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**OECD-ESCAP REGIONAL CONFERENCE ON
CORPORATE RESPONSIBILITY**

“Why Responsible Business Conduct Matters”

2 November 2009

14:10-14:20 hours

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**UNDER-SECRETARY-GENERAL OF THE UNITED NATIONS AND
EXECUTIVE SECRETARY OF THE ECONOMIC AND SOCIAL COMMISSION
FOR ASIA AND THE PACIFIC**

Mr. Are-Jostein Norheim, Norwegian CSR Ambassador;

Excellencies, Distinguished delegates, Ladies and Gentlemen,

It gives me great pleasure to welcome you to the OECD-ESCAP Regional Conference on Corporate Responsibility. At the outset, I would like to express my deep appreciation to the OECD for their support and commitment in co-hosting this important conference with ESCAP.

This year’s theme, “Why Responsible Business Conduct Matters”, explores opportunities and challenges for the future of business in Asia Pacific.

Our region has become a major player in the world’s economy. This is attributed to the entrepreneurial spirit of our businesses in an increasingly competitive and integrated international economic system. While Asian firms have been successful in generating impressive economic growth, they are also increasingly vulnerable to the ups and downs of the world economy. This was evident during the 1997 crisis as it is apparent during the current economic crisis. Asian businesses need develop new approaches to

doing business that assure their long term sustainability.

In the wake of the current economic crisis, world leaders have expressed their belief that responsible business practice will be critical to restoring public trust in the global financial system. Asian businesses are beginning to realise that their long-term profits and sustainability depend upon how well they invest in the societies of which they are a part and the environment which sustains them.

In other words, Corporate Social Responsibility matters to us all.

Corporate Social Responsibility (CSR) matters for business because their key stakeholders expect them to practice it.

Consumers are showing increased interest in supporting responsible business practices, as witnessed by the rise of ethical consumerism. They are demanding more information on how companies address risks and responsibilities related to social and environmental issues. The market size and growth of ethical products and services in the UK, for example, was worth £35.5 billion in 2007, up 15% from £31 billion in 2006. Increasingly corporations wanting to access global markets or participate in international supply chains will limit their growth potential if they lack the competency to handle these demands.

Civil society organizations are leveraging the power of the media to increase their scrutiny and collective activism around corporate behaviour. Advances in ICT assist external stakeholders in more effectively tracking and discussing corporate activities. These same technologies allow them to quickly assess and profile business practices they view as either problematic or exemplary. Nike's mistake in failing to notice the misconduct of its suppliers in Pakistan and Cambodia seriously damaged its reputation around the whole world. Multinational businesses are now being asked to examine their own internal practices as well as those of their entire supply chain.

Investors are increasingly looking beyond the short-term financial performance of a company. They are not only interested in their financial returns, but also in the practices that ensure business continuity. A number of serious and high-profile

breaches of corporate ethics have negatively impacted employees, shareholders, and communities– as well as share prices. This has increased the demand for good corporate practices by investors and shareholders through socially responsible investment practices. A CSR approach can help improve transparency, accountability and contribute directly to risk management strategies for business.

Corporate Social Responsibility matters for business because it is good business:

Corporate Social Responsibility can play a major role in building good brand perception as well as a company's reputation. Businesses who actively pursue CSR strategies can gain a competitive advantage in the global market. Several famous brands have now built their business on ethical values and differentiate their corporate identity by making a socially-responsible practice their commitment.

There is growing evidence that Corporate Social Responsibility improves both the recruitment and retention of good employees - particularly within the competitive market of technical specialists.

Corporate Social Responsibility offers cost reductions related to the environmental management of operations. Most companies that reduce pollution and hazardous waste, reuse or recycle materials, operate with greater energy and water efficiency. This can result in significant cost savings in addition to avoided ecological costs.

Lastly, Corporate Social Responsibility can also help drive innovation and, therefore, competitiveness. A well known example is Toyota's response to concerns over automobile emissions which resulted in the development of a hybrid electric vehicle.

Corporate Social Responsibility matters at a national level.

A recent study¹ assessing 108 countries established a strong relationship between responsible business conduct and a country's competitiveness. Countries that advance responsible business practices tend to be easier places to do business.

¹ MacGillivray, Alex, Begley, Paul and Zadek, Simon (eds) (2007). The State of Responsible Competitiveness 2007, London: AccountAbility.

Inclusive development requires governments to address the socio-economic gaps that increased over the past several decades, despite our region's unprecedented economic growth. A business community upholding human rights commitments and maintaining good labour practices can create trust for consumers in advanced markets. This increases the competitiveness of a country's products as well as the number of jobs for the poor. Governments that encourage corporate social responsibility will not only increase their international competitiveness, but will also promote a more inclusive economic growth.

Corporate Social Responsibility, along with the appropriate balance of regulatory controls and transparency, will help rebuild public confidence in markets. CSR is widely viewed as voluntary response taken by companies beyond regulatory requirements. However, there is a growing recognition that governments can, and should shape, the enabling conditions to ensure CSR practices are more widely implemented as integral to business practice.

Governments can support CSR through public procurement programmes that select goods and services based upon responsible business practices. Governments can also participate in certification and environmentally-friendly labelling practices. Specialized CSR agencies can be established that work across sectors and ministries to reform frameworks in support of CSR standards. These agencies can provide training programmes and resources directly to business so that they can better compete in the global marketplace that increasingly demands accountability. Governments can also help increase public awareness and support for CSR through media campaigns and by hosting events that improve the flow of information among relevant stakeholders.

Excellencies, Ladies and Gentlemen,

ESCAP is working with business to support the principles of Corporate Social Responsibility.

Our project, entitled "Investors for Development", promotes the principles of the Global Compact in Asia-Pacific. Initiated in 2007, the project now involves 16 countries with over a thousand global compact business signatories from across the region.

ESCAP's Asia-Pacific Global Compact Community of Practice will promote the exchange of knowledge and experiences among key CSR practitioners in the region.

ESCAP is also working with Member States to develop new policies and practices for promoting low-carbon economic growth in response to the challenges of climate change. Our Asia-Pacific Green Business Network will facilitate the participation of business in regional discussions and foster business to business exchange of knowledge and ideas around environmentally friendly goods and services.

ESCAP's annual Asia-Pacific Business Forum also promotes Corporate Social Responsibility on a wide range of topics related to sustainable development. Next year's Forum, which I would like to invite all of you to attend, will specifically address the topic of a low carbon economy.

Ladies and gentlemen,

Asia Pacific needs to shift from a development paradigm that focuses only on the rate of economic growth and financial performance, to one that ensures shared prosperity and ecological sustainability for all. Corporate Social Responsibility can contribute to ensuring a better future for our region. Building healthy and inclusive societies, sustainable markets, safeguarding the environment and combating corruption are just as important for business as it is for the United Nations and its member governments.

I wish you all the success in your discussions over the next one and a half days during the conference.

I Thank You
