WORLD GROWTH

Corporate Social Responsibility

How Global Business is Getting it Wrong in Emerging Markets

A World Growth Report

May 2011

EXECUTIVE SUMMARY

Every major corporation in the developed world is expected to have a Corporate Social Responsibility (CSR) policy. These are company goals to improve sustainability, social engagement, and labor and human rights which demonstrate the business is a 'good corporate citizen'.

This report reveals that leading global companies are advancing CSR strategies that are likely to antagonize governments in emerging economies, advance causes of little interest to their local people and jeopardize business activity in the high growth economies of the Emerging Markets.

Emerging Markets are the high growth markets for global corporations now and in the future. Today, for example, 55 per cent of Unilever's sales are made in Emerging Markets.[1]

What is CSR – who decides it?

CSR policies generally divide into four categories – sustainability, labor and human rights, governance (corruption and transparency) and community engagement. Not infrequently, the emphasis on these issues and the content reflects the values of non-governmental organizations in industrialized countries. They have established records of 'Greenmailing' or even suing corporations in home markets for transgression of their favored CSR principles. Some of them make clear they see CSR as a vehicle for advancing their values in the markets of these corporations.

Many of the world's leading grocery, processing and distribution businesses set up the Consumer Goods Forum (CGF) in 2009 to develop common CSR positions. At a meeting in the margins of the UN Climate Change negotiations in Cancun, Mexico in December 2010, a number these businesses, including Unilever and Tesco, declared that by 2020 they would only source and sell sustainably-produced products. There is clear evidence this policy can disadvantage poor producers in developing countries and little evidence there is strong mainstream consumer demand for such "sustainable" products.

CSR has vocal critics. Dr David Henderson, former chief economist at the OECD is concerned business is seeking to assume responsibilities which are properly those of the public sector.[2] He contends, like most institutional investors, that the primary duty of management is to deliver the optimum return to shareholders. The cost of taking the eye off that ball can be high. For Lord Browne, the former CEO of BP, neglect of maintenance of core oil and petroleum assets while building an image as a post-petroleum company cost him his job and the shareholders dearly. Yet the CEO of Unilever recently had no hesitation pronouncing that if government and international public institutions leave gaps, then business should not hesitate to step in.

Emerging Markets and CSR

Despite the commercial significance of Emerging Markets, this report demonstrates that leading global companies are imposing CSR policies designed to respond to pressures in low growth developed markets on developing economies. In these economies, raising living standards is a key development objective, yet none of the CSR policies of the global enterprises reviewed for this report support higher living standards as a key objective.

As this report shows, their strategies for improving sustainability – mitigation of climate change, recycling, and conservation of resources – ignore the development priorities of developing countries – reducing air and water pollution and solid waste, and improving sanitation.

It is the same outcome for other areas – in each case presenting a misalignment between the West and developing countries. Improved governance means greater transparency and less corruption to western corporations; in Emerging Markets it means more effective administration. Improved labor conditions mean unionization and ethical sourcing; in Emerging Markets the leading interest is job growth.

1. Unilever Business Overview (2011), accessed at: http://www.unilever.com/images/ir_Introduction_to_Unilever_tcm13-234373.pdf
2. See: David Henderson (2004), The Role of Business in the Modern World, Institute of Economic Affairs, London

MISALIGNMENT – CSR AND EMERGING MARKET PRIORITIES

AREA	CSR EMPHASIS	EMERGING MARKET PRIORITY
Sustainability	• Manage climate change	• Improve air and water quality
Labor and Human Rights	• Ethical supply chains	• Increased employment
Governance	• Eradication of corruption	• More effective administration
Economic	• Reduced consumption of resources	• Increased growth • Eradication of poverty • Higher living standards

The case for Emerging Market CSR (ECSR)

This report reviews the CSR policies of nine leading global corporations across three developed economy continents[3] towards Emerging Markets and finds they disregard national development objectives, have policies that will disadvantage low income producers and commercial opportunity, and even commit to higher sustainability standards for products which there is low consumer demand.

The business case for ECSR is strong. If corporations do not craft CSR policies to suit the environment in Emerging Markets, they will be seen as out of touch with local consumers, risk antagonizing public authorities and give indigenous competitors a marketing edge. What about the primary obligation of private enterprises – the return to shareholders? They will lose business.

This report suggests relevant CSR standards for such companies to reduce the business risk of existing strategies.

3. Carrefour, Coles, Nestlé, Proctor and Gamble, Staples, Tesco, Unilever, Walmart and Woolworths.

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Acronyms and Abbreviations

BSR	Business for Social Responsibility
CDP	Carbon Disclosure Project
CGF	Consumer Goods Forum
CSDW	Children's Safe Drinking Water Program
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DFID	UK Department for International Development
ECSR	Emerging Market Corporate Social Responsibility
EMS	Environmental Management System
ERM	Environmental Resource Management
ETI	Ethical Trading Initiative
FAO	Food and Agriculture Organization
FIDH	International Federation for Human Rights
FLEGT	Forest Law Enforcement on Governance and Trade
FMCG	Fast Moving Consumer Goods
FSC	Forest Stewardship Council
GCI	Global Commerce Initiative
GSCP	Global Social Compliance Programme
GWSI	Global Water and Sanitation Initiative
ICUN	International Union for Conservation of Nature
IFRC	International Federation of Red Cross and Red Crescent Societies
ILO	International Labour Organization
ISO	International Organization for Standardization
MDG	Millennium Development Goals
MSC	Marine Stewardship Council
NGO	Non-Government Organization
OECD	Organisation for Economic Co-operation and Development
P&G	Proctor and Gamble
PEFC	Programme for the Endorsement of Forest Certification
RSPCA	Royal Society for the Prevention of Cruelty to Animals
RSPO	Roundtable on Sustainable Palