



The Challenges of Asia for
Global Corporate Citizenship

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Abstract

This chapter explores the DHL view of the imperative of Corporate Citizenship in Asia. It discusses how the region presents special challenges for international companies such as DHL on account of its various levels of democracy, different approaches to labour standards, different social and environmental priorities and different business traditions. It suggests that where such diversity flourishes and where conditions are fast evolving, global business should work in accordance with its own best standards, with those recommended by international law and with universally recognised codes of conduct, guided by local cultures and conditions. The challenge for companies such as DHL is to embed Corporate Citizenship values within the company and to ensure that employees worldwide, in Asia and elsewhere, are empowered through fair conditions of work, training, and management support to act in accordance with those values and local needs. Corporate Citizenship is only partly about philanthropy and community development programmes - although, harnessing core competencies to contribute to social development in poor regions of the world, especially in times of crisis, is an important responsibility that DHL embraces. Corporate Citizenship is also about being efficient and competitive, as well as financially stable. Companies can best behave as good global corporate citizens if they are themselves healthy and thriving as business enterprises.

For a global company like DHL this includes the employment it creates and sustains, the conditions of work provided and improved upon, the environmental protection promoted and the stability and benefits generated for business partners, host governments, community neighbours and shareholders. The latter benefits flow as a result of making a profit, paying taxes, engaging in productive business-to-business relationships and following strategies of expansion and growth in line with business values that emphasise social responsibility and environmental stewardship. The positive impact of those contributions in society can only grow as business grows and becomes more profitable.

This chapter is not intended to be an exhaustive survey of Corporate Citizenship in Asia. It reviews some of the issues, raises some challenges, analyses some of the implications and aims to illuminate certain aspects of DHL's thinking on the subject. It then goes on to describe the DHL approach as an example of one possible way forward. In so doing it discusses the DHL belief that Corporate Citizenship is about the 'way we work' and that responsible business practice is about harnessing core competence alongside efficient business enterprise to contribute on a broad basis to society and its economic, social and environmental sustainability.

Corporate Citizenship in Asia - some background

Some suggest that Corporate Citizenship or Corporate Social Responsibility (CSR) is primarily a western concept. They suggest that decision making in companies in Asia tends to be more centralised and less consensual than in companies in the western economies, and that Asian companies have different cultural expectations regarding working terms and conditions and approaches to environmental protection and resource use. At a recent workshop organised by the UN Research Institute for Social Development (UNRISD) in [2000], it was argued, for example, that in the case of one particular country,

" While concepts like Corporate Social Responsibility have become more fashionable [in Indonesia] they have essentially been introduced from abroad."

However, in some parts of Asia, CSR and Corporate Citizenship have been on the agenda a long time. For example, in India, politicians from Gandhi onwards have stressed the role of business in social development. As early as 1965, Prime Minister Lal Bahadur Shastri chaired a national level seminar held in Delhi on the 'Social Responsibility of Business' for policy-makers, business leaders, thinkers and trade union leaders. It called for regular stakeholder dialogue, social accountability, openness and transparency, social audits and corporate governance. The seminar reported that:

"[CSR] is responsibility to itself, to its customers, workers, shareholders and the community. Every enterprise, no matter how large or small, must, if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions... and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Business must be just and humane, as well as efficient and dynamic ... An enterprise is a corporate citizen. Like a citizen it is esteemed and judged by its actions in relation to the community of which it is a member, as well as by its economic performance."

It is interesting to note that the dramatic events surrounding the fall of Enron, Worldcom and Tyco, and the consequent concerns in the west about corruption, fraud, governance and accounting standards, have not been strongly felt in Asia, despite the fact that the repercussions were global. The region, although associated with corruption, has not experienced a reputational and financial crisis on the same proportions as Enron. Moreover, some commentators suggest that higher standards in Asia are the result of, for example, the requirement in some countries to conduct

environmental reporting and of the strong sense of loyalty to customers, business partners and employees that Asian companies so openly demonstrate.

Furthermore, although CSR is practised 'in name' by only a few firms in Asian countries, this does not mean that there is a comparative lack of social and environmental responsibility demonstrated by business within the region. For example, the provision of shelter, health care and schooling for workers and their families (sometimes sponsored by deductions from pay) is more characteristic of CSR in developing countries. Other research highlights how CSR is part of the way some Asian companies work on a day-to-day basis. For example:

- The UK's Department for International Development supported the 'Resource Centre for Social Dimensions of Business Practice', which carried out research into the relationship of business and poverty. This highlighted the significance of approaches by national companies in countries such as Singapore and also India, where the tradition of business involvement in social issues is exemplified by family businesses and where businesses of every size have seen social reform as part of their contribution to nation building. Often this is linked with local commitment and religious affiliation. Community involvement is still largely through trusts and foundations - there are over 200,000 private sector trusts to help local communities in India, most of them set up by businesses.
- Indian CSR has traditionally involved providing financial support for schools, hospitals and cultural institutions. However, some have observed that this philanthropic drive has been driven by business necessity. With minimal state welfare and infrastructure provision in many areas, companies had to ensure that their workforce had adequate housing, healthcare and education, so that employees were well enough for productive work.
- Business Associations play an important part in promoting more responsible practice by companies. In the Philippines, the Philippine Business for Social Progress (PBSP) and the Asian Institute of Management (AIM) have for a number of years developed and promoted CSR in the country, addressing such issues as the provision of micro-credit, disaster relief, corporate giving and environmental stewardship.

