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传真: +86 (0) 10 65924804
info@pa-csr.com; www.pa-csr.com



“Corporate Social Responsibility” Basics, Definitions, Practices

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

Euro-Asia Economic Forum
Xi'an, People's Republic of China

- 17 November 2009 -



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Basics

• Investments of EU

- In the ASEAN: €5.1 billion
- In South Africa: €3.5 billion
- In Africa, Caribbean, Pacific (ACP): €4,319 million
- In Russia: €17 billion
- In Latin America: €227.8 billion

• Investments of US

- In Asia: USD 454 billion
- In Africa: USD 31 billion
- In Russia: USD 7 billion
- In Latin America: USD 202 billion

• Investments of China

- In Asia: \$43.55 billion
- In Africa: \$5.49 billion
- In Russia: \$359.23 million
- In Latin America: \$3.68 billion

• Investments of Japan

- In Asia: \$23.3 billion
- In Africa: \$1.5 billion
- In Russia: \$306 million
- In Latin America: \$29.6 billion



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Basics

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

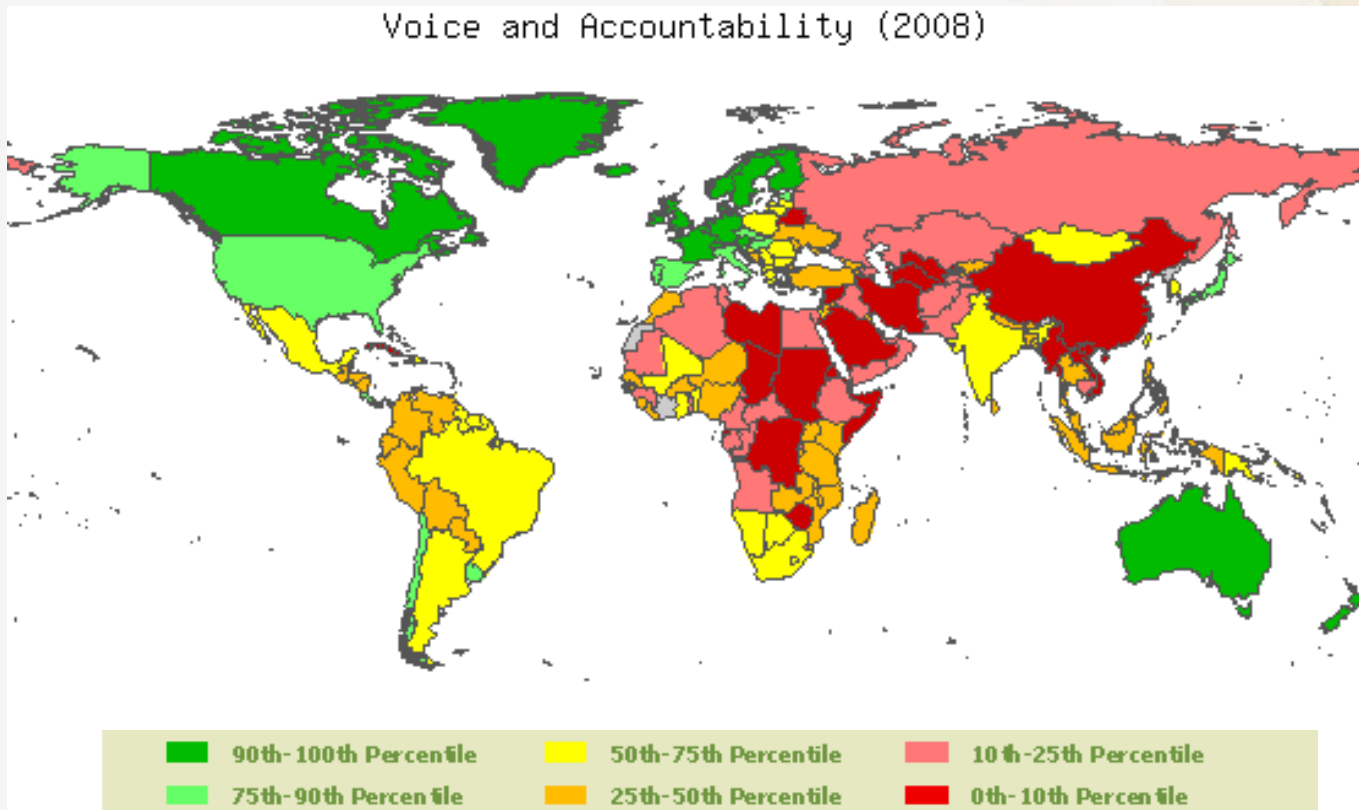
- 340 mio in East Asia = 18% of total population
- 500 mio in South Asia = 40% of total population
- 380 mio in Sub-Saharan Africa = 50% of total population
- 23 mio in Russia = 16% of total population
- 96 mio in Latin America/Caribbean = 19% of total population



