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“Corporate Social Responsibility” Basics, Definitions, Practices

Rio D. Praaning Prawira Adiningrat, Chairman, PA CSR Ltd.

Netherlands Chamber of Commerce in Japan (NCCJ) Lunch Meeting
Tokyo

- 10 February 2010 -

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Basics

- **Investments of EU**
 - In the ASEAN: €12.1 billion
 - In Africa, Caribbean, Pacific (ACP): €20 billion
 - In Russia: €10.4 billion
 - In Latin America: €12 billion
- **Investments of US**
 - In Asia: USD 454 billion
 - In Africa: USD 31 billion
 - In Russia: USD 7 billion
 - In Latin America: USD 202 billion
- **Investments of China**
 - In Asia: \$43.55 billion
 - In Africa: \$5.49 billion
 - In Russia: \$359.23 million
 - In Latin America: \$3.68 billion
- **Investments of Japan**
 - In Asia: \$23.3 billion
 - In Africa: \$1.5 billion
 - In Russia: \$306 million
 - In Latin America: \$29.6 billion

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Basics

- **ODA Disbursements of EU**

Over 2007-2013

- In the ASEAN: €5.19 billion
- In Africa, Caribbean, Pacific (ACP): € 1.78 billion
- In Russia: € 210 million
- In Latin America: €2.65 billion

- **ODA Disbursements of China**

2002-2007

- In Southeast Asia: \$ 231 million
- In Africa: \$ 1.85 million
- In Russia: NA
- In Latin America: \$ 421 million

- **ODA Disbursements of US**

2007

- In Asia: \$ 3.57 billion
- In Africa: \$ 5.03 billion
- In Russia: NA
- In Latin America: \$ 721.5 million

- **ODA Disbursements of Japan**

2007

- In Asia: \$ 1.44 billion
- In Africa: \$ 1.79 billion
- In Russia: NA
- In Latin America: \$ 343 million

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Basics

- **Total Trade of EU with**

Over 2007-2013

- ASEAN: € 710 billion
- Africa, Caribbean, Pacific (ACP): € 143.92 billion
- Russia: € 278 billion
- Latin America: € 188.8 billion

- **Total Trade of China with**

2007

- Asia: \$ 1.19 trillion
- Africa: \$ 73.66 billion
- Russia: \$ 48.15 billion
- Latin America: \$ 102.65 billion

- **Total Trade of US with**

2008

- ASEAN : \$ 169.16 billion
- Africa: \$ 137.67 billion
- Russia: \$ 35.45 billion
- Latin America: \$ 285.01 billion

- **Total Trade of Japan with**

2008

- Asia : \$ 689.83 billion
- Africa: \$ 34.11 billion
- Russia: \$ 29.66 billion
- Latin America: \$ 68.13 billion

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Basics

Below Poverty Line (1,25 USD per day, UN standard, 2005):

- 340 mio in East Asia = 18% of total population
- 500 mio in South Asia = 40% of total population
- 380 mio in Sub-Sahara Africa = 50% of total population
- 23 mio in Russia = 16% of total population
- 96 mio in Latin America/Caribbean = 19% of total population

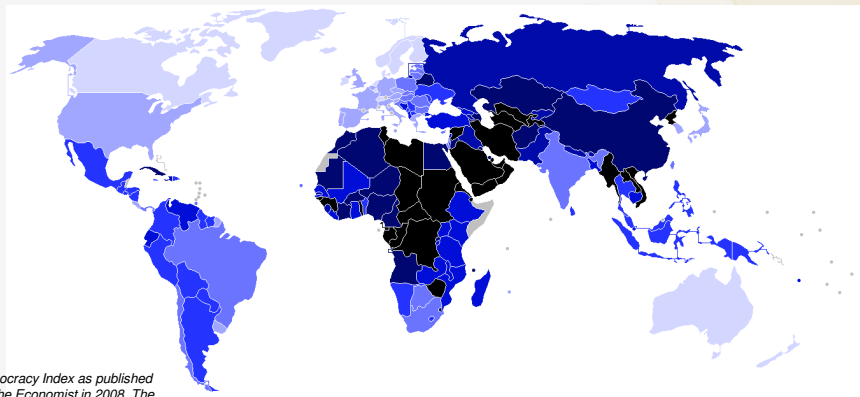
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Basics - World Democracy Map



Democracy Index as published by The Economist in 2008. The palest blue countries get a score above 9.5 out of 10, while the black countries score below 2.