As elsewhere in the world, Corporate Citizenship in Asia is not just about support for local workers and communities, rather it has become by necessity a mainstream business issue - it is about how business goes about doing its work and its broader contributions in society. However, it seems that the concept of Corporate Citizenship is still very much in the early stages of its evolution. Many challenges now face companies in Asia, both local and international, in making corporate responsibility an integral part of business strategy without

diverting resources to the extent that the profitability of the overall business enterprise is undermined. Having said that, it is the failure to put in place strategies to address the concerns of local communities or work against the environmental degradation that can result in costly retrospective mitigation or ultimately lead to bankruptcy or the need for withdrawal from a country or business relationship. These events can turn out to be more expensive for business in the long run.

Challenges for global Corporate Citizenship in Asia

There are a number of key challenges that working in Asia poses for a socially responsible global business. Six key challenges identified by DHL are explored here: ethical supply chain management and labour standards; investment and human rights; public consultation and the 'social licence to operate'; working in zones of conflict and security; corruption and the lack of law enforcement; and environmental protection.

1) Ethical supply chain management and labour standards, especially in manufacturing and agriculture. Two areas of particular concern to DHL, as to all responsible global businesses, are child labour and 'bonded' labour, as well as excessive working hours and overcrowded and unhygienic working conditions. The legal age of workers in some countries is 14 years old. The International Labour Organization's ILO Convention 138 recommends the abolition of child labour, and stipulates that the minimum age for employment shall not be less than the age of completion of compulsory schooling, specifying that this must be 15 years unless there are exceptional circumstances. In addition, ILO Convention 182 and Recommendation No. 190 on the Worst Forms of Child Labour is directed at eliminating, for people under 18, slavery, prostitution, drugs trafficking and any other work that generates health and moral hazards for children. High profile cases involving the use of child labour in some factories in South East Asia have received a great deal of media attention and pose challenges for reputational management, particularly in the retail sector. These issues pose further challenges of first, reconciling the income generation needs of poor people and the need for business to increase competitiveness as new supply options become available and of, secondly, ensuring access to the education and humane conditions of work that are stepping stones out of poverty.

The provision of services to workers is often thought of as constituting a 'paternalistic' approach, and 'social audits' in respect of labour standards today would likely investigate whether this is a benefit to employees on top of their wages or a debt that is imposed regardless of whether they had chosen to accept specific welfare support. Working to repay a debt - debt bondage, especially a debt that is imposed by a company through 'compulsorily'

providing goods or services, may be considered to contravene ILO Convention 29 on Forced Labour. Forms of bonded labour are found all over the world, but have been shown to be more prevalent in parts of India, Pakistan and Nepal, on farms and plantations, in brick making and in quarrying, where its roots are to be found in the caste system or in feudal agricultural relationships.

2) Investment and human rights, especially where governments are not democratic or are military dictatorships. Global companies are increasingly facing criticism about where they invest. Indeed, there are some single-issue interest groups, as well as some western governments, that discourage investment in certain countries on account of documented poor human rights records – in Burma, Sudan and Iraq, for example. Some companies have pulled out of those countries on account of such public or shareholder pressure. But there are also companies that have sought to use the opportunities that their investment affords to make positive contributions to society in those countries. Rather than withdrawing, these companies have instead followed a strategy of ‘constructive engagement’. For example, they have provided human rights training and engaged in health promotion projects or, as is the case with DHL, have contributed to restructuring in post-conflict situations through the provision of such assistance as including transporting humanitarian aid and supporting development agencies in some of the associated logistics.

Working in such countries clearly brings with it a special set of responsibilities, and corporate citizens are expected to play a positive role in promoting the protection of human rights and ensuring that their activities are never misinterpreted as constituting complicity in any human rights violations that take place. Indeed, this is one of the elements addressed by the Secretary General of the United Nations, Kofi Annan, when he calls upon global business to sign the UN Global Compact, a voluntary agreement by business to promote the protection of human rights, labour standards and the environment. DHL is a signatory to the Global Compact and participates in the Global Compact Learning Forum, which aims to help business share experience about the challenges of implementing the Compact’s nine principles in their operations in different countries and contexts.

