



**Asia-Pacific
Economic Cooperation**

Corporate Social Responsibility in the APEC Region

Current Status and Implications

**Economy Paper:
Thailand**

Thailand Report
on Corporate Social Responsibility

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Introduction

Corporate Social Responsibility (CSR) is gradually revealing itself as an influential concept in the conduct of cross-regional and cross-sectoral business activities. In Asia, socially responsible investment (SRI) is also emerging in the region's major economies, further encouraging socially responsible Asian companies.

Despite the global trend of businesses taking greater responsibility for the enhancement of societal well being, it is worth noting that different economies approach the CSR concept not only at different pace, but also with different emphases. The term and scope of "Corporate Social Responsibility" remains remarkably ambiguous in theory and practice. To project the global view of the current CSR situation and direction is, therefore, full of challenges.

This paper aims to provide an indicative overview of the discussion around and practice of CSR in Thailand. It is prepared through the collaboration among experts from governmental agencies, businesses, non-profit organizations and academe.—

1. Origin of CSR Thinking and Practice in Thailand

The initial development of CSR thinking in Thailand evolved from key concepts in Thai culture and way of life related to traditional religious beliefs. The ideal of "doing good deeds for others and making merit" is an important part of living an ethical life as taught in Thailand. According to this ideal, the urge to do good comes from the "spirit within" not from any self-interested motive or outside compulsion. As business is recognized as a unit of society, Thai business owners' appear to accept the ethical duty to perform good deeds. According to the Thai way of life and culture this is primarily done through "Donations" or "Philanthropy".

In the mid 1970s, when Thailand opened its economy for foreign investors as part of the country's transformation from a socio-agricultural economy to an industrialized

economy, a large number of foreign companies as well as joint-venture businesses were incorporated in Thailand. The Thai economy grew rapidly. As Thailand became industrialized, natural resources were consumed to generate profit. Consequently, such exploitation caused severe environmental problems and this became a critical issue for society and for government. During that time, the business philosophy of "maximizing profit" by "minimizing cost" was widely accepted in the business world and was considered as a normal practice. An effort to minimize cost was made through unfair treatment of labor. Businesses, largely based on cheap labor and cheap natural resources, from the 1970s to the mid 1980s were operated in this traditional way to survive and grow.

When CSR concept emerged in the late 1990s and became part of the agenda cited by a number of international development agencies, large international business, many of which have their production bases located in emerging countries, have been responding to the CSR agenda. This is believed to help companies preserve a "license to operate". In other words, business is seeking a welcome or non-legal permission to exist and run their operations from the society where those operations are located. The emerging CSR trend calls on businesses that have caused harm to the places where they are located to commit to behave ethically and help society achieve a better quality of life. This trend has spread and influenced local businesses in developing countries to adjust themselves in response to this global movement.

As is the case elsewhere, foreign investment has brought foreign business practices to Thailand. There is evidences that by the 21st century many MNCs and their subsidiaries were explicitly required by their headquarters policy to undertake CSR programs. These programs are labeled as CSR and given significant publicity in company advertising, public relations and annual reports. It often appears that local companies have been slow to adopt CSR. In fact, when we look at Thai business history, a number of local Thai companies have acted ethically in line with the CSR concept without knowing that this was CSR or using the CSR label for their responsible actions. Local Thai companies

have often acted responsibly to their neighbors and to society, within the limitations of their capability and available resources.. Their good deeds start from “donations”, and but frequently extend to activities to benefit society. The companies whose business nature tends to generate unfavorable impact on society (such as the extraction of natural resources, or the release of polluting materials) need to maintain their businesses. Therefore, they take part into community involvement and do good deeds to relieve the potential problems which may exist. These approaches and practices are adopted by corporate entities at different speeds and with different emphases, so it is difficult to generalize.

2. CSR Philosophy in traditional Thai context.

At a time of the economic difficulties resulting from the 1997-1998 financial crisis, His Majesty King Bhumiphol Adulyadej recommended the philosophy of “Sufficiency Economy” to guide the Thai people towards a balanced way of life. This concept is considered a key to achieving the “sustainable development” goal initiated and promoted two decades ago by the United Nations. His Majesty the King’s concept of a “Sufficiency Economy” has been publicized widely and has gained the recognition of the international community.

Importantly, “Sufficiency Economy” is a philosophy bestowed by His Majesty the King to his subjects through royal remarks on many occasions over the past three decades. The philosophy provides guidance on appropriate conduct covering numerous aspects of life. After the economic crisis in 1997, His Majesty reiterated and expanded on the "Sufficiency Economy" in remarks made in December 1997 and 1998. The philosophy points the way for recovery that will lead to a more resilient and sustainable economy, better able to meet the challenges arising from globalization and other changes.