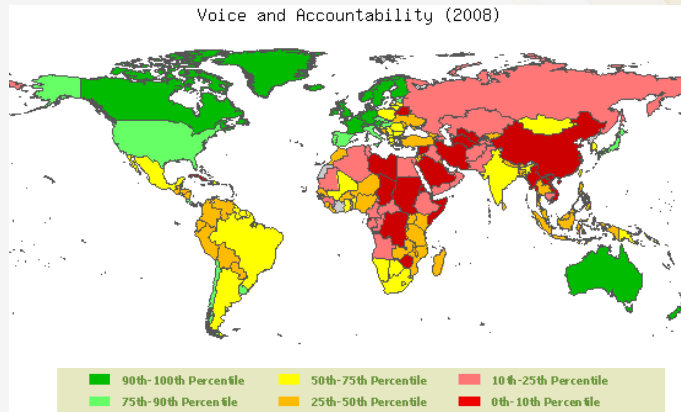
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Basics – Worldwide Governance Indicator 2008: Voice and Accountability



Source: World Bank

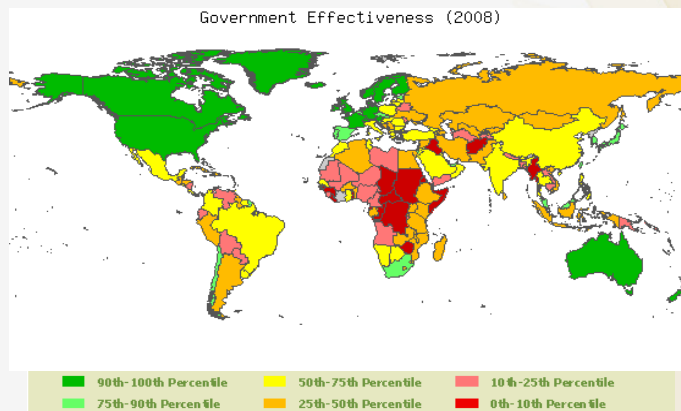
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Basics – Worldwide Governance Indicator 2008: Government Effectiveness



Source: World Bank

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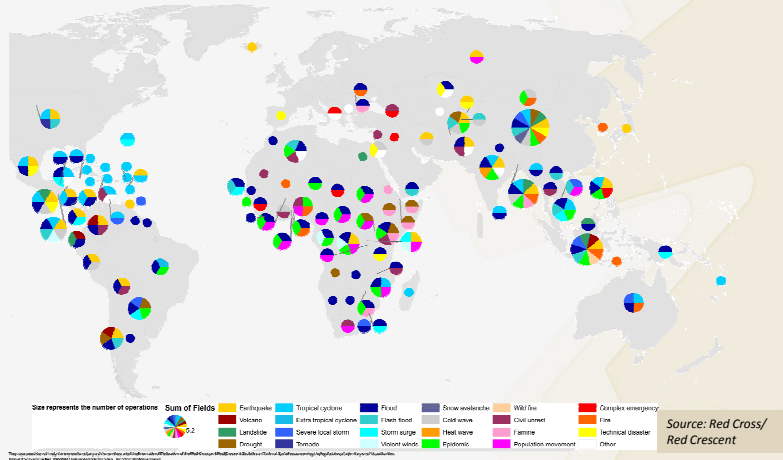
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Basics - World Disaster Map

International Federation of the Red Cross and Red Crescent Societies
 Fédération internationale des Sociétés de la Croix-Rouge et du Croissant-Rouge
 Federación Internacional de Sociedades de la Cruz Roja y de la Media Luna Roja
 الاتحاد الدولي لمجتمعات الصليب الأحمر والقمر الأحمر

