



The Voice of Business in ASEAN

Awareness of Responsible and Inclusive Business Policies – **a pilot study**



ASEAN
BUSINESS ADVISORY COUNCIL



OECD

BETTER POLICIES FOR BETTER LIVES



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Introduction

Dr Robert Yap, Chair of ASEAN-BAC

We are pleased to present “The Voice of Business in ASEAN” – the first survey of business sentiment conducted by the ASEAN Business Advisory Council (ASEAN-BAC) to give a greater voice to the private sector in the articulation of policies. We hope that this initiative will assist and empower ASEAN companies – particularly those that are micro, small and medium sized – to play a greater role in the formulation of policies across ASEAN, in order to ensure that these policies hit their targets and truly contribute to private sector development in ASEAN in a cost-effective way.

For this first iteration of the exercise, we have selected to focus on responsible and inclusive business. This is a topic that is gaining increasing traction across ASEAN, in line with the AEC 2025 Vision of creating a resilient, inclusive and people-oriented and people-centred economic community. It is also a key approach through which the private sector can contribute to the achievement of the UN’s Sustainable Development Goals. Through responsible and inclusive business, we hope that we can help to address some of the challenges we face in ASEAN, chiefly those related to poverty reduction and employment creation, strengthening institutions and the rule of law, climate change and environmental sustainability, and creating vibrant and dynamic MSMEs. In future iterations of the exercise, we hope that we will be able to provide a full quantitative review of private sector sentiment, covering a full menu of business climate topics.

To develop this report we have collaborated with the ASEAN CSR Network (ACN), which is the sector-champion for Responsible and Inclusive Business within the ASEAN-BAC. ASEAN-BAC has become increasingly active in the area of responsible and inclusive business over the past few years. In August 2018 ASEAN-BAC and ACN jointly organised the ASEAN Responsible Business Forum, which brought together over 200 participants to discuss how companies can collectively advance and mainstream responsible and inclusive business across the three pillars of ASEAN. Since 2017 we have introduced Inclusive Business as one of our annual ASEAN Business Awards, which, in partnership with policymakers and regional development institutions, recognises ASEAN companies that are integrated exemplary Inclusive Business (IB) models into their operations. We are also pleased to work on this project with our trusted partner the Organisation for Economic Cooperation and Development (OECD), who supported us in conducting interviews and analysing their findings.

We would like to end by thanking all of the companies that contributed to the development of this report. We hope that the exercise will contribute to giving the private sector a greater voice in the development of policies across ASEAN, culminating in policies that they can use to generate more inclusive and sustainable economic growth in Southeast Asia.



“Through responsible and inclusive business, we hope that we can help to address some of the challenges we face in ASEAN, chiefly those related to poverty reduction and employment creation, strengthening institutions and the rule of law, climate change and environmental sustainability, and creating vibrant and dynamic MSMEs.”

Executive summary



The Voice of Business in ASEAN is the pilot edition of a business sentiment publication focusing exclusively on ASEAN businesses developed by ASEAN Business Advisory Council (ASEAN BAC). This first edition assesses the perceptions of ASEAN businesses towards responsible and inclusive business-related policies and that is why for this first edition we have collaborated with the ASEAN CSR Network.

The study strives to ascertain the perceptions of the business community towards a variety of policies across ASEAN related to responsible and inclusive business in the broad sense of the term. The document applies a framework for analysis focusing on: 1) awareness; 2) framework conditions, legislation and regulation; 3) partnerships and co-operation; 4) capacity support mechanisms; 5) access to market; 6) access to finance; and 7) business integrity.

Information was gathered through a series of focus group discussions, interviews and an online questionnaire and is not meant to be fully representative. Its main objective was not to focus on terminologies, but more on trying to understand how ASEAN businesses understand responsibility and inclusivity in the widest sense of the term. This resulted in the following findings:

- About 75% of businesses interviewed consider that they actively engage in responsible business activities, engaging for social or environmental impact. Further measures to increase awareness around responsible business conduct (RBC) and inclusive business (IB), as well as related concepts, would be beneficial.
- Businesses were generally aware of the concept of Corporate Social Responsibility (CSR) and slightly less on RBC and IB, however the differences between these and related concepts were not clear, and further clarification of these concepts, as well as their application, was deemed necessary.
- Most AMS have some elements of a policy framework in place to enable responsible or inclusive business at the national level. However, the biggest challenge that businesses perceive is with the implementation of these policies. Businesses expect policy makers to put in

place concrete support instruments for responsible and inclusive businesses.

- Micro, small and medium-sized enterprises (MSMEs) have particular difficulties in accessing markets and financing responsible and inclusive business activities, but engaging with them is crucial for ensuring that these practices have an impact at a grassroots level. Through the development of programmes linking larger companies to MSMEs, for instance by promoting peer-to-peer learning and developing capacity building programmes, it might be possible to help them become more competitive, help them grow, integrate into global value chains (GVCs) and internationalise.
- Increasing government initiatives aside from promoting awareness on existing capacity support mechanisms on responsible and inclusive business activities would increase the uptake of such mechanisms, spur innovation and improve the quality of the business operations in terms of its economic, social and environmental impact.
- Digitalisation and e-commerce is seen as one of the ways to connect territories and smaller companies to domestic market and GVCs. However, in order to ensure that companies can benefit from it, it should be coupled with the availability of proper infrastructure and reliable logistical services.
- Governments are expected to play a role. Aside from promoting awareness on existing capacity support mechanisms, they are invited to adjust procurement systems, allowing for responsible and inclusive businesses to get preferential treatment when dealing with public procurement as well as promoting an ecosystem for impact investment



“Responsible and inclusive business are important for ASEAN in order to ensure sustainable economic development and policy makers should take further steps promoting it.”

Thomas Thomas
CEO, ASEAN CSR Network

Objectives of the Voice of Business in ASEAN publications

This is the first and pilot edition of a business sentiment publication developed by ASEAN Business Advisory Council in partnership with the ASEAN CSR Network and the Organisation for Economic Cooperation and Development. It is the first publication focusing exclusively on ASEAN businesses.

This pilot edition is specifically focused on the area of *responsible and inclusive business-related policies*. The main objective is not to focus on terminologies, but more on to try to understand which mechanisms have been developed and used by responsible and inclusive businesses in a wide sense of the term. Specifically, the publication serves to:

- Assess the understanding of the private sector in ASEAN on the concepts of Responsible Business Conduct (RBC) and Inclusive Business (IB), and other relevant concepts;
- Assess how businesses believe that the existing policies address their concerns, and on what type of support from the government they think would help them adhere more to responsible and inclusive business activities;
- Understand the perceived demands of the businesses and the challenges they face.

