

Corporate Social Responsibility in Thailand



1. Context

Corporate Social Responsibility (CSR) is known to contribute to the competitiveness of companies by reducing operational risks associated with environmental and social issues. It can also be a driver for product and service innovation that respond to the challenges and opportunities of today's rapidly changing political, economic, social, and environmental spheres. If companies work with their stakeholders in a collaborative way, economic growth and development can be brought in-line with societal expectations about how resources should be managed and how communities should develop.

Corporate commitment to local communities and philanthropy is deeply rooted in Thai culture. These principles lay the foundation for a potentially strong CSR culture in Thailand. But how can Thai companies scale up their CSR activities to help ensure the "Made in Thailand" brand stands for something unique and reassures consumers and other stakeholders that environmental and social concerns are integral to the Thai way of doing business?

A strategic approach to CSR can build on the longstanding traditions that we see in Thailand. But it needs to start with a proper assessment of how corporations impact people and natural resources. It also requires a company to understand how it is impacted by economic, environmental and social forces; and how the company can position itself to thrive in an uncertain future. Climate change, dwindling resources (including water), volatile economic conditions and a globally interconnected market system all provide both risks and opportunities for companies.

2. Research

Three sources of research were conducted by the CSR Asia Center at AIT in order to provide a picture of CSR developments in Thailand:

- A comparative analysis of the results of the Asian Sustainability Rating (ASR) for Thailand's largest 20 companies (by market capitalization) for 2008 and 2009
- Interviews with six companies in the ranking
- CSR Priorities Survey of more than 50 stakeholders in Thailand

The full report is available for download at www.csrcenter.ait.asia

Asian Sustainability Rating for Thailand

CSR Asia has measured the state of corporate social responsibility among the largest listed companies in ten markets operating in the Asia Pacific region. Included in the ranking are the top 20 companies by market capitalization from Australia, China, Hong Kong, India, Japan, Malaysia, Pakistan, Philippines, Singapore and Thailand. The Asian Sustainability Rating™ (ASR™) uses 51 indicators. Information on the 51 indicators is gathered from a variety of publicly available sources - such as reports and websites. The 51 CSR indicators are organized into the following six headings:

- Governance, codes and policy
- CSR strategy and communication
- Marketplace and supply chain
- Workplace and people
- Environment
- Community and development.

Table 1 shows the ASR ranking of the top 20 companies in Thailand and their scores in 2008 and in 2009.

Rank	Company	Score		Percentile increase or decrease ¹
		2009	2008	
1	The Siam Cement Public Company Limited	80.4	70.2	15%
2	PTT Exploration and Production Public Company Limited	47.1	39.5	19%
3	PTT Public Company Limited	42.2	37.9	11%
3	Ratchaburi Electricity Generating Holding Public Company Limited	42.2	27.4	54%
5	Krung Thai Bank	33.3	25	33%
6	Thai Oil Public Company Limited	32.4	29	12%
7	Kasikornbank Public Company Limited	30.4	16.1	89%
7	Siam City Cement Public Company Limited	30.4	N/A	N/A
9	PTT Chemical Public Company Limited	29.4	12.9	128%
10	CP All Public Company Limited	28.4	N/A	N/A
11	Siam Commercial Bank	24.5	20.2	21%
11	Banpu Public Company Limited	24.5	14.5	69%
13	IRPC Public Company Limited	22.5	16.9	33%
14	Shin Corporation Public Company Limited	21.6	N/A	N/A
15	PTT Aromatics and Refining Public Company Limited	20.6	30.6	-33%
16	Bank of Ayudhya Public Company Limited	16.7	16.9	-1%
17	Advanced Info Service Public Company Limited	15.7	14.5	8%
17	Bangkok Bank Public Company Limited	15.7	17.7	-11%
17	Total Access Communication Public Company Limited	15.7	12.1	30%
17	Land and Houses Public Company Limited	15.7	11.3	39%

¹ The full report that is available on the CSR Asia Center at AIT website at www.csrcenter.ait.asia provides an analysis of top movers

The Siam Cement Public Company tops the list in Thailand and also ranks 14th overall out of the full sample of 200 companies from 10 Asian countries in the 2009 rating. Consistently high scores across the six categories demonstrate the multi-dimensional nature of the company's commitment to CSR and are indicative of the importance of transparency, reporting and stakeholder communications in order to achieve their CSR goals.

This reflects the view of Mr. Chaovalit Ekabut, President, SCG Paper who states that

“CSR is not an extra activity, it is our duty. And it is important that all stakeholders should be engaged to contribute their parts in the activity in order to develop mutual trusts in achieving a common goal. In today's world, society is the one who really determines the “license to operate” for any business, and it is ready to do that any time.”