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Basics – Worldwide Governance Indicator 2008: Voice and Accountability



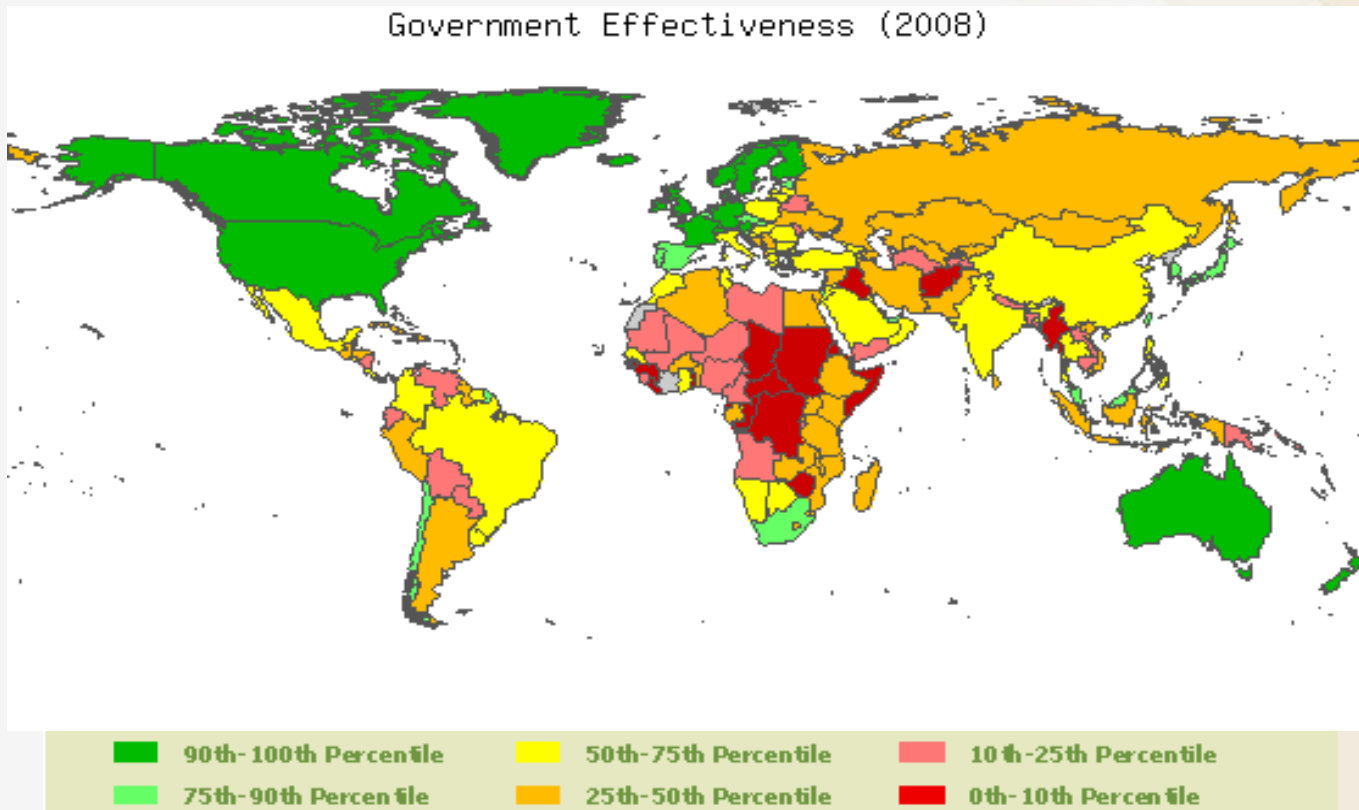
Source: World Bank



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Basics – Worldwide Governance Indicator 2008: Government Effectiveness