3) Public consultation and the evolving concept of the ‘social licence to operate’. In some countries such as India and the Philippines, laws exist that oblige companies to engage in prior consultation with local communities before making an investment. There is now a body of evidence that strongly indicates that if a company does not engage in such dialogue with host communities they might not acquire what is now referred to as a ‘social licence to operate’ – the informal agreement of their neighbours. They might find that they are not able to recover

predicted returns on their investment because they do not have the support of their local host communities. The case of the extractive sector, in particular throughout Indonesia, Papua New Guinea, Pakistan and India, bears this out. So too does the experience of establishing airports, with communities, for example, lobbying to restrict night flying or preventing the construction or use of access roads. The issue of ensuring that local communities are supportive of new transportation infrastructure, mines, factories or farms is relevant whether in Asia or elsewhere. Notwithstanding this point, it is important to note that the 'licence to operate' does not only grant permission to invest but may be vitally important throughout the life-span of an operation. Since infrastructure investments in developing countries, and particularly in the poorer regions, have been poorly maintained this represents an area of concern for the logistics and transportation sector.

4) Working in zones of conflict and war-prone areas, and the challenge of security. Many Asian countries have been engulfed in internal conflict or are locked into confrontation with neighbouring states. A notable example is the recent resurgence of hostilities between Pakistan and India over Kashmir. There are also countries that are occupied by a neighbouring state or in which there are disputes about sovereignty and government allegiance taking place. Afghanistan, Indonesia, East Timor, Papua New Guinea, the Philippines, Thailand, Tibet and Nepal are examples of such countries.

Again this sets up a specific challenge for the responsible practice of business, and one of which DHL is acutely aware given its global logistics and transportation business. While DHL works in accordance with the business concept of 'first in, last out and first back in' it must recognise that this carries with it many responsibilities, not least of which is the responsibility to ensure that its business activity does not in any way contribute to inflaming tensions in fragile post-conflict situations.

An example of a response by DHL to such a post-conflict challenge is that of its support of the UN in Afghanistan, a country to which DHL, with its long-standing policy of being first back in again, returned to Afghanistan in March 2002 after a 15-year absence due to political unrest. From the first flight on March 15, DHL has been providing a valuable contribution to the rebuilding and development of the Afghan economy. Three times a week DHL's shipments include humanitarian aid, diplomatic cargo and office equipment destined for aid agencies and diplomatic missions operating in Kabul. DHL has also been helping with the rebuilding of the war-torn country. In spring 2002, the UN asked DHL to help the organisation reestablish its offices in Kabul after a seven-year absence. Via diplomatic pouches, DHL has shipped bulk office supplies and computers for the UN, saving transit time for the organisation by providing a more direct route to Kabul than the previous route through Islamabad. The tradition of

providing humanitarian assistance in times of crisis stems back as far as 1985, when DHL Mexico provided logistical support to victims of the September 1985 earthquake. Another example from Asia of DHL's commitment to humanitarian assistance is the support the company provided when a tidal wave hit Papua New Guinea in 1997. Then DHL Australia flew in 20 tonnes of emergency goods, including one tonne donated by DHL staff.

5) Corruption and the lack of law enforcement. Although Asia has not had any corporate scandals on the scale of Enron, in recent years it has had its own serious cases of alleged public sector embezzlement reportedly linked to corporate sources. Credible sources show that in countries across the region, corruption is part of political, economic and social life.¹ The perception is that corruption clearly remains a serious problem in most countries in Asia, with Bangladesh and Indonesia seen as the countries in which corruption is considered most prevalent. Some have undertaken measures to improve transparency and enforcement standards, and this has helped them to attract investment, with Thailand, Malaysia and South Korea ranking among the top ten performing stock indices in Asia in 2002. However, there is still a long way to go for some countries. Working in such countries in a socially responsible way presents a major challenge for global business. It places the burden on companies proactively to develop policies and procedures to ensure that they do not inadvertently become complicit in fraudulent business practice. Increasingly, new guidance being developed at the international level by, for example, the OECD and by the NGO Transparency International suggests ways for this subject to be addressed, and some companies are putting in place confidential helplines to support their employees.

One area of law enforcement that DHL is particularly well placed to support both in Asia and globally, and for which it has won praise, is that of combating fraud. Globally, DHL complies strictly with the regulatory requirements regarding inspections designed to prevent the entry of explosives, narcotics and other contraband into the DHL Network. In its Asia Pacific operations, the importance of these inspections is regularly emphasised, as is the importance of liaison and lobbying with governmental, law enforcement and regulatory bodies. DHL Thailand has managed to combine both of these. During 2001, DHL Thailand's strict shipment inspection policy resulted in the interdiction of hundreds of forged passports. Bangkok is a location that has been associated with the production of fraudulent documentation, and the events of September 11, 2001, among a great many other things, highlighted the dangers of forged travel documents. Following these seizures, DHL Thailand informed the relevant Embassies and liaised with Thai Police and immigration officials in an effort to assist with their ongoing efforts to combat this form of criminal activity. In recognition of this work, DHL Thailand was presented

with a special award from the US Immigration and Naturalisation Service for its work in combating human smuggling and trafficking. DHL Thailand is the only commercial organisation to have received such an award.