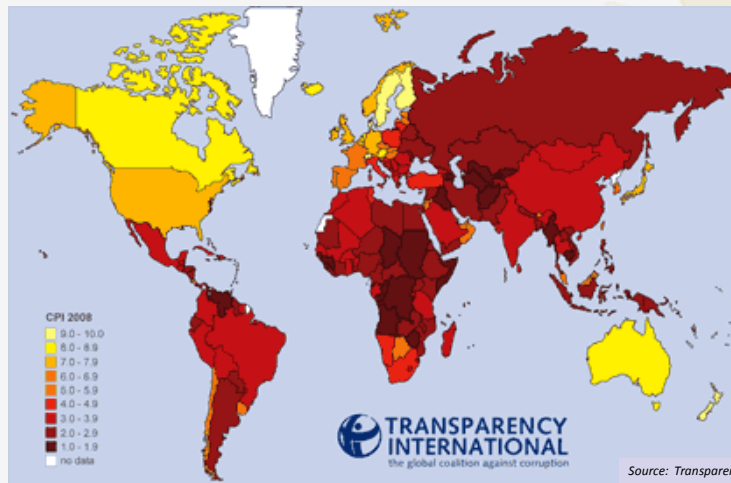
Responses to disaster in 2008



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Basics - World Corruption Perception index

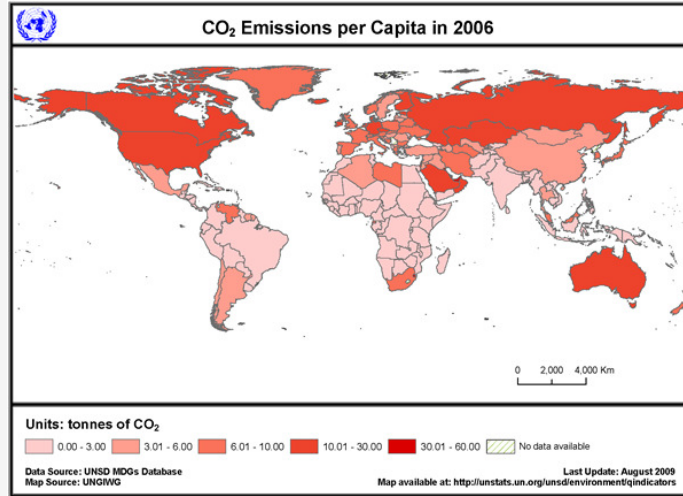




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Basics – World CO2 Emissions



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Definitions

CSR:

- WHAT?
- WHEN?
- WHERE?
- WHY?
- HOW?



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Prime Minister Hatoyama Remarks

- **“Public financial assistance and technology transfer to developing countries are critically important. Japan is prepared to provide more financial and technical assistance than in the past.”**
- at the UN Summit on Climate Change 22 September 2009 New York
- **“I wish from the bottom of my heart that people in developing countries pursue greenhouse gas reductions based on “common but differentiated responsibilities”. By doing this, they will help tackle climate change even as they achieve sustainable growth. They can take advantage of advanced energy-saving technologies, smart grid systems, water purification techniques and other environment-friendly technologies owned by Japanese companies.”**
-Japan’s New Commitment to Asia- Toward the Realization of an East Asian Community
15 November 2009 Singapore
- **“By implementing the “Hatoyama Initiative” for assisting developing countries, Japan will actively serve as a bridge that links developed and developing nations and shall contribute at the global level to making the environment and economy compatible as well as shifting to a low-carbon society.”**
-Policy Speech at the 173rd Session of the Diet 26 October 2009

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Charter of Corporate Behavior

- Nippon Keidanren (The Japan Business Federation) –

Member corporations of Nippon Keidanren believe that corporations exist not only as economic entities designed to pursue profits through fair competition, but also as social entities which must make a contribution to society at large. Members are expected to respect human rights and to conduct themselves in a socially responsible manner toward the creation of a sustainable society, observe both the spirit as well as the letter of all laws and regulations applying to their activities both in Japan and abroad.

4th version released: May 18, 2004

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Definitions

WHAT?

CSR starts where all other Regulations end?

*(Prof. Dr. Alexander Rinnooy Kan from the Netherlands on 30 June 2009,
Jakarta, Universitas Indonesia/PA CSR)*

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Definitions – What?

Could be, but the poverty-stricken part of the world is low on democracy, transparency and governance. Exactly because Administrations do not function properly, investing industries must take on something.

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Definitions – What?

Therefore,

CSR Starts Where Administrations Stop Being Effective For
Their Own Citizens?

If this is in the interest of both the Investor and the Area of
Investment – and consequently of the country and its
Government: Yes!

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Definitions – What?

This comes close to PA CSR's working definition of August 2007:

**Corporate Social Responsibility is the cement between *funding*
of shareholders, *management* of Board Members,
regulations by legislators and *actions* by civic society.**

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Definitions

WHERE IS CSR RELEVANT?