Next editions of the report could be based on a full quantitative research study on the businesses' perceptions covering relevant business climate issues in the Southeast Asia region.

Methodology



This is a pilot publication and in order to ensure a good mix of businesses, different sizes (micro and SMEs, large), industries and engagement in responsible and inclusive businesses are included in the focus group discussions (FGDs). The research team has applied the following methods:

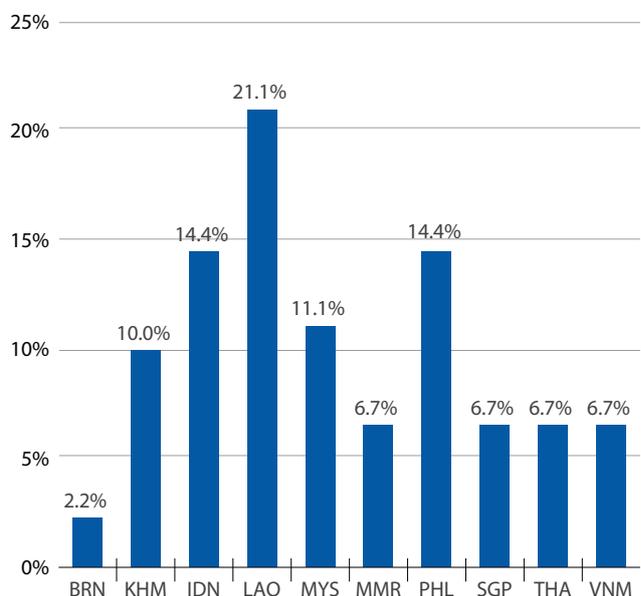
- **Focus Group Meetings:** Six focus group discussions (FGDs) were held across ASEAN, specifically in Indonesia, Malaysia, Myanmar, the Philippines, Thailand, and Viet Nam. The meetings included between ten to 25 representatives of a variety of sectors and ensured variety of sizes (micro enterprises, small and medium enterprises (SMEs) and large enterprises). Participation was not limited to enterprises that consider themselves to be implementing responsible or inclusive business activities or models.



Focus Group Meeting in Jakarta at the office of KADIN on 27 September 2018.

- **Interviews:** Individual interviews were conducted throughout the process, with a special emphasis on the countries where the physical meetings did not take place, being Brunei Darussalam, Cambodia, Lao PDR and Singapore. The selected participants were identified through the snowball sampling method. Some interviews were conducted during the ASEAN Responsible Business Forum conducted in August 2018 in Singapore.

Response distribution by country



Source: Online survey

- **Online questionnaire:** A questionnaire was also disseminated to ASEAN businesses to complement some of the findings in the FGDs and to reach a wider audience mainly focused on the issues of visibility and collection of good practice examples. In total, over two hundred fifty businesses participated in the online questionnaire.

The following information is based only on the perceptions of the individuals and business representatives and is based on discussions, interviews and an online questionnaire. Additional secondary research will be necessary to gain a more comprehensive and accurate understanding of relevant policies in each country and the region as a whole.



Actors



ASEAN
BUSINESS ADVISORY COUNCIL

ASEAN Business Advisory Council (ASEAN BAC): Following a decision at the 7th ASEAN Summit, the ASEAN Business Advisory Council was launched in April 2003 to guide ASEAN efforts towards economic integration. ASEAN BAC members, up to three per country, are typically leading CEOs appointed by the Ministers in-charge. At least one member represents the interests of small and medium-sized enterprises (SMEs).



ASEAN CSR Network (ACN)'s mandate is to promote and facilitate the adoption of responsible business conduct in ASEAN to achieve a sustainable, equitable and inclusive ASEAN Community. Its vision is to create a responsible business community that makes ASEAN a better place to live for all. As an accredited ASEAN entity under Annex 2 of the ASEAN Charter, ACN has unique access to ASEAN processes, which enables it to further strengthen its voice and influence on the regional agenda. ACN has also been appointed as the sectoral champion for responsible and inclusive business for the ASEAN Business Advisory Council (ABAC).



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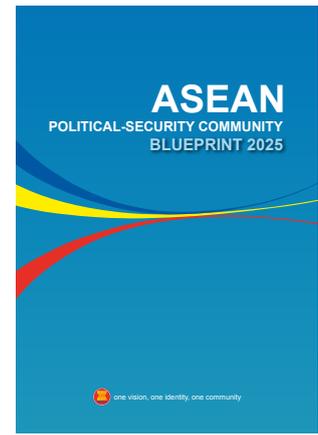
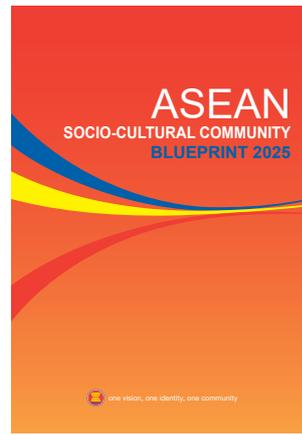
The Organisation for Economic Co-operation and Development (OECD)

aims to promote policies that will improve the economic and social well-being of people around the world. The OECD Southeast Asia Regional Programme (SEARP) has supported this project as a commitment to promote the growth of the region and as a follow-up to its third OECD-ASEAN Business Network meeting which took place in 2017. The OECD collaborated with the Business at OECD (BIAC) to refer to good practice examples. Business at OECD provides strategic input to OECD work on responsible business conduct, reflecting views of the business community in both member and non-member countries.



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THE BUSINESS AND INDUSTRY ADVISORY COMMITTEE

Business at OECD speaks for business at the OECD. Established in 1962, we stand for policies that enable businesses of all sizes to contribute to growth, economic development, and prosperity. Through Business at OECD, national business and employers federations and their members provide expertise to the OECD and governments for competitive economies, better business, and better lives.



Background

The **United Nations Sustainable Development Goals (SDGs)** present the private sector an opportunity to develop innovative solutions to development challenges while providing a unique way for businesses to continue improving profitability through responsible, inclusive and sustainable activities. A report on inclusive business awareness and engagement of the companies in the Philippines was recently published in 2018 by the United Nations Development Programme (UNDP), which also covered the perceptions of companies in the Philippines on the SDGs. In the report, SDGs 8 (*Decent work and economic growth*), 9 (*Industry, innovation and infrastructure*), 3 (*Good health and well-being*), 4 (*Quality education*) and 1 (*No poverty*) were the top five SDGs where businesses think “their businesses (including value chain) currently had the greatest impact.”



