</sup> For example, by making operations more environmentally and socially-friendly, some businesses find that their costs decrease as a result of reduced inputs and/or enhanced efficiency.<sup>185</sup> Furthermore, new market opportunities may arise when businesses provide goods and services to previously unserved, often disadvantaged populations, as occurs when new micro businesses open up in the rural areas of developing countries. Unfortunately, many businesses and governments still regard social, environmental and economic aspects as separate distinct issues. Conversely, the SRB Model for a Sustainable Future stresses the mutual interdependence of these aspects and shows businesses how to maximize the triple bottom line.

**Metrics**

Metrics are the fourth SRB enabler and are critical for measuring companies' social and environmental impact. Metrics enable stakeholders to appraise a company's inclusiveness and sustainability, as well as its social, environmental and financial performance. Furthermore, they are critical for accurate sustainability reporting (see the previous Section). There are presently three widely adopted and well recognized standardized metrics: IRIS,<sup>186</sup> SASB<sup>187</sup> and GIRS.<sup>188</sup>

The Impact Reporting and Investment Standards (IRIS) metrics were developed by the non-profit organization Global Impact Investing Network (GIIN). They are recognized as the global standard for measuring social and environmental impact.<sup>189</sup> The catalogue of IRIS metrics contains approximately 400 social and environmental performance measurements that complement widely adopted sustainability reporting, including those by GRI, ILO and others.<sup>190</sup> The IRIS metrics have been tailored to various sectors (e.g., agriculture, energy, housing/

community development, land conservation and water, banking and finance, education and health) and allow companies to select the measurements most relevant to their social or environmental goals and their industry.<sup>191</sup> For example, select IRIS metrics for the banking and financial sector are presented in Table 6.

The second set of widely recognized metrics were proposed by the Sustainability Accounting Standards Board (SASB), which is an independent, non-profit organization that seeks to “develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors.”<sup>192</sup> SASB has developed approximately 80 metrics for 10 different sectors: banking and finance, healthcare, non-renewable resources, resource transformation, services, technology and communication, transportation and consumption sectors. Similar to the IRIS metrics, the SASB metrics are non-prescriptive, convey contextual information and help users (e.g., investors) perform their own analysis. Select SASB metrics for the banking and finance sector<sup>193</sup> are shown in Table 7.

**Table 6: Select IRIS metrics for the banking and finance sector**

Metric ID	Metric name	Description
<b>OI4953</b>	Social and Environmental Performance Incentives	Indicate whether the organization implemented any employee incentive schemes related to social performance goals during the reporting period.
<b>P19250</b>	Active Borrowers per Loan Officer	Specify number of active borrowers (clients) per loan officer at the organization, as of the end of the reporting period.
<b>FP9717</b>	Loan Write-offs	Reveal value of loans written off by the organization during the reporting period.
<b>PD9337</b>	Compulsory Deposits	Indicate whether the organization requires clients to establish savings accounts.
<b>PD9337s</b>	Compulsory Deposits	Indicate whether the organization requires clients to establish savings account.
<b>PD1928</b>	Compulsory Insurance Products	Specify insurance products that are compulsory.
<b>PI1934</b>	Average Insurance Premium	Reveal average amount of annualized insurance premium charged for a particular insurance product provided by the organization during the reporting period.
<b>OI15083</b>	Loan Officer Wages	Reveal value of wages (including bonuses) paid to loan officers during the reporting period.
<b>P17902</b>	Claims Rejection Ratio	Reveal percentage of claims rejected by the organization during the reporting period relative to the total claims submitted to the organization during the reporting period.
<b>PI6414</b>	New Businesses Created: Low Income Areas	Specify number of new business created in low income areas as a result of investments made during the reporting period.

Source: EBAC (2016).



**Table 7: Select SASB metrics for the banking and finance sector**

Topic	Description	Category	Unit of measure	Code
Integration of environmental, social and governance risk factors in credit risk analysis	Discusses how environmental, social and governance (ESG) factors are integrated into the lending process.	Discussion and analysis	N/A	FN0101-15
	Discusses credit risk to the loan portfolio presented by climate change, natural resource constraints, human rights concerns or other broad sustainability trends.	Discussion and analysis	N/A	FN0101-16
	Identifies/calculates the amount and percentage of lending and project finance that integrate ESG factors: <ul style="list-style-type: none"> <li>• employ sustainability themed lending or finance</li> <li>• use screening (exclusionary, inclusionary or benchmarked)</li> <li>• utilize impact or community lending or finance</li> </ul>	Quantitative	\$ USD, percentage (%)	FN0101-17
	Reveals total loans to companies in the following sectors/industries: energy/oil and gas, materials/basic materials, industrials and utilities.	Quantitative	\$ USD	FN0101-18

Source: Modified from EBAC (2016).

The third metric is the Global Impact Investing Ratings System (GIIRS).<sup>194</sup> It provides a global standard of sustainability metrics for sustainability investing. The metrics facilitate rigorous, comprehensive and comparable assessments of a company, investor, business network or financial institution's social and environmental performance. GIIRS specifically focuses on five areas and groups: community, environment, workers, governance and consumers.

IRIS, SASB and GIIRS, among others, provide standardized metrics that help assess the inclusiveness and sustainability performance of companies and financial institutions as they operate nationally and globally. Moreover, businesses can also use these metrics to fulfil global reporting guidelines.

In addition to the standardized metrics, there is also a range of complementary guidelines to the sustainability reporting (Table 8). The major global reporting guidelines include the Global Reporting Initiative (GRI),<sup>195</sup> Social Return on Investment (SROI)<sup>196</sup>, United Nations Global Compact Reporting Guidelines<sup>197</sup> and International Integrated Reporting Framework.<sup>198</sup> These make companies or financial institutions more accountable to external stakeholders, including governments and civil society. Like the metrics, the guidelines promote a sustainable business ecosystem by evaluating the triple bottom line and measuring environmental, social, and economic performance. Business and financial communities can utilize these to identify relevant indicators as well as to capture and communicate value creation in inclusiveness and sustainability.

40 | **Table 8: Standards and guidelines for measuring value creation<sup>199</sup>**

Scope of measurement approach	Global initiatives
Standardized metrics	<ul style="list-style-type: none"> <li>• Impact Reporting and Investment Standards (IRIS)</li> <li>• Sustainability Accounting Standards Board (SASB)</li> <li>• Global Impact Investing Ratings System (GIIRS)</li> </ul>
Reporting guidelines	<ul style="list-style-type: none"> <li>• Global Reporting Initiative (GRI)</li> <li>• Social Return on Investment (SROI)</li> <li>• United National Global Compact reporting guidelines</li> <li>• International Integrated Reporting Framework</li> </ul>

Source: EBAC (2016).

## Stakeholder engagement

Stakeholder engagement is the fifth SRB enabler. It is essential for the SRB Model for a Sustainable Future and for driving the global agenda for inclusive and sustainable development, i.e., the SDGs. In addition to the primary stakeholders, namely shareholders, customers, suppliers and governments, stakeholder engagement should also involve other actors, such as associations, media, investors, employees and universities, who are willing to monitor responsible business conduct (Table 9). Stakeholders must engage closely with business and each other because they have a moral obligation to enhance the welfare of the citizens and society at large. In the SRB model, stakeholders participate equally in decision-making processes and collaborate in the implementation of common or joint actions, like SRB initiatives<sup>200,201</sup>. However, an imperfect knowledge about stakeholders' roles and responsibilities, a lack of communication and/or low levels of trust amongst stakeholders limit and hinder the efficacy of engagement.

**Table 9: Stakeholder engagement: key actors**

Actor	Description
Companies	Companies have a primary responsibility to their shareholders through profit maximization; but they are increasingly being tasked—through industry norms (including corporate social responsibility) and in-country obligations—with social responsibilities to external stakeholders. Therefore, companies are encouraged to ensure the effective development, provision and evaluation of the SRB Model for a Sustainable Future as a constituent component of their corporate agendas.
Customers	Customers are the direct or final users of companies' products and services and impact companies' success. They are more often driven to purchase goods and services from responsible businesses. The SRB Model encourages customer engagement because it addresses issues of societal concern.
Suppliers and distributors	Suppliers and distributors are also bound by inclusiveness and sustainability initiatives. This requires the establishment of formal feedback mechanisms within value chains so that transparent communication channels between companies and civil society can develop.
Employees	Companies that engage closely with their employees can be more productive and innovative. Human resource development and decent working conditions enhance the attraction and retention of employees while also improving motivation.

**Table 9: (continued)**

Actor	Description
Shareholders/ investors <sup>202</sup>	Traditional forms of investment follow a profit maximizing approach <sup>203</sup> that involves a limited number of stakeholders and less transparency in decision-making. SRB requires the transformation to a more equitable and shared value framework for shareholders and investors as well as greater inclusion of stakeholder interests. <sup>204</sup>
Governments	The role of governments, in partnership with companies, is to lead the planning, delivery, evaluation and improvement of the SRB Model for a Sustainable Future through effective and appropriate policies and regulations. This role needs to be fulfilled at all levels of public governance.
Business associations	Business and industry associations are expected to facilitate communication between individual businesses, mainly SMEs, and other stakeholders, such as governments and local communities. These associations not only enhance the business environment, but they also improve their members' capacities by providing various services to their members, such as training, information dissemination, skill and knowledge transfer and technical assistance.
Media	The media can facilitate effective communications between various actors, strengthen stakeholder engagement, help develop agreements that create value for all parties and promote positive multi-stakeholder collaboration. By properly engaging with the media, businesses can enhance customer awareness and its relationships with other stakeholders.
Higher education institutions	Higher education institutions support and pursue research, formulate new practices, advise companies and businesses and transfer knowledge. Including the SRB Model for a Sustainable Future in the curriculum is critical for mainstreaming the model and maximizing its exposure. Moreover, individual institutions can reach out to the broader communities they inhabit and customize the programme to meet the needs of relevant stakeholders.
Civil society organizations (CSO)	Civil society extends beyond community members to the broader community, including NPOs and NGOs. Hence, civil society actors often ensure that the roles and responsibilities of governments and companies comply with the community's expectations and development aspirations. The concerns of CSOs must inform the implementation of the SRB Model for a Sustainable Future if it is to be successful in a particular society.

Source: Adapted from EBAC (2016).