Everywhere where industry requires something from society that cannot be bought.... and requires to invest through....

a Business Plan

....because that is what Corporations are good at.

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Definitions

WHEN?

As soon as:

- CSR is an *integral* part of a successful and sustainable business strategy, pre-empting social and environmental problems while optimising conditions for long term profitability
- It is an *organic link* between enterprising, profit-making and social development
- The more *organic* this link is, the more long-term profit is secured
- Organic implies that the inter-relationship between company and society is *systematically managed on the basis of in situ research*
- CSR research helps *steer* the realisation of basic conditions for long term profitable enterprising
- CSR is an integrated *management tool* for long term profitability and development while supporting short term goals in the areas of government relations and corporate communications
- A corporate CSR strategy *cements* corporate accountability to shareholders and corporate responsibility to all other stakeholders

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Definitions

WHY BOTHER WITH CSR?

- Never as a hand out, always as a win-win-win for company, society and Government
- CSR is also an investment in the corporate goodwill, often cheaper and more effective than advertising Brand/corporate and shareholder value!
- The bigger and more visible the company is, the more critical scrutiny it receives and the more vulnerable is the corporate reputation and goodwill
- Nothing is a more powerful way to improve on many challenges in a society than a strong, mutually beneficial and focused Corporate-Social partnership focused on the common good

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Definition - Preliminary Conclusion

CSR starts where all existing laws and regulations end; it is an organic link between enterprising, profit-making and social development that is conducted as a win-win solution in areas where a company requires something from society that cannot be bought and requires investment through a business plan.*

**This is the emerging definition as of 25/2/2010 following further and in-depth research*

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So who benefits from CSR?

Everyone and everything

- The *private company* and its *shareholders*
- The *public sector*, through public-private partnerships
- The *local community* in the area of the firm's operation
- The national and *regional policy* makers as a CSR strategy will assist them in obtaining their development goals
- The company's *employees*
- The company's *consumers* at large
- The CSR based relationship between regulators/legislators and the firm promotes transparency and excludes corruption
- The international community as structured local/regional CSR projects fit in with global development goals – leading to co-funding of civic society projects.

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CSR compulsory?

Current worldwide practice:

- Only employee rights, product safety and environmental protection are mandatory
- CSR is voluntary – exception is Indonesia

Main arguments for compulsory CSR:

- Too important to leave to the goodwill of business.
- Mandatory character brings in certainty.
- Certainty and equality among all companies, foreign or domestic.

Main arguments against compulsory CSR:

- CSR is about *output*, not *input*.
- Open to interpretation and manipulation
- Budgetary space can not be ordered by law; no alternative to taxes
- Intellectual initiative and insight can not be ordered by law

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HOW?

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A. Create scientific 'indisputable' basis and operational approach to CSR

A.1. Create Academic Chairs on CS ✓

- On 24 November 2008, the signing of an MOU between Universitas Indonesia and PA CSR Ltd in the presence of H.R.H. Prince Filip of Belgium.
- On 30 June 2009 the Academic Chair Professors were inaugurated

A.2. The Professors Are:



PROF. DR. ALEXANDER RINNOOY KAN ✓

- Current Chairman of the Dutch Government's Social Economic Council (SER)
- Former Vice Chairman of ING Bank
- Former Rector of Erasmus University
- Acclaimed Econometrician

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RODERICK M. HILLS ✓

- Founder and Chairman of the Hills Program on Governance at CSIS
- Former Counsel to the President of the United States
- Former Chairman of the Securities Exchange Commission
- Professor at Harvard University School of Law

SRI HARTINA URIP SIMEON ✓

- Former CEO of PT Unilever Indonesia
- Leader in Corporate Governance reform
- Founder and member of Indonesian Society of Independent Commissioners
- Considered as one of the leading CSR experts walking the talk in Indonesia



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A.3. Mission of PA CSR Academic Chairs

- The study of an organic relationship through the theory of Corporate Social Responsibility between central Government's poverty alleviation policies, regional authority's poverty alleviation activities, industry's profitability goals and civic society's social and economic development
- The practical consequence for each of these stakeholders if such an organic relationship exists and can be implemented

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B. Establish, for Credibility and Legitimacy, the PA CSR Platform for Society, Science, Industry and Politics ✓

