



Outcomes document

REGIONAL CONFERENCE ON CORPORATE RESPONSIBILITY *“Why Responsible Business Conduct Matters”*

Organised by the OECD and ESCAP in cooperation with ILO, UN Global Compact and the GRI
2nd (afternoon) – 3rd November 2009

Background

The Asian region has become an economic powerhouse of the world economy. However, it is increasingly acknowledged that this enviable performance will not be sustained unless Asian businesses pay due attention to their broad responsibilities towards the societies in which they operate. The recent economic crisis has strengthened the collective consciousness that wealth creation is pointless without the protection of the environment and respect of human rights and improvement in social conditions. Responsible business conduct (RBC) or Corporate social responsibility (CSR) has now reached the agenda of business in Asia.

The CSR/RBC concept is deeply rooted in cultural, social and economic factors. It has emerged differently in Asia and the Western Hemisphere, and has not developed the same way in these two parts of the world. It is increasingly clear, however, that the Asian CSR/RBC landscape is evolving fast. Various Asian initiatives, at governmental and private, national, regional and multilateral levels guide regional economic actors to become more responsible corporate citizens. These initiatives are no longer mainly driven by philanthropy, but are increasingly motivated by self-interest as the “business case” of CSR/RBC becomes stronger.

The conference was the first OECD-ESCAP joint conference on CSR/RBC, organised in collaboration with ILO, the UN Global compact and the Global Reporting Initiative. It brought together 200 key players from government, business and civil society from both Asian and OECD countries to exchange their perspectives, experiences and practices in implementing CSR/RBC initiatives.

Key outcomes

The Conference achieved the following key outcomes:

- In this first OECD-ESCAP exchange on CSR/RBC, participants acquired new knowledge of good business practices and country responses to challenges on the CSR agenda, such as climate change and finance.
- Participants gained better understanding of the synergies between major international instruments and initiatives and corporate responsibility initiatives in Asia.
- The Conference enhanced awareness of the potential of the leading international corporate responsibility initiatives in promoting CSR/RBC among Asian firms, and

formulated recommendations for actions by governments, business and civil society in promoting CSR/RBC both in Asia and the OECD.

- Participants agreed that time had come to develop a common positive agenda on responsible business conduct. Drawing on the lessons from the financial and economic crisis and its discussion on climate change, they considered that the issue was no longer whether responsible business conduct made sense but how to ensure that the vital forces of the private sector are effectively harnessed to drive long term economic growth, environmental sustainability and social progress.

Objectives

The Conference aimed to *inter alia*:

- a) discuss the respective roles of governments, business and other stakeholders in promoting CSR/RBC in the OECD and Asian contexts;
- b) learn from concrete experiences how business in OECD and ESCAP countries engage in CSR/RBC activities and discuss how the “business case” can be reinforced. A special focus was given to climate change and financial issues.
- c) discuss the supporting role of the leading international corporate responsibility initiatives in promoting responsible business.

Structure of the conference and key outcomes

The conference was organized in one and a half day with four plenary sessions and two break-out sessions.

Plenary session one discussed the contours of responsible business conduct in OECD and Asian communities, to better understand how history, cultural factors and new societal challenges have, and are likely to continue, to shape up societal expectations on corporate responsibilities.

In this session, participants noted that the concept of responsible business practice was a dynamic and evolving one. The trend internationally and regionally was increasingly to address strategic aspects of the private sector’s impacts on social and environmental issues, and less on pure philanthropic activities. Global sustainable development challenges required the full engagement of the business community in reducing its adverse impacts and increasing its positive contribution. In this context, many firms used recognized international guidance instruments to shape their approach. The OECD MNE Guidelines, the UN Global Compact and the Global Reporting Initiative (GRI) were among the most popular voluntary frameworks. These embedded many of the key international human rights, environment and labor standards, as well as other concerns, and could help users understand the complex and changing business landscape. In strategic terms, responsible business conduct could be a powerful tool to better assess both risks and potential market opportunities, as well as to improve reputation among employees, investors, regulators and other stakeholders.

Plenary session two assessed the emerging trends in CSR/RBC and discussed the opportunities and challenges facing governments and companies in implementing the CSR/RBC agenda in Asia. Two country case studies were presented on Thailand and

Vietnam.