## Government support

The sixth and last SRB enabler is government support. Governments understand the important role of SRB in inclusive and sustainable development and have promoted SRB through strengthening regulatory, policy and institutional frameworks. Both around the world and within the region, governments have recognized the value and importance of SRB and have implemented programmes to promote it. For example, in 2011, the Government of the United Kingdom released a vision and strategy for expanding the social investment market.<sup>205</sup> The centrepiece of this vision is Big Society Capital, a financial institution, that aims to increase investment in society by providing social enterprises, charities and voluntary organizations greater access to resources.<sup>206</sup> Governments in Asia and the Pacific have also recognized the value and importance of SRB and have implemented programmes to promote it. The Government of Singapore has been also trying to develop its SRB sector. In 2006, the Minister of Community Development, Youth and Sports formed a social enterprise committee with the objective of analyzing possible inclusive and sustainable growth strategies.

The Government also supports Impact Investment Shujog, which provides capacity-building services for social enterprises. Its sister company, Impact Investment Exchange Asia, operates the region's first private and public platform focused exclusively on the financial needs of SRB.<sup>207</sup> In 2010, the Government of Thailand installed the National Committee on Social Enterprise Development and transformed the committee into the permanent Thai Social Enterprise Office in 2011. The Government empowered the office to design specific criteria to assess social enterprises for their eligibility to receive tax and other benefits.<sup>208</sup> Among ASEAN member states, Viet Nam is the only ASEAN member state that legally recognizes SRB and social enterprises as part of its enterprise law.<sup>209</sup> Within the region, India, requires firms to conduct SRB activities through its Companies Act, 2013.<sup>210</sup> These efforts across the region demonstrate that governments are working to facilitate implementation of SRB.

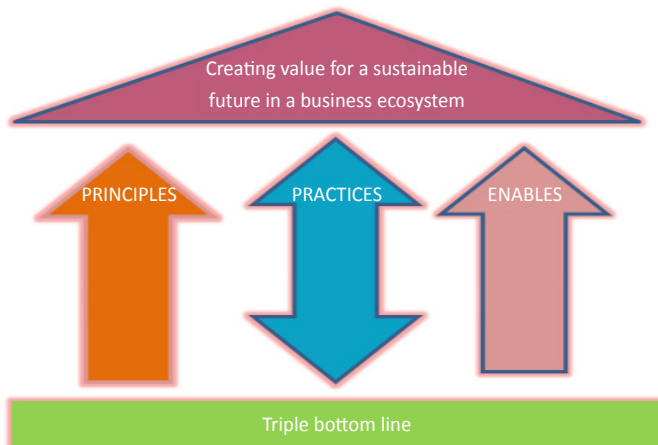
## SECTION 7: A SUSTAINABLE BUSINESS ECOSYSTEM: CREATING VALUE FOR A SUSTAINABLE FUTURE

### Sustainable business ecosystem: definition and process

The SRB Model for a Sustainable Future enhances value creation for social, environmental and commercial aspects through a sustainable business ecosystem. A sustainable business ecosystem is defined as a dynamic network of interactions among internal and external stakeholders by creating value, or benefit, through greater inclusiveness and sustainability.<sup>211</sup> Therefore, Involved or concerned stakeholders highly influence the ecosystem, creating a community of shared values.

To attain inclusiveness and sustainability through the SDGs, social progress, environmental protection and economic growth must be emphasized equally.<sup>212</sup> When corporations commit to the 3Cs (i.e., corporate governance, corporate social responsibility and corporate sustainability), the six SRB enablers (i.e., technology, innovation, interconnectivity, metrics, stakeholder engagement and government support) can be used to create a sustainable business ecosystem built on the triple bottom line (i.e., social, environmental and economic). This ecosystem can accelerate the creation of value or benefit (e.g., aid, job, knowledge, capital, security, network and institution), for the betterment of both internal and external stakeholders, and at the same time, foster concrete SRB practices (i.e., corporate philanthropy, socially responsible investment and social enterprise) that firms, financial institutions or stakeholders can readily use. The ecosystem creates inclusive and sustainable value for all parties involved and generates a self-sustaining feedback loop as principles inform concrete practices which further reinforce the principles underlying the sustainable business ecosystem (see Figure 9).

**Figure 9: Creating value for a sustainable future through a business ecosystem**



Source: Authors'.

These dynamic interactions within the sustainable business ecosystem can also take the form of public or private partnerships or multi-stakeholder collaborations amongst governments, businesses and CSOs. Government policy and regulatory frameworks can provide incentives to businesses who also generate social and environmental value in addition to economic value. Moreover, stakeholders and business' value chains can apply their skills to developmental challenges in the ecosystem; thus, enabling businesses to become powerful drivers for attaining SDGs.

## Evaluating value creation

In recent years, international organizations have developed innovative approaches to measure the values created in a sustainable business ecosystem. The International Integrated Reporting Council (IIRC) identifies six categories of capital<sup>213</sup> and proposes that business practices can be measured in light of these six categories approach to sustainability.<sup>214</sup> A second approach is the sustainability value chain. It was proposed by the Social Impact Investment Taskforce (SIIT) established under the United Kingdom's presidency of then G8.<sup>215</sup> The Task Force brought together government officials and senior figures in the fields of finance, business and philanthropy from across G8 countries.<sup>216</sup> Together, the IIRC and the SIIT approaches can provide a baseline for a sustainable business ecosystem.

While money is used to purchase goods or services, capital has the ability to create added value and generate wealth. If capital is applied in a sustainable way, inclusiveness and sustainability can be measured in a more defined manner, and it can be seen how various forms of capital can increase wealth and value through the sustainable business ecosystem. Based on the IIRC's definition,<sup>217</sup> the six forms of capital include:

- (i) Financial capital (includes both equity and debt finance)
- (ii) Manufactured capital (e.g., technology, tools, buildings, machines and other forms of infrastructure)
- (iii) Natural capital (e.g., natural resources and ecosystems)
- (iv) Human capital (e.g., the knowledge, skills and experience of the workforce)
- (v) Social capital (e.g., relationships within an organization, including those between external stakeholders and the organization)
- (vi) Intellectual capital (e.g., intellectual property, tacit knowledge and brand reputation)

The premise of the six-capital approach is that for long-term inclusiveness and sustainability, the use of any form of capital within a community needs to be compensated for by improving or increasing other forms of capital in that community.<sup>218</sup> For instance, a company that employs the economic capital of a local community should compensate that community with another form of capital such as human capital. The human capital compensation could be in the form of education and training or community capacity-building. This approach has been widely applied as a constituent part of the sustainable livelihood framework first developed by the Department for International Development in the United Kingdom.<sup>219</sup>

The concept of the six-capital can also be applied to the sustainability value chain model developed by the SIIT.<sup>220</sup> The sustainability value chain consists of input of capital, activity, output, outcome and impact (Table 10). The purpose of the sustainability value chain is to clarify complex relationships in the implementation processes of SRB initiatives. Some of the recommendations from the 2014 Task Force report were:<sup>221</sup>

- (i) Increase capital and support for organizations that promote inclusiveness and sustainability;
- (ii) Increase flow of quality human capital to build sustainability-driven organizations;

- (iii) Develop a sustainability investment culture that has a range of intermediaries who manage capital and provide professional advice to the investment sector;
- (iv) Encourage new investors to enter the sustainability capital market;
- (v) Increase government's role as an effective purchaser of social capital;
- (vi) Develop an appropriate regulatory and legal framework for sustainability-driven organizations; and
- (vii) Erect fewer legal and regulatory barriers that discourage potential investors.

**Table 10: Sustainability value chain**

	Input	Activity	Output	Outcome	Impact
Definition	The resources that are deployed in service of a certain (set of) activities	The actions, or tasks, that are performed in support of specific sustainability objectives	The tangible practices, products and services that result from the activities that are undertaken	The effects on individuals or the environment that follow from the delivery of products and services	The effects on society or the environment that result from outcomes that have been achieved
Illustrative example	Investment in a sustainability-driven organization (e.g., a microfinance institution)	Actions by a sustainability-driven organization to attract clients (e.g., campaigns)	Number of clients served by a sustainability-driven organization (e.g., loans extended)	Effects on clients (e.g., doubling of household income among microfinance clients)	Effects on the broader environment of the sustainability-driven organization (e.g., less crime)
Illustrative insight for investors	Capital deployed (i.e., initial investment)	Activities undertaken to deliver on sustainability goals	Services rendered through capital provided	Income generated by beneficiaries due to the use of capital	Impact on society due to the use of capital

Note: Adapted from EBAC (2016).

By utilizing the sustainable business ecosystem in business operations, corporate performance can be directly assessed based on the results of the sustainability value chain. These suggest that long term approaches to business performance produce more stable returns on assets and returns on equity. Moreover, increased productivity and higher quality products and services enhance company brand and reputation, resulting in an increase in customer base and talent retention. These items are more easily measured by the business if they are directly quantifiable. However, measuring the various forms of capital and the indirect benefits to society and the environment is more difficult beyond the corporate level. The IIRC and SIIT provide frameworks systems for corporations to quantifying them.

### Box 12: Collaboration of public and private sectors on SRB

Governments have the ultimate responsibility to oversee the social and environmental performance of companies. Therefore, the involvement of regulatory and supervisory agencies is crucial for promoting the SRB agenda in place. They are the main driver of SRB,<sup>222</sup> particularly in developing countries, where the capacities of the private sector are often constrained.

However, SRB is not subject to regulators in most countries due to its informality and the fact that it typically has no legislative basis. Since it is not enforceable, it is easily ignored, so stakeholders are not consulted and executives, whose priorities are shareholder interests, are the sole decision makers. To deal with this situation, governments can implement SRB initiatives by establishing a SRB focal-point office, making it the main driver of SRB.<sup>223</sup> The outcomes of SRB initiatives can be improved if governments assume a greater role and more accountability for developing stronger institutional frameworks for SRB.<sup>224,225</sup>

The role of the government is to facilitate businesses' planning, delivery, evaluation and improvement of SRB initiatives through SRB targeted policies and regulations, including the effective collection and allocation of revenue.<sup>226</sup> This role must be executed at all levels of a government. At the national level, government can bolster local and regional authorities' capacity to facilitate effective SRB implementation. Regional governments can advise local governments, ensuring that businesses effectively implement SRB initiatives and that support and resources for implementation of SRB are properly allocated at the local level. Developing a stronger legal framework for SRB at all levels of governance and strengthening the institutional capacity of both national and local governments will foster shared value among companies, governments and other stakeholders.<sup>227</sup>

However, external stakeholders, like governments and civil society actors, frequently lack the capacity to hold companies, especially TNCs, accountable. This problem is more pronounced in developing countries with weak national governance systems.<sup>228,229</sup> The imbalance of power and information asymmetry between these governments and companies often result in unequal agreements and adversely influence both labour laws and environmental regulations. Therefore, external stakeholders must build their institutional capacities in order to play a stronger role in the development of SRB agendas.