CSR is taking hold fast in Thailand

Compared to other countries in the pan-Asian sample of 200, the scores from Thailand were fairly low, averaging only about 30 points. However, between 2008 and 2009, most of Thailand's largest companies seem to have recognized the importance of improved disclosure on CSR issues. This suggests that Thai companies are realizing that CSR is increasingly becoming an important element in their brands and reputations and that a strategic approach to CSR can deliver business benefits.

Thai companies are still somewhat conservative in terms of transparency and disclosure

Since the ASR is only a reflection of the amount of information in the public domain about a company's CSR activities, the CSR Asia Center at AIT sought to qualify the results of the rating for Thailand by speaking directly to some of the companies on the list. Five of the six respondents acknowledged that the ASR ranking is generally reflective of their progress with CSR. All six believed that their score would have been higher if performance rather than disclosure was measured.

Interviews revealed that Boards or CEOs are key drivers for CSR and that CSR is viewed as being “very important” to the company.

While there is a declared focus on CSR, achievements have not yet been publicly disclosed. Current findings also suggest that companies are primarily disclosing what is mandated by law, resulting in transparency and accountability gaps in some key areas.

Increased stakeholder awareness and sophistication expected to drive CSR in Thailand

Key CSR priorities for stakeholders are environment, health and safety and corporate governance, all of which were considered vital or very important.

Table 2: Results CSR Priorities Survey with 52 stakeholders

Priority	Factor	Score
1	Good environmental performance	2.38
2	Good health and safety practices	2.25
3	Good corporate governance	2.02
4	Codes of conduct on bribery and corruption	1.94
5	Social and environmental reporting	1.88
6	Support for human rights initiatives	1.85
7	Community investment and volunteering	1.83
8	Good human resources management and employee practices	1.77
9	Ongoing stakeholder dialogue	1.69
10	Codes of conduct on supply chains and factory inspections	1.67
11	Product and service responsibility and responsible marketing	1.65
12	Adherence to international standards and guidelines	1.52
13	Published social and environmental policies	1.42
14	Partnerships with other businesses and NGOs (PPP)	1.1
15	Philanthropy and charitable donations	0.63

The difference between philanthropy and community investment is clear for stakeholders. They scored philanthropy at 0.63 (between neutral and important) but community investment and employee volunteering at 1.83 (between important and very important).

Building on the Thai corporate tradition for community engagement and an increasingly clear delineation between philanthropy and community investment, in addition to a general trend towards strategic approaches to CSR, it is expected that companies will become more strategic in approaches to community investment. Companies can utilize their core competencies to impart resources and skills to people living in poverty while having a positive social return on investment for the company.

Considerable improvements expected in the area of environmental performance and transparency about results

Three of six companies said that environment was their number one priority, two said it was their second most important priority, and one company rated environment third on their priority list. Considering the high priority attached to the environment by stakeholders, as well as political and scientific concerns about climate change, it seems this could be the issue to watch in the short term. It is anticipated that companies will put their commitments into practice, manage risks associated with climate change and capitalize on opportunities in the area of new technologies and adaptation strategies.

Although most companies do report on the positive contributions they make for communities or environment they do not yet report on issues of strategic and material relevance to the

conduct of their business. This is a mismatch with stakeholder expectations who rank social and environmental reporting as their fifth most important priority, and a missed opportunity for companies on several levels:

Ongoing and meaningful dialogue with stakeholders is key to developing and implementing an effective CSR strategy. Advancing stakeholder engagement policies and processes can help companies decide on what the material issues are for their CSR policies and programs, feed into building a comprehensive CSR strategy, and ensure that the issues reported reflect the information needs of stakeholders.

Are Thai companies missing out on competitive advantages in the global economy and its increasing demands for sustainable supply chains?

The rationale for studying the top 20 Thai companies by market capitalization for this report was that their sheer size and volume of activity means that their commitment (or not) to CSR will have a direct impact on the economic, environmental, and social circumstances of Thailand and its people. But just as importantly, these companies also exert great influence over smaller players in Thailand by imposing their values through supply chains and B2B relationships.

Research results show Thai companies scoring lowest on marketplace and supply chain indicators, and interviews confirmed that supply chain issues are rated as one of the lowest priorities for companies. Given Thailand's role as one of the world's most important exporting nations means that many SME's are also key interlocutors in global supply chain webs and may find themselves affected by CSR priorities set by global companies. As stakeholder demand for accountability on sustainable supply chain management increase

Smaller enterprises are typically more connected to or integrated with the communities in which they operate. Their economic, environmental and social impacts can be more direct, and the causality can be clearer to both the business owners and the impacted community than is sometimes the case with larger more anonymous enterprises. Understanding the current state of CSR in smaller enterprises, and whether CSR activities such as eco-efficiency, environmental stewardship and employee safety are already being practiced would complement the findings in this paper and create a more balanced understanding of CSR in Thailand today and where it might be heading in the future.

Contact:

CSR Asia Center at AIT

www.csrcenter@ait.asia

Leena Wokeck, Director

leena@ait.asia