Speakers and participants noted that the interest for CSR/RBC has grown sharply in the Asia-Pacific region in the last five years, as witnessed by the intense activity generated by this subject in the region. Participants agreed, however, that moving from theory to practice was far from easy. Asia-Pacific companies often complain they have no clear view of what is expected from them and that they are confused by the co-existence of various benchmarks and corporate responsibility tools. Verification and monitoring of corporate stated policies is crucial but this activity is still underdeveloped. CSR/RBC implementation is particularly challenging for small and medium sized enterprises although they comprise the overwhelming majority of the Asia-Pacific enterprise population. Against this background, the country studies of Thailand and Vietnam provided insights into the CSR/RBC landscape by describing the involvement of governments, enterprises, labor, NGOs and communities in these countries.

Two breakout sessions on the Financial Sector and on Building a Low Carbon Future were conducted in the morning of 3 November.

Breakout session A – Responsibilities of the Financial Sector - discussed lessons learned from the financial crisis and international initiatives promoting good financial practices. It also discussed how Asia altogether can make a difference in the future.

A strong call was made for different players to agree on common principles and common tools, including a simpler set of standards and a broader base of participation. The G20 could be a starting point, but business, NGOs and the investor community all need to be involved to help governments come to good solutions. It was noted that Government Pension funds are a key driver for change. Moreover, it was noted that institutional investors prefer investing in indexes, and as such these also provide important drivers for change. New ways of measuring and assessing the impact of standards were called for. Finally, it was pointed out that disclosure need to be improved in Asia. To achieve it, there is a need for active watchdog groups that can ensure non-complacency.

In breakout session B, Building a Low Carbon Future, participants discussed recent Asian developments in government and corporate efforts to reduce emissions. They also addressed more specifically the challenge of managing emissions throughout the supply chain.

Participants noted that the private sector has a key role to play in combating climate change and that a low-carbon development path provides both challenges and opportunities for business. Some countries in Asia have put emission reduction regulatory frameworks in place; others are just starting doing it. Driven by cost reduction objectives, many companies are reducing energy consumption thereby also lowering greenhouse gas (GHG) emissions. Even in the absence of a regulatory framework, some companies are going further and are putting corporate low carbon strategies in place. Involving stakeholders in these strategies, including suppliers, consumers, employees and local communities, has proven to be essential. Companies are taking a variety of approaches when measuring and reporting emissions. Harmonised mechanisms would help in assessing and comparing emission data. Effective emission reduction requires taking a holistic approach, comprising the entire supply chain. More consistent government policy was also called for to support long term investments by

business.

Plenary session three was devoted to the OECD Guidelines and the envisaged launch of an update of the Guidelines in 2010, ten years after their last Review. At their 2009 Annual Meeting, OECD Ministers welcomed further consultation on the updating of the OECD Guidelines to increase their relevance and clarify private sector responsibilities.

By offering authoritative and respected authoritative guidance on responsible business conduct, the OECD Guidelines for Multinational Enterprises are well placed to assist Asian-Pacific firms strengthen trust and harmony with the societies in which they work and thus make them more profitable and sustainable. They also provide a carefully managed engagement process for finding mediated solutions to investment disputes. The forthcoming update of the Guidelines in 2010 to which Asian-Pacific countries will be invited, provides a unique opportunity for Asian-Pacific actors to contribute to the relevancy of the Guidelines and extend their geographical coverage.

The final plenary session focused on the international instruments – the OECD Guidelines, the UN Global Compact, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the Global Reporting Initiative – and fully discussed how Asian firms can exploit the synergies and complementarities of the leading international CSR/RBC instruments.

As the expressions of the broader system, the OECD Guidelines, the UN Global Compact, the ILO Conventions and the Global Reporting Initiative can bring greater consistency and clarity to private corporate responsibilities initiatives and enhance their effectiveness and impact. For this to happen, however, they must exploit their complementary synergies and send clear, consistent, and self reinforcing messages to the business community. Participants welcomed the recent UNGC statement on the intensification of its cooperation with the National Contact Points responsible for the Guidelines. They also welcomed ESCAP and OECD intention to pursue the cooperation launched in Bangkok. The OECD and ESCAP expressed their mutual appreciation for co-organizing the Conference, and to the Thai authorities for their legendary hospitality.