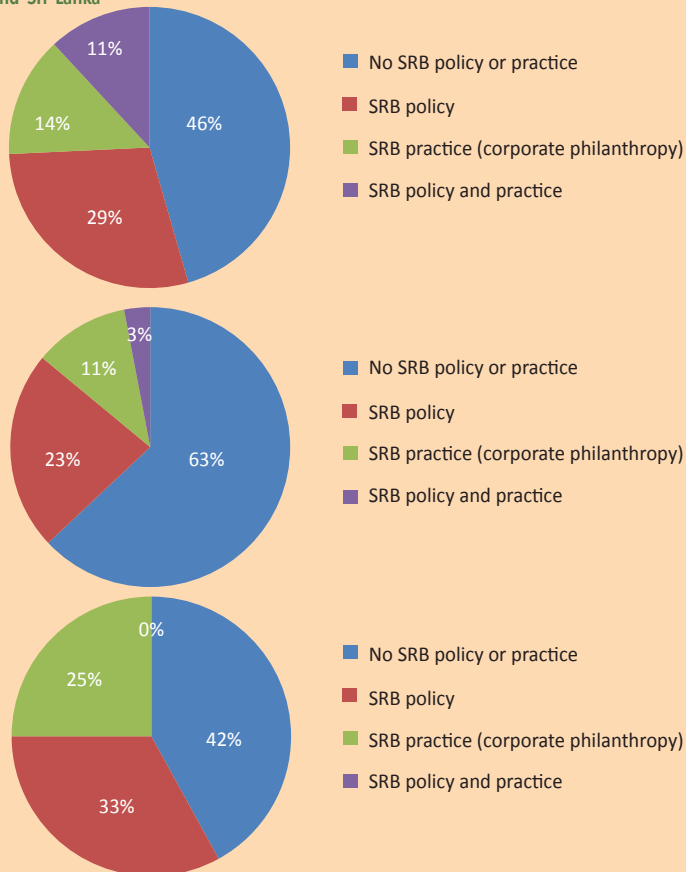
International development agencies, aware of the challenges faced by external stakeholders, have encouraged the private sector to be more accountable.<sup>230,231,232</sup> In response, companies have realized that by engaging in SRB, they can help solve social and environmental issues both locally and globally. In general, companies have increased accountability standards, resulting in much greater engagement with stakeholders, including sustainability reporting, Internet and social media, social audits, consultation and other accountability mechanisms and processes. Despite these encouraging changes, companies still struggle to meet the lofty expectations of SRB agendas like the SDGs.



### Box 13: Disclosure of SRB activities by United Nations Global Compact signatories

A study was conducted on the SRB activities of 85 corporate members of the United Nations Global Compact (UNGC) across various sectors in Myanmar, the Republic of Korea and Sri Lanka. The study found that many companies make use of social media (e.g., Facebook) and the Internet (e.g., corporate homepage) to disclose information related to their SRB activities, but only a small number disclose both SRB policies (e.g., code of conduct) and SRB practices (e.g., corporate philanthropy). Moreover, the study found that most of the UNGC corporate members have neither SRB policies nor practices at all (see Figure 10 below). The study reveals the need for greater corporate capacity so that SRB activities are properly disclosed and there is more accountability to external stakeholders. Companies' poor disclosure of their SRB activities hinders their capacity to respond to stakeholders in a timely and accurate manner regarding the social and environmental impacts of their operations. Not surprisingly, the study shows that respondents are more accountable to shareholders and the Government than to external stakeholders, such as CSOs and local communities. These research findings strongly suggest that companies should pay more attention to disclosing their SRB activities, and that national guidelines, and/or regulations, are necessary to foster SRB accountability to external stakeholders.

**Figure 10: SRB disclosure of the United Nations Global Compact signatories in Myanmar, Republic of Korea and Sri Lanka**



Source: Authors'.

## 48 | SECTION 8: SRB CASE STUDIES

The analysis of select case studies highlight the untapped potential of pursuing SRB practices. These cases represent various industries and differ substantially in nature, geography and scope. However, they are all guided by the SDGs and are actively working to create a sustainable future for all.

### Case 1 - Aiding SMEs through innovative solutions, China

The Industrial and Commercial Bank of China (ICBC)<sup>233</sup> provides an excellent case to use technology and create innovation as SRB enablers to facilitate its SRB activities. The bank has helped integrate financial services and ICT applications by launching a series of Internet microfinance products for SMEs. The bank's goal is to meet the financing needs of smaller businesses and to lower their funding costs while preventing and controlling risks.

For example, E-Revolving Loan is an online self-service revolving loan service designed for SMEs. Borrowers can complete the application, withdrawal and repay loans at home. This is particularly suited to the funding demands of SMEs, which are generally short, frequent and urgent. Compared with other financing products, the E-Revolving Loan is also highly efficient, self-disposable and free from interest accrual if no funds are withdrawn. This allows smaller businesses to borrow and repay loans based on the peak and slack season of their sales, reducing their financing costs while still filling their intermittent and cyclic funding needs. By the end of 2014, the bank has extended RMB 1.5 trillion loans in total to 67 000 SMEs under the E-Revolving Loan.

Since 2010, the bank has also launched a series of flagship products to provide supply chain financing for SMEs. These include upstream e-factoring and downstream e-dealership financing of supply chains, as well as one-stop financing services. For instance, the bank and a domestic communications group jointly set up an e-supply chain coordination platform that allows for information dissemination, loan applications, contract signing, loan withdrawal and repayment. Since the rollout of this platform in June 2014, ICBC has provided upstream suppliers or vendors with financing services worth RMB 490 million in total.

### Case 2 - Embedding the "3Cs," Thailand

The Siam Commercial Bank (SCB) of Thailand<sup>234</sup> has focused on four main areas to contribute to the sustainable development of society: (i) youth development and the promotion of learning; (ii) establishment of volunteer networks; (iii) aid for livelihood building; and (iv) environmental protection. To promote this agenda, SCB created the iSCB framework, which is comprised by innovation; social responsibility; customer focus; and community development. The iSCB framework is a set of guidelines and policies used by SCB to comply with normative global principles, or the 3Cs (i.e., corporate governance, corporate social responsibility and corporate sustainability). SCB promotes the iSCB framework and its values to its employees through traditional and innovative internal communication channels as well as programmes where everyone can participate. SCB also recognizes the importance of reaching external stakeholders, so it supports SRB activities that foster sustainable local communities.

### Case 3 – Supply chain sustainability, Australia

The National Australian Bank (NAB),<sup>235</sup> a global company with a diverse range of external and internal stakeholders, has implemented an Australian supplier sustainability programme. The bank supports sustainable procurement practices and promotes sustainable sourcing through training and awareness campaigns. The programme encourages NAB's suppliers to engage with sustainability initiatives or develop their own SRB initiatives. The programme has created formal feedback mechanisms in supply chains; thereby establishing transparent communication channels between NAB and its suppliers. NABs' programme promotes SRB agendas throughout its value chains.

### Case 4 – Nurturing social entrepreneurship, Asia

Singapore's DBS Bank Ltd.<sup>236</sup> nurtures social entrepreneurship through innovative initiatives. Since 2012, the bank has provided close to two million Singapore dollars in grants to 56 social enterprises in Asia. In 2013, it partnered with the Hong Kong Council of Social Service to offer a DBS Social Enterprise Advancement Grant valued at two million Hong Kong dollars. The grant was renewed in 2014, and 80 per cent of the grantees recorded a double-digit growth in sales revenue year-on-year. Recently, DBS has partnered with the National University of Singapore to launch a competition to identify new social ventures and provide technical and financial supports to them. Lastly, DBS is the only bank that offers preferential banking services to social enterprises in Singapore; Hong Kong, China; India; Indonesia; and Taiwan Province of China.

### Case 5 – Solar energy funding by stakeholders, Taiwan Province of China

Xing-He Energy Company Limited is the first solar energy producer invested by insurance institutions in Taiwan Province of China.<sup>237</sup> With the technology provided by AU Optonics Corporation and financial support from the Cathay Century Insurance, it has quickly become a leading solar company in Taiwan Province of China. The company has not only established its own solar platform, but it has also merged with other private solar power stations to manage resources more efficiently. The company also provides relatively low interest rate financing services for green power projects. This case provides an interesting and practical way to encourage capital inflows from various stakeholders and develop and implement an SRB project successfully.

### Case 6 – Pursuing environmental sustainability, Taiwan Province of China

The First Bank<sup>238</sup> was the first financial institute in Taiwan Province of China to adopt the Equator Principles, a framework for assessing environmental and social risk.<sup>239</sup> The First Bank has established goals that simultaneously pursue profits for its shareholders while fostering environmental sustainability. Its major initiatives include the use of an electronic billing and online banking system, which dramatically reduced paper usage from 2012 to 2014. This reduction was equal to 11 370 tons of carbon emission. In addition, the initiative saved 294 million kWh of electricity, equal to 1 534 tons of carbon emissions. The experience of the First Bank is testament that companies do not have to sacrifice profit to have lasting environmental and social impacts.

### Case 7 – Responsible business conducts in manufacturing, the United States

Visteon (the United States) exemplifies how a global manufacturer effectively implements SRB practices. The company designs, engineers and manufactures cockpit electronics products and connected car solutions for most of the world's major vehicle manufacturers. Visteon boasts more than 11 000 employees at 50 facilities

in 21 countries and had sales of \$ 2.6 billion USD in 2014.<sup>240</sup> Visteon has achieved world-class health and safety performance, while maintaining practices that conserve energy and help protect the environment. For example, Visteon occupational injury rates in 2014 were the corporations lowest ever, making it best-in-class for automotive and manufacturing companies and within the top 10 per cent of all industries. More than 80 per cent of Visteon's global facilities had zero lost-time injuries in 2014. In addition, Visteon has been active in its SRB initiatives: raising money for children in need; supporting children diagnosed with leukemia; cleaning up neighbourhoods; and participating in a 5-kilometre run to raise money for medical assistance for poor children and orphans. Visteon also improved its environmental performance in 2014, achieving a 20 per cent reduction in normalized CO2 emissions in two years and exceeding targets for energy and waste efficiency improvement. Visteon voluntarily participates in the carbon disclosure project, publicly sharing emissions data and carbon emission-reduction strategies.<sup>241</sup> Visteon's SRB initiatives strongly demonstrates the company's commitment to contribute to social inclusiveness and environmental sustainability.

