

“International CSR initiatives; their role and perspectives”

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Introduction

The drive to promote Corporate Social Responsibility (CSR) is a relatively new phenomenon in the history of development of modern capitalism. It has developed as means to fix negative effects of market mechanism in a globalized world and redress the value of social justice and equity, while promoting sustainable growth.

Nowadays, with development of the civil society and rising maturity of the citizens of the world, CSR has firmly taken root as an alternative of making social and economic progress. There are various CSR initiatives promoted by international entities, NGOs and by the United Nations. The UN Global Compact is the largest voluntary CSR initiatives promoted directly by the UN.

The current financial crisis demonstrated again the importance of CSR in business operations. “Triggered by the financial crisis, issues of comprehensive risk management, long-term performance and ethics are rapidly gaining relevance and consideration. Restoring confidence and trust in markets will require a shift to long-term sustainable value creation, and corporate responsibility must be an instrument towards this end.”¹ Paradoxically, however, the entrenched status of world economy has made it difficult for some corporate firms to engage in bold CSR activities. It is yet far for CSR to claim itself as a mainstream agenda of the international economy. However, with gradually changing mindset of peoples, CSR and mostly the UN Global Compact values will prevail as governing principles of societies and they will take central siege of economy and become mainstreaming issue in decades to come. For this, protagonists of CSR/ESG have to combine their forces to propagate further these values and various CSR initiatives need to be harmonized in a better fashion. The role of SRI spearheaded by PRI will be important to catch the involvement of further investors and corporate firms. The launching of the ISO 26000 and the 10th year celebration of the UN Global Compact in 2010 will serve as important momentum for strengthening the ground for CSR acceptance by the international community and the business circles.

1. CSR as new forces of social changes

The world enjoyed relatively affluent periods of progress since the end of the World War II. But this development was confined to industrialized countries

¹ Georg Kell , ” Foreword, UN Global Compact Annual review 2008”, UNGCO, May 2009

while many people lived under poverty. In 1970s, during the peak era of Cold War, there was the call for a New International Economic Order as demanded by developing world. However this was not realized due to the clashes between developed and developing countries and it was the force of market rather than empty call for equal justice which made the progress of the world. The UN efforts to regulate the activities of the multinational firms failed rather in vain.

The Cold War rivalry ended with the complete victory of the capitalist world and communism was vanquished except in few countries. In 1980s, globalization went full swing and the international community enjoyed unprecedented progress. However, in comparison with such brighter side of globalization, it also produced negative results in many fronts such as growing gap between rich and poor, continuation of world poverty, problems of diseases, lack of education, IT gap, economic and social governance problems including the climate change.

The fundamental UN principles and values were often not executed or disregarded. Under such circumstance, there was growing call for social justice at both domestic and international front. This is the reason why the UN launched in 2000 the MDG as key goals of the UN but this goal will take many years to be realized. The United Nations being pushed for a greater reform for more efficiency and transparency also launched the UN Global Compact in the year 2000.

In the past, the UN mostly worked with governments to promote the Charter mandate of promoting international peace and progress. However, for the past several decades, the role of NGOs grew in promoting economic and social agendas for both domestic and international front. In more recent years, the role of MNEs has become important as their sheer influence have grown globally. In view of this trend change, the UN has to broaden working relations with the private sector.

After the Asian financial crisis, new catch phrase of the Bretton Woods system was to have more inclusive world economy. There is felt need of engaging the private sector in order to cherish fundamental values of the UN such as human rights, environment cause and labor rights. The UN has taken up CSR as a value that it has to uphold as a means to accomplish its fundamental values. Alongside the Bretton Woods system, the WTO and the UN bodies, the private sector has to be organized to promote UN values; this is the behind reason why the UN Global Compact had to be created. The current economic crisis caused by the reckless pursuits of economic interests by a few investment banks (IB) and individuals demonstrate the need to have more CSR caring enterprises focusing

more on non financial economic performances.

Originally, CSR movements have begun in European countries, particularly in United Kingdom where traditions existed for caring for social cause. The religious funds preferred to invest in companies where no ethical violations are committed. The UK government adopted even a law on socially responsible pension fund as of 2000. The strong tradition of social cause in Europe has helped propagating CSR gradually in Europe.