In the field of high-value freight security, DHL Asia has been supporting an initiative developed in 2000 by Technology Asset Protection Association (TAPA), a non-profit organisation. The association was created to guarantee high security standards in the freight transportation of high-value technology products to minimise monetary or asset losses incurred due to theft during the shipment process. The issue of freight security has gained increased impetus since the launch of the global war on terrorism. DHL has now received certification for nine of its facilities in Hong Kong, the Philippines, Singapore and Thailand following an audit by TAPA. The facilities were evaluated in the areas of warehousing, site security (including security in and around the facility, security work instructions, training, access control, secure storage, alarm control, closed circuit video security systems) and road transportation.

6) Environmental protection. The lack of effective environmental legislation and regulatory frameworks, compounded by both lack of capacity and weaknesses concerning enforcement in many Asian countries, has resulted in many serious negative environmental impacts, with resultant protests from community and public interest groups. The Bhopal disaster in 1984, involving a gas leak from Union Carbide's chemical plant, with its aftermath of injuries continues to receive a high profile in the media and from environmental and human rights organisations. The export of waste to countries such as India, Pakistan and China (largely from the US but also from Europe, South Korea and Japan) and of other hazardous materials from rich to poor countries also calls into question the issue of ethical business behaviour, particularly in light of the Basel Convention (1994) banning such exports - already applicable to European business but as yet to be adopted by the US. Again, the lack of a level playing field in respect of regulation and growing societal expectation in respect of waste prevention mean that it makes sense for global companies to develop their own strategies and best practice guidelines where local regulation is weak.

DHL is a global transportation company and therefore generates emissions that must be both reduced and managed proficiently. In 2000, DHL introduced a global fuel tracking and monitoring system to monitor fuel use, measure fuel burned by various aircraft and meet the new ISO 14001 environmental standards to which DHL is committed. Capturing this data enables DHL to measure efficiency by monitoring operator, fleet or specific aircraft fuel usage;

¹ Transparency International: Global Corruption Report 2001

set budgets and run economic analysis on various aircraft types and plan network routes more accurately; assess the environmental impact of its fleet; and help DHL maintain its ISO 14001 certification. In 1999, DHL Aviation resolved to implement a company-wide Environmental Management System (EMS), providing a framework for responding to the environmental challenges before them. This was a strategic business decision with real business benefits measured by working towards - and achieving - a single multi-site certification to ISO 14001 for both ground and air operations. The benefits of adopting an effective EMS policy and achieving the ISO14001 standard are many. Notably, it secures the prosperity of DHL's global community by reducing waste, costs and inefficiencies and preserving natural resources. There are commercial benefits including improved operations and customer relations, legal and regulatory compliance, better performance management, increased staff motivation and attractiveness for investors.

The business case for Corporate Citizenship in Asia

While the six challenges described above represent a major challenge to multinational companies, such as DHL, that operate in Asia, at the same time there is a growing body of evidence that suggests that, on top of the moral imperatives, there is also a strong business case for acting as a global Corporate Citizen in Asia, and indeed anywhere in the world.

Some key business benefits of Corporate Citizenship are:

- Enhanced reputation, which contributes to being the partner or 'supplier of choice' in a growing range of business transactions, or in new markets. Increasingly, other global companies with CSR strategies are requesting that DHL demonstrate its ethical credentials
- Increased ability to recruit, develop and retain staff, and a better-motivated workforce
- Better relations with government and other partners that can contribute to positively-enhanced future business relationships
- Keener anticipation and enhanced management of risk
- Operational cost savings through environmental efficiency methods that create 'win-win' solutions for society and business
- Enhanced learning and innovation that can contribute to wider competitive advantage

Ways forward: Corporate Citizenship baselines

Guiding principles and standards and their relevance for DHL

There is now a range of principles, codes and standards providing frameworks and guidelines for international best practice in Corporate Citizenship, and it is suggested that most of these are applicable in an Asian context.

The UN Global Compact addresses at the global level some of the challenges posed by working in Asia through its nine principles covering human rights, labour and the environment (listed below).

Available statistics² show that over one third of the 601 companies signed up to the UN Global Compact Principles are Asian, notably from the Philippines (91 companies) and India (85), with a smaller number (11 companies or fewer) from China, Indonesia, Japan, Korea, Nepal, Pakistan, Sri Lanka or Thailand.