### Case 8 – Innovative customer engagement, global

British Telecom, a global telecommunications company, has embedded strong innovation orientation and customer engagement in its responsible business practices. Innovation has been one of the companies' main pillars for creating value for their customers. For example, British Telecom is one of the first operators in the world to launch services on virtualized infrastructure in its data centres, taking advantage of the model of cloud computing, or mass networks of Internet applications, with crucial financial information.<sup>242</sup> This initiative strengthened the company's engagement with customers, while facilitating communications with customers and reducing associated costs.

### Case 9 – A cooperative bank with triple bottom line, the United Kingdom

The Co-operative Bank in the United Kingdom sources 99 per cent of their electricity from renewable sources, offsetting 100 000 tons of carbon in the process. In addition to their environmental efforts, the Co-operative Bank is committed to developing ethical products and services that promote economic and social development. Recently, in partnership with the Co-operatives UK, the bank announced the launch of a one-million GDB fund to support the development and growth of the United Kingdom's cooperative and social enterprise sector. The bank's SRB practices built on triple bottom line are a good model for other financial institutions.<sup>243</sup>

### Case 10 – Code of conduct, global

Since 1992, the Toyota Motor Corporation has developed and enforced a global code of conduct for its employees. It stresses responsible business conduct in employees' daily activities and outlines specific values and behaviour employees should adopt.<sup>244</sup> The code of conduct is also expected to be followed by Toyota's business partners (e.g., suppliers and distributors) throughout its global Keiretsu network.<sup>245</sup>

### Case 11 – Responsible business guidelines in a foundation, global

Although not a business, the Gates Foundation incorporates many elements of SRB into the organization's policies, practices and initiatives.<sup>246</sup> Much of the work of the foundation is based on international business guidelines such as the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights and the GRI's Sustainability Reporting Guidelines.

## Case 12- Sustainable energy development in rural areas, India

The Rockefeller Foundation is committed to advancing inclusive and sustainable development that increases opportunities for community prosperity in the long-term. This is evident in the foundation's initiative for sustainable energy development, Smart Power for Rural Development. Based on the social enterprise model, The Rockefeller Foundation partnered with private energy service companies to build renewable energy power plants in India.<sup>247</sup> These now provide low carbon electricity to 42 000 rural villages, representing 400 million Indians who were without access to the energy needed to perform basic tasks such as lighting their homes and powering irrigation pumps.

## Case 13 – Green bonds, China

In 2015, the People's Bank of China introduced new interbank bonds to allow financial institutions to raise funds for green energy projects.<sup>248</sup> The green bonds have become an important financing tool for clean energy and environment protection projects in China. The Central Bank developed the green bonds through supporting policies such as first-lane approval, tax breaks and subsidies. It also requires strict information disclosure and independent assessment to ensure that the bonds are reserved for green projects. Finally, it has also encouraged capital inflows from various funds, including social security, welfare and enterprise annuity. Consequently, commercial banks have increased credit flows to green projects through relending, financial discounts and guarantees. Since green bonds were introduced, many financial institutions have taken an active role in this expanding market.<sup>249</sup>

## Case 14 – Women empowerment initiative, Pakistan

Established in 1871, Engro Foods is an agribusiness and one of the largest dairy producers in Pakistan. In its earlier time, the company found a way to both increase milk yields and empower women by training female dairy farmers to collect milk in their villages. The objective of the project was to develop a new source of income for female farmers as paid jobs are in great demand in their communities. However, sustaining the project was initially difficult since it required females to ride bikes, which is not well-tolerated in rural Pakistan. Women are expected to stay at home and not to interact with men. However, Engro Foods discovered that if jobs were a family business, it was less objectionable because women entrepreneurs could travel around the village with male relatives. As part of the project, the company trained 18 000 women in best agricultural practices so far. Six hundred of these women entrepreneurs were given further training and provided the necessary tools to develop viable businesses. A final group of 50 also participated in advanced training programmes and were provided additional knowledge, resources and network. Through this initiative in the community, Engro Foods enables women's financial independence while also empowering them by making them decision-makers within their families.<sup>250</sup>

## SECTION 9: POLICY RECOMMENDATIONS

Businesses are increasingly expected to be responsible corporate citizens with obligations to their communities and the environment. This new vision of the role and responsibility of business encourages operations and managerial practices that are more aligned to SRB agendas and that contribute towards inclusive and sustainable development. Businesses that adopt the SRB Model for a Sustainable Future in their strategies and operations will be more likely to thrive in this new business climate.

However, three issues prevent the full adaptation of SRB in the business community. First, many companies in the Asia-Pacific region have limited understanding of the concept of SRB. Consequently, it is necessary to increase companies' capacity to integrate SRB in corporate strategy and core functions, to develop SRB initiatives, and to spread innovations for how to address SDGs. Second, the lack of government support greatly hinders the adaptation of SRB. As such, there is also a strong need to enhance governments' capacity so that state agencies can formulate appropriate and effective policies and guide companies to comply with national and international SRB principles. Third, poor multi-stakeholder engagement is often a serious obstacle for developing effective SRB initiatives. Not surprisingly, an inadequate understanding of stakeholders' needs significantly reduces the effectiveness of SRB initiatives. Therefore, governments can play an important role by promoting more effective stakeholder dialogue.

Enhancing both government and corporate capacities is critical for creating the SRB policies and practices that facilitate the adoption of the SRB Model for a Sustainable Future. There are several forms of capacity building where governments and the private sector can contribute: technical assistance, research for responsible business practices, development of training manuals and guidebooks, development of regional support hubs and the strengthening of the Global Compact local networks. ICT, and digital technology in particular, can enhance the capacities of both public and private sectors supporting access to education and training as well as to new skills and knowledge. They can also encourage and facilitate communications among key stakeholders for developing and implementing SRB initiatives. A strong dialogue about SRB must be encouraged amongst stakeholders, such as governments, corporations, financial institutions, NGOs and CSOs, for their capacity building.

This monograph recommends several capacity building initiatives for stakeholders to help business become more socially responsible and to meet the 2030 Agenda for Sustainable Development or the SDGs. Both governments and enterprises can undertake these initiatives individually or collaborate to implement them. The initiatives can be grouped as (i) SRB promotion; (ii) corporate governance; (iii) multi-stakeholder engagement; (iv) corporate disclosure; (v) corporate sustainability; (vi) international cooperation; and (vii) voluntary guidelines and benchmarking. The detailed recommendations are summarized as follows:

### 1. SRB promotion

- (i) Understanding the various practices under SRB (i.e., corporate philanthropy, socially responsible investment and social enterprise) and their implications for both public and private sectors (by both governments and businesses);
- (ii) Marketing innovative products and services that not only support the pursuit of inclusive and sustainable development but also generate profits in new ways (by businesses);
- (iii) Building corporate capacity to enhance accountability through appropriate SRB practices (by both governments and businesses);

- (iv) Developing national agendas to incorporate SRB principles, such as an action plan on business and human rights or a green growth action plan (by both governments and businesses); and
- (v) Providing a proper legislative and policy framework to push the business community to apply SRB principles and practices, particularly in the areas of consumer protection, market competition and taxation (by governments).

## 2. Corporate governance

- (i) Supporting and upholding good corporate governance (by both governments and businesses);
- (ii) Developing and applying effective self-regulatory practices and management systems that engender a relationship of confidence and mutual trust between businesses, the government and society (by businesses);
- (iii) Developing corporate governance that reconciles the needs of external and internal stakeholders (by businesses);
- (iv) Adopting the SRB Model for a Sustainable Future in order to create greater social and environmental value (by businesses);
- (v) Providing concrete legal and regulatory frameworks on corporate governance and assuring their enforcement by relevant government agencies (by governments); and
- (vi) Providing monitoring and controlling rules and mechanisms to business operations (by both governments and businesses).

## 3. Multi-stakeholder engagement

- (i) Strengthening civil society organizations' role in implementing SRB (by both governments and businesses);
- (ii) Fostering multi-stakeholder collaboration that sets global standards and/or baselines in to eliminate discriminatory stakeholder interactions (by both governments and businesses);
- (iii) Aligning public policies to the private sector's agendas through strategic alliances or collaborative partnerships (by both governments and businesses);
- (iv) Refraining from discriminatory or disciplinary actions against employees who make bona fide reports on practices that contravene the laws, the international SRB principles or the enterprise's policies (by both governments and businesses);
- (v) Promoting women's entrepreneurship and their participation in regional and global value chains so that they can forge more sustainable livelihoods (by both governments and businesses); and
- (vi) Encouraging business partners, including suppliers and subcontractors, to apply the principles of SRB (by businesses).

## 4. Corporate disclosure

- (i) Adopting a basic standard for the disclosure of corporate practice (by governments);
- (ii) Providing public access to corporate financial and disclosure reports (by both governments and businesses);
- (iii) Aligning public policies and national legislation to manage the accountability of businesses and stakeholders involved in bribery and corruption (by both governments and businesses); and
- (iv) Abstaining from any improper involvement in local political activities (by businesses).

## 5. Corporate sustainability

- (i) Investing in sustainable infrastructure, cleaner energy creation, efficient transport systems and ICT in order to reduce environmental impact (by both governments and businesses);
- (ii) Investing in technological innovation to assist companies in providing integrated solutions and in engaging with a greater number of stakeholders to achieve SDG targets (by governments);
- (iii) Aligning international initiatives on environmental issues with corporate practice (by businesses);
- (iv) Ensuring that taxes and incentives and other fiscal and non-fiscal tools are aligned with SRB principles (by governments); and
- (v) Allocating financial resources that increase corporate access to environmentally sustainable infrastructure and practices (by governments).

## 6. International cooperation

- (i) Developing joint SRB norms among the private sector, governments and CSOs (by both governments and businesses);
- (ii) Providing technical assistance on SRB to various stakeholders in the field of ICT applications (by governments);
- (iii) Adapting the SRB Model for a Sustainable Future to fit the various stakeholders in a particular region (by governments);
- (iv) Developing technical tools to promote the adaptation of the SRB Model for a Sustainable Future in various industrial sectors (by both governments and businesses); and
- (v) Developing regional support hubs for SRB initiatives, while strengthening the Global Compact local networks (by both governments and businesses).