ASEAN’s Commitment to Promoting Responsible and Inclusive Business

As a response to increasing demands by businesses, civil society and other stakeholders to take more strategic measures and emphasise company responsibility for economic, social and environmental impacts, references to corporate social responsibility (CSR) and key responsible business conduct (RBC) concepts have been included in the **ASEAN Economic, Socio-Cultural, and Political-Security Community Blueprints 2025**. Beyond this strategic guidance, specific action has also been taken on urgent social issues in the global supply chain including the adoption of the:¹

- ASEAN Convention against Trafficking in Persons, Especially Women and Children in 2015;
- ASEAN Consensus on the Protection and the Promotion of the Rights of Migrant Workers in 2017;
- ASEAN Labour Ministers adopted the Guidelines for Corporate Social Responsibility (CSR) on Labour in 2016; and
- Vientiane Declaration on Transition from Informal Employment to Formal Employment towards Decent Work Promotion in ASEAN, also in 2016.

In 2017, ASEAN firmly committed to the Inclusive Business agenda by welcoming the adoption of the **ASEAN Inclusive Business (IB) Framework** by the ASEAN Economic Ministers. This framework institutionalises and mainstreams IB into ASEAN’s economic community-building efforts, particularly on micro, small and medium enterprises (MSME) development, building on the globally-recognised G20 IB Framework established in 2015.

1. OECD Investment Policy Review: Southeast Asia 2018. <http://www.oecd.org/daf/inv/investment-policy/Southeast-Asia-Investment-Policy-Review-2018.pdf>

Definitions

For the sake of this study, the following definitions were referred to: *Responsible Business Conduct*, *Inclusive Business*, *Social Enterprise* and *Corporate Social Responsibility*. Some countries have defined a set of criteria for some of these concepts, including *Inclusive Entrepreneurship*, *Social Cooperative*, and *Green Enterprise* among others. It should be noted that some of these concepts intersect and reinforce each other. For example, it is possible for responsible businesses to also be inclusive businesses. The main objective of this report is not to focus on the differences in the terminologies, rather to consider business impact on the society and the environment in a wide sense of the terms used.

Responsible Business Conduct (RBC)² principles and standards set out an expectation that all businesses avoid and address negative impacts of their operations, while contributing to the sustainable development of the countries in which they operate. RBC means integrating and considering environmental and social issues within core business activities, including throughout the company's supply chain and business relationships. RBC is sometimes used interchangeably with Corporate Social Responsibility (CSR), but it is generally more comprehensive and integral to the company's core business, instead of being more focused on philanthropic efforts. A key element of RBC is risk-based due diligence – a process through which businesses identify, prevent and mitigate their actual and potential negative impacts – including beyond the company itself – and account for how those impacts are addressed.

Inclusive Business (IB)³ is a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers.

Social Enterprise (SE)⁴ is any private activity conducted in the public interest, organised with an entrepreneurial strategy, but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity

for bringing innovative solutions to tackle socio-economic and/or environmental problems.

Corporate Social Responsibility (CSR)⁵ is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR has traditionally been used both to refer to company's philanthropic activities and initiatives to achieve a triple-bottom-line.

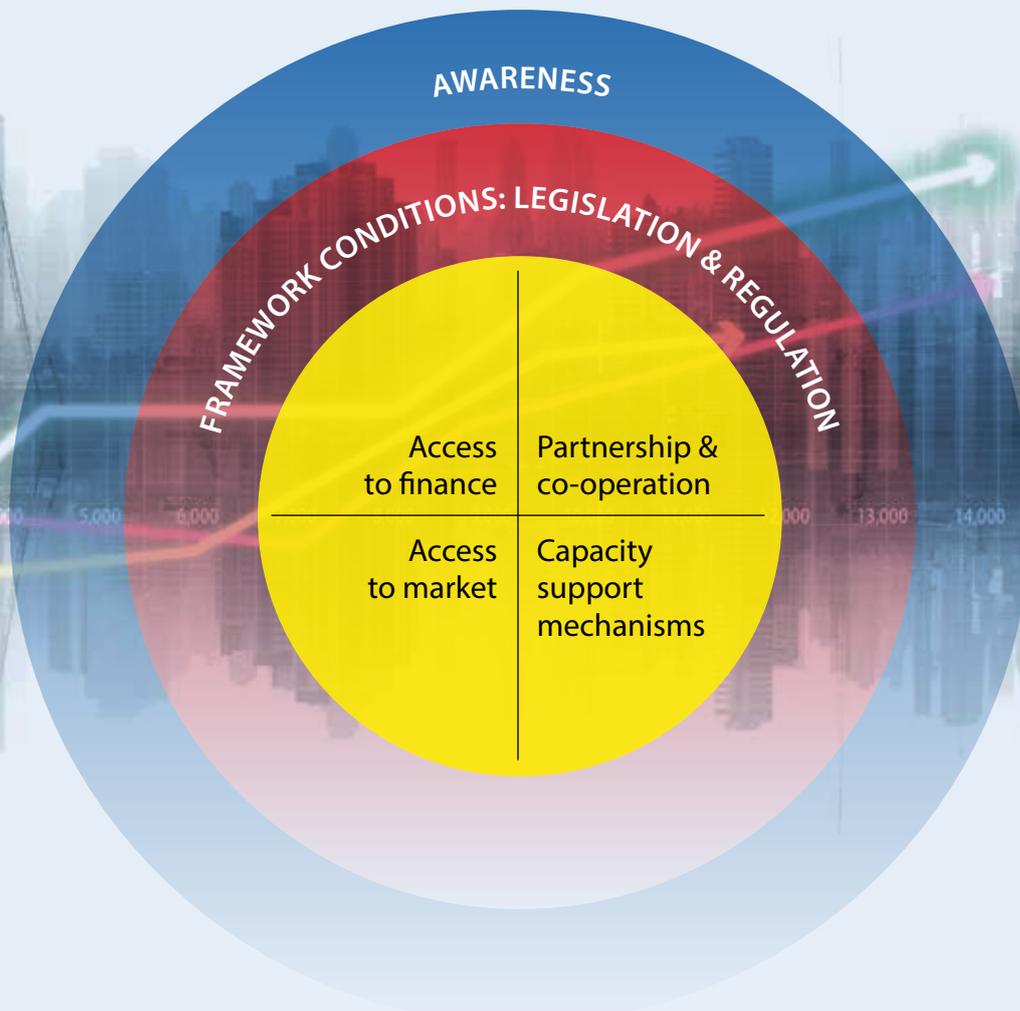


2. OECD Investment Policy Review: Southeast Asia 2018. <http://www.oecd.org/daf/inv/investment-policy/Southeast-Asia-Investment-Policy-Review-2018.pdf>

3. Working definition by G20 Challenge on Inclusive Business Innovation: <http://www.g20challenge.com/>

4. OECD. Policy Brief on Social Entrepreneurship. https://www.oecd.org/cfe/leed/Social%20entrepreneurship%20policy%20brief%20EN_FINAL.pdf

5. UNIDO. What is CSR? <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>.



Analytical Framework

This report presents the findings in an analytical manner which corresponds to the framework presented below. The elements of this framework are important for setting and scaling up of responsible and inclusive businesses.