² Source: www.unglobalcompact.org 'Global compact participants by country: Dec 19, 2002'

The UN Global Compact

Human Rights: The Secretary-General asked world business to

1. Support and respect the protection of international human rights within its sphere of influence; and
2. Make sure its own corporations are not complicit in human rights abuses.

Labour: The Secretary-General asked world business to uphold

3. Freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation.

Environment: The Secretary-General asked world business to

7. Support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Alongside the Global Compact, there is also a growing body of other standards and initiatives emanating from the UN, NGOs and also businesses in OECD countries.

The international framework of human rights establishes international law relating to Corporate Citizenship and socially responsible business practice. This comprises three main items: the Universal Declaration of Human Rights (UN 1948); the Labour Standards embodied in the Fundamental Conventions of the International Labour Organization (ILO 1930-1999); and the Rio Declaration on Environment and Development (UN 1992). These are binding for states.

However, as the UN Commission on Human Rights changes its focus from development to implementation and as society demands increased accountability from companies, national laws, codes of conduct and voluntary initiatives are being developed that interpret the international framework of human rights in terms of 'norms' for responsible business practice. Business and industry groups, concerned to ensure that so-called 'norms' of best practice are indeed relevant and feasible for the specific circumstances of their business, are developing some of these voluntary initiatives.

Three main codes of conduct are relevant to a company like DHL. First, the Human Rights Principles and Responsibilities for Transnational Corporations and Other Business Enterprises (UN Sub-commission on the Promotion and Protection of Human Rights 2002); second, the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (ILO 1977); and, third, the OECD Guidelines for Multinational Enterprises (OECD 2000). At DHL the latter is considered extremely useful as the company begins to develop its policies and programmes for promoting good Corporate Citizenship, particularly in respect of the challenges faced when operating in developing countries. From the perspective of DHL and of many other companies with global operations, the most helpful and highest-level 'voluntary initiative' that builds on these codes, and on the international law referred to above, is the UN Global Compact.

Two other initiatives are important to DHL in that they provide guidance at the global level. The first is the World Economic Forum's Corporate Citizenship 'Framework for Action' (2002), to which DHL is also a signatory. This calls for a four-point action plan, which DHL is following. For example, step one is 'provide leadership', and the importance of business principles are noted in this regard; step four is 'be transparent', which underlines the DHL commitment to report to stakeholders on performance in respect of its social and environmental responsibilities. Indeed, as a demonstration of leadership, DHL has established a dedicated Corporate Citizenship Unit (CCU) within the Office of the CEO. The second initiative that DHL considers relevant to its work is the Global Reporting Initiative (GRI). DHL plans over time to report on its Corporate Citizenship performance in accordance, where relevant, with the principles and indicators suggested by the UN-convened multistakeholder GRI framework. It will also be interesting to see whether ISO develops a standard for responsible business practice, as DHL found the discipline of meeting ISO 14001 accreditation in environmental performance a useful exercise and considers it part of its commitment to upholding the UN Global Compact Principles on environment.

Partnerships

More recently, DHL has learned that harnessing its core competence in partnership with others can generate greater development impact. Therefore, within the framework of a number of WEF initiatives, DHL is working with other business and civil society partners within the Global Disaster Resource Network and the Global Health Initiative, as well as within the Global Digital Divide Initiative. In all three of these networking programmes, DHL applies its core competence of logistics and transportation, together with the expertise of others, to help address problems that are so great in scope that each partner could not hope to address them alone. The Global

Disaster Resource Network is a global network of companies in the engineering, construction, logistics and transportation sectors that are committed to assisting humanitarian organisations in their efforts to reduce human suffering associated with disasters by acting as a clearinghouse for companies to offer a defined range of their resources free of charge. The Global Digital Divide (GDDI) builds partnerships between the public and private sector to bridge the divide between those who can make effective use of information and communication technology (ICTs) to improve their lives and those who cannot. The Global Digital Divide Task Force was launched in 2000 with a three-year mandate to develop and transmit creative public and private sector initiatives to transform the digital divide into an opportunity for growth. The Task Force has initiated and supported education and entrepreneurship projects as well as raised awareness of the issue through its policy advocacy efforts. Led by the business sector in partnership with the not-for-profit and government sectors, the Task Force has undertaken education projects, entrepreneurship projects, policy and strategy projects and resource mobilization projects. The Global Health Initiative's mission is to increase the quantity and quality of business programmes fighting HIV/AIDS, tuberculosis (TB) and malaria. The GHI partners with the Forum's 1,000 member companies, the World Health Organization, the Joint United Nations Programme on HIV/AIDS, Roll Back Malaria (RBM) and Stop TB. DHL's role is to support the transportation of medicines and the logistics surrounding its distribution to patients in developing countries.