“Sufficiency Economy” is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the

populace at all levels. This means that people should avoid excesses and extremes in their conduct of life. This applies to conduct at the level of the individual, families and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in line with the forces of globalization while shielding against inevitable shocks and excesses that arise. “Sufficiency” means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilization of untested theories and methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fiber of the nation, so that everyone, particularly public officials, theorists and businessmen adheres first and foremost to the principles of honesty and integrity. In addition, a balanced approach combining patience, perseverance, diligence, wisdom and prudence is indispensable to coping appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental, and cultural changes occurring as a result of globalization.

This concept has influenced Thailand’s economic and social development policy and has been adopted by the National Economic and Social Development Board (NESDB). The NESDB considered it most appropriate to use the royal philosophy as a guideline for determining policy, planning and implementation at all levels. This philosophy is meant to serve as a guideline to help the Thai people earn a good living and assist the country in overcoming the economic crisis.

In the formulation of the Ninth National Economic and Social Development Plan (2002-2006), the Office of the NESDB adhered to the “Sufficiency Economy” philosophy. The objective is comprehensive integrated development with "man" as the center of development. The goals are to achieve “sustainable development and proper well-being for the Thai people.” It is a “balanced development”, which takes into account the economy, society, politics, and the environment, with the aim to make people in the society happy,

self-reliant, and abreast with the world, while still preserving the Thai national identity. This corresponds to innumerable initiatives that His Majesty has graciously bestowed on his subjects.

The Ninth National Economic and Social Development Plan set forth the main objective, which is to improve the structure for balanced national development. This involves a shift from the previous development approach that focused on quantitative development, to an approach that emphasizes qualitative development. This is done together with building fairness in society and the ability to keep up with the changing world to render benefits for the people of the country, thereby leading to sustainable development.

In this connection, the Ninth Plan also has set the new goals for development of the country. It has shifted the original focus of increasing wealth through expanding economic growth to a focus on forming a strong foundation and distributing the benefits equally.

Clearly, the concept of social responsibility and caring for all stakeholders are essential elements of this “Sufficiency Economy” philosophy. With the aim to achieve a more sustainable society, all stakeholders in business should embody this concept in their practices. It can be said that this concept of “Sufficiency Economy” provides a fundamental and indigenous concept of Corporate Social Responsibility in Thailand, where the focus is not only on economic growth, but also all other aspects such as social development and environmental protection.

3. Scope of Current CSR Practice and Illustrative Examples

The evolution of CSR has led companies to seek to be recognized as “a good citizen” in society. There are different CSR terminologies such as “being a good company”, or “Corporate Citizenship” or doing business ethically. CSR, in the general perception of Thai businesses, is interpreted as what business puts back – and can show it has put back – in return for the benefits it receives from society. Another point of view on CSR emphasizes a company’s

interaction with the legal and social obligations it has to the societies in which it operates and about how it accounts for those obligations.

In this report, based on the Thai CSR thinking explained above, we identify CSR practices from the initial stage of donation or corporate giving to modified practices that lead to the optimal level of raising CSR to the level of a crucial part of the overall business management strategy of a company.

Companies typically evolve from stage to stage in their consideration of CSR. Starting with the traditional way of doing business, companies primarily exist only for short-term shareholder profit. As the company realizes that it is one of the citizens in a society allows it to earn revenue and gain profit from selling products and services to customers, it begins to consider how it can provide a return for those societal benefits. An initial stage is to contribute or give “donations” to charities when asked. This step is “Philanthropy”. Donors do not expect long-term result, but only want to meet current demand of the recipients.

The next step usually comes from the idea that the corporate entity is a citizen of the society in which it is located. Corporate entities become more aware of events or issues that affect society and consider that impact as a part of their concern. Contributions for society’s benefit are made to respond to the needs of neighbors in the society. This step leads corporate entities do good for “Community Affairs” and set up regular strategic giving that is linked in some way to their business interest.

The further step of becoming a socially responsible business is often what is known as “Corporate Community Involvement”. Corporations allocate their resources for social investment that engages stakeholders within and outside the company to simultaneously create value for both business and society. This step requires strategic partnerships initiated by the company.

The final step could be called “Sustainable Development” or “Sustainable Business.” At this stage the company has integrated the “giving back to society” mission into its

business functions, goals and strategies. This involves “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

This stage focuses on how business can improve the quality of life by its operations and practices and at the same time contributes to the success and sustainability of the business itself. One crucial point is that the idea behind the concept is not only to bring long-term profit to the business, but rather that “business shares the view that there should be a common goal, not a conflict between economic growth, social development and environment protection both now and for future generations.”