- **Awareness.** It is necessary for businesses to be aware of responsible and inclusive business concepts and practices in order to consider applying them. Policy makers should be aware of these concepts to better understand how they can develop a conducive framework for firms to implement these concepts. In certain cases, businesses may be under legal obligations to observe responsible business conduct standards.
- **Framework conditions, legislation and regulation.** Awareness of the available policies make it easier for businesses to operate. This can also help develop relevant instruments for policy makers to support the responsible and inclusive business agenda.
- **Capacity support mechanisms.** Adopting responsible and inclusive business practices requires firms to have certain skillsets, the development of which can be supported through capacity building support.
- **Partnership and co-operation.** Development of partnerships is especially crucial for smaller businesses, but can also benefit larger companies and even have an international dimension. Partnerships could also be seen as a form of peer-to-peer capacity-building support.
- **Access to market.** Engagement in responsible and inclusive business practices requires sufficient market opportunities, for instance preferential consideration in public procurement tenders for firms that generate social benefits.
- **Access to finance.** Access to finance has always been seen as one of the main challenges for companies, and is crucial in allowing them to develop and grow.



Awareness

Although awareness of responsible and inclusive business concepts is generally increasing, there is still generally lack of clarity on the differences between specific social business practices (social enterprise, inclusive business (IB), responsible business conduct (RBC), sustainable business, corporate social responsibility (CSR), among others).

The majority of respondents reported that they are well aware of the term CSR, but are less aware of RBC and (especially) Inclusive Business (IB).

CSR-type of activities are more common among larger companies. Interviews with the private sector found that CSR is often used by companies as a way to ensure good

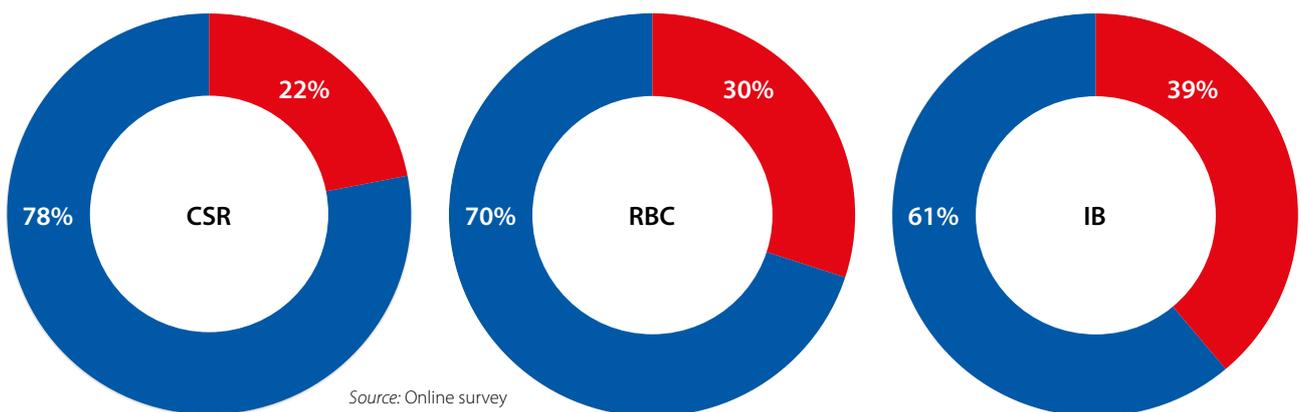
publicity and marketing for their business. It emerged that more could be done to increase private sector awareness of how to build a business case around RBC and IB principles.

The businesses reported that policy makers seem to be increasingly aware of responsible and inclusive business issues, which is a positive signal. Many are aware of the United Nations Sustainable Development Goals (SDGs), and through the lens of meeting these goals they can see the relevance of promoting responsible and inclusive business concepts as well as promoting the need for compliance for private companies.

