

## The role of CSR

***“Corporate social responsibility is one of the responses to the imbalances resulting from the acceleration of the globalisation process.”*** Trade

Commissioner Pascal Lamy

Business is facing shifting social, political and market demands, which is leading to a change in the values of entrepreneurial activities. There is a growing perception that shareholder value cannot be achieved solely through maximising short-term profits, but instead through market-oriented yet responsible behaviour.

The debate has moved well beyond the issue of whether business should contribute to a more inclusive and equitable global marketplace, but how it can best support sustainable development through, among other things, exercising corporate social responsibility.

Today, it is generally recognised that CSR is of strategic importance to ensure long-term business competitiveness and success. Its track record has already been demonstrated and is well documented. Its potential is enormous in the areas of employee performance, co-operation among other stakeholders (business partners, consumers, suppliers) and as an engine of economic growth. CSR has also proved to foster growth and prosperity in developing and least developed countries.

Trade Commissioner **Pascal Lamy** has emphasised the important role for the private sector in SIAs and their flanking measures because if this ambitious initiative is to succeed, there must be real synergies between public and private initiatives. Such synergies will contribute to maximising the results of an SIA by creating a business climate respectful of social and environmental protection requirements. Business projects can benefit from capacity building activities and stakeholder inclusion efforts.

For example, it is in business' interest to support activities such as capacity-building for women in rural communities where they were not previously included in the workforce or education and training for young adults and other community groups.

The World Business Council on Sustainable Development (WBCSD) believes that as a key provider of economic opportunities, training, and education, the private sector offers many a route out of poverty. **Cameron Rennie**, WBCSD told participants that the way forward is do business in a different way: by partnering with the developing world to do “smart” business.

“New business models show that corporate profitability will happen if it is married up to national development. It is in business’ best interest to develop capability for the markets and consumers of the future,” he said.

Consider that about 11% of the global population is rich; 11% middle incomes; and 78% poor. Companies focusing on the top 22% are targeting an ever more saturated, fought over market. There is opportunity in reaching the more than 4.5 billion people who form the base of the economic pyramid. These new customers could well prove crucial to a corporation’s long-term success.

### **Case study: win-win - mentoring local business in Mozambique**

The Mozal aluminium-smelting complex in Mozambique was expected to have a huge impact on the national economy: the US\$1.34 billion complex earns 7% of the nation’s GDP. Its impact at the local level, however, could have been very limited. The project has required a high degree of engineering precision and there were few local SMEs that could bid for the various subcontracts.

Melbourne-based BHP Billiton, Mozal’s main shareholder, realised that building a local base of subcontractors would be crucial to the long-term success of the plant. The company began an SME programme that offers technical and commercial mentors for potential contractors and classes on the tendering process.

As a result, Mozal has been able to double the number of contracts for exclusive local bids to 25, worth a total of US\$80 million.

From: *Sustainable livelihoods, the business connection*, WBCSD

### **How to get involved**

In recognising the importance of this role in promoting sustainable development, the European Commission in July 2002 adopted a policy paper, *Corporate social responsibility, a business contribution to sustainable development*. Shortly thereafter, the European Multistakeholder Forum was created to enable all players (social partners, business networks, civil society, consumers and investors) to exchange best practices, to consider principles for codes of conduct and to seek consensus on objective evaluation methods and validation tools such as social and environmental labels.

Commissioner Lamy has called on the private sector to reflect on how it can best contribute through CSR activities to setting measures and providing technical assistance on activities identified and set up following an SIA.

For more information: \_\_\_\_\_.