Ultimately, however, we believe that it is the individual CSR strategy of a company like DHL, together with the issue of how that company has positioned itself within the different societies within which it works as a corporate citizen that can make the difference in terms of contributing to economic and social development and the protecting the environment. This suggestion is applicable wherever a company is operating in the world - whether in the west or Asia.

The boundaries of business responsibility

Corporate Citizenship can never be a replacement for the rightful role of democratic governments to set up regulatory frameworks for the benefit of society. However, for Asia, more immediate priorities often limit the role of the state in distributing more widely the benefits of business in the face of poverty and inequity and in providing safety nets for those who are adversely affected by business or government decisions.

It can therefore be argued that in developing countries there is a greater responsibility for global business to be aware of some of the more indirect as well as immediate implications of

an investment decision, and to address these impacts responsibly within the local communities in which they operate. We should remember that employees of business are also members of local communities, which is another reason to emphasise approaches that look at business 'in society' - not business and society - as if society is a separate entity. It is also worth noting that banks, whether private or multilateral, and in particular the World Bank Group, increasingly attach environmental and social conditions to the provision of credit, equity or insurance, and do so primarily in order to protect predicted returns on their investments and ensure that public monies do not contribute to a worsening of poverty.

The jurisdiction of states is limited to national boundaries and international law is binding only on states, not on business. Where national law does not exist or is weak there exists a responsibility on the part of large multinational companies such as DHL to respect established voluntary codes of conduct that give a practical interpretation of international law for business. Moreover, how companies apply these responsibilities as corporate citizens, as well as the competitiveness of the services they offer, will increasingly be the basis upon which customers and business partners will make their purchasing and business decisions.

The challenge of corporate governance

Corporate governance is increasingly considered to be a key component of Corporate Citizenship and particularly important in Asia, since poor corporate governance was identified as one of the root causes of the Asian financial crisis in the 1990s.

It has been suggested that the absence of effective discipline within the managements of some corporations, coupled with apparently complicated relationships between corporations, their owners, finance providers, auditors and consultants, severely affected investors' confidence in the region's corporate sectors. Economies that took early steps to improve corporate governance have been recovering from the crisis at a more rapid pace than those who have not addressed this issue. The Asian crisis showed that good corporate governance is important not only for individual corporations that wish to raise capital but also for an economy looking to realise sustainable growth.

Companies in Asia have sometimes claimed that western-style corporate governance standards do not apply to them. However - and with some western standards now shown to be severely lacking - it is clear that high standards of corporate governance are a necessary prerequisite regardless of market sector or economic region. Again, this is a challenge for all global companies in their worldwide operations, not just for those in Asia.

To achieve good corporate governance across the region, it is suggested by some observers that more needs to be done. However, apart from Hong Kong and Singapore, where corporate governance systems have been considered sound for some time, most Asian countries have achieved discernible and significant progress in reforming their corporate governance systems during the past few years. This is of particular note given the scale of the problems in corporate governance shared by these countries and the short time-period in which this progress has been made.³

The following examples indicate the nature of current momentum in Asia in corporate governance as outlined in a recent report entitled 'Leading Social Investment Indicators Report 2001' (SRI World Group, Inc. 2001):

- **China** (China Securities Regulatory Commission - CSRC) has taken a number of steps to enhance transparency and director independence. It has also stated that it will routinely examine for truthfulness in accounting and financial and corporate governance reporting. Codes of best practice are being developed.
- **Hong Kong** (Society of Accountants - HKSA) has published guidelines that encourage transparency and corporate governance.
- **Malaysia** (Kuala Lumpur Stock Exchange - KLSE) conducted a major overhaul of its listing requirements in an effort to increase the credibility of the market, with a focus on improved corporate governance and mandatory training for directors.
- **India** (Securities and Exchange Board of India - SEBI) has issued a mandatory code for corporate governance and disclosure with quarterly compliance reports.
- **Indonesia** has established a Forum for Corporate Governance in Indonesia (FCGI) to disseminate information, encourage sharing of best practice and provide benchmarks.
- **Japan** (Ministry of Justice) has proposed changes to its commercial code to bring corporate governance in line with International Standards, with specific emphasis on board composition and structure and audit processes.

³ Source: This section draws on 'Comparative corporate governance trends in Asia', Chong Nam, Yeongjae Kang, Joon-Kyung Kim. July 2001

- **Pakistan** is working with the Asian Development Bank to develop an institutional capacity in corporate governance, to increase efficiency through governance standards, strengthen the regulators' ability to promote good corporate governance and enhance shareholder understanding of international best practice.
- **The Philippines** has established a governance Advisory Council to develop and align Philippine companies and government agencies with international standards of corporate governance, particularly in transparency, business ethics and integrity of business and financial transactions.
- **Singapore** has recently adopted its first code of corporate governance, which focuses on disclosure and board structure and composition, together with a system to monitor compliance. Legislation is passing through government to develop a disclosure-based regime with stock market enforcement.
- **South Korea** (Ministry of Commerce Industry and Energy and the Federation of Korean Industries) has set up a corporate ethics evaluation system. Government incentives are to be offered to companies conforming to a new definition for corporate governance with increased emphasis on transparency and consumer protection. Problems inherent in the financial institutions are to be addressed by insisting that banks factor in a company's corporate governance performance when determining credit rating.