In the USA, CSR can trace back to anti-alcohol or anti-drug campaign in early part of the 20th century. It was also developed as a means of fight and pressure against Apartheid regime in South Africa. Indeed, wide campaigns were organized against the South African government and companies for their Apartheid policies. Church funds exercised influence to not to invest in socially incorrect companies which violated the basic principles of human rights.

In recent years, namely since the Rio conference of 1992, more focus was given on environment issues and green promoters' pressure exercised influence on investors not to invest in companies who don't take environment consideration in their business model. More and more CSR promoters and NGOs have begun to emerge in recent decades since 1980s. CSR has begun to be accepted as social disciplines. New types of CSR have been proposed and more social funds are created and big pension funds target more sound and ethical companies.

The awakening of consumers, the rising civil society and the growing emergence of the mass as a whole influenced the importance of non financial consideration in evaluating the performance of companies which were only measured before by the financial result.

Another dimension is anti-corruption. Before the awakening of the general mass and the rise of the middle class attuned to democracy, corruption was accepted as an inevitable disease but the general public will have further reluctance of pardoning behavior of corrupted government officials and private actors. People just keep asking higher standards for political leaders, government officials and economic and social leaders. So there are calls for more and more cleanness and anti-corruption has become a keystone of measuring a firms' performance. This is happening not only in developed countries but also gradually in more countries including Asian countries. As they are transforming into democracies, there are more call for social responsibilities and this permits easier acceptance of CSR values than before.

All these trends influenced governments to adopt more CSR friendly policies.

These trends certainly affect the UN which in entering new decades, sought by that time changes and reform to react to criticism on its mechanism and on its functions. We can see by now, and especially after the world financial crisis, there will be more call for CSR and UN Global Compact principles based on UN's fundamental values. UN Global Compact and CSR will prevail in the future as a mainstreamed agenda of the international community.

2. UN led CSR Initiatives

There are various international initiatives to promote CSR initiated by the United Nations and the other UN bodies as well as by the private entities. These initiatives are often interlinked and for the sake of promoting their common goals, CSR promoting agents often collaborate with each other. Corporate Social Responsibility is often called by another pseudo name such as social responsibility (SR), corporate citizenship etc. Among the many types of international CSR Initiatives, one notes that following initiatives were launched by the UN or in cooperation with the UN.

A. The United Nations Global Compact

The UN Global Compact, launched in 2000, has promoted 4 areas of action: human rights, labor rights, environment and anti-corruption. Anti-corruption was not included originally in UN Global Compact but it was added to the UNGC when the UN adopted the UN Convention on Anti Corruption (UNCAC) in 2003. The UNGC has following 10 principles:

Human Rights²

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

² www.unglobalcompact.org

Principle 5: the effective abolition of child labor; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Since its inception in July 2000, the UN Global Compact has grown rapidly and today there are more than 6,500 members including 5,000 corporate members and 1,500 from civil society and non-business organizations across the world and in well over 130 countries.³ It has become single largest voluntary organization for CSR. The UN Global Compact is being promoted by 6 major UN Organs led by the direction of the UN secretary General; OHCHR, UNDP, UNOUDI, UNEP, ILO, UNIDO.

There are Global Compact local Networks over 80 countries. Business CEOs of the Global Compact meets every three year to chart the course of future action and network governance meetings is held annually and at regional level also, UNGC networks meet regularly to discuss promotion of CSR at regional basis. Through such meeting, networks compare their CSR promotion experiences and find best practices. Workshops, training sessions are organized and Working Group on human right, Working Group on Labor and Working Group on Anti-corruption are held to improve criteria of implementation of UNGC values and principles.

To join the UNGC, CEO of the new member has to submit a letter of application through the decision of the Board, committing themselves to carrying out the UNGC values. On the face of such commitment, membership

³ UN Global Compact, "Annual review 2008", ibid

will be given and it is encouraged to join the Global Compact local network. Once admitted, company members take measures to implement the UNGC principles inside the company and reflect them in business management and operation.

Companies are supposed to submit annual Communication of Progress report (COP) two years after the joining the UNGC. COP is an important mechanism to evaluate performance of companies in implementing the UNGC values. Just like a sustainability report, there should be clear CEO statement of expressing willingness to carry out UNGC values. Secondly, company should elaborate strategies and introduce mechanisms to implement UNGC goals and thirdly, the result of the yearly performance should be explained and measured. It is recommended that the UNGC members use international yardsticks such as GRI G3 guideline to measure one's performance. A third party certification may well be accepted.