## 7. Voluntary guidelines and benchmarking (by businesses)

- (i) Developing SRB policies that the board of directors can endorse; thereby, maximizing their contribution and reflecting their commitment to the SDGs;
- (ii) Establishing an SRB committee whose responsibilities could include:
  - (a) reviewing and recommending policies to the board and ensuring that appropriate management systems, an implementation model and regulatory compliance are in place;
  - (b) monitoring and recommending changes to a working model of SRB policies that is in line with best practices, economic indicators, social implications and stakeholder trends that may impact the company;
  - (c) reviewing and monitoring stakeholder engagement and devising mechanism to incorporate partnering stakeholder input into SRB practices;
  - (d) monitoring the risks, opportunities and impact of the SRB practices;
  - (e) reviewing and reporting the impact of SRB activities;
  - (f) determining the extent of SRB reporting, providing inputs on the reports and ensuring that they are in accordance with the relevant SRB reporting framework;
- (iii) Providing orientation and training sessions to ensure that board members and committee have sufficient understanding of SRB to make informed decisions;
- (iv) Publishing SRB reports, perhaps through company websites, as part of the annual report and other communication media. These reports should (or could) include:
  - (a) objectives, strategies, implementation status, associated risks and challenges, impact assessment and working partners;



- (b) year-by-year comparison of strategy and growth;
- (c) disclosure on targets planned but not met or pursued;
- (d) all SRB activities, including funding and indicators to measure progress;
- (e) descriptive as well as monetary disclosure of SRB activities in line with company rules as well as relevant industry/regulator guidelines or standards; and
- (v) Evaluating the governance framework with respect to SRB initiatives through benchmarking (Table 11).

**Table 11: A checklist for benchmarking and evaluation**

1. Has the board of directors (board) included SRB in its vision and strategy?
2. Have board and management expressly declared their commitment to SDGs?
3. Has the board communicated the company's business case for SDGs?
4. Are SDGs incorporated in the business plan of the company?
5. Does the board have a sustainable development committee?
6. Are there one or more SRB experts on this committee?
7. Has the committee developed and the board approved a sustainable development policy for the company?
8. Does the committee periodically report the progress of the company on sustainable development goals, objectives and targets?
9. Is the committee involved in preparing an implementation model for SDGs?
10. Are management's incentives linked to SDGs?
11. Is progress in respect to the company's SRB agenda a factor in determining the remuneration/recruitment of the CEO?
12. Does the committee review and recommend incorporating sustainable development risks in the company's risk management policy?
13. Does the board and management consider the sustainable development risks, opportunities, impacts and issues prior to approving major business decisions?
14. Does the internal audit process include assessment of sustainable development commitments?
15. Does the board hold sustainable development orientation sessions and periodically review progress on sustainable development commitment/goals?
16. Does the committee provide its input in preparation of the sustainable development reports that are issued by the company?
17. Does the board review and approve external reporting of sustainable development issues?
18. Does the board consider the sustainable development report as a record of the company's performance on sustainable development goals?
19. Does the board encourage external assurance reporting to be included in the sustainable development report of the company?
20. Are sustainable development reports placed on the website of the company?

## SECTION 10: CONCLUSIONS

This monograph introduces the SRB Model for a Sustainable Future. Businesses aligned with the model create greater social and environmental value by promoting inclusive and sustainable development in the regional and global economies. If businesses imbed the SRB model into the early stages of their development, they can ensure the effective development, provision and evaluation of SRB. This must be a constituent component of modern business strategy and operations as it makes business accountable to both internal and external stakeholders. It also helps stakeholders develop government and corporate SRB agendas, which help businesses to achieve inclusive and sustainable development.

In order to address the people, planet and prosperity aspects of the SDGs, businesses need to consciously evaluate the outcomes of their efforts beyond financial gain. The SRB Model for a Sustainable Future seeks to mitigate adverse impacts of business operations on stakeholders. It also tries to broaden shareholder considerations to include the social and environmental as well as financial aspects of business. In short, the model aims to integrate the interests of future generations with the necessity of the present. Based on the triple bottom line approach (i.e., economic, social and environmental), the proposed model increases our understanding of the principles of SRB (i.e., corporate governance, corporate social responsibility and corporate sustainability), the major practices (i.e., corporate philanthropy, socially responsible investment and social enterprise) and the SRB enablers (i.e., technology, innovation, interconnectivity, metrics, stakeholder engagement and government support). In addition, this model addresses the limitations in the existing models and approaches to business, which fail to account for the dynamic interactions between the foundations, principles, practices and enablers of SRB. Finally, this SRB model provides ethical and practical guidelines for creating a more sustainable business ecosystem.

This publication also serves as a first entry point into the SRB arena and provides useful guidance on how to begin implementing SRB in an organization. It also tries to identify some of the challenges. Three of the greatest obstacles to implementing SRB are the lack of government support, the low capacity of businesses and the lack of proper multi-stakeholder collaboration. Governments should emphasize policy and regulations to incentivize more social forms of enterprise as these could catalyse innovative developments for the SDGs. The international community should also play an active role in advising and building corporate and government capacity, and governments and companies must engage in collaborative approaches to SRB, especially where SRB initiatives are high priority. Finally, case studies demonstrate how the business sector plays a critical role in driving the global agenda for a sustainable future.

The monograph is ultimately a stepping stone to mainstreaming socially responsible businesses and creating a sustainable business ecosystem that serves internal and external stakeholders, both locally and globally. Through SRB, the SDGs can be tackled and a future established where social, environmental and financial considerations are on equal footing.

## ENDNOTES

- <sup>1</sup> ESCAP Business Advisory Council (EBAC) (2014). *The 3Cs for Responsible Banking in Asia and the Pacific: Corporate Governance, Corporate Social Responsibility and Corporate Sustainability*. Bangkok.
- <sup>2</sup> ESCAP Business Advisory Council (EBAC) (2016). *Corporate Agenda of Sustainable Development: Toward Responsible Business 2.0*. Bangkok.
- <sup>3</sup> Buitrago-Franco, I. and Abe, M. (2017). *Toward Socially Responsible Business in Asia and the Pacific: A Review and Country Studies*, an unpublished working paper at the Trade, Investment and Innovation Division, United Nations Economic and Social Commission for Asia and the Pacific.
- <sup>4</sup> Stiglitz, J. E. (2012). *The Price of Inequality*. New York: W.W. Norton Company.
- <sup>5</sup> World Commission on Environment and Development (WCED) (1987). *Report of the World Commission on Environment and Development: Our Common Future*. Oslo.
- <sup>6</sup> Friedman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*, 13 September.
- <sup>7</sup> United Nations Department of Economic and Social Affairs (DESA) (2013). *TST Issue Brief: Sustained and Inclusive Economic Growth, Infrastructure Development, and Industrialization*. New York.
- <sup>8</sup> WCED (1987).
- <sup>9</sup> Branco, M. and Rodrigues, L. (2008). Factors influencing social responsibility disclosure by Portuguese companies. *Journal of Business Ethics*, vol. 83, No. 4.
- <sup>10</sup> Buitrago-Franco, I. (2015). *Beyond CSR? The Global Business of Local Sustainability Beyond CSR? The Global Business of Local Sustainability*. Saarbrücken, Germany: Lambert Academic Publishing.
- <sup>11</sup> Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. New York: Cambridge University Press.
- <sup>12</sup> Organisation for Economic Co-operation and Development (OECD) (2017). *Contributing to the Sustainable Development Goals through Responsible Business Conduct*. Paris. Available from <https://mneguidelines.oecd.org/global-forum/2017-GFRBC-Session-Note-Contributing-to-SDGs.pdf>.
- <sup>13</sup> EBAC (2014).
- <sup>14</sup> Abe, M. and Ruangkhitkul, W. (2013). Development in the concept of Corporate Social Responsibility (CSR). In *From Corporate Social Responsibility to Corporate Sustainability: Moving the Agenda Forward in Asia and the Pacific*, Studies in Trade and Investment No. 77, ST/ESCAP/2658, chapter II. Bangkok: United Nations ESCAP.
- <sup>15</sup> Buitrago-Franco, I. (2014). *Building sustainable communities: enhancing human capital in resource regions*. PhD Dissertation. Brisbane: University of Queensland.
- <sup>16</sup> Loza, J. (2004). Business–community partnerships: the case for community organization capacity building. *Journal of Business Ethics*, vol. 53, No. 3, pp. 297-311.
- <sup>17</sup> WCED (1987), p. 41.
- <sup>18</sup> Elkington, J. (1999). *The link between accountability and sustainability: theory put into practice*. Paper presented at the Conference on the Practice of Social Reporting for Business, ISEA, 19 January, Commonwealth Conference Centre, London.
- <sup>19</sup> A similar framework to the triple bottom line is the environmental, social and governance (ESG) pillar framework. It pushes companies to assess their business conduct by using these three pillars to frame a number of factors that affect both shareholders and stakeholders in both the short and long-term. The ESG framework is particularly useful when companies aim to establish strong governance structure to monitor and evaluate their business conduct.
- <sup>20</sup> Porritt, J. (2007). *Capitalism as if the World Matters*. Trowbridge: Cromwell Press.
- <sup>21</sup> Elkington, J. (1997). *Cannibals with Forks: the TBL of the 21st Century Business*. Oxford: Capstone Publishing Ltd.

- <sup>22</sup> United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2013). From Corporate Social Responsibility to Corporate Sustainability: Moving the Agenda Forward in Asia and the Pacific. *Studies in Trade and Investment* No. 77, ST/ESCAP/2658. Bangkok.
- <sup>23</sup> Global Reporting Initiative (GRI) (2014). *GRI Sustainability Reporting Guidelines (G4) and the European Directive on Non-financial Information Disclosure*. Available from <https://www.globalreporting.org/SiteCollectionDocuments2014/G4%20and%20EU%20NFR%20Directive.pdf>.
- <sup>24</sup> International Finance Corporation (IFC) (2006). *Performance Standards on Social and Environmental Sustainability*. Washington, D.C.
- <sup>25</sup> Organisation for Economic Co-operation and Development (OECD) (2008). *OECD Guidelines for Multinational Enterprises*. Paris.
- <sup>26</sup> United Nations Global Compact (UNGC) (2013). *Global Corporate Sustainability Report*. New York.
- <sup>27</sup> Examples of those international initiatives include, among others, GRI (2014), IFC (2006), OECD (2008) and United Nations Global Compact (2013). Section 6 further discusses this topic.
- <sup>28</sup> ESCAP (2013).
- <sup>29</sup> Baker, H. K. and Nofsinger, J. R. (2012). Socially responsible finance and investing: an overview. In *Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*, Baker, H. K. and Nofsinger, J. R., eds. Hoboken, N.J.: John Wiley & Sons.
- <sup>30</sup> Section 5 elaborates on socially responsible investment, or impact investment, in detail.
- <sup>31</sup> Pisano, U., Endl, A. and Berger, G. (2012). *ESDN Quarterly Report 25 – June 2012 – The Rio+20 Conference 2012: Objectives, processes and outcomes*. Vienna: European Sustainable Development Network (ESDN).
- <sup>32</sup> ESCAP (2013).
- <sup>33</sup> Ibid.
- <sup>34</sup> World Business Council for Sustainable Development (WBCSD) (2010). *Vision 2050: The New Agenda for Business*. Geneva.
- <sup>35</sup> United Nations (2017). *Sustainable Development Knowledge Platform: Sustainable Development Goals. Department of Economic and Social Affairs*. Available from <https://sustainabledevelopment.un.org/sdgs>.
- <sup>36</sup> International Council for Science (2015). *Review of the SDGs: The Science Perspective*. Paris.
- <sup>37</sup> SDG Compass (2016). Website, <https://sdgcompass.org/>.
- <sup>38</sup> PricewaterhouseCoopers (PwC) (2015). *Make it Your Business: Engaging with the Sustainable Development Goals*. Available from [https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research\\_FINAL.pdf](https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf).
- <sup>39</sup> This survey generated 986 business responses and 2015 citizen responses globally (PwC, 2015).
- <sup>40</sup> PwC (2015).
- <sup>41</sup> Ibid.
- <sup>42</sup> WCED (1987).
- <sup>43</sup> Jenkins, H. and Yakovleva, N. (2006). Corporate Social Responsibility in the Mining Industry: Exploring Trends in Social and Environmental Disclosure. *Journal of Cleaner Production*, 14(3–4), 271–284.
- <sup>44</sup> These three principles are used in some circles interchangeably.
- <sup>45</sup> Jenkins and Yakovleva (2006).
- <sup>46</sup> United Nations Environment Programme (UNEP) (2011). *Corporate Social Responsibility and Regional Trade and Investment Agreements*. Geneva.
- <sup>47</sup> Corporate philanthropy is not often seen as part of SRB because it is typically neither part of business operations nor a function of companies' community involvement and development.

