

**Keynote Speech of
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**Opening Session: Corporate Governance & Responsibility:
Role of Business in Achieving Sustainable Development**

**Conference on Corporate Governance & Responsibility: Theory Meets
Practice**

20 July 2016

H.E. Masagos Zulkifl bin Masagos, Minister of Environment and Water Resources of Singapore,

Distinguished participants from Government, private sector, international organisations, civil society organisations, and academia,

Ladies and gentlemen,

Good afternoon.

ASEAN is an emerging region with many remarkable achievements. ASEAN's GDP has nearly doubled since 2007 with the average GDP per capital growing by almost 80%. In 2014, ASEAN rose to be Asia's 3rd largest economy and 7th largest economy of the world. In the same year, the region attracted around 11% of global foreign direct investment inflow, representing 120% increase from its global share in 2007. There are many factors and actors that have contributed to this astonishing growth of ASEAN and private sector, from big corporations to medium and small enterprises, are amongst the movers and shakers of the region.

Private sector is not only integral part of economic system, but also wider social and environmental system. Therefore, it has a very crucial role in the pursuit of sustainable development.

1. The global push/trend for greater private sector contribution to sustainable development

Today, corporate social responsibility, or responsible business principles or corporate sustainability, is no longer just a trendy buzzword. Although CSR is a voluntary initiative, it is increasingly considered as a must, a norm, for any credible and responsible business or corporates to adopt. Companies are being held accountable not just for their economic contribution and economic relationship with their clients or consumers, but also for their social and environmental impacts of their operation.

Movements such as the United Nations Global Compact, and standards such as the ISO26000 Guidance on Social Responsibility and the GRI Sustainability Reporting Framework, are becoming mainstream activities for businesses, particularly among the multi-national companies and big corporates. The new United Nations' Sustainable

Development Goals or SDG also calls for greater private sector engagement and contribution in achieving the 17 goals.

2. ASEAN 2025 Blueprint: Increased role of the private sector in building an inclusive, equitable and sustainable regional community

Engagement with private sector and promotion of CSR toward sustainable socio-economic development in ASEAN has always been part of the ASEAN Community since our first Blueprint. It has however become more pronounced in the new ASEAN Community Blueprint 2025 which was adopted by the ASEAN Leaders last year.

The ASEAN Political-Security Community Blueprint 2025 recognises the role of private sector in tackling and solving key issues that hinder ASEAN's development, in helping in the realisation of a rule-based, people-oriented, people-centred community and in ensuring a peaceful, secure and stable region. It calls for the role of private sector, among other stakeholders, in instilling the culture of good governance and integrity and anti-corruption, and mainstreaming these principles into the policies and practices of the ASEAN Community, including of private sector.

The ASEAN Political-Security Community Blueprint also calls for the promotion and protection of human rights, fundamental freedoms, and social justice to ensure ASEAN peoples live with dignity, in peace, harmony and prosperity and the first thematic study on CSR and human rights undertaken by ASEAN Intergovernmental Commission on Human Rights or AICHR in collaboration with ASEAN CSR Network in 2014 already emphasised CSR as an enabler for protection and promotion of human rights and provided recommendations on how to boost such contribution such as the development of an ASEAN-wide CSR Human Rights Guideline or Action Plan on Business and Human Rights.

The ASEAN Economic Community Blueprint 2025 visions the Community that is highly integrated and cohesive; competitive, innovative and dynamic; with enhanced connectivity and sectoral cooperation; and a more resilient, inclusive, and people-oriented, people-centred community, integrated with the global economy. To achieve this, many strategic measures and actions will be employed and one of them is the promotion of contribution of stakeholders including private sector, on regional integration efforts through, among others, the promotion of CSR activities.

Often seen as the people's pillar of ASEAN, the **ASEAN Socio-Cultural Community and its Blueprint 2025** envisages the Community that engages and benefits the peoples, and is inclusive, sustainable, resilient, and dynamic. The Blueprint recognises and promotes the engagement of all stakeholders, including private sector, in addressing socio-cultural issues in the region ranging from rights of well-being of peoples including vulnerable groups, health, education and human development, and environment. Specific to CSR, the Blueprint includes the Strategic Measure to promote the integration of sustainable consumption and production strategy and best practices into national and regional policies or as part of CSR activities; and the Strategic Measure to promote public-private partnership, social entrepreneurship and CSR for inclusive and sustainable socio-cultural development.