Finally, it should be noted that transparency in procurement practices by government agencies and relevant capacity building and training was an agenda item at Doha, is a priority for Asia and is being followed up on by the WTO, by regional development organisations and banks and by national governments.

DHL's experience of Corporate Citizenship and responsible business practice

DHL's definition of Corporate Citizenship is drawn from the World Economic Forum (WEF). It provides the sort of generic guidance that we believe can help a global company act responsibly wherever it is working in the world - Asia or elsewhere. It states:

"Corporate Citizenship is about the contribution that a company makes to society through its core business activities, its social investment and its philanthropy programmes, and its engagement in public policy. It is determined by the way a company manages its economic social and environmental impacts and its relationships with different stakeholders, in

particular shareholders, employees, customers, business partners, governments and communities ...[It] is not just a 'nice-to-have', charitable add-on, but [is] a fundamental element of good business practice and effective leadership." World Economic Forum, Global Corporate Citizenship, The Leadership Challenge for CEOs and Boards, 2002

DHL's very fast growth, characterised by autonomy at the local level, has brought benefits in Corporate Citizenship terms such as the local sourcing of services and the employment and training of local managers who understand the cultures in which they are working. But it also poses challenges in some areas, as the company strives to combine cost-efficiency measures such as centralised procurement with responsible business practice. Sometimes DHL needs to make trade-offs, and there are no simple solutions. Rapid local growth also means a rise in local solutions to fit customers' needs. At the same time, DHL has been working hard to standardise functions globally, such as operations and 'e-purchasing'. DHL will therefore always need to find a balance between the respective advantages of local and global solutions.

DHL's approach to Corporate Citizenship is consequently a reflection of its close relationship to the local communities in which it operates and the skills it can most effectively apply as a global transportation company. Should disaster strike - for example, earthquakes, floods or conflict - DHL has always done all it can to help those affected and the humanitarian agencies that support them. DHL has done this as an extension of the logistics and transportation activities that are core to its business. By focusing on this type of assistance, DHL is able to bring appropriate expertise and to incorporate delivery of humanitarian aid into DHL's existing transport operations, thereby making it more cost-effective. This is not philanthropy; it is Corporate Citizenship; it is the application of core business competence more widely in society.

DHL is in the process of consolidating the community investment 'strand' of its CSR work. This involved looking at existing work as well as initiating new projects in response to need. Although charitable giving will always be considered important and initiatives by DHL employees will continue to receive good support, and indeed are considered to contribute to team building, the future work of DHL's community investment programmes will either, as mentioned above, be the extension of the business that DHL does, or will contribute to capacity building within the next generation. The latter is in line with one of the outcomes of the Doha Development Agenda meeting, which emphasised capacity building in developing countries. Examples of work in these two areas include the case of post-conflict humanitarian assistance provided in Afghanistan outlined above and the provision of food aid to needy people in Singapore and DHL's new partnership with AIESEC, a student organisation, to promote capacity building among young people in the Asia-Pacific region, both discussed below.

Looking first at the provision of food aid, DHL Singapore, as part of its CSR activities, launched a weekly delivery service of fresh vegetables to 415 needy and elderly citizens for a year. "Veggie Express" is a charitable service: DHL buys the vegetables, with staff volunteering to sort and distribute the produce. Internal response has been overwhelming as employees take up the opportunity to work for a day outside of normal duties to make a difference in the community through this scheme. This charitable work is an extension of the business that DHL does every day.

As a contribution to capacity building, DHL has recently invested in a new partnership with AIESEC, the largest student organisation in the world. The sponsorship provides traineeships that DHL will open up for selected AIESEC members, beginning in Asia Pacific. Through this, DHL supports AIESEC in its mission of helping young people develop into individuals able to meet the challenges of the international business world. DHL will offer internships in a wide variety of disciplines, giving young people the opportunity of working closely with senior managers and the experience of a truly multicultural environment. AIESEC International President Evrim Sen said he was delighted to have found in DHL a partner with the same vision:

"It has always been our goal to contribute to the development of people and of communities by serving as an agent of positive change in the world through education and cultural exchange. The new relationship with DHL will be a significant boost to our efforts."

Again, this is an example of DHL's CSR work being an extension of the way the company works. DHL intends to take the programme global, from its regional starting point in Asia, introducing young talent to the company everywhere and across all functions, as well as significantly increasing the number of positions made available within the scheme.