- <sup>48</sup> Porter, M. E., and Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, January-February, vol. 89, No. 1-2, pp. 62-77.
- <sup>49</sup> PwC (2015).
- <sup>50</sup> Eurofound (2011). *Case study: care-related supports – BT, UK. Dublin*. Available from <http://www.eurofound.europa.eu/observatories/eurwork/case-studies/workers-with-care-responsibilities/case-study-care-related-supports-bt-uk>.
- <sup>51</sup> Cr dit Agricole (2015). *Website*. Available from <http://www.credit-agricole.fr>.
- <sup>52</sup> Unpublished presentation delivered by KPMG on solidifying board supervision risk controls and risk culture for the new normal (undated).
- <sup>53</sup> This topic will be further discussed in the following Section 4.
- <sup>54</sup> Toyota Motor Corporation (2015). *CSR basic philosophy*. Available from <http://www.toyota-global.com/sustainability/csr/csr/>.
- <sup>55</sup> EBAC (2014).
- <sup>56</sup> Ibid.
- <sup>57</sup> Committee on the Financial Aspects of Corporate Governance (1992). *Report of the Committee on the Financial Aspects of Corporate Governance, 1 December*. London: Gee.
- <sup>58</sup> Ibid.
- <sup>59</sup> Organisation for Economic Co-operation and Development (OECD) (2015a). *OECD Report to G20 Finance Ministers and Central Bank Governors*. Available from <http://www.oecd.org/corporate/principles-corporate-governance.htm>.
- <sup>60</sup> Donaldson, L. and Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, vol. 16, No. 1, pp. 49-64.
- <sup>61</sup> Organisation for Economic Co-operation and Development (OECD) (2004). *Principles of Corporate Governance*. Paris.
- <sup>62</sup> Equator Principles Association, The (2017). *Equator Principles: Environmental & Social Risk Management for Projects*. Available from <http://www.equator-principles.com/>.
- <sup>63</sup> United Nations, Office of the High Commissioner for Human Rights (OHCHR) (2014). *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*. New York and Geneva.
- <sup>64</sup> Organisation for Economic Co-operation and Development (OECD) (1999). *OECD Principles of Corporate Governance – Meeting of the OECD Council at Ministerial Level*. Paris.
- <sup>65</sup> Organisation for Economic Co-operation and Development (OECD) (2015b). *G20/OECD Principles of Corporate Governance*. Paris.
- <sup>66</sup> Hong Kong Monetary Authority (2015). *Website*. Available from <http://www.hkma.gov.hk/eng/index.shtml>.
- <sup>67</sup> Equator Principles Association, The (2017).
- <sup>68</sup> Equator Principles Association (2013). *The Equator Principles June 2013: a financial industry benchmark for determining, assessing and managing environmental and social risk in projects*. Available from [http://www.equator-principles.com/resources/equator\\_principles\\_III.pdf](http://www.equator-principles.com/resources/equator_principles_III.pdf).
- <sup>69</sup> Equator Principles Association, The (2017).
- <sup>70</sup> Business and Human Rights Resource Centre (2017). *UN Guiding Principles portal*. Available from <https://business-humanrights.org/en/un-guiding-principles>.
- <sup>71</sup> Nam, S. W. and Lum, C. S. (2006). *Corporate Governance of Banks in Asia: Volume 2 – A study of Indonesia, Republic of Korea, Malaysia, and Thailand*. Tokyo: Asian Development Bank Institute.
- <sup>72</sup> Organisation for Economic Co-operation and Development (OECD) (2006). *Policy brief on corporate governance of banks in Asia – Asian Roundtable on Corporate Governance, June*. Paris.

<sup>73</sup> OECD (2004), p. 24.

<sup>74</sup> Ibid.

<sup>75</sup> Aluchna, M. (2009). Corporate governance – responsibilities of the board. In *A Handbook of Corporate Governance and Social Responsibility*, Aras G. and Crowther D., chapter 10. Surrey: Gower Publishing Ltd.

<sup>76</sup> Ibid.

<sup>77</sup> Monks, R. A. G. and Minow, N. (2011). *Corporate Governance, 5th Edition*. Hoboken, N.J.: John Wiley & Sons.

<sup>78</sup> Aras, G., and Crowther D. (2010). *A Handbook of Corporate Governance and Social Responsibility*. Surrey: Gower Publishing Ltd.

<sup>79</sup> OECD (2006).

<sup>80</sup> OECD (1999).

<sup>81</sup> Committee on the Financial Aspects of Corporate Governance (1992). *Financial Aspects of Corporate Governance: Report with Code of Best Practices*. London: Gee.

<sup>82</sup> Warhust, A. (2001). Corporate citizenship and corporate social investment. *Journal of Corporate Citizenship*, vol. 28, pp. 57-73.

<sup>83</sup> Buitrago-Franco (2015).

<sup>84</sup> United Nations Environment Programme (UNEP) (2011). *Corporate Social Responsibility and Regional Trade and Investment Agreements*. Geneva.

<sup>85</sup> To explore UNIDO's approach towards CSR, visit <http://www.unido.org/csr.html>.

<sup>86</sup> To explore UNGC's approach towards CSR, visit <https://www.unglobalcompact.org/>.

<sup>87</sup> Carroll, B. W. and Carroll, T. (1999). Civic networks, legitimacy and the policy process. *Governance*, vol. 12, No. 1, pp. 1-28.

<sup>88</sup> The CSR clause within India's Companies Act, 2013 requires companies to undertake SRB projects. This regulation indicates that companies have to pursue their SRB activities more proactively and professionally. See more details at PwC (2013). *Handbook on Corporate Social Responsibility in India*, at <https://www.pwc.in/assets/pdfs/publications/2013/handbook-on-corporate-social-responsibility-in-india.pdf>.

<sup>89</sup> United Nations Global Compact (UNGC) (2015a). *The Ten Principles of the UN Global Compact*. Available from <https://www.unglobalcompact.org/what-is-gc/mission/principles>.

<sup>90</sup> EBAC (2014).

<sup>91</sup> Muthuri, J. N. (2007). Corporate citizenship and sustainable development – fostering multi-sector collaboration in Kenya. *Journal of Corporate Citizenship*, vol. 28, pp. 73-84.

<sup>92</sup> Buitrago-Franco (2014).

<sup>93</sup> Friedman (1970), p. 32-3 and p. 124-6.

<sup>94</sup> Stilwell, F. (2006). *Political Economy: The Contest of Economic Ideas*. New York: Oxford.

<sup>95</sup> Beck, U. (2007). *Modernization Reflexiva*. Available from <http://www.criterios.es/pdf/archplusbeckmoder.pdf>.

<sup>96</sup> Buitrago-Franco (2014).

<sup>97</sup> Carroll, A. B. (1979). A three-dimensional conceptual model of corporate social performance. *Academy of Management Review*, vol. 4, No. 4, pp. 497-505.

<sup>98</sup> Freeman (1984).

<sup>99</sup> For more information, visit at <https://www.unglobalcompact.org>.

<sup>100</sup> United Nations Global Compact (UNGC) and Deloitte Touche Tohmatsu (2010). *UN Global Compact Management Model: Framework for Implementation*. New York.

- <sup>101</sup> UNGC (2015).
- <sup>102</sup> OECD (2008).
- <sup>103</sup> Adhering countries are the 34 OECD countries plus eight non-OECD countries: Argentina, Brazil, Egypt, Latvia, Lithuania, Morocco, Peru and Romania.
- <sup>104</sup> OECD (2008).
- <sup>105</sup> Ibid.
- <sup>106</sup> For more information, visit at <http://www.iso.org/iso/home/standards/iso26000.htm>.
- <sup>107</sup> Global Reporting Initiative (2011). *GRI and ISO 26000: How to Use GRI Guidelines in Conjunction with ISO 26000*. Amsterdam.
- <sup>108</sup> Authors' development.
- <sup>109</sup> WCED (1987).
- <sup>110</sup> Buitrago-Franco (2015).
- <sup>111</sup> Freeman (1984).
- <sup>112</sup> The idea of maximizing shareholder value is seen as a cause of societal problems. Many believe that even increasing (not maximizing) shareholder value has to be done in the context of stakeholder engagement and by adhering to the SRB principles.
- <sup>113</sup> Global Alliance for Banking on Values (2015). *Our principles*. Available from <http://www.gabv.org/about-us/our-principles>.
- <sup>114</sup> Bank Track (2015). *Collevocchio Declaration: The Role and Responsibility of Financial Institutions*. Amsterdam. Available from [http://www.banktrack.org/download/collevechio\\_declaration/030401\\_collevechio\\_declaration\\_with\\_signatories.pdf](http://www.banktrack.org/download/collevechio_declaration/030401_collevechio_declaration_with_signatories.pdf).
- <sup>115</sup> Centre for Corporate Citizenship (2015). *Value of Sustainability Reporting*. Chestnut Hill, M.A.: Carroll School of Management, Boston College. Available from [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Value\\_of\\_sustainability\\_reporting/\\$FILE/EY-Value-of-Sustainability-Reporting.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf).
- <sup>116</sup> KPMG (2013). *The KPMG Survey of Corporate Responsibility Reporting 2013*.
- <sup>117</sup> United Nations Environment Programme (UNEP) (2006). *Sustainability Management and Reporting: Benefits for Financial Institutions in Developing and Emerging Economies*. Geneva.
- <sup>118</sup> Global Reporting Initiative (2015a). *Website*, <http://www.globalreporting.org/Pages/default.aspx>.
- <sup>119</sup> Ibid.
- <sup>120</sup> Global Reporting Initiative (2015b). *G4 Sustainability Reporting Guidelines*. Available from <https://www.globalreporting.org/resourcelibrary/G4-FAQ.pdf>.
- <sup>121</sup> For more information, visit the IFC webpage on the sustainability framework at [http://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IFC+Sustainability/](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/).
- <sup>122</sup> International Finance Corporation (2012). *IFC Sustainability Framework: Policy and Performance Standards on Environmental and Social Sustainability – Access to Information Policy*. Washington, D.C.
- <sup>123</sup> Ibid.
- <sup>124</sup> Ibid.
- <sup>125</sup> Carroll, A. B. (2008). A history of corporate social responsibility: concepts and practices. In *The Oxford Handbook of Corporate Social Responsibility*, Andrew C. and others, eds. Oxford: Oxford University Press, pp. 19-46.
- <sup>126</sup> Smith, J. (2012). Corporate philanthropy. In *Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*, Baker H.K. and Nofsinger J.R., eds. Hoboken, N.J.: John Wiley & Sons.