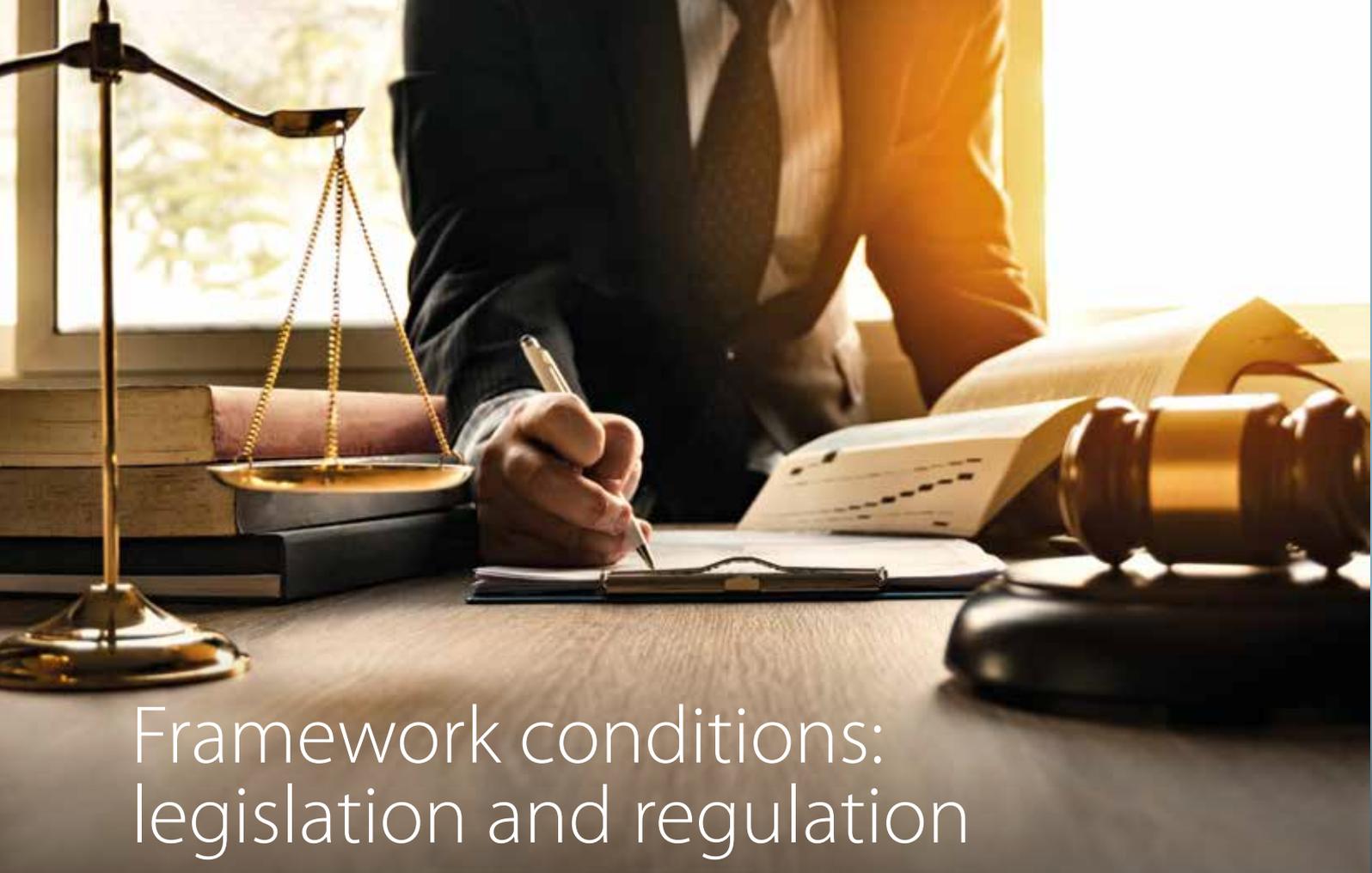
Greening or environmental awareness has been identified as one area over which awareness has substantially increased.

Awareness on CSR, RBC and IB

● Not well aware ● Well aware



Source: Online survey



Framework conditions: legislation and regulation

Most AMS have some elements of a policy framework that indirectly enable responsible and inclusive business at the national level, however the focus of these frameworks and mechanisms is different.

Definitions for concepts related to responsible and inclusive business legislation and regulations vary across countries. It is often difficult for a business to understand which category they belong to and clearer definitions could facilitate this. There is a need to develop common definitions regionally and nationally around how to define and measure the impact of social business practices on broader socioeconomic development objectives.

Some national-level policies that respondents mentioned include:

- **Viet Nam:** the Environmentally and Socially Responsible Tourism Development Programme (ESRT)
- **Thailand:** a law for companies to hire persons with disabilities (PWDs)
- **The Philippines:** Investment Priorities Plan (IPP) Tax Incentives, and the implementation of the fiscal incentive scheme for inclusive business in the country.

Did you know?

Thailand, Viet Nam, Malaysia and Singapore have a formal set of characteristics or a definition for “Social Enterprise”.



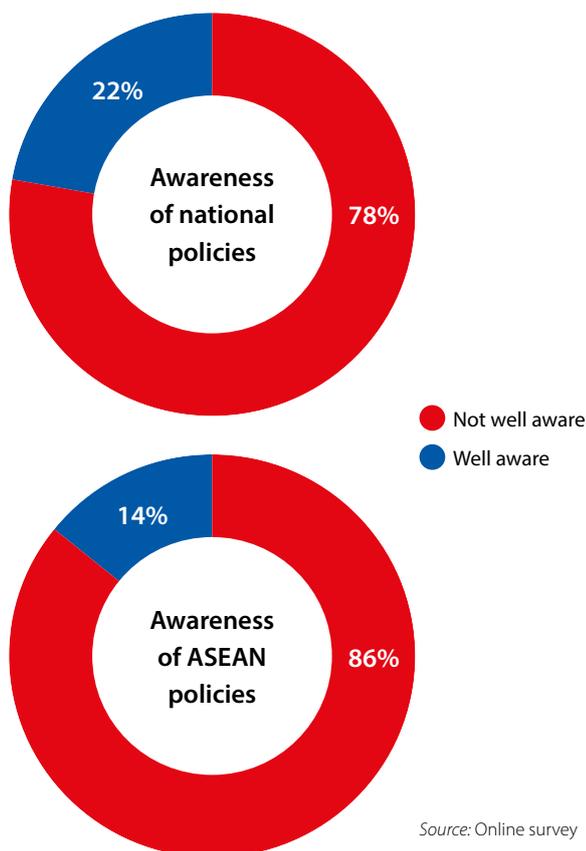
Nevertheless, certain aspects of responsible business practices may already be regulated (e.g. labour or environmental regulations).

Responsible and inclusive business policies across AMS tend to be led by a wide range of government agencies. In some cases there is a dedicated central point for specific concepts such as Inclusive Business or Social Enterprise which could facilitate information gathering.

Regarding inclusive businesses, existing laws and regulations are generally focusing on creating employment opportunities for disadvantaged groups, as well as providing tax deductions and support with business registration for social enterprises. Increasingly across the region, legislation is also being developed to cover impact investing, the development of public-private partnerships (PPPs), and the promotion of co-operation between larger and smaller firms.

Many existing national laws also refer to environmental and social obligations of the businesses such as 2017 Lao PDR Investment Law and Singapore’s 2015 Transboundary Haze Pollution Law.

Micro, small and medium-sized enterprises (MSMEs) raised a concern that existing policies mostly target larger companies, and that MSMEs are often at a disadvantage in accessing them compared to larger companies.



Respondents were generally aware of initiatives to promote awareness at the national level, and some also at ASEAN level. However only a few concrete examples were cited, such as the ASEAN Inclusive Business Award.

Among the respondents to the survey, 75% considered that they are actively engaging in responsible or inclusive business activities through at least one activity.

Similar to the other parts of the world, awards are frequently used by policy makers to promote responsible and inclusive business practices.

The overall perception of firms is that although some policies and strategies exist in this area, there tends to be a lack of implementation support mechanisms on the ground that could support companies, especially MSMEs.

Some ASEAN-level policies that respondents mentioned include:

- ASEAN Women Entrepreneurs’ Network initiatives
- ASEAN Inclusive Business Awards
- ASEAN Inclusive Business Framework



The ASEAN Inclusive Business Awards (a new category under the ASEAN Business Awards) was launched in 2017 as the first-ever region-wide initiative to identify innovative businesses that create concrete social impact by providing those at the ‘Base of the Pyramid’ with access to the basic services and/or more and better income opportunities.