Good companies at this stage attempt to balance and integrate their economic, social and environmental responsibilities and to minimize societal harm. They try to optimize societal benefit while providing wealth to the company’s owners and shareholders. CSR assumes compliance with law as a bare minimum and goes beyond what is required to a voluntary, non-mandated set of activities.

In Thailand today, it is clear that many corporate entities are implementing CSR on different levels; from the initial step of donations to the ultimate step of integrating sustainable development into their business strategy. Most of the businesses in the Thai economy, where SMEs represent 90% of all businesses, have been doing good in terms of traditional culture – donations and philanthropy. Larger companies, which are pressured by both local and international competitors and suppliers, have realized that social investment can strengthen a company’s potential competitive success in the longer term. Not surprisingly, multi-national companies from Western countries have put CSR statements in their corporate missions and aspire to reach the level of integrating “sustainable development” and CSR in their business strategies.

The scope of CSR practices in Thailand can be illustrated by grouping businesses into two broad groups according to the nature of the impact they have on the environment, workers, society and communities.

The first group includes industrial companies whose operations tend to create unfavorable environmental or social impacts. These types of businesses include MNCs and large-scale Thai companies in heavy industry, power production or natural resource extraction sectors.

The second group is businesses that tend to create less unfavorable impacts on the environment, but may harm their workers or people living in the society. This group includes local large and medium size Thai companies, trading and labor intensive manufacturing that may be linked to international buyers. This group can include garment and foot-wear manufacturers as well as companies that may be seen as making products or providing services that can have undesirable health impacts.

To better illustrate the situation of CSR in Thailand, this report provides four cases of companies involved in CSR in Thailand. There is no special intention to promote these companies as models of CSR or to criticize them. Rather, this section is simply meant to illustrate some current CSR practices and give examples of corporate CSR for informational purposes only.

I. Industries whose operations have direct impact on environment and community.

This group of corporations include those that are heavily involved in production, such as manufacturers of petrochemical products, cement production, pulp and paper, automobiles as well as producers of energy and extractors of raw materials. It is clear that such companies have obvious and tremendous impacts on the environment. They require or extract raw materials and typically have operations that produce significant waste. Furthermore, the production process in these large manufacturing companies often have great consequences for their surroundings. The industrial waste from such companies can be harmful to the environment and the people nearby. Even the waste heat from operations can have an environmental and societal impact, such as when the heat from factories warms nearby bodies of water and affects fish and the fishing communities that rely on them.

It is clear that companies in this group need to practice CSR and incorporate community involvement program into their business plans. This is not only to gain “the license to operate” from the surrounding communities, but also to sustain their business and enhance their business competitiveness. Since waste represents a cost to a company, reduction or elimination of waste can reduce costs and therefore make the company more efficient.

Some of the companies in Thailand in this group, including MNCs, joint-ventures and large local companies, have already step up and integrated CSR into their business strategies. In some cases CSR has gone beyond expediency in preserving the license to operate and has become well integrated into their business core, their visions and missions.

The pioneers in developing these kinds of CSR activities are mostly in environment-involved industries. Since the concern of environmental issues has grown around the world, these companies realized their impact on the planet and started to implement programs to protect the

environment. Some companies still, at the present, engage only in environment-related issues as this is the main focal point of their businesses. Many other companies, however, have developed more community engagement on broader social and development issues along with their original environment-related programs.

According to a study of secondary sources of information, such as annual reports of top 50 companies in such business categories mentioned above that are publicly traded on the Stock Exchange of Thailand and articles in business magazines, corporate community engagement programs include education, health improvement and capacity building for the industry workforce. These programs help companies maintain their license to operate and to become an employer of choice. As a result, this provides more stable and long-term profits for shareholders and managers as well as creating a more sustainable development for the society.

Many of the MNCs and large local Thai companies whose shares are publicly traded in the Stock Exchange have made progress in implementing and reporting their CSR activities. The most outstanding Thai conglomerate in the CSR initiative in Thai business history is the Siam Cement Group of Companies. The company and its group affiliates have already adopted the international CSR best practices such as participating in the Global Reporting Initiative (GRI) or reporting their CSR activities in parallel with their business performance report.

The following two business cases in the first group are DuPont (Thailand) an MNC company in Thailand that implements CSR on an international basis, and Ratchaburi Electricity Generating Holding Public Company Ltd. which takes part in community involvement for sustainable development.