Source: World Bank

PA CORPORATE SOCIAL RESPONSIBILITY



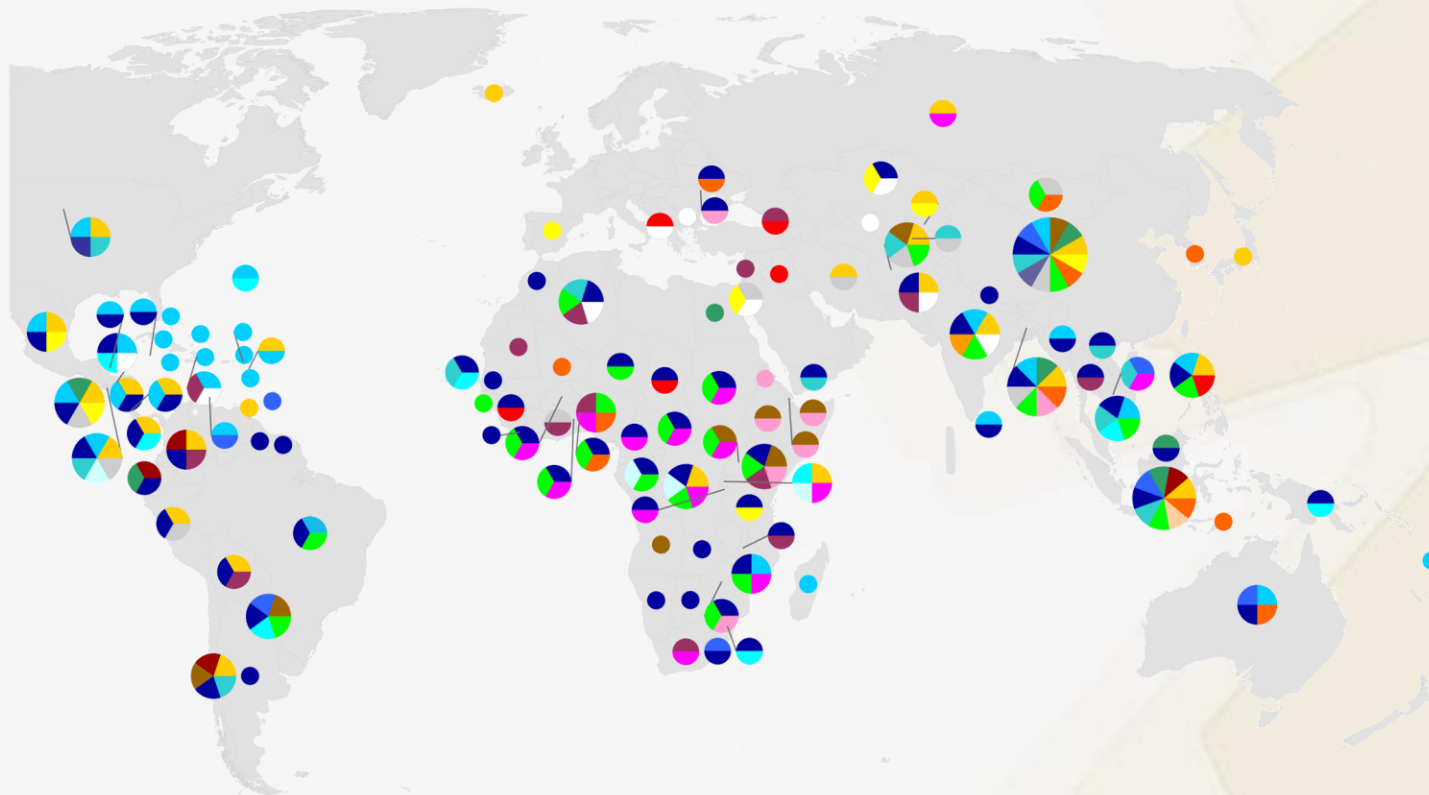
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Basics - World Disaster Map