Director: Prof. Dr. Margareth Gfrerer, former senior lecturer and researcher at the University of Applied Sciences FH-Joanneum Graz; Integrated Expert at the Faculty of Economics at Universitas Indonesia

C. Create Sector-Specific Framework Business Plans for Local Society in several countries, including China

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D. Create Vertical and Horizontal Alliances

D.1. How to create the required alliances

- *Top-down* through government/business inspired Framework
- *Bottom-up* through business/civic society inspired and research based local and regional plans and projects.
- *Result driven* ongoing reporting and analysis system

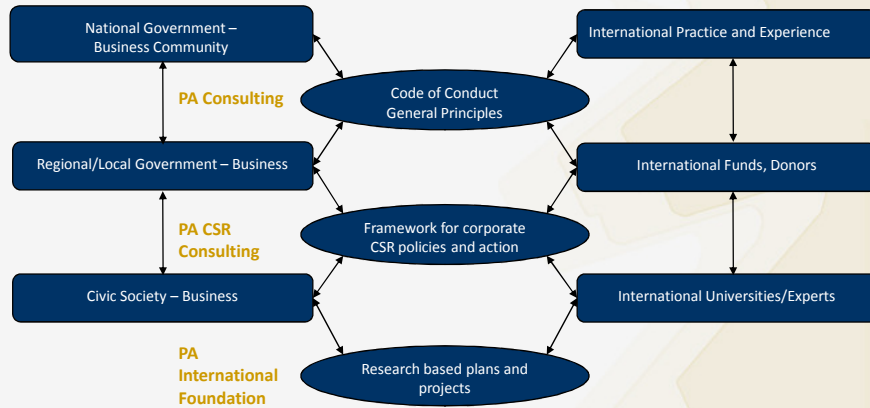
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D.2. PA CSR Bottom-Up / Top-Down Approach → Alliances



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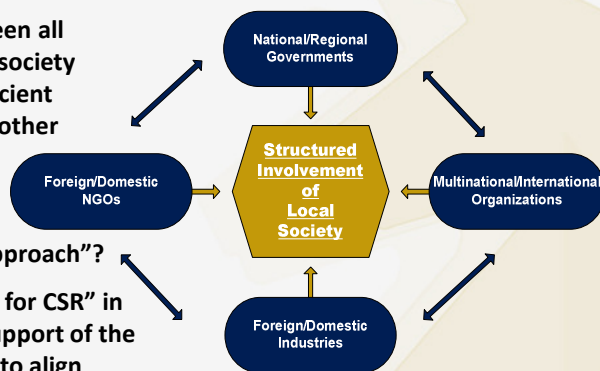


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D.3 Blueprint Per Project

- Structured dialogue between all stakeholders to help local society design and implement efficient strategies aligned with all other stakeholders
- How to build this “ideal approach”?
- Through “Academic Chairs for CSR” in different countries with support of the United Nations University to align Chinese, other Asian, US and EU experiences and practices



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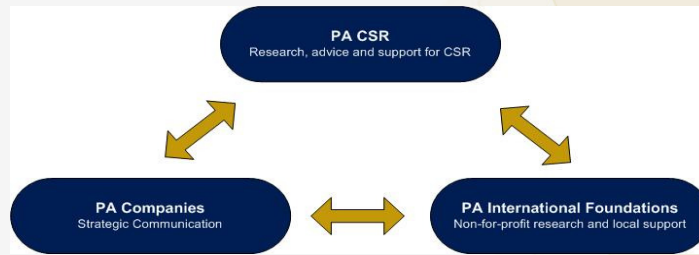


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PA Unique Synergy

- 20 years of advising companies and governments on strategic communication/sustainability, CSR approach and programs
- Global Network of PA/PA CSR companies – Track Record of over 400 successfully listed clients – Board with Elder Statesmen – Access to national and international authorities
- Strong Relationship with Media
- Practicing what we preach through PA International Foundation



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Other Foundations supported & initiated by the PA Group



Tasik Children's Foundation



- Sultan Qaboos Academic Chair for Quantitative Water Management, Utrecht University, The Netherlands
- Yayasan Lambrineu, Lhok Nga, Banda Aceh
- Support to earthquake-stricken schools in Baolin, Sichuan, People's Republic of China
- Tasik Children Foundation, Tasikmalaya
- Kofi Annan Business School in cooperation with Vlerick Leuven Gent Management School in Belgium and Hogeschool Utrecht in The Netherlands

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