DuPont (Thailand) Limited /CSR Business Case

DuPont Thailand, a subsidiary of E.I. DuPont of the USA - a global science company, was established in 1971, operates in more than 70 countries worldwide. It describes its CSR commitment in the corporate vision statement, as “*DuPont is a science company. Our vision is to be the world’s most dynamic science company creating sustainable solutions essential to a better, safer, healthier life for people everywhere.*”

Through financial contributions and the volunteer efforts of its employees, DuPont supports programs and organizations that address social progress, economic success and environmental excellence, all vital components of community sustainability. According to the DuPont’s headquarters global mission, its affiliated network in other parts of the world have to put CSR in the corporate strategy and practice all steps of CSR. This includes Philanthropy, Corporate Affairs, the Corporate Communities Involvement and Sustainable Development.

DuPont’s CSR practice in Thailand is a good sample of a CSR practice that integrates the company’s business competency, *focusing its core value of safety, health and environment to match with the needs of community around its site/plantation locations.*

The company has adopted a comprehensive policy that covers social progress, economic success and environmental excellence. As a part of its broad commitment, the company’s activities for community outreach have been implemented under the philosophy of “improving the quality of life and enhancing the vitality of the communities in which it operates throughout the world”.

DuPont implements CSR both through its own staff capacity and to some extent through partnering with non-profit organizations and government agencies.

This company illustrates the trend that processes towards sustainable development include not only donating money or materials to those who are in need, but also reaching out to the communities. The corporate policy is to benefit society, people and planet. Many companies have realized that it is no longer enough to respond to society’s needs from time to time.

Rather corporations should act as good citizen in the society on a continuing basis and commit themselves to preventing as well as repairing damage. They need to more broadly support good causes in society, thus leading to the sustainability of both the society and business.

Ratchaburi Electricity Generating Holding Public Co., Ltd

Ratchaburi Electricity Generating Holding Public Co., Ltd, a Thai listed electricity generating company is another case that has been implementing many projects in the surrounding communities since its first year of operation in 2000. It has a special focus on 72 villages in 8 districts in Ratchaburi province.

The company positions itself as a "partner" with the community to work together to enhance the community's standard of living and protect the environment for future generations. To date, the company has supported both financial and equipment assistance to many valuable projects in various areas, including:

- Healthcare service
- Education and youth
- Civic and community development
- Environment
- Arts, culture and religion
- Humanitarian relief
- Charitable contributions

In CSR program implementation, the company adopts a multi-sector collaboration by working with a well-known Thai non-governmental organization, namely the Population and Community Development Association (PDA).

The scope of CSR practices in MNCs and large local Thai companies are not limited to the individual companies' expertise and their existing resources. The trend of "multi-sector collaboration" has become popular. In this type of collaboration, a variety of partners agree to work cooperatively together on a specific development program. The platform offers partners the opportunity to exchange ideas between the business world and grassroots community organizations. This collaboration has led to a utilization of capable human resources in specific areas where each partner may need something from each other to complete the project.

II. Businesses that create less unfavorable impacts on environmental, but still influence on people living in the society. These group members include local large and medium size Thai companies, trading, financial and banking, labor intensive manufacturing plants influenced by international buyers.

This group includes local Thai companies that have to operate in line with international standards to be acceptable to international, CSR-conscious supply chains. For other business sectors such as medium sized and rural business, the CSR initiative comes from "spirit within".

In international trade, labor intensive and export-oriented companies have strong motivations to follow the rising trend of Corporate Social Responsibility. Companies feel the need adopt international standards into their practices to maintain their access to international supply chains. Besides the minimum requirements of qualified trading partners, this is attributed to the owners of global brand name products who have expanded their production bases by subcontracting to local manufacturers in emerging countries. In order to protect the

brand names in which they have invested large sums of money, these companies tend not to do business with companies that do not demonstrate CSR. There are several standards developed by international institutions that companies may be required to conform with in order to qualify to be suppliers to these brand-name companies. In the area of labor, standards include Social Accountability 8000, Fair Labor Association (FLA) standards, Worldwide Responsible Apparel Production (WRAP) standards, and the standards of the International Labor Organization (ILO). The Thai government has set up its own voluntary labor standard called TLS8001. Broader standards of social responsibility have been established by the United Nations Global Compact and the World

Business Council for Sustainable Development (WBCSD). The International Standards Organization in Geneva, which has already set widely used standards for quality (ISO 9000) and environment (ISO 14000) has begun the process of developing a comprehensive Social Responsibility standard, to be called ISO 26000. Such standards typically require fair treatment of women, minorities, the disabled and labor organizations. They forbid the use of child labor a protect workers' rights participate in union and industrial relations. The standards typically try to ensure that employees are provided with a healthy and safe workplace and often follow the ILO's Guidance for Occupational Health Management Systems.