- <sup>127</sup> ESCAP (2013).
- <sup>128</sup> Carroll (2008).
- <sup>129</sup> Ibid.
- <sup>130</sup> Abe and Ruangkhitkul (2013).
- <sup>131</sup> John, R., Tan, P. and Ito, K. (2013). *Innovation in Asian Philanthropy*. Singapore: Asia Centre for Social Entrepreneurship and Philanthropy, National University of Singapore.
- <sup>132</sup> Ibid.
- <sup>133</sup> National University of Singapore (2016). *Asia Centre for Social Entrepreneurship and Philanthropy*, Available from <https://bschool.nus.edu.sg/acsep>. Accessed February 2016.
- <sup>134</sup> Jhon, Tan and Ito (2013).
- <sup>135</sup> In the West, there are tax incentives to increase companies' philanthropic activities. However, such tax incentives are not a common or sustainable practice for most businesses and governments in Asia and the Pacific. For further discussion, see ESCAP (2013). "From corporate social responsibility to corporate sustainability: Moving the agenda forward in Asia and the Pacific." *Studies in Trade and Investment* 77. Bangkok: United Nations Economic and Social Commission for Asia and the Pacific.
- <sup>136</sup> United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2011). *Promoting Sustainable and Responsible Business in Asia and the Pacific: The Role of Government*. *Studies in Trade and Investment* No. 72, ST/ESCAP/2617. Bangkok.
- <sup>137</sup> Principles for Responsible Investment. (2013, March 18). *Introducing responsible investment*.
- <sup>138</sup> Ibid.
- <sup>139</sup> Baker and Nofsinger (2012).
- <sup>140</sup> Responsible Investment Association Australasia (2011). *Responsible Investment Annual 2011*. Sydney.
- <sup>141</sup> Ibid.
- <sup>142</sup> Ibid.
- <sup>143</sup> Zahra, S. A., Newey, L. R. and Li, Y. (2014). "On the frontiers: the implications of social entrepreneurship for international entrepreneurship", *Entrepreneurship Theory and Practice*, vol. 38, No. 1, pp. 137-158.
- <sup>144</sup> B Corps are privately certified enterprises by B Lab, an international non-profit organization. They are for-benefit entities that create social and environmental values. See more details at <https://www.bcorporation.net/>.
- <sup>145</sup> However, a social enterprise may pay dividends to its shareholders.
- <sup>146</sup> Grameen Bank (2017). *Website*, [www.grameen-info.org](http://www.grameen-info.org).
- <sup>147</sup> Kania, J. and Kramer, M. (2011). "Collective impact", *Stanford Social Innovation Review*, Winter, pp. 36-41.
- <sup>148</sup> Zahra, Newey and Li (2013), p. 144.
- <sup>149</sup> A social enterprise is developed in two ways. First, businesses can invest in social enterprises that assist them in meeting their social and environmental responsibilities. Second, businesses, themselves, are taking the form of social enterprises, which requires major restructuring of their business models and core operations.
- <sup>150</sup> Stiglitz, J. E. (2010). *Freefall: America, Free Markets and the Sinking of the World Economy*. New York: W.W. Norton Company.
- <sup>151</sup> Zahra, Newey and Li (2013).
- <sup>152</sup> These six forms of capital will be further reviewed in Section 7 on A Sustainable Business Ecosystem: Creating Value for a Sustainable Future.
- <sup>153</sup> Buitrago-Franco (2014).
- <sup>154</sup> Grameen Bank (2017).



- <sup>155</sup> Grameen Bank (1998). *Credit lending models*. Available from [www.grameen-info.org](http://www.grameen-info.org).
- <sup>156</sup> United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2012). *Policy Guidebook for SME Development in Asia and the Pacific*. Sales No. E.12.II.F.2.
- <sup>157</sup> Fernando, N. A. (2006). *Understanding and Dealing with High Interest Rates on Microcredit*. Manila: Asian Development Bank.
- <sup>158</sup> Microfinance Information Exchange (2017). *Website*, <https://www.themix.org/>.
- <sup>159</sup> Ibid.
- <sup>160</sup> Grameen Foundation (2010). *Debating the merits of for-profit microfinance*. Washington, D.C. Available from <https://www.grameenfoundation.org/blog/debating-merits-profit-microfinance#Whz42VXXbct>.
- <sup>161</sup> Kappel, V., Krauss, A. and Lontzek, L. (2010). *Over-indebtedness and Microfinance: Constructing an Early Warning Index*. Zurich: Center for Microfinance, University of Zurich.
- <sup>162</sup> Sundmaeker, H., and others, eds. (2010). *Vision and Challenges for Realising the Internet of Things*. Brussels: European Commission – Information Society and Media DG.
- <sup>163</sup> United Nations Development Programme (UNEP) (2015a). *Sustainable Energy*. Available from <http://www.undp.org/energy/>.
- <sup>164</sup> United Nations Environment Programme (2015a). *UNEP Projects*. Available from <http://www.unep.org/energy/Projects/Project/tabid/131381/language/en-US/Default.aspx?p=1852cfc3-65a4-40f7-a52a-230b659ff89f>.
- <sup>165</sup> Ibid.
- <sup>166</sup> McKinsey Global Institute (2015). *The Internet of Things: Mapping the Value Beyond the Hype*. Available from <http://www.mckinsey.com/~media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/The%20Internet%20of%20Things%20The%20value%20of%20digitizing%20the%20physical%20world/The-Internet-of-things-Mapping-the-value-beyond-the-hype.ashx>.
- <sup>167</sup> Aglionby, J. (2016). Lightbulb moment for M-Kopa. *Financial Times*, 17 March.
- <sup>168</sup> United Nations Environment Programme Inquiry into the Design of a Sustainable Financial System (2016). *The Financial System We Need: From Momentum to Transformation, 2<sup>nd</sup> Edition*. Geneva. Available from [http://unepinquiry.org/wp-content/uploads/2016/09/The\\_Financial\\_System\\_We\\_Need\\_From\\_Momentum\\_to\\_Transformation.pdf](http://unepinquiry.org/wp-content/uploads/2016/09/The_Financial_System_We_Need_From_Momentum_to_Transformation.pdf).
- <sup>169</sup> These projects have been implemented by UNEP in over 120 developing countries.
- <sup>170</sup> United Nations Development Programme (UNDP) (2015b). *Energy Efficiency*. Available from <http://www.undp.org/content/undp/en/home/ourwork/climate-and-disaster-resilience/sustainable-energy/energy-efficiency/>.
- <sup>171</sup> UNEP (2015a).
- <sup>172</sup> Asian Development Bank (ADB) (2015). *The Pilot Asia-Pacific Climate Technology Network and Finance Center*. Manila. Available from <http://www.adb.org/publications/pilot-asia-pacific-climate-technology-network-and-finance-center>.
- <sup>173</sup> United Nations Environment Programme (UNEP) (2015b). *Seed Capital Assistance Facility*. Geneva. Available from <http://www.unep.org/energy/Projects/Project/tabid/131381/language/en-US/Default.aspx?p=1852cfc3-65a4-40f7-a52a-230b659ff89f>.
- <sup>174</sup> United Nations Environment Programme (UNEP) (2015c). *Projects: FACET*. Geneva. Available from <http://www.unep.org/energy/Projects/Project/tabid/131381/language/en-US/Default.aspx?p=37811c37-6728-4825-97b4-6f19bffa366>.
- <sup>175</sup> Porter, M. E. and Kramer, M. R. (2011). "Creating shared value", *Harvard Business Review*, January-February, vol. 89, No. 1-2, pp. 62-77.
- <sup>176</sup> KPMG (2014). *Corporate Sustainability: Drivers and Enablers*. Available from [http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/FICCI\\_Sustainability\\_Conclave\\_Report2014\\_feb13.pdf](http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/FICCI_Sustainability_Conclave_Report2014_feb13.pdf).
- <sup>177</sup> Herrera, M. (2015). "Innovation for impact: business innovation for inclusive growth", *Journal of Business Research*, vol. 69, No. 5, pp. 1725-1730.
- <sup>178</sup> Ibid.