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

Responses to disaster in 2008



Size represents the number of operations

 5.2	Sum of Fields	Earthquake	Tropical cyclone	Flood	Snow avalanche	Wild fire	Complex emergency
		Volcano	Extra tropical cyclone	Flash flood	Cold wave	Civil unrest	Fire
		Landslide	Severe local storm	Storm surge	Heat wave	Famine	Technical disaster
		Drought	Tornado	Violent winds	Epidemic	Population movement	Other

Source: Red Cross/
Red Crescent

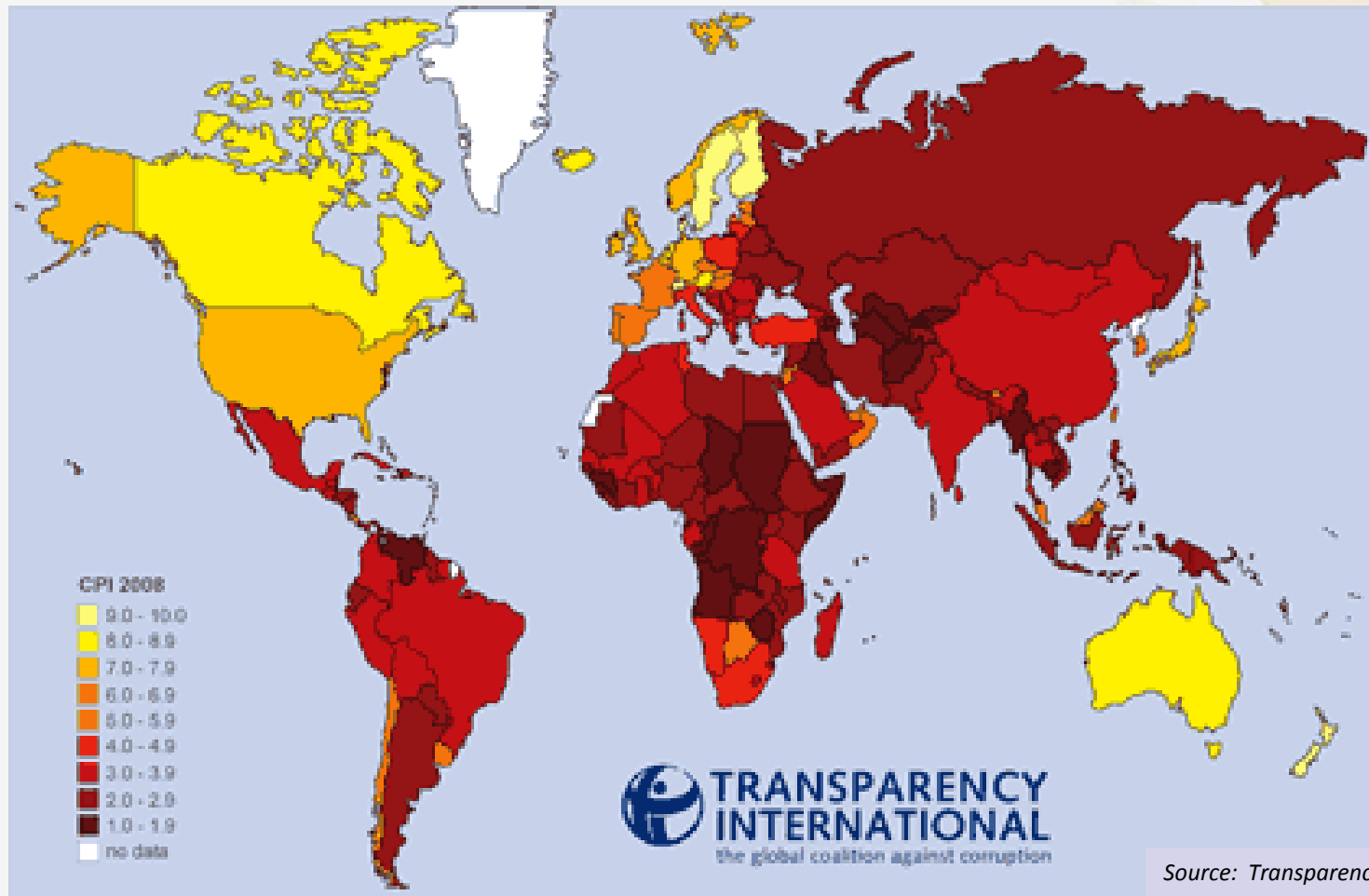
The maps used do not imply the expression of any opinion on the part of the International Federation of the Red Cross and Red Crescent Societies or National Societies concerning the legal status of a territory or of its authorities.
 Map data sources: ESRI, DE/IN/FO, International Federation - Disasters2008Annual.mxd