Wonderworld Products Co., Ltd. /CSR Business Case

Wonderworld Products – a manufacturer and exporter of wooden toys, has announced its commitment to offering outstanding quality & value in edutainment for children in countries covering Asia-Pacific, Europe and the USA.

The company implements CSR both internally and externally. Internally, the company conforms to Thai labor law, ensures quality of life for its workforce and encourages corporate staff volunteering activities. Externally, it operates under a clear mission to act with concern for the environment and contribute to a “Smart and Civilized Society” by advocating protection of the environment. For example, the company insists on using only rubber-wood a replenishable source of wood that does not endanger forests.

It conforms to ISO quality and environmental standards and runs production plants that reuse and recycle waste for economical and environmental purposes.

Some businesses operate with the sustainability of its community members as a main objective, thus applying His Majesty the King's philosophy of the “Sufficiency Economy.”

improving the quality of life of people through the integration of modern and local wisdom in medical care – Abhaibhubejhr.

The last case in this session is a domestic company that has the explicit objective of

Abhaibhubejhr /CSR Business Case

Abhaibhubejhr, also known as Abhaiherb, was incorporated to generate income from providing traditional medical care at a hospital, selling herbal medicine products, herbal drinks and herbal cosmetics by a team of 84 personnel. The venture started with the hospital in 1941 in Prachinburi Province, Thailand. The original hospital building has been preserved as a Museum of Thai Traditional Medicine.

Abhaibhubejhr Hospital offers medical care using the best combination of contemporary technology, Thai traditional Medicine and alternative therapies in an efficient mix of holistic treatments. It adheres to the concept of sufficiency economy.

Abhaiherb's holistic approach does not stop at the laboratory or the pharmacy shop. Throughout its supply chain Abhaiherb practices business ethics, starting with the way it cooperates with the farmers in the region. Unlike mainstream pharmaceutical manufacturers, monocropping or single mass-cultivation of herbs are not accepted because strengthening communities, healing the environment, and forest preservation are the founding principles of the venture. These principles cannot be realized without full recognition of traditional wisdom while Abhaiherb includes youth development as its operational principle in order to bridge the gap between tradition and modernity.

Agricultural practices are strictly organic; certified and inspected by the Organic Agriculture Certification Thailand (ACT), and the International Federation of Organic Agriculture Movements (IFOAM). Social standards have been introduced and the International Social Accreditation and Environmental Labeling Alliance (ISEAL) has been formed with the help of IFOAM, providing a model for voluntary self-regulation and CSR in an economic sector where poverty is part of daily life for many of its actors: small farmers, their families and communities.

Abhaiherb says that it tries to set an example internationally as a social venture that responds creatively to the needs and capacities of its suppliers by recognizing the value of indigenous wisdom and respecting the dignity of farmers' life, as well as responding effectively to the growing need of urbanized citizens for holistic healing.

4. Extent to which CSR has been Taken up at the Strategic Level Businesses

The local CSR movement is becoming increasingly attractive in the Thai business environment. One of the promising signals is the urge from the government to promote CSR among the key business leaders as delivered in the Thailand's Top Executive Meeting Forum organized by the Stock Exchange of Thailand in 2004. There are also other potential modes of cooperation between the government and the business sector on certain issues, such as the national energy-saving campaign and the promotion of gasohol as a renewable fuel. Proactive and advanced corporate reaction to the social and environmental issues in Thailand is

found in the policies and strategies of certain leading companies, particularly those that impact the ecology and well being of the society, such as cement and petrochemicals.

Yet, Thailand can hardly claim that CSR practice in general has progressed very far for many companies. CSR is not yet explicitly considered or fully integrated in the strategic level of most businesses in the Thai economy.

First, there is an almost complete lack of data on CSR practices in the small and medium enterprise context, which covers over 90% of local businesses. Anecdotal evidence suggests that there has been an attempt to introduce the

CSR concept to the SMEs, but that it is not yet widespread.

Second, from the limited formal studies of the top 50 listed Thai companies, there is some evidence of the philanthropic activities shown mostly in the social contribution section of published and on-line corporate disclosure. But, broader social responsibility expressed in terms of written policy and strategy is generally at a low level, with more emphasis on the social rather than environmental aspects. Key issues found concern local community engagement and ethics.

There are two possible reasons for the failure to take CSR up to the strategic level. One is the lack of top management commitment to international business practices. Another is that the role of CSR is often undermined so that it simply serves a public relations function. It is also possible that philanthropic contributions per se are viewed as normal business practice in the Thai economy that does not require written policies. This is consistent with the origins of CSR in the Thai economy in which religious belief and traditional norms of ethical practice play a more crucial role in the local business behavior than explicit corporate policies.