- <sup>179</sup> United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2017). *Fostering Women's Entrepreneurship in ASEAN: Transforming Prospects, Transforming Societies*. ST/ESCAP/2784. Bangkok.
- <sup>180</sup> Ibid.
- <sup>181</sup> Ibid.
- <sup>182</sup> Ibid.
- <sup>183</sup> Higgins, K. L. (2013). *Economic growth and sustainability – are they mutually exclusive?* Available from <http://www.elsevier.com/connect/economic-growth-and-sustainability-are-they-mutually-exclusive>.
- <sup>184</sup> Nidumolu, R., Prahalad, C. K. and Rangaswami, M. R. (2009). Why sustainability is now the key driver of innovation. *Harvard Business Review*, September.
- <sup>185</sup> Ibid.
- <sup>186</sup> Global Impact Investing Network (GIIN) (2015a). *About IRIS*. Available from <https://iris.thegiin.org/about-iris>.
- <sup>187</sup> Sustainability Accounting Standards Board (SASB) (2012). *Vision and mission*. Available from <http://www.sasb.org/sasb/vision-mission/>.
- <sup>188</sup> B Lab (2013). *GIIRS ratings*. Available from <http://b-analytics.net/giirs-ratings/>.
- <sup>189</sup> GIIN (2015a).
- <sup>190</sup> Global Impact Investing Network (2015b). *Frequently asked questions*. Available from <https://iris.thegiin.org/about/faq#who-uses-iris>.
- <sup>191</sup> Global Impact Investing Network (GIIN) (2015c). *Getting started with IRIS*. Available from <https://iris.thegiin.org/guide/getting-started-guide>.
- <sup>192</sup> SASB (2012).
- <sup>193</sup> SASB subcategorizes the banking and financial sector into three subsectors: general, microfinance and micro insurance.
- <sup>194</sup> B Lab (2013).
- <sup>195</sup> GRI (2015a).
- <sup>196</sup> Millar, R. and Hall, K. (2013). Social return on investment (SROI) and performance measurement: the opportunities and barriers for social enterprises in health and social care. *Public Management Review*, vol. 15, No. 6.
- <sup>197</sup> United Nations Global Compact (UNGC) (2015b). *Create and submit your COP*. Available from <https://www.unglobalcompact.org/participation/report/cop/create-and-submit>.
- <sup>198</sup> International Integrated Reporting Council (IIRC) (2015). *International <IR> Framework*. Available from <http://integratedreporting.org/resource/international-ir-framework/>.
- <sup>199</sup> Ibid.
- <sup>200</sup> Freeman, C. (1996). Local government and emerging models of participation in the Local Agenda 21 process. *Journal of Environmental Planning and Management*, vol. 39, No. 1, pp. 65-78.
- <sup>201</sup> One of the major representatives of this approach was Freeman and his work on stakeholder theory (Freeman, 1984).
- <sup>202</sup> While there are a number of ways to invest in business (e.g., commercial loans and corporate bonds), both individual and institutional investors would become shareholders through purchasing corporate stocks.
- <sup>203</sup> Friedman (1970).
- <sup>204</sup> Morgan, R. M. and Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, vol. 58, No. 3, pp. 20-38.

- <sup>205</sup> Cabinet Office (2011a). *Growing the Social Investment Market: A Vision and Strategy*. London. Available from [www.cabinetoffice.gov.uk/sites/default/files/resources/404970\\_SocialInvestmentMarket\\_acc.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/404970_SocialInvestmentMarket_acc.pdf).
- <sup>206</sup> Cabinet Office (2011b). *The Big Society Capital*. London. Available from [www.cabinetoffice.gov.uk/content/big-society-capital](http://www.cabinetoffice.gov.uk/content/big-society-capital).
- <sup>207</sup> For more details visit the website at <http://shujog.org> and <http://www.asiaiiix.com>.
- <sup>208</sup> Social Enterprise Network Asia (2010). *PM presided [over] a meeting to promote SE policies in Thailand*. Bangkok. Available from <http://senetwork.asia/news/se-policy-meeting/>.
- <sup>209</sup> ASEAN CSR Network (2017). *Towards Inclusive and Sustainable Growth in the ASEAN Economic Community*. Singapore. Available from <http://asean-csr-network.org/c/news-a-resources/csr-news-from-around-asean/1118-report-towards-inclusive-and-sustainable-growth-in-the-asean-economic-community>.
- <sup>210</sup> PricewaterhouseCoopers (PwC) (2013). *Handbook on Corporate Social Responsibility in India*. Available from <https://www.pwc.in/assets/pdfs/publications/2013/handbook-on-corporate-social-responsibility-in-india.pdf>.
- <sup>211</sup> The internal stakeholders consist of shareholders, managers and employees, whereas the external stakeholders encompass governments, communities and CSOs.
- <sup>212</sup> United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2016). *Harnessing Science, Technology and Innovation for Inclusive and Sustainable Development in Asia and the Pacific*. Bangkok.
- <sup>213</sup> International Integrated Reporting Council (IIRC) (2013). *Capitals – Background Paper for <IR>*. London. Available from <http://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf>.
- <sup>214</sup> IIRC (2013).
- <sup>215</sup> G8 was a political forum of industrial nations comprising Canada, France, Germany, Italy, Japan, the Russian Federation, the United Kingdom and the United States. Since the suspension of the Russian Federation in 2014, this forum has been operated as G7.
- <sup>216</sup> The Taskforce was superseded by the Global Social Impact Investment Steering Group (GSG) in 2015. The GSG continues the work of the Taskforce, but it has a wider membership, comprising 13 countries, the EU and active observers from government and from leading network organizations supportive of impact investment.
- <sup>217</sup> IIRC (2013).
- <sup>218</sup> In the banking and financial sector, banks have traditionally prioritized financial capital over other forms of capital. With the increasing need for banks to be sustainable themselves and the growing social and environmental concerns of investors, entrepreneurs and stakeholders, stronger focus on the other forms of capital has been required. Banks and financial institutions need a way to assess and understand the different types of capital and how each of them is interrelated in order to gauge their sustainability. There is a trade-off between certain types of capital, and financial capital may be spent in order to increase human, or social, capital. Relationships between the types of capital can also occur over the long-term. For example, whereas an investment in a project that depletes natural capital could boost financial capital in the short-term, the long-term human and social capital may be negatively impacted as a result of environmental destruction (Buitrago-Franco, 2014).
- <sup>219</sup> Buitrago-Franco (2015).
- <sup>220</sup> Social Impact Investment Taskforce (SIIT) (2014). *Impact Investment: The Invisible Heart of Markets*. Available from [http://www.socialimpactinvestment.org/reports/Impact%20Investment%20Report%20FINAL\[3\].pdf](http://www.socialimpactinvestment.org/reports/Impact%20Investment%20Report%20FINAL[3].pdf).
- <sup>221</sup> Ibid.
- <sup>222</sup> World Bank (2003). *Public Policy for Corporate Social Responsibility*. Washington, D.C. Available from [http://info.worldbank.org/etools/docs/library/57434/publicpolicy\\_econference.pdf](http://info.worldbank.org/etools/docs/library/57434/publicpolicy_econference.pdf).
- <sup>223</sup> Ibid.
- <sup>224</sup> Buitrago-Franco, I. and Chatterji, T. (2013). Planning for mining regions: building local government's capacity in a multi-stakeholder scenario. *Paper presented at the 49th ISOCARP Congress*. Available from [http://www.isocarp.net/Data/case\\_studies/2357.pdf](http://www.isocarp.net/Data/case_studies/2357.pdf).

- <sup>225</sup> This is also where civil society actors can collaborate with governments and participate in the formulation and implementation of SRB agendas.
- <sup>226</sup> Buitrago-Franco and Chatterji (2013).
- <sup>227</sup> Buitrago-Franco (2014).
- <sup>228</sup> Fiszbein, A. (1997). The emergence of local capacity: lessons from Colombia. *World Development*, vol. 25, No. 7, pp. 1029-1043.
- <sup>229</sup> International Institute for Environment and Development (2001). Building partnerships: key elements of capacity building – an exploration of experiences with mining communities in Latin America. Mining, Minerals and Sustainable Development. *Working Paper No. 33*. London. Available from <http://pubs.iied.org/pdfs/G00538.pdf>.
- <sup>230</sup> International Finance Corporation (IFC) (2011). *CommDev*. Available from <https://www.commdev.org/>.
- <sup>231</sup> International Organisation for Standardisation (2010). *ISO 26000: 2010 Guidance on Social Responsibility*. Geneva.
- <sup>232</sup> OECD (2008).
- <sup>233</sup> Industrial and Commercial Bank of China (ICBC) (2015). *Website*. Available from <http://www.icbc.com.cn/ICBC/en/default.htm>.
- <sup>234</sup> Siam Commercial Bank (2015). *Website*. Available from <http://www.scb.co.th/en/home>.
- <sup>235</sup> National Australian Bank (2015). *NAB - More give, less take*. Available from [http://campaigns.nab.com.au/personal/offers/?ps\\_kwcid=58700000779847136](http://campaigns.nab.com.au/personal/offers/?ps_kwcid=58700000779847136).
- <sup>236</sup> DBS Foundation (2015). *DBS Foundation - Our Story*. Available from <http://www.dbs.com/dbsfoundation/our-story/default.page>.
- <sup>237</sup> Cathay Holdings (2015). *Website*. Available from <https://www.cathayholdings.com/holdings/>.
- <sup>238</sup> GVM (2015). *Website*. Available from [www.gvm.com.tw/Boardcontent\\_28611.html](http://www.gvm.com.tw/Boardcontent_28611.html).
- <sup>239</sup> Find the details of the Equator Principles in Section 4.
- <sup>240</sup> Visteon (2015). *Website*. Available from [www.visteon.com](http://www.visteon.com).
- <sup>241</sup> Ibid.
- <sup>242</sup> British Telecom (2015). *Website*. Available from <https://www.bt.es/servicios-y-soluciones>.
- <sup>243</sup> Co-operative Bank (2015). *Website*. Available from <http://www.co-operativebank.co.uk/news/2015/social-economy-and-social-enterprise>.
- <sup>244</sup> Toyota Motor Corporation (2017). *Toyota code of conduct*. Available from [http://www.toyota-global.com/company/vision\\_philosophy/toyota\\_code\\_of\\_conduct.html](http://www.toyota-global.com/company/vision_philosophy/toyota_code_of_conduct.html).
- <sup>245</sup> Keiretsu is a Japanese type of informal corporate grouping based on binding business relationships and shareholdings.
- <sup>246</sup> Bill and Melinda Gates Foundation (2015). *Website*. Available from <https://www.gatesfoundation.org/>.
- <sup>247</sup> Rockefeller Foundation (2014). *Business for social responsibility: transparency & transformation in play*. Available from <http://www.rockefellerfoundation.org/blog/business-social-responsibility/>.
- <sup>248</sup> Xinhua (2015). *China introduces Green Bond in Interbank Market, 22 December*.
- <sup>249</sup> Wang, Y. and Zhang, R. (2017). China's green bond market. *International Capital Market Features*, Issue 44, First quarter.
- <sup>250</sup> Asian Development Bank (ADB) (2016). *How Inclusive is Inclusive Business for Women? Examples from Asia and Latin America*. Manila. Available from <http://www.endeva.org/wp-content/uploads/2016/05/inclusive-business-women.pdf>.
- <sup>251</sup> Buitrago-Franco (2014).