The result of the COP will be communicated to various shareholders and registered also at the UNGCO which will examine the key structures of the report. The report will be fed back to CEO and top management to be used as a guide for next year's performance improving yardstick. As incentives, good papers are cited for notable COP. A COP can be written along the line of existing sustainability reports in case it exists. Otherwise, different type of COP is written following the 10 principles.

There is some criticism on the UN Global Compact in that it does not impose mandatory obligation to its members, for example in the field of human rights and labor. Also opponents argue that the Global Compact has no instruments for critics and monitoring. Some even worry that UN's favoring ties with the private sector might change balance in the UN's working structure by weakening NGOs position.⁴

It is true that there is no mandatory obligation and the UN Global Compact is a voluntary initiative but it is a real commitment to change and by writing a COP, the member company in question improves constantly its business management. "There are two types of ethical codes, both inspirational and directional. An aspiration codes offers a set of ideals, general in nature, that members of an organization are expected to hold but it does not have any enforcement mechanism. A directional code provides detailed guidelines and sanction for all

⁴ Hyeon D.Yeo, Young H.Ko , and S.P Park, Seoul School of Integrated Sciences and Technologies, "Perspectives about Social Responsibility from Business Community: Review of CSR philosophy on the UN Global Compact related Activities" , World Civic Forum ,May 2009

members. The Global Compact falls in the middle of this continuum with clear ideals and limited enforcement.”⁵

Among stakeholders of the company, there will be on-going dialogue and debates about how to improve the COP and how to encourage members to faithfully implement COPs. The activities of the UNGC are monitored by NGOs both globally and locally, and constant improvement is needed to satisfy the expectation of world public. The UN Global Compact initiated various action programs such as the PRI, Caring for Climate, PRME and Water mandate in cooperation with other stake-holders. At present, the UNGC is engaged in reform of its mechanism of works. From June on, a new member should submit COP one year after the admission instead of two years and if one does not submit report in time, it will be delisted from the members list instead of entering the suspension list.

Korea has 154 members signatory of the Global Compact and the Korea Network organizes different activities to help members implement well the UNGC principles. It also wishes to serve as platform providers for social dialogue in UNGC action related fields. The question now is how to deepen the commitment of member CEOs to a real action and how to broaden new participation of companies, municipal and territorial entities and more academic institutions.

B. PRI

In the field of social responsible investment (SRI), Principle of Responsible Investment (PRI) was officially created in July 2007 at the Business Leaders Conference of the UN Global Compact in presence of the UN Secretary General Ban Ki Moon. PRI has following 6 principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.⁶

Possible actions:

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses

⁵ Oliver F. Williams, University of Notre dame, “Recasting the Bottom Line : Educating for Capitalism in the 21st Century” ,UN PRME Special Session of World Civic Forum , May 2009

⁶ www.unpri.org

- Assess the capabilities of internal investment managers to incorporate ESG issues
- Assess the capabilities of external investment managers to incorporate ESG issues
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
- Encourage academic and other research on this theme
- Advocate ESG training for investment professionals

2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible actions:

- Develop and disclose an active ownership policy consistent with the Principles
- Exercise voting rights or monitor compliance with voting policy (if outsourced)
- Develop an engagement capability (either directly or through outsourcing)
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
- File shareholder resolutions consistent with long-term ESG considerations
- Engage with companies on ESG issues
- Participate in collaborative engagement initiatives
- Ask investment managers to undertake and report on ESG-related engagement

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible actions:

- Ask for standardized reporting on ESG issues (using tools such as the Global Reporting Initiative)
- Ask for ESG issues to be integrated within annual financial reports
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)
- Support shareholder initiatives and resolutions promoting ESG disclosure

4 We will promote acceptance and implementation of the Principles within the investment industry.

Possible actions:

- Include Principles-related requirements in requests for proposals (RFPs)
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
- Communicate ESG expectations to investment service providers
- Revisit relationships with service providers that fail to meet ESG expectations
- Support the development of tools for benchmarking ESG integration
- Support regulatory or policy developments that enable implementation of the Principles

5 We will work together to enhance our effectiveness in implementing the Principles.

Possible actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning
- Collectively address relevant emerging issues
- Develop or support appropriate collaborative initiatives

6 We will each report on our activities and progress towards implementing the Principles.

Possible actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'¹ approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. In signing the Principles, investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. Investors also commit to evaluate the effectiveness and improve the content of the Principles over time.