Partnership and co-operation

For many businesses in Southeast Asia, large enterprises are seen as an opportunity for growth for smaller companies. By engaging with smaller companies, larger companies can be instrumental in promoting inclusive business co-operation models.

Peer-to-peer collaboration allows smaller companies to share experiences and get access to knowledge and skills. Peer-to-peer learning has proved to be successful and should be promoted by developing collaborative platforms and events bringing stakeholders. The recently launched ASEAN Mentorship for Entrepreneurs Network (AMEN) is an example of such an initiative.

There are numerous examples of collaboration to promote inclusive business in ASEAN. Some countries, such as Thailand and Malaysia provide dedicated programmes to promote partnerships between large enterprises and micro, small and medium-sized enterprises (MSMEs).

Digitalisation brings new opportunities for partnership and allows businesses to work across territories and social boundaries as well as to share knowledge and experiences.



The ASEAN Mentorship for Entrepreneurs Network (AMEN) is designed to facilitate the scaling up of micro and small enterprises in the ASEAN region through mentorship services provided by entrepreneurs, business practitioners, and academics. www.aseanmentors.org



Joma Bakery Café sources its organic arabica coffee from a farmers cooperative based in southern Laos. Joma gives back 10% of its profit to charitable organisations in the local communities around the cafes. They also work with several NGOs, including Hagar International, to provide job training and employment opportunities to disadvantaged persons and victims of human rights abuse.



Minh Duong Group, a Viet Nameese real estate company buys up land or leases land from small farmers to build factories that they in turn rent out to small businesses. They encourage noodle business among small businesses and procure raw materials from local farmers to process at their noodle factories.





Capacity support mechanisms

Focus group meetings and the online questionnaire found that there is a demand on the business side for capacity-building support. However, the general perception is that there is limited offering of capacity building support mechanisms in ASEAN.

One of the findings of the focus group meetings is that the business community is not always aware of existing available support instruments, which do exist in the majority of countries in ASEAN, hence there is a need for better communication of available support.



Kennemer Foods International, a Philippine agribusiness company sources its cacao from smallholder farmers in southern Philippines. Kennemer partners with the Landbank of the Philippines, a government bank with a social mandate to spur countryside development, to provide cacao loans to farmers for farm establishment including seedlings, inputs, tools, etc. The company also helps to train farmers in cacao-growing technology. It assures farmers access to market as it buys 100% of its food grade produces, contractually guaranteed for 10-12 years.

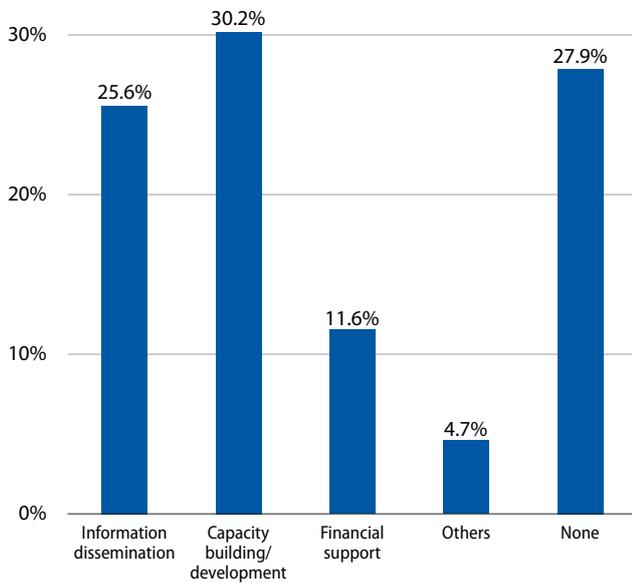


Global Pioneer in Mobile Learning

LTT Global, a Malaysian mobile learning company is recognized for its initiatives to leverage on mobile technology to make learning accessible and affordable especially among the disadvantaged people. The company's digital learning and training portals promote quality learning content and inclusive learning opportunities, and encourage lifelong learning. LTT Global helps empower women, youth, and people with special needs including the visually impaired people and refugees among others. Over the years of promoting mobile learning, the company had set up support groups and formed partnerships with other organizations. Its initiatives are in line with several UN Sustainable Development Goals.



Government support received by business



Source: Online survey

Inclusive businesses might benefit from general support provided through business counselling, but they also need to have access to services that are unique to them. Relevant policy instruments could include support with measurement of societal impact, impact financing models or access to the contacts of ethical or organic producers.

The overall perception of businesses is that although there are policies and plans in place to support capacity building on the ground, few policy instruments are actually available. Governments should consider developing online tools to provide online capacity building support.

Policy makers could promote linkages between larger companies and SMEs by strengthening SME performance and competitiveness, in order to increase the developmental impact of foreign direct investments (FDI), especially when it relates to responsible investors.



The Viet Nam Business Challenge Fund (VBCF), a project by the United Kingdom’s Department for International Development and the SNV Netherlands Development Organisation supports private businesses to develop innovative inclusive business models targeting people in low income groups which also deliver commercial benefits for the business. Participating companies pursue objectives that include job creation, income enhancement and access to affordable goods and services. Between 2012 and 2015, the VBCF project focused on three main economic activities: agriculture, low-carbon growth and infrastructure. The primary objectives of this project over this time period included poverty reduction, responses to the development challenges of Viet Nam and producing good return on investment.



The ASEAN CSR Fellowship programme, a signature programme of the ASEAN CSR Network seeks to develop a pool of professionals to become ambassadors for responsible business in Southeast Asia. It is an approach used to harness the potential of the private sector in addressing key regional issues in anti-corruption, environmental degradation and human rights. It aims at bringing together a small team of high-potential individuals from businesses, governments, civil societies, and academia, to equip them with in-depth theoretical and practical concepts in responsible business. The learning objective is to build an understanding of responsible business as it applies across ASEAN. The Fellowship is part of ACN’s ongoing efforts to help practitioners re-define CSR, away from its misconception as corporate philanthropy and volunteerism, towards the business responsibility to look beyond their bottom line and consider the social and environmental implications of their activities. The attention is shifted from how businesses *spend* money (charity) to how the money is *made*.



Access to market

INNOVATION STARBOARD QUALITY

Starboard, a company in Thailand which provides windsurfing equipment, apparels and services invested in innovative mangrove tree planting technology. Environmental concerns is core in its activities including plastic use reduction, solar panel adoption, use of water generation machine from humidity in the air, etc. Starboard incorporated environmental and social aspects in its business operations not primarily to follow government rules but because they see a high-potential market in it (Thai beaches being one of the major tourist destinations in the world) and the greater value it could get from doing so.