These Strategic Measures are being translated into actions. I am pleased to inform you that under the ASEAN cooperation on labour, which is under the ASEAN Socio-

Cultural Community, **CSR in labour sector** is one of the 23 thematic areas to be addressed in its current 5-year plan. I am also pleased to inform you that the ASEAN Labour Ministers Meeting recently adopted the **ASEAN Guidelines for CSR on Labour** at their 24th Meeting in May this year in Vientiane. It will serve as guidelines for the governments, enterprises/establishments, employers' organisations and workers' organisations in ASEAN Member States to raise awareness on CSR among enterprises and establishments; encourage incorporation of CSR initiatives, human rights and decent work in the business practices; promote compliance of core labour standards set in national labour law and international instrument; and promote social dialogue among governments and employers' and workers' organisations. The Guidelines includes a board guidance on the priority areas namely forced labour and child labour, employment and employment relationship, human resource development and training, conditions of work and life, industrial relations, migrant workers and sustainable development. The Guidelines are available online at ASEAN website and I would like to encourage its use by business and corporates in the region. I also take this opportunity to thank the contribution of ASEAN CRS Network and ILO in supporting the ASEAN Senior Labour Officials in the development of these Guidelines. As a follow-up to the adoption of the Guidelines, the Ministry of Labour of Thailand, who leads this initiative, will soon host the ASEAN CSR Forum next month to share experiences and identify strategy to engage private sector in the promotion of CSR in labour sector.

Likewise, the **promotion of CSR in social welfare and development** has been planned as an activity in the Strategic Framework on Social Welfare and Development 2016-2020. Also under ASEAN cooperation on environment, there is a plan to expand capacity building initiatives on **sustainable production to private sector**.

3. Yet the current state of corporate governance and responsibility is still well below expectation

Despite the ubiquity and increased awareness and understanding, current state of CSR in contributing to sustainable development is still below expectation. There are many reasons that limit the action.

Among many reasons is the perception, from both private sector and the society, to see CSR as a voluntary philanthropic activity in this region. There is nothing wrong with philanthropic activity. However, confining CSR with philanthropic activity limits the understanding of CSR for it includes not only altruistic activities, but also integrity of the business as well as their ethical and responsible decision, action and operation such as environment-friendly production and decent work promotion which are very key to sustainable development. Therefore, there remains need to promote understanding of what CSR is and entails to move CSR initiatives beyond philanthropy.

CSR is also largely associated with multi-national corporations or big companies with a lot of resources, established SOP and wider customer base. There is still limitation when it comes to small and medium enterprises that either target local consumption or are part of the wider global supply chain. Such limitation does not only link to the understanding of what CSR really is, but also the deficiency in know-how on CSR among SMEs. As SMEs represent a major sector and share in ASEAN economy, with

88.8% and 99.9% total establishments in AMS¹, they have considerable impacts on society and environment. Therefore they need to be part of CSR movement. SMEs need to be enticed and their capacity should be supported in integrating CSR in their operations.

In our increasingly complex world, social, economic and environmental issues are getting more and more complex, multi-dimensional and involve many faces and forces. Governments alone cannot solve all the issues in isolation and engagement with all sectors in society is necessary. Encouraging CSR initiatives, however, should not be and be seen as another neoliberal trend of governments privatising social, economic and environmental problems or control and compliance of law and regulation. The responsibility of states to protect peoples and enforce rule of laws remain intact. It is and should be seen as an encouragement to big and small business to be responsible member of societies who are doing their part, within their operation or beyond, to contribute to sustainable development. Government should be ready and equipped to provide supports as well as incentives to private sector in setting and achieving its CSR agenda.

In the context of ASEAN, CSR should concretely respond to most challenging issues These include protection and respect of human rights and promotion of decent work, especially for vulnerable groups such as women, children, and migrant workers; elimination of corruption and culture of impunity; and food security and environmental sustainability so that the need of today would not compromise the future of our next generations.

4. Multi-stakeholder partnerships to fill the gap between expectations and actual practice of CSR, enabling development goals

Sustainable, equitable and inclusive development is everyone's business and public-private-people partnership (4-Ps) is critical to achieve it. Different stakeholders, with unique complementary strengths or core competencies, add value to efforts and pool their resources and assets in this pursuit.

In this last decade, teaching and researching corporate governance and responsibility has been flourishing and contributing greatly to increased awareness, understanding and practice of CSR in the region. Academics should be encouraged to continue to communicate knowledge on CSR and sustainability, to share and scale up best practices of CSR, and to educate and inform current and future generations on responsibility and sustainability. In this connection, I would like to congratulate ASEAN CSR Network and the Centre for Governance, Institutions and Organisations, of the University of Singapore Business School (CGIO NUS Business School) for having embarked on the 2 important research projects, notably Sustainability Reporting in ASEAN and Corporate Disclosure on Business Integrity in ASEAN which have drawn a relatively clear picture of the state of sustainability communication and transparency in the region. I believe that the findings will be good motivation for companies to do CSR and to communicate their CSR programmes/activities better.

¹ <http://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/small-and-medium-enterprises/>

I take this opportunity to commend the ASEAN CSR Network and CGIO for providing a regional platform for key stakeholders, particularly academics and practitioners, to get together to discuss how we can better implement CSR, bridging the gap between theories/expectations and actual practices. I wish the Conference a success.

Thank you.