Signatories of PRI are asset owners such as pension funds, investment managers and professional service partners. There are 470 signatories and these members including renowned pension funds manage a total of 18 trillion dollars. From Korea, there are 8 firms joined as yet (5 investment managing firms, 3 Professional Service Firms).

In June 2008, PRI organized together with UN Global Compact and UNEP FI in Seoul a joint conference “Changing Landscape: Towards a Sustainable economy in Asia” where they adopted the Seoul Declaration to promote ESG values in Asia and beyond. PRI has a bright future as key playground of responsible investors. However, PRI target at responsible investment (RI) rather than socially responsible fund (SRI) so that more investors can join in responsible investment without being bound by the feeling of social obligation.⁷ However, one may pose question whether it is pertinent to omit “Social” from responsible investment. After all, PRI was originated also from social dimension of corporate investment, namely the promotion of ESG values.

C. UNEP Financial Initiatives(FI)⁸

The UNEP (UN Environment Program) has set up UNEP FI as voluntary partnership with financial entities to promote sustainable development in business operation of financial Institutions. UNEP FI currently works with over 170 financial institutions who are signatories to promote linkages between the environment, sustainability and financial performance. It provides to signatories with practical research, capacity building, action oriented publications as well as hosting international conferences and events. From

⁷ Presentation by Mr. Glen Saunders, PRI Board member from New Zealand at Seoul Conference on SRI held in June 2009.

⁸ www.unepfi.org

Korea, 10 firms signed in the UNEP FI and they formed a Korea group. As explained above, in June 2008, a joint conference was held in Seoul together with PRI and UN Global Compact.

D. Caring for Climate Initiatives(C4C)⁹

This is a voluntary and complimentary action platform for UN Global Compact participants to advance practical solutions and shape public policy and attitudes. As climate change needs early action to tackle the challenge , a consultation group comprised of business and civil society representatives convened by the Global compact , UNEP and the WBCSD prepared a Statement entitled “Caring for Climate , The Business Leaders Platform’.

It is a commitment of action by business and a call to governments. It offers an interface for business and governments for pragmatic business solutions, transcending national interests. At present Caring for Climate is endorsed by 356 Global Compact business participants. It played as a new driving force for pushing business action against climate change.

E. The CEO Water Mandate¹⁰

This initiative grew out of a highly collaborative partnership between the UN global Compact and the government of Sweden and a group of committed companies and specialized organizations dealing with the problems of water scarcity and sanitation. Launched at the UNGC Business Leaders Summit in July 2007, it is designed as a private-public initiative with focus on developing strategies and solutions to contribute positively to the emerging global water crisis. CEOs pledge to undertake actions to conduct comprehensive water-use assessments and promote awareness of water sustainability within corporate culture and business decision making. They also pledge to encourage suppliers to improve water conservation and build capacity to analyze and respond to watershed risk. CEOs will build closer ties with civil society organizations for collective action and contribute to formulate government policies and regulations.

F. PRME¹¹

⁹ www.unglobalcompact.org/Issues/Environment/Climate_Change

¹⁰ www.unglobalcompact.org/Issues/Environment/CEO_Water_Mandate

¹¹ www.unprme.org

(Principles of Responsible Management Education)

Meaningful and lasting change in the conduct of corporations toward societal responsibility and sustainability must involve business education academia namely business schools who groom future CEOs. For this purpose, management educators including professors, deans and associations gathered together to adopt the PRME under the auspices of the UN Secretary General and the Global Compact. Around 230 business schools of the world have joined in this initiative.

There are 6 principles to uphold by the PRME. PRME held the first international conference last December in New York. From Korea, already 4 business Schools have joined the PRME. Next year, it is planned to organize an Asian PRME signatory conference in Seoul. MBA courses equipped with curriculums of CSR will be able to groom future leaders of business with good ethics and mature sense of social responsibility in mind.

G. Other Initiatives by UN Specialized Agencies

ILO has given particular emphasis on CSR and 4 out of the 10 principles of the UN Global Compact came from ILO's core Conventions. It also has the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy which is the most comprehensive instrument in advancing labor dimensions of CSR. The ILO Declaration on Fundamental Principles and the Rights at Work as adopted in 1998 provides benchmarks for responsible business conduct.¹² To help promote the work of the UN Global Compact, ILO representatives participate in the work of the Labor Working Group of the Global Compact. For companies who want to ensure their operations are in line with international labor standards, ILO provides service of the ILO Help Desk.