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Basics - World Corruption Perception index



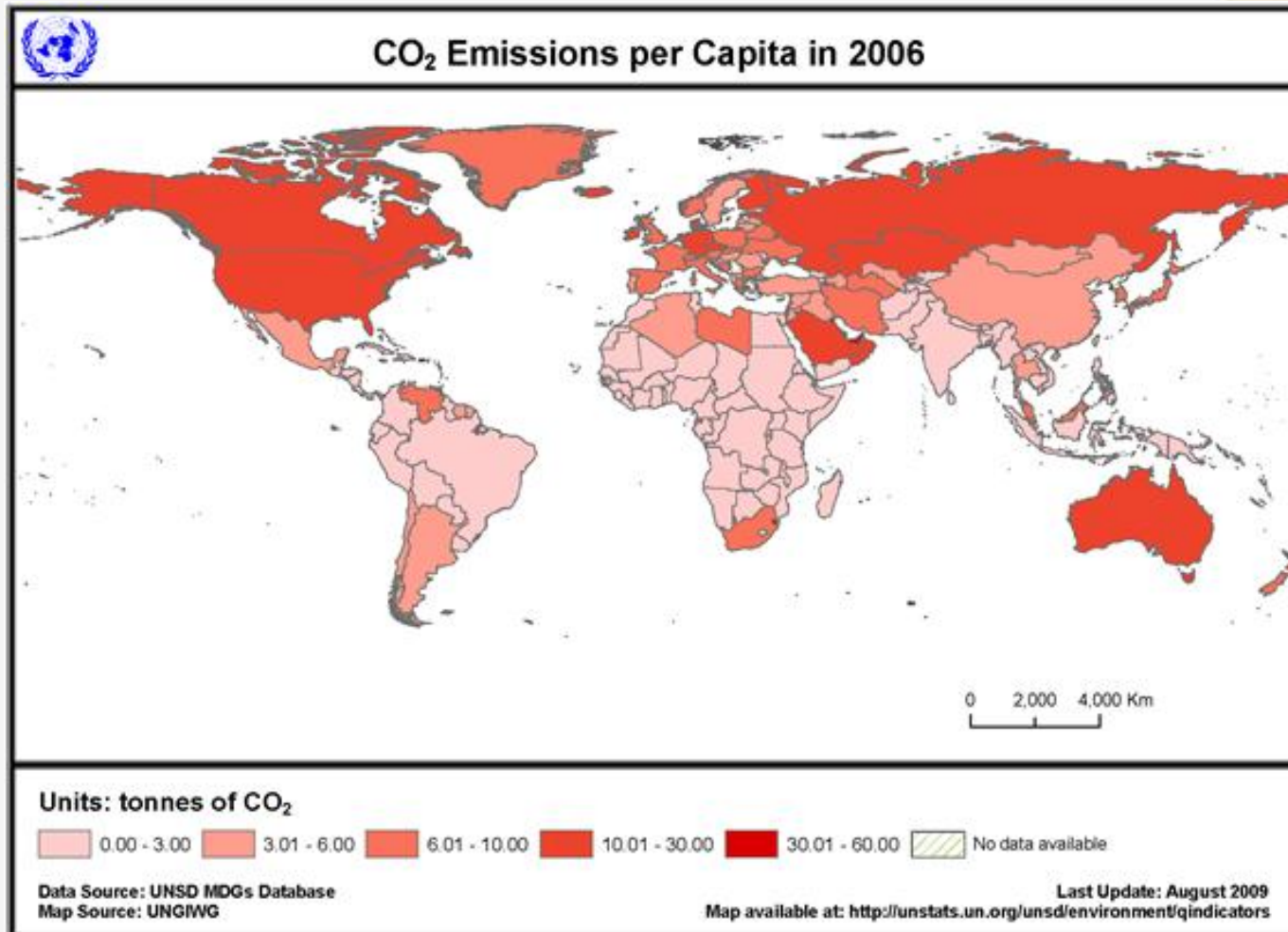
Source: Transparency International



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Basics – World CO2 Emissions



Source: UNSD



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Definitions

CSR:

WHAT?