5. Extent to which business-led CSR has engaged effectively with: government and NGOs

6.1 Government

Thai Labor Standard - Thai Corporate Social Responsibility

Labor is a valuable resource. Good labor management systems will lead to effective labor protection and fair practices, which will consequently contribute to higher quality of life, better products, social peace, and sustainable economic development. In order to attain the norm of labor practices reflecting responsibility and leading to the enhancement of competitive opportunities of Thai entrepreneurs, as well as to promote the quality of labor life, the Ministry of Labor's Department of Labor Protection and Welfare, in association with employer's and

employees' organizations, NGOs, government agencies and educational institutions has therefore established a standard for Thai corporate social responsibility under the provisions of the Constitution of the Royal Thai Kingdom, the provisions of the labor laws on labor protection, labor welfare, labor relations and occupational safety, health and environment, as well as the Convention of the International Labor Organization and the United Nations. The contents of the Standard also include the requirements of other labor standards enforced by domestic and international organizations.

The Ministry of Labor, the Labor Standards Administration Committee, a multilateral committee, has established the Thai Labor Standard, which had already passed the process of public hearing, to be cited as Thai Labor Standard: Thai Cooperate Social Responsibility (TLS 8001 – 2003).

The content of the Thai Labor Standard: Thai Cooperate Social Responsibility (TLS 8001 – 2003) is classified into 2 parts, as follows:

1. Labor rights and protection concerning the requirements of the conventions of the International Labor Organization, the requirements of the existing Thailand labor laws and the requirements of international trade agreements and practices.
2. A labor management system to ensure that labor practices will comply with the requirements and provide for continual improvement.

The implementation of TLS 8001 – 2003 by Thai businesses began in 2004. As of June 2005, approximately 30 businesses have been certified and this number is expected to increase steadily.

6.2 NGOs

The business sector in Thailand has engaged with NGOs to promote CSR practices by setting up networks for sharing information and experience related to social responsibility of their business operations as well as initiating cooperative activities beyond charitable or philanthropic donations.

On environmental issues, proactive members from medium to large corporations, many of which are affiliated with foreign counterparts, have worked closely with certain non-profit organizations to create collaboration with different stakeholders, including the government, industrial associations, local communities, other civil partners, and academia. Such attempts have resulted in various environmental actions at both national level (e.g. environmental directives, nation-wide green labeling programs) and at the corporate level (e.g. environmental policy formulations, cleaner production, environmental management systems, and environmental and social disclosure). Examples of major non-profit organizations include Thailand Business Council for Sustainable Development (TBCSD), Thailand Network of Eco-efficiency and Cleaner Production (TNEC), Responsible Care (Thailand), the Kenan Institute Asia, and The Greening Industry Network – Asia (GIN – Asia).

On social issues, some cooperation between business and NGOs has been evident, mostly in terms of common philanthropic activities such as supporting different social causes through donations to related NGOs. Nevertheless, the engagement between the two entities has progressed to the higher level. Many leading corporations have engaged in rural development programs initiated by well-established non-governmental organizations. With guidance from the NGOs, companies help lessen rural poverty by sharing their diverse resources (e.g. management skills, employees, marketing knowledge, contacts and finances) to help less privileged villagers learn to earn reasonable income through small enterprises, cottage industries, or small-scale agricultural projects. All of these contribute significantly to improve the well being and economy of villages in remote areas. Some proactive companies have become founding partners of NGOs that aim to promote sustainable society and CSR practice among small-to medium businesses and micro enterprises. Examples of NGOs actively working with business organizations include the Population and Community Development Association (PDA), Kenan Institute Asia and the Social Venture Network Asia (SVN-Asia) (Thailand).

6. Dimensions of CSR in Thailand

7.1 Human Rights

The following examples of the provisions on human rights under the Constitution of the Kingdom of Thailand B.E. 2540 (1997) support positive CSR initiatives in Thailand.

Section 50. A person shall enjoy the liberties to engage in an enterprise or an occupation and to undertake fair and free competition.

Restrictions on such liberties under paragraph one shall not be imposed except by virtue of a law specifically enacted for maintaining the security and safety of the State or the Thai economy, protecting the public in regard to public utilities, maintaining public order and good morals, regulating the engagement in an occupation, consumer protection, town and country planning, preserving natural resources or the environment, public welfare, preventing monopoly, or eliminating unfair competition.

Section 51. Forced labor shall not be imposed except by virtue of a law specifically enacted for the purpose of averting imminent public calamity or by virtue of a law which provides for its imposition during the time when the country is in a state of war or armed conflict, or when a state of emergency or martial law is declared.