Responsible and inclusive business can create markets and business opportunities where basic goods and services are missing, however support is needed to reach the right markets.

Digitalisation and e-commerce is seen as one of the ways to connect businesses to consumers and to other enterprises operating in global value chains (GVCs), which can be particularly advantageous for MSMEs. However in order to ensure that companies can utilise and benefit from these platforms, policy makers should ensure that sufficient infrastructure and logistical services are in place.

MSMEs have particular problems accessing certain markets, and support is expected from policy makers to increase their international presence for instance by supporting them to obtain certification that could demonstrate they comply with internationally-recognised quality and technical standards.

Specifically in relation to responsible and inclusive businesses, public procurement could play a role. By integrating social or environmental considerations in public procurement governments could support businesses in accessing new markets.





Access to finance

Access to finance is still seen by the business community as one of the major obstacles for starting and running a business in general. Across most of ASEAN, the private sector perceives financing for IB activities to be very limited or difficult to access due to stringent requirements, particularly for MSMEs.

Across ASEAN microcredit schemes are perceived to be widely available. However, one of the biggest hurdles women farmers and entrepreneurs in ASEAN countries face in comparison with their male counterparts arise out of their lower access to financial resources. A related challenge women farmers and entrepreneurs report is a difficulty in accessing business networks which limits their access to information and training opportunities, establish strategic partnerships and enter new markets.

Many investors lack practical information to identify inclusive businesses or social ventures when investing or directing their financing efforts to these models.

Policy measures to increase access to finance could also consider supporting cost-sharing efforts within and among certain industries for specific due diligence tasks, participation in initiatives on responsible supply chain management and co-operation between industry members who share suppliers.



Amartha, an Indonesian microfinance institution aims to connect entrepreneurs in rural areas to financing opportunities. It has grown into a fintech peer-to-peer lending company that directly connects micro entrepreneurs with online financiers. Facilitating micro and small enterprises' access to finance helps to realise social empowerment for Indonesians mainly at the base of the pyramid.



Indirectly linked to access to finance is the complexity of tax incentive or tax deduction mechanisms in many ASEAN countries, which are relevant for many responsible and inclusive businesses. Cumbersome procedures due to lack of proper planning and coordination among agencies do not allow, especially MSMEs to benefit from these conditions.

Measures to increase financial literacy could help MSMEs to better analyse the financing options available to them and to understand the consequences of that financing, as well as its conditions, on their businesses.



Business integrity

Businesses confirmed that ensuring a level playing field is important to ensure fair competition at the national and regional level. Although there have been some improvements compared to several years ago, businesses in most of AMS still consider corruption to be one of the main barriers they face to doing business.

A number of private sector initiatives have emerged to enhance public sector integrity, such as KUPAS or *Anti-Bribery Business Community of Indonesia*. Yet to integrate such initiatives are difficult to sustain. Several large companies have also developed support programmes to enhance the business integrity of smaller firms and integrate them into collective actions in several countries.

Many businesses find that responsible business is good business, in addition to ensuring that they respect human rights and comply with laws and regulations in the countries in which they operate. Survey respondents referred to some standards, for example, the OECD Guidelines for Multinational Enterprises, which have helped them to avoid and address the negative impacts of their operations.

At the firm level, whistle blowing mechanisms are increasingly being installed and responsible businesses can play a role in promoting good practice examples.

SIEMENS

Siemens incorporated sustainable supply chain, compliance and human rights in its responsible business practices. Its goals strive to balance people, environment and profit. The Code of Conduct for Siemens Suppliers is primarily based on the principles of the UN Global Compact (human rights, labour, environment, anti-corruption) and the International Labour Organization. SIEMENS has initiated a collective action mechanism to promote business integrity and has collaborated with numerous companies to develop various actions which helped the company develop a number of productive partnerships.



Komunitas Pengusaha Anti Suap Indonesia (KUPAS) or *Anti-Bribery Business Community of Indonesia* was formed by the National Committee on Governance in collaboration with the Indonesian Chamber of Commerce as an embryo in order to realise the national business world as clean, transparent, and professional and ethical as a joint effort to improve the future life of the nation. KUPAS calls to employers, government entities and elements of society to work together with the Komunitas Pengusaha Anti Suap Indonesia in order to realise Indonesia as a developed country by 2025.

Indonesia Business Links Resource Centre for Corporate Citizenship

Indonesia Business Links (IBL) is a not for profit foundation promoting ethical business practices in the country. It is one of the founding members of ASEAN CSR network, and a member of Business and Philanthropy Forum for the UN SDGs. IBL's scope of activities include advocacy, diffusion of information and knowledge about CSR, building collective actions and partnership between the private sector, government and non-government organisations to achieve the SDGs. In 2014, IBL has launched Indonesia Integrity Initiative that promote and implement business integrity. IBL developed the Regional Advocacy Committee (Komite Anti-korupsi Daerah (KAD) with Corruption Eradication Committee (KPK) and KADIN (Chamber of Commerce) Indonesia with support from USAID (United States Agency for International Development) Cegah.

The way forward



The current report is based only on perceptions of the limited number of individuals and businesses. In order to provide policy options an additional secondary research will be necessary, however some of the points below are suggested following the analysis of the information gathered.

Awareness

Although interviewed companies had a broad understanding of the concepts discussed, there remains a lack of clarity on what the different concepts mean and how to apply them practically. Further awareness raising is necessary both at the national and regional level.

Framework conditions: legislation and regulation

Developing and socialising clearer definitions and criteria for these concepts in many AMS could further support the development of responsible and inclusive businesses. Increasingly, CSR is being used in a similar way to RBC.

A clearer focus on RBC, which has been integrated in international supply chain policies and practices, as well as support instruments would bring clarity to the legal framework. Nevertheless, CSR philanthropy is accepted in many parts of ASEAN and the two concepts are not and do not have to be mutually exclusive. It is expected that businesses, especially MSMEs, would be able to benefit from more focused implementation support mechanisms.

To encourage more companies to adopt responsible businesses practices, governments should further promote and enable RBC.



Partnership and co-operation

Taking advantage of the new opportunities opening up thanks to digitalisation, more platforms and partnership programmes could be developed to promote peer-to-peer learning and enhancing collaboration between larger and smaller companies.