WHEN?

WHERE?

WHY?

HOW?



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Definitions

WHAT?

CSR starts where all other Regulations end?

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



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Definitions – What?

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



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Definitions – What?

Therefore,

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

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



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Definitions – What?

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

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



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Definitions

WHERE?

Everywhere where industry requires something from society that cannot be bought.... and requires investment through....
a Business Plan





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Definitions

WHEN?

As soon as:

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



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Definitions

WHY?

Never as a hand out, always as a win-win-win for company, society and Government.





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So who benefits from CSR?

Everyone and everything

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



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CSR compulsory?

Current worldwide practice:

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

Main arguments *for* compulsory CSR:

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

Main arguments *against* compulsory CSR:

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



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HOW?



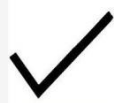


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A. Create scientific 'indisputable' basis and operational approach to CSR

A.1. Create Academic Chairs on CSR



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

A.2. The Professors Are:



PROF. DR. ALEXANDER RINNOOY KAN



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



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RODERICK M. HILLS ✓

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

SRI HARTINA URIP SIMEON ✓

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





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In China:

Plan to establish PA CSR Academic Chair at a University in Beijing. Discussions started with several universities.



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A.3. Mission of PA CSR Academic Chairs

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

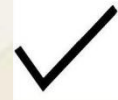




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B. Establish, for Credibility and Legitimacy, the PA CSR Platform for Society, Science, Industry and Politics



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

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



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D. Create Vertical and Horizontal Alliances