Section 56. The right of a person to give to the State and communities participation in the preservation and exploitation of natural resources and biological diversity and in the protection, promotion and preservation of the quality of the environment for usual and consistent survival in the environment which is not hazardous to his or her health and sanitary condition, welfare or quality of life, shall be protected, as provided by law.

Any project or activity which may seriously affect the quality of the environment shall not be permitted, unless its impacts on the quality of the environment have been studied and evaluated and opinions of an independent organization, consisting of representatives from private environmental organizations from higher

education institutions providing studies in the environmental field, have been obtained prior to the operation of such project or activity, as provided by law.

The right of a person to sue a State agency, State enterprise, local government organization or other State authority to perform the duties as provided by law under paragraph one and paragraph two shall be protected.

Section 57. The right of a person as a consumer shall be protected as provided by law.

The law under paragraph one shall provide for an independent organization consisting of representatives of consumers for giving opinions on the enactment and issuance of law, rules and regulations and on the determination of various measures for consumer protection.

Section 58. A person shall have the right to get access to public information in possession of a State agency, State enterprise or local government organization, unless the disclosure of such information shall affect the security of the State, public safety or interests of other persons which shall be protected as provided by law.

Section 59. A person shall have the right to receive information, explanation and reason from a State agency, State enterprise or local government organization before permission is given for the operation of any project or activity which may affect the quality of the environment, health and sanitary conditions, the quality of life or any other material interest concerning him or her or a local community and shall have the right to express his or her opinions on such matters in accordance with the public hearing procedure, as provided by law.

Section 60. A person shall have the right to participate in the decision-making process of State officials in the performance of administrative functions, which affect or may affect his or her rights and liberties, as provided by law.

Section 61. A person shall have the right to present a petition and to be informed of the

result of its consideration within the appropriate time, as provided by law.

Section 62. The right of a person to sue a State agency, State enterprise, local government organization or other State authority which is a juristic person to be liable for an act or omission done by its Government official, official or employee shall be protected, as provided by law.

Section 79. The State shall promote and encourage public participation in the preservation, maintenance and balanced exploitation of natural resources and biological diversity and in the promotion, maintenance and protection of the quality of the environment in accordance with the persistent development principle as well as the control and elimination of pollution affecting public health, sanitary conditions, welfare and quality of life.

7.2 Environmental Stewardship

Responsibility to the environment is another critical dimension of CSR. To describe the environmental stewardship in Thailand, this report employs the four elements of Agenda 21's sustainable business strategy as a framework to analyze Thai business practices in four aspects: production, marketing, disclosure, and stakeholder engagement.

Production. Conventional production in Thailand has long been oriented to the cost controls needed to compete in local and international markets. Environmental issues in the perception of most companies were limited to waste, dust and smoke and reactively treated at the end of the pipe simply to comply with the regulations. Following the Earth Summit in 1992, the industrial sector has been urged by the government to alter their environmental strategy from reactive to proactive with pollution prevention management tools as in the following examples.

Cleaner Technology (CT) is one of the tools with very positive responses from Thai businesses. The principles (and relevant concepts, i.e. cleaner production, pollution prevention, and green productivity) were introduced to Thai business and industrial

sectors in the early 1990s and later to entities such as hotels, schools, hospitals, and communities. More than 54 projects specifically on CT research and development were conducted during 1990-1999. A key evidence of the governmental support is through the Ministry of Industry's Master Plan on Cleaner Production in 2001. At present, there are over 1,000 business organizations managing their operations according to these principles.

The ISO environmental management systems have been implemented in 981 companies nationwide (as of 3 July 2005). This puts Thailand among the leaders in Asia in terms of companies certified under ISO 14001. The top five industrial sectors include radio, TV, and communication equipments (11%), motor vehicles/transportation equipment (8%), chemicals (8%), electrical machinery (5%), and machinery equipment (5%). The trend is expected to increase every year though at a low rate, since most of the large companies have already been certified. The small and medium enterprises still hesitate due to restrictions in their human resources, budget, knowledge and environmental management.

More advanced and complicated environmental management tools are still at an early stage of development due to insufficient numbers of experts. For example, environmental performance evaluation is in the stage of developing indicators and indices, while life cycle assessment awaits the necessary databases.

In general, the promotional efforts from the government and relevant non-profit organizations have raised corporate environmental awareness and action in the nation. Yet success has generally been limited to large business organizations. Most small and medium enterprises (SMEs), which are over 90% of the industry sector, still use the reactive or defensive paradigm for their production.