The UNODC (UN Office on Drug and crime) plays another important role in CSR as major organ in charge of implementation of the UN Convention on Against Corruption (UNCAC).It promotes business coalition to make the UN Convention as a new Market Force. ¹³The UN Global Compact operates the Working Group on the Implementation of the 10th principle of the UNGC and the UNODC representative participates regularly with peoples from the OECD, ICC, Transparency International (TI) and the World Economic Forum/ Partnering Against Corruption Initiative (WEF/PACI).

12 ILO,UN Global Compact ,”The labor Principles on the UN Global Compact: A Guide for Business”,p1-11, published by ILO, 2008

13 www.unodc.org

The OHCHR (Office of High Commissioner for Human Rights) supports the work of the Global Compact Human Rights Working Group and helps the work of the Special Representative of the Secretary General on business and human rights.

3. Initiatives of Social Auditing

“While financial auditing focuses on all systems related to money flow and financial assessments of value for tax purposes and managerial accountability, social auditing deals with nonfinancial aspects of operations from both their internal and external impacts. Social auditing is a voluntary process today, whereas financial auditing is required of public companies that issue securities.”¹⁴

Among standards for social audit, GRI, ISO standard, AA 1000 are most renowned.

1) Global reporting Initiative (GRI)¹⁵

GRI was established by CERES (Coalition for Environmentally Responsible Economics) with a view to create conditions for the transparent and reliable exchange of sustainability information in 1997. GRI has developed the world’s most widely used sustainability reporting framework and has been continuously improved for the past years.

The cornerstone of the framework is the Sustainability reporting Guidelines. At present, the third version of the Guidelines, often called GRI G3 guidelines is widely used since it was published in 2006. Being used voluntarily by more than 1,500 companies of the world, this reporting mechanism is developed and improved constantly through a consensus-seeking process so as to ensure the highest degree of technical quality, credibility and relevance. In Korea, most of the companies producing sustainability report refer to GRI as reliable standards.

2) ISO14000, ISO 26000¹⁶

¹⁴ Thornel/Ferrell/Ferrell, Business and Society, “ A strategic approach to social responsibility “ page 405-406,Houghton Mifflin Company, 2008

¹⁵ www.globalreporting.org/AboutGRI

¹⁶ www.iso.org

The International Organization for Standardization (ISO) had developed standards dealing with specific environmental issues and the ISO 14000 family addresses various aspects of environmental management, with a view to minimize harmful effect on the environment caused by business activities and achieve continual improvement of one's environmental performance. At present, ISO is developing ISO 26000 standard as an instrument providing voluntary guidance on social responsibility (SR).

ISO 26000 is the designation of the future international standard giving guidance on social responsibility (SR). It is intended for use by organizations of all types, in both public and private sectors, in developed and developing countries. ISO 26000 contains guidance and it is not supposed to be certification standard like ISO 9001: 2000 and ISO 1400:2004. Even though it is not a mandatory or Certification requirement, the future ISO 26000 will influence a lot what social responsibility is and what business and organizations need to do to operate in a socially responsible way.

In developing this guidance, ISO cooperated with the ILO and UN Global Compact Office and OCED to ensure conformity with these existing standards. Once it will be published in late 2010, it will serve as an important basis of measuring conformity of commercial products or business operations with social responsibility. It will be a powerful SR tool to assist organizations to move from good intentions to good actions.

3) AA1000¹⁷

Accountability is a global, non-profit self-managed partnership founded in 1995 and serves as a global network of business, public and civil institutions to enable open and fair and effective approaches to stakeholder engagement and develop strategies for responsible competitiveness and developing collaborative governance strategies setting and influencing sustainability standards for the use of business, governments and civil society organization. A 1000 Series of Standards is the core work that helps organization to be more accountable, responsible and sustainable. The AA 1000 series consists of the AA 1000 Accountability Principle Standard and the AA 1000 Assurances Standard.