The imperative of Corporate Citizenship for DHL also flows from working in countries where democracy is weak. DHL operates in 41 out of the 42 countries categorised as 'high risk' by the US State Department. This means that DHL has a special responsibility to ensure that its activities are undertaken with reference to best business practice when working in countries with poor human rights records. DHL's commitment to Corporate Citizenship, demonstrated by being a signatory of the UN Global Compact's Nine Principles on human rights, labour standards and environmental protection, means that DHL will over time need to put systems in place to ensure that its business activities are monitored and reported accurately.

Corporate Citizenship poses a challenge in terms of balancing responsiveness with responsibility. As noted above, DHL has a history of being first into a country, last out when there is trouble, and first back in again afterwards. While DHL's presence may allow the facilitation of the delivery of much needed humanitarian assistance, as well as help in the re-establishment of the infrastructure needed to support the renewed operation of both business and government, working in such countries brings with it a special set of responsibilities. Corporate citizens are expected to play a positive role in the protection of human rights and to be ethical in their business transactions in line with new codes of conduct such as the OECD Guidelines for Multinational Enterprises (2000) and the UN Human Rights Principles and Responsibilities for Transnational Corporations and Other Business Enterprises (2002).

DHL therefore adopted the WEF Corporate Citizenship 'Framework for Action', published in February 2002, to shape its global approach to addressing these wide ranging business responsibilities. In brief, as noted above, under the Framework a practical four-point plan is proposed:

- Provide leadership
- Define what it means for the company
- Make it happen
- Be transparent about it

The Corporate Citizenship management system that DHL is developing will introduce a range of performance monitoring tools. This will help the company demonstrate that the commitment to Corporate Citizenship is one that the company is prepared to measure and report on to its stakeholders. In addition, 'Corporate Citizenship Champions' are being identified within DHL and trained through coaching programmes to ensure that Corporate Citizenship is effectively embedded into the culture of the company. There will also be a strong focus on internal and external stakeholder dialogue as DHL proceeds, which is also recommended by the WEF framework and GRI.

DHL's current view is that its work in the area of Corporate Citizenship should cover the following three work streams:

- **Internal CSR** - social justice in the workplace for employees, including fair terms and conditions of work, equal opportunity and business integrity, and governance frameworks for ethical business practice including supply chain management.

- **External CSR** - responsible relationships with external stakeholders, which would include a business practice 'strand' and a community investment 'strand'. The latter is an area that is important to DHL, given that the company operates in a great many of the world's under-developed and conflict-ridden countries as well as the highly developed, rich ones. There are therefore two key criteria that DHL employs within its community investment work: first, that the CSR work DHL supports must be an extension of the business that it does (e.g. transporting humanitarian assistance); and, second, that DHL's CSR work must aim to contribute to capacity building (such as skills, education, health and well-being, for example) within the next generation.
- **Environmental stewardship** - minimising the impact of DHL's operations on the environment, for example, through reducing noise pollution and fuel emissions, promoting the protection of the environment and recognising that living species should be protected and treated with respect whenever DHL's work involves their transportation.

Conclusion

In this chapter we have looked at the special challenges for international companies such as DHL of working in Asia. The challenges vary across the region in the face of various levels of democracy, different approaches to labour standards, different social and environmental priorities and different business traditions. Where such diversity flourishes and where conditions are fast evolving, DHL feels that global business is best advised to work in accordance with global business' own best standards and those recommended by international law and universally recognised codes of conduct, informed by the knowledge of local staff.

The challenge for business is to embed Corporate Citizenship values within the company and to ensure that employees worldwide, not just in Asia, are empowered through fair conditions of work, training and management support to act in accordance with these values. And although, as we have argued, Corporate Citizenship is not just about philanthropy, contributing to social development in poor regions of the world, especially in times of crisis, is an important corporate responsibility. Corporate Citizenship is also about being a healthy business enterprise and thriving. It is about undertaking community projects in areas of core competence - logistics and transportation in the case of DHL - so that optimal value added can be generated in society.

DHL believes that Corporate Citizenship is about being efficient and competitive and about ensuring the business is financially stable. If these conditions are met, guided by a CSR strategy and robust management system, performance indicators and risks review process, such benefits

should flow as meaningful employment, good conditions of work and sound development opportunities brings stability and economic opportunities to employees, business partners, host governments, community neighbours and shareholders. The latter benefits are generated as a result of making profit, paying taxes, engaging in productive business-to-business relationships and through following strategies of expansion and growth in line with business values that emphasise social responsibility, good governance and environmental stewardship.

Engaging in meaningful CSR programmes, that are aligned to core business purpose, and following the strategies that will keep the business itself in good health are the Corporate Citizenship challenges not only of Asia, but also of the entire world.