D.1. How to create the required alliances

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



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



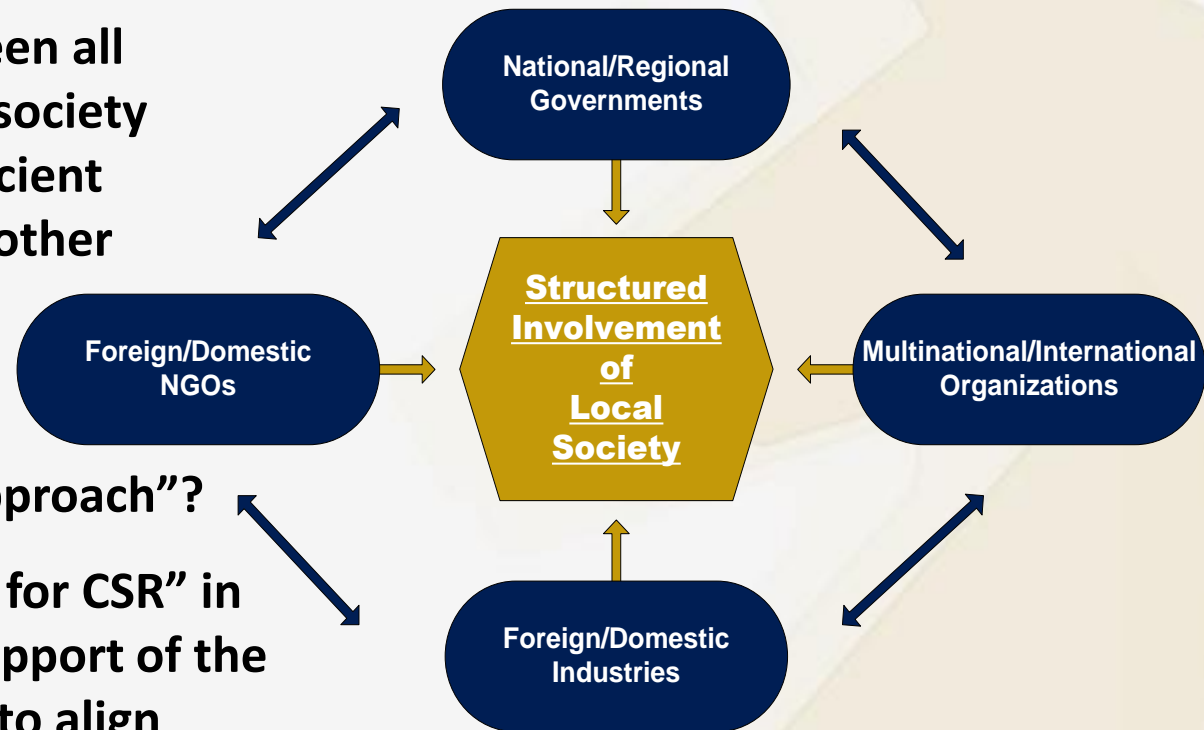


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D.3 Blueprint Per Project

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



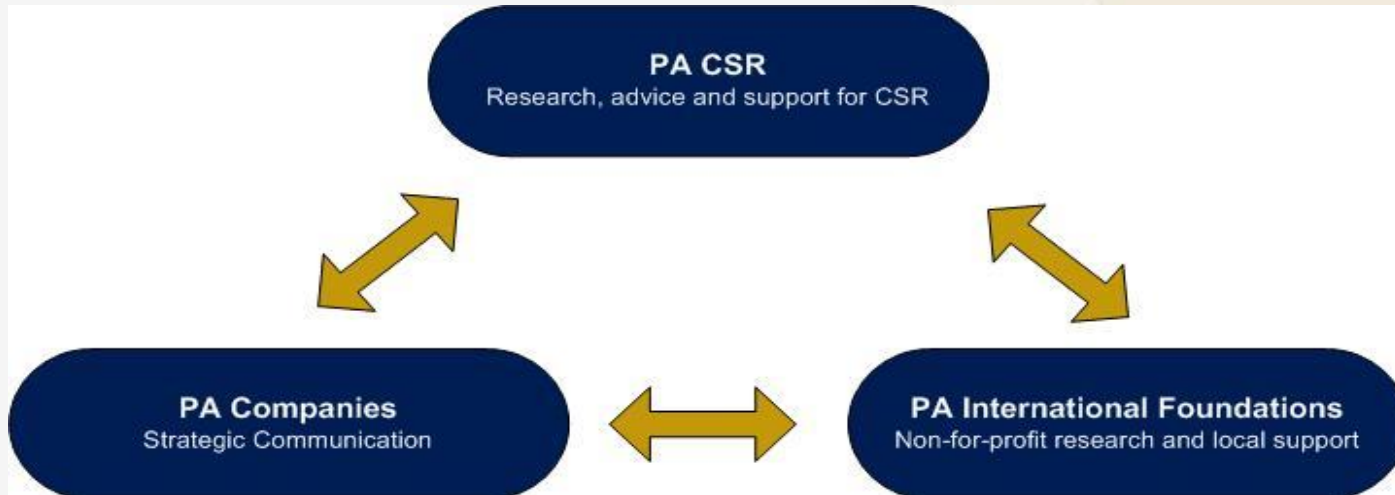


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PA Unique Synergy

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





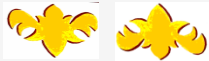
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Other Foundations supported & initiated by the PA Group



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



**Yayasan
LAMBRINEU**

Tasik Children's Foundation





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CONTACT

Rio D. Praaning Prawira Adiningrat
Managing Partner of the PA Group
Chairman PA CSR Ltd.
rdp@pa-csr.com

- PA in China: Danfo Park, G 1807 and New York Tower G 1007, The Great Mall, Chaoyang Road, Xiaozhuang No. 6, Chaoyang District, 100026 Beijing, Tel. +86 10 65924742
- PA in The Netherlands: Lange Voorhout 53, 3514 EC Den Haag, Tel. +31 70 345 6210
- PA in Belgium: Franklinstraat 106-108, 1000 Brussels, Tel. +32 2 735 83 96
- PA in Japan: Green Park, Akasaka 2603, Akasaka 5-2-10 Minato-ku, Tokyo 107-6126, Japan, Tel. + 81 355730622
- PA in Indonesia: Apartemen Eksekutif Menteng, Tanjung Tower, 9th floor, no. 1, Jl. Pegangsaan Barat no. 6-12, Jakarta Pusat 10320, Indonesia, Tel. + 62 21 390 63 06