4) Equator Principles¹⁸

This is a financial industry benchmark for determining, assessing and managing

¹⁷ www.corporateregister.com

¹⁸ www.equator-principles.com

social and environmental risk in project financing. This initiative was launched to help international financiers to deal with social and environmental issues with respect to projects in the emerging markets. World Bank/IFC played key role in introducing this. Financial Institutions (EPFI) adopted these principles in order to ensure that the projects financed are socially responsible and reflect sound environmental management practices. These principles are intended to serve as a common baseline and framework for the implementation by each EP financial institutions of its own internal and environmental policies, procedures and standards, related to its project financing. Around 82 banks have joined the EP. Until now, no banks in Korea have joined this initiative.

5) Carbon Disclosure Project (CDP)¹⁹

The Carbon Disclosure Projects is an investor initiative founded in 2000 with a mission to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent dangerous climate change. Participating companies can offer information on carbon emission and management to stakeholders and investors. This will help inducing investments from investors who wish to make right investment decision, while preventing environment risk.

CDP is supported by 475 Signatory investors with \$55 trillion assets under management. First information request directed at 500 largest companies in 2003. In 2009, CDP addressed to 3,700 largest companies of the world. In Korea, first survey was done in 2008 targeting 50 major companies by the initiative of Korea CDP committee. In 2009, information request has been sent to 100 largest companies in Korea and CDP Korea report will be launched in October 2009²⁰.

4. SRI Indexes

In order to evaluate performance of sustainable management and CSR achievements, various indexes have been developed by major markets. Investors use such indexes to ensure that companies in their portfolios meet new environment and social standards.

A. Dow Jones Sustainability Indexes²¹

¹⁹ www.cdproject.net

²⁰ Kate Levick, Head of Government Relations , CDP at the Seoul CDP 2009 Breakfast Meeting of May 18, 2009

²¹ www.sustainability-index.com

The Dow Jones Sustainability Indexes, launched in September 1999, track the financial performance of the leading sustainability-driven companies of the world. The DJSI World covers the biggest 2,500 companies in the Dow Jones Global Total stock Market Index in terms of economic, environmental and social criteria. According to DJSI, sustainability-practicing companies integrate sustainability consideration into the decision making process, evaluate opportunities and risks through prism of sustainability and are led by CEOs with absolute commitment to sustainability, thus enhancing the company's competitive position.²²

Dow believes that sustainability is moving to the mainstream. And so far, leading sustainability-practicing companies indeed create shareholder value in comparison with laggard companies and sustainability assets will grow up. There is Dow Jones Sustainability Asia/Pacific Index capturing the leading 20% in terms of sustainability out of the 600 companies in the developed Asia/Pacific markets in the DJ global total Stock market Index. For DOW, Asia is still a nascent market. Recently, new efforts started in Korea to launch DJSI Korea in cooperation with the Korea Productivity Center.

B. FTSE index²³

Launched in 2001 first, FTSE4Good index series measures the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. The index series is derived from FTSE Global Equity Index Series. There are FTSE All-World Index, FTSE4Good Environmental Leaders Europe 40 Index, FTSE4Good IBEX Index, FTSE ET50 Index etc. FTSE Group operates various offices in the world and collaborates with various organizations to deliver solutions.

C. Domini Index²⁴

The Domini 400 Social Index (DS400) is a float-adjusted, market capitalization-weighted, common stock index of U.S. equities. Launched in 1990 by the KLD Research & Analytics, INC, it was the first benchmark index constructed using environmental, social and environmental screening on investment portfolios. Domini focus on ESG issues and companies involved in certain negative industries are not eligible for the Index. Such negative issues include Darfur

22 John A. Prestbo, Editor & executive director DJI, at Korea Productive Center Conference on "Sustainability on Economic Crisis : held in Seoul 28 April 2009

²³ www.ftse.com

²⁴ www.kld.com/indexes/ds400index

Crisis, climate change, human rights violations, alcohol, gambling, tobacco, firearms and other military weapons and nuclear power. Domini maintains the Index at 400 companies at all times, adding a company at the same time that another is removed. KLD endeavors to keep turnover on the Index at a rate consistent with turnover on the S&P500. It considers general performance of the Domini index is beyond the average standard.²⁵