Marketing. Environmental marketing or "green marketing", which is one of the Agenda 21's sustainable business strategies, has been introduced to the country for more than 10 years, resulting in the launch of many "green" products, such as unbleached clothing and garments, unleaded gasoline, UV-recyclable plastic bags,

energy-saving refrigerators, and products with refillable packaging. Nevertheless the growth of green marketing in Thailand is slower than in other economies as consumers lack awareness of natural resource and environmental conservation. Consideration of the environmental impact is still not an important aspect of their buying decision process.

One major initiative to promote green marketing on demand side is through green labeling scheme. Initiated by the Thailand Business Council for Sustainable Development, green labeling has become a national project with Thai Industrial Standardization Institute and Thailand Environment Institute as co-secretariats. Currently, there are 151 brands/models certified in 17 label product categories (as of 30 June 2005) mostly in paints, fluorescent lamps and air conditioners. Yet, it is not considered successful as the applicants are from only 30 large companies and the total number of green label product categories is 39. The majority of producers and distributors commented that they agree with the benefits of green labeling yet there is still no significant demand for green products from consumers.

Greening the Supply Chain (GSC) is a new initiative with high potential to manage the environment from the supply side. The Thailand Environment Institute has introduced the concept to the Thai industry by conducting cases studies of three companies from the Thailand Business Council for Sustainable Development (TBCSD) and their six supplier companies. With technical assistance and training, GSC in all supplier operations results in environmental benefit and cost reduction which enhance competitive advantage. This environmental management tool is in an emerging stage in Thailand.

Disclosure. Corporate disclosure, specifically on the environment, has gradually emerged in a limited scope. As disclosure is voluntary, there is no single format to release the information to the consumer and public. Few companies have fully adopted the guidelines of the Global Reporting Initiative. Others wish to follow as much as applicable to their business practice. The purpose is mostly to enhance the positive image of an organization as a responsible

corporate citizen, which is part of a long-term strategy to increase market share. The content of disclosure can be broadly classified as follows:

- Environmental aspects of product and service. (e.g. explanation of how a certified refrigerator can save energy and benefit the environment)
- Production process and service. (e.g. cleaner technology, ISO 14000)
- Environmental conservation activities. (e.g. reforestation, green concert)
- Support to environmental projects and campaigns of non-profit organizations. (e.g. elephant conservation, clean city).

7. Challenges and Future Opportunities

Considering the different factors, including the economic situation, the current stage of CSR practice, and external forces particularly from the developed economies, there are at least three related challenges in the promotion of CSR in the Thai economy. These challenges will also affect business reaction to the inclusion of social responsibility in a new series of the ISO standards.

The first and most fundamental challenge is the perception that CSR is restricted to philanthropic activities and thus fails to be taken to the strategic level in most businesses. Such perception-cum-practice is a major challenge that may delay businesses moving to a higher stage of CSR development.

The second, but perhaps the most critical challenge, is the threat of an economic downturn. To survive, companies generally minimize any costs not directly generating profit or defending short-term profit and market share. It is anticipated that CSR, which is still mostly perceived as philanthropic activities, will be one of the operating areas least emphasized during period of economic stress. This is simply because CSR is yet not a critical purchasing criterion of either consumers or industries. What required here, besides raising customer awareness and correcting corporate perception of CSR, are more substantive measures of the governmental support (e.g. tax reduction or exemption) to encourage business adoption of

CSR at the strategic level as well as implementation (e.g. employee welfare enhancement, operation of green house gas reduction program).

The consequences of the second challenge, combined with the normal negative impression on the external enforcement, become the basis for the third serious hindrance - resistance to adopt any CSR practices, at least beyond the philanthropic level. Such obstruction will add more complication to the global market environment as well as an attempt to develop single, international guidelines and later standards of the new highly complex social responsibility subject of the ISO 26000 series.

Nevertheless, there are some promising opportunities to mitigate the above-mentioned challenges. Many stakeholders in the Thai society currently demonstrate their contribution to the concept of CSR. Key governmental agencies, such as Thai Industrial Standards Institute of the Ministry of Industry and national financial institutions, such as the Export and Import Bank, along with trade and industrial associations recognize the importance of CSR and are positively reacting to its global movement through educating the business sector. The Stock Exchange of Thailand is interested in CSR, particularly in terms of socially responsible investment. Mass media, especially business newspapers, promote CSR as a new business mega trend. Academic institutions and local and international nonprofit organizations provide conceptual knowledge, practical tools, as well as networking for both large and small businesses. Overall, the support from these stakeholders will likely become local driving forces to promote awareness of CSR in the Thai economy. Whether this can create actual organizational changes to be more socially responsible remains to be seen.

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