

STATEMENT BY MR. ANAND PANYARACHUN
AT THE ASIAN FORUM
ON CORPORATE SOCIAL RESPONSIBILITY
September 18, 2003 at the Inter Continental Hotel, Bangkok

I am honored to address this opening ceremony of the second annual Asian Forum on Corporate Social Responsibility and welcome all the delegates, presenters and others to Thailand.

I am glad that such a significant subject is being discussed here and firmly believe that there is an ever-increasing necessity for companies, government and civil societies to give absolute attention to corporate social responsibilities issues.

This conference is an opportunity for all to discuss and identify the recent developments and innovations in relation to various aspects of corporate social responsibility.

I would like to emphasise that corporate social responsibility (CSR) is not only a subject for business and civil society. The government also has a significant role to play and can motivate and facilitate CSR. The social, economic, political, environmental problems we are faced with these days are so complicated that an interaction between the government, business and civil society is a necessity.

Even though the interpretation of the term 'Corporate Social Responsibility' continues to be in a state of evolution, it is encouraging that a large number of governments, businesses and civil societies around the world have established some basic awareness and standard expectations towards the society, community and environment they operate in.

Several factors such as, accountability, transparency, investor pressure and stakeholder activism have formed the direction of CSR. Moreover, as guidance to companies and to enhance accountability for corporate performance on CSR issues, a number of performance and reporting standards have been produced in the recent years. Some of these are Social Accountability 8000, UN Global Compact, and the Global Reporting initiative, OECD guidelines for Multinational Enterprises.

The CSR movement is gaining support from investors and the business community, and is spreading rapidly in the current era of the business world.

I am delighted that today's business environment, the globalization as well as social pressures, impacting the principles and perspective of the business activity, has resulted in adaptation of the CSR culture by various companies around the world.

The significance of CSR has escalated in the global market place. In recent years many companies who violated social and environmental standards have been targets of adverse publicity by human rights, labor rights and environmental organizations. Such publicity can definitely damage the reputation of an organization, which is undeniably one of the most valuable assets of any organization.

It is interesting to observe that CSR is considered imperative for building a sound and credible image of a company. It is now believed that, in addition to various other factors,

adopting socially and environmentally responsible initiatives enhances shareholder value, impacts financial performance and ensures continued success of a company.

In the new global economy, there is increased pressure from investors, consumers, and employees to consider social and environmental criteria in corporate business activities. Consequently the companies are no longer evaluated merely on the basis of financial performance, but on the financial, social and environmental performance. This has led to using a "triple bottom line" or "sustainable" approach - social, environmental, and financial data for evaluating the performance of an organization.

I believe that all of you here today understand what CSR means. As you know that there are multiple definitions of CSR, I feel that there is a need to consider and re-define a common definition of CSR on an agreed basis.

In general terms, CSR is the alignment of business operations with its social and environmental values. CSR is the voluntary incorporation of social and environmental values and concerns in the business operations of an organization. However, we cannot ignore that in this world of transparency, investors and consumers are aware of and have increasing knowledge of the impact of all companies' activities on the society and environment.

In legal terms a company is created to make money with the sole purpose to increase shareholders profit. Besides various positives, this arrangement undeniably overlooks certain detrimental environmental and social effects.

One commentator, Robert Hinkley*, argues that the law in USA, in its current form, actually inhibits executives and corporations from being socially responsible, as the purpose of the corporation is just to make money for shareholders and that many social ills created by corporations stem directly from corporate law. Any deviation from that can leave a corporation open to a lawsuit. Consequently Hinkley suggests adding a phrase on CSR to corporate law and which would then be read, to some extent, like - *Directors and officers have a duty to make money for shareholders, but not at the expense of the environment, human rights, the public safety, the communities in which the corporation operates or the dignity of its employees.*

I would like to share my observation that the General Electric Company is one of the companies that have moved a step ahead by setting up a Public Responsibility Committee, consisting of Board members, for reviewing and overseeing the company's position on corporate social responsibilities and public issues affecting the investors and other key stakeholders of the company.

We also cannot ignore the whole range of corporate responsibility initiatives including policies, programs and/or reports of the various globally recognized companies such as, AVIVA (formerly Commercial Union), Exel, Starbucks Coffee Co and McDonald's.

* *'How Corporate Law Inhibits Social Responsibility', Robert Hinkley, Business Ethics, Jan. 2002. Robert Hinkley was previously a corporate securities attorney in USA for 23 years.*

Companies around the world now voluntarily report on their environmental and social practices and performances and are candidly addressing the CSR issues on their websites. Various companies are endeavoring to release their corporate responsibility report using Global Reporting Initiative guidelines.

The fundamental advantages of CSR cannot be overlooked. According to some, CSR is similar to quality management of a company since it is considered as an investment and not a cost. I think the advantages of CSR initiatives unquestionably outweigh any costs incurred in relation to such initiatives.

The CSR initiatives assist in creating an atmosphere of trust in an organization that results in motivation and commitment of employees. Certain CSR initiatives may also directly decrease operating costs. For example, efforts to reduce gas emissions may increase energy efficiency and reduce utility bills.

In the present global environment, customers, investors and suppliers often support companies viewed as “socially responsible” thus, escalating market opportunities for the company.

One of the key advantages of CSR is that it can assist in better performance of the companies and generate growth and profits of the company. The shareholder value is increased as social investment funds target the company. Moreover, effective CSR policy in a company can also assist in improving risk management and avoiding lawsuits against a company.

Let me wrap up now by reiterating a few key points:

Firstly, we need to appreciate that any company that demonstrates a commitment to its stakeholders through socially responsible business operations will be considered a good corporate citizen and will also have a competitive edge over its peers.

Secondly, Organizations should realize that a good business sense requires concurrent handling of the needs of their employees and the societies in which they operate.

And, Thirdly, that Government, civil societies and companies can no longer ignore irresponsible corporate practices, as CSR is applicable, in equal measures to the governments, civil society and business.

I hope you all are, in this meaningful gathering today, ready for the challenge to participate and expand your understanding and implementation of CSR.

I wish you all a successful and productive conference.

Thank you for your attention.

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