5. The Other Actors related

A. OECD²⁶

OECD is an international entity composed of developed countries and has served to promote best standard of governance for both government and corporate sector, in keeping with evolution of the world economy. To become member of OECD, a country should commit itself to respect rules of fair competition, open its financial market, respect environment rules and internationally recognized labor principles.²⁷ OECD has set up the Guideline for Multinational Enterprises as a tool for MNEs to promote good function and prevent negative influence to the international society. This guideline, revised in 2000 touches on various principles on information disclosure, labor conditions, environment responsibility, anti corruption, protection of consumer interests, competition and taxation. OECD countries have peer pressure mechanism to mutually check behavior of member states, thus even though this guideline is non-mandatory, it serves as a tool encouraging MNEs behavior to be more in tune with social responsibility. OECD also recommends its members to respect good governance of corporate firms through its OECD Principles of Corporate governance which was adopted in 1999. In the field of anti corruption, OECD established an Anti-corruption Convention on giving bribe to foreign officials which is one of the unique tools governing clean behavior of MNEs.

B. World Economic Forum

WEF is an annual gathering of elites of modern capitalism. It has long been criticized by many protagonists of anti- globalization as gathering of the riches. However, WEF in order to adjust to change of the time now emphasizes often

²⁵ Presentation by Madame Domini at the Conference on Human rights and CSR , in December 2, 2008 in Seoul

²⁶ www.oecd.org

²⁷ In 1996, when Korea joined the OECD, it was subject to harsh scrutiny by OECD members on all these criteria.

the need of promoting corporate citizenship.²⁸ It organizes parallel segment event of social entrepreneurs during the Davos conference and developed PACI as a tool of fighting corruption. Perhaps there is further need of promoting transformation of Davos setting into a more socially responsible corporate culture or , at least further focus on cooperate citizenship.

6. Limits and perspectives of CSR initiatives

With many initiatives developing, CSR awareness has taken root more firmly in modern business world. The recent economic crisis has further testified again to the need for developing responsible and accountable business culture. Education of responsible management at university and business school level has added importance to groom future business leaders. Even though UN Global Compact has expanded to 6500 members around the world, and more companies are joining in, CSR or SR is still in minority camp in comparison with vast majority of corporate firms around the world. There is the need of deepening the CSR value implementation of corporate firms and proving that they are doing better performance in both financial and non-financial terms particularly when viewed with mid and long-term perspectives, thus achieving the goal of long sustaining business.

Due care should also be given to criticism that “Leaders in both business and civil society have focused too much on the friction between them and not enough on the points of intersection and they should follow the principle of shared value.” “If corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed--it can be a source of opportunity, innovation, and competitive advantage.”²⁹

The UN in adopting CSR as a goal meeting the universal principles has every reason to promote CSR initiatives. Perhaps leading promoters of CSR must further ponder on different initiatives of CSR and find common ground for pushing this goal to make the world better place to live in as they do for the issue of climate change. Next year’s World Business Summit of Global Compact members can be such a venue of exchange of views among CSR protagonists.

²⁸ Professor Schwab’s article contribution to Foreign Affairs in Spring edition 2008

²⁹ Michael E. Porter and Mark R. Kramer, “Strategy and Society; The Link between Competitive Advantage and Corporate Social Responsibility” ,Harvard Business review December 2006

At Korean domestic front also, we may need collateral action, and cherish further opportunity of pondering on our societal challenge to make our values more accepted by our corporate culture and by our society to become a mainstream agenda. Our performance as prime movers is important and further positive records by our corporate members will also be very much important. However, one thing is certain that if Korea wishes to march ahead as a developed country, we would have to transform this society into a more responsible and accountable member of the international community. Our companies also need to develop good corporate culture, more responsible and more accountable one, if one wishes to be top class world brand and long sustainable business. The much awaited “Brand Korea” will be realized through such responsibility and accountability. Until CSR will be accepted as mainstreamed one, further endeavor is much needed from pioneers from NGOs, CSOs, business, and academia and by the government.

Lastly, can CSR/UNGC values be a uniting force in northeast Asian economies as China, Japan and Korea all subscribe to this goal supported by the UN? “As more companies join the Global Compact from China, Japan and Korea, more cooperation and partnerships are being realized among UNGC member companies. One can have positive expectation that regional companies share common business ethics based on the UN Global Compact 10 principles.”³⁰ This is still a far expectation. But as CSR is taking root in our part of the world and there is felt need of regional concert to reflect Asian experiences to the agenda setting of the Global Compact, further interaction among CSR/UNGC promoters in the region is something we have to work on.

³⁰ 江橋 崇 , “Socially Responsible Management of Business “ Hosei University Boissonade Institute of Modern Law and Politics , March 2009

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