Capacity support mechanisms

There is a demand for capacity building support in many AMS. Special support should be provided to MSMEs to improve their competitiveness and helping them to develop viable business models. Responsible and inclusive businesses should also be able to benefit from assistance developing metrics and models integrating a triple bottom line approach where they are valued not only on the economic performance, but also on social and environmental impact they deliver.

Access to market

In order to be competitive internationally and be able to grow, responsible and inclusive businesses need to get support with complying to international quality and technical standards and support for accessing international

markets. Further support in export promotion activities can help businesses develop internationally.

National growth could also be supported through integration of social or green clauses into public procurement, allowing domestic responsible and inclusive businesses to get preferential evaluation based on the social or environmental impact they create.

Access to finance

Ensuring finance is available is crucial for the growth of responsible and inclusive businesses. Creating an enabling law and a policy framework for this is essential. This could also be done through improving the overall environment for impact investment players as well as by streamlining procedures related to tax reductions.

Going forward, in order to attract more responsible investment, there is a need to better translate this commitment into action – specifically, clearer communication and coherence among policies on SDG objectives including social and environmental policy objectives is needed. These targets should be better reflected across sector and subnational policies and plans.



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This project would not be possible without the financial support of the government of Korea.

ANNEX: Participants

Focus group discussions

	Name	Company / Organisation
INDONESIA	Robert A Pangestoe	8 Villages
	Harza	Alami
	Ditto Santoso	ANJ Group
	Heikal Suhartono	ASEAN Business Advisory Council Indonesia
	Dewi Astuti	Ghaweand Dewe
	Copi Al Hakim	Green Well Indonesia
	Rino	Growpel
	Lassi L	Hippi
	M. Fahmi	IBL
	Chrysanti Haribus	IBL
	Irtamazati Husna	Javara
	Claudio	Jojonomic
	Maria DN	Kadin Indonesia
	Hanna Marura	Kadin Indonesia
	Sonny Sukada	Kadin Indonesia
	Siddharta Moersjid	Kadin Indonesia
	Anton Rizki	Kiroyan Partners
	Imelda Dewajani	PT Loeu Dapoza Indonesia
	Arif Panggiharso	PT Siemens Indonesia
	Almas Shabrina	PT Vestifarm AgroIndonesia
Arif Zamani	Sayurbox	
Nirakatrilna P	Tanijoy	
Sahken Nisurahita	UD Gerak Tani	
Mamadou Ndiaye	Appsaya	
Era Natasha	ASEAN Business Advisory Council Malaysia	
Candy Moy	Authority Institute	
Mao Lim	Cambrian Leap	
Adam Ramskay	Cradle	
Mayurr Seth	FlySpaces	
Ashraful Mobin	iFINTELL Business Intelligence	
Winston Yew	Indrct Solution	
Sheng Yeong	Luxtag Sdn Bhd	
Ismael Nabe	MAPE (Malaysia African Professionals & Entrepreneurs)	
Tan Yean Yean	MDEC	
Riza Saian	MyCreative Ventures	
Nurfarini Daing	myHarapan	
Chun Wah Hoo	NGOhub	
Ong Chee Tat	SME Association of Malaysia	
David Woo	Snappars Publishing	
Dato' James Foo	Snappars Sdn Bhd	
Stella Tan	Synergz Edutainment Sdn Bhd	
Leo Lee	TraitQuest	
Azam Rasid	Virtareal Sdn Bhd	
Muhammad Bilal	Z Consulting Group	
Mohamed Mahees	Z Consulting Group	



	Name	Company / Organisation
MYANMAR	Thein Htike Aung	Blue Ocean Operating Management Co.
	Michael Htun Lynn	Focus Logistics Myanmar
	Myo Kyaw Thu	Matrix Institute of Professionals
	Caroline YinYin Htay	Myanmar Institute of Directors
	Thaw Zin Ken	Oway
	Thant Zin	United Nations Industrial Development Organization
	Lawt San Aung	Yangon Lunch Food Services Team
PHILIPPINES	Christopher M. Camba	Aboitiz Equity Ventures Inc.
	Bryan Galeno	Ayala Land Hotels & Resorts Corp.
	Rachel Posadas	Bali Oil Palm Produce Corporation
	Romeo Posadas	Bali Oil Palm Produce Corporation
	Norberto O. Chingcuanco	Feedmix Specialist Inc.
	Peter Northcott	FlySpaces
	Clarke Allen Cruz	Great Asia Pacific Healthcare
	Yvonne Flores	JG Summit
	Kristoffer Rada	Manila Water Company
	Nora Lacuna	Philippine Chamber of Commerce and Industry
	Mylene D. Caballero	Philippine Chamber of Commerce and Industry
	Yassen Ala	Philcoin
	Grace Pedragosa	Philippine Business for Social Progress
	Bonar Laureto	Philippine Business for the Environment
	Alvin Edwald Chan	Relevance Training Network
	Angela Thakur	Rslink Commercial
	Edison Tsai	SeedIn Technology Inc.
	Henry Lim Bionliong	SL Agritech
	Ginger Arboleda	Taxumo
	EJ Arboleda	Taxumo
	Rochelle Uy	Ten Knots Development Corporation
	Ed Sunico	Unilever Philippines

	Name	Company / Organisation
THAILAND	Dr. Jaroen Atitya	Bangkok Ventures
	Pavinee Waewseangsang	Biofarm Thailand
	Chawakorn Lertrungsi	Bitkub
	Rumi Guho	Bowr Asia
	Nick Laidlaw	Generation Blue
	Somyod Tangmeelarp	I.D.I. International Co. Ltd
	Ashok Upadhya	Indorama Ventures Public Company Ltd
	Noppol Toochinda	N3 Coding Academy
	Jerome Le Carrou	Next Step Connections Ltd
	Andrew Hong San Djie	Schnellmedia Asia Co
VIETNAM	Sahib Anandsongvit	Seekster
	Johnny Khoebal	SME ERP IT Consulting Co. Ltd
	Ralf Wischmann	Starcon
	Tchissolle Carvalho	Wedu Global
	Peter Macquart-Moulin	Yesmom
	Ngoc Anh	AIESEC Singapore
	Thuy Nguyen	Clingme
	Ngoc Vo	Double N Aesthetics Nitipon Clinic Vietnam
	Duc Tran	Fpt Ventures and VIISA.vn
	Doan Truong	IOTech Co Ltd
Linh Pham	Knowmads Hanoi	
Hoang and Priscilla	Learning Hub Hanoi	
Thao Vu	Mina Education Services Company Limited	
Scott Matt	Throwing Soul	
Florian Beranek	UNIDO	
Thang Bui	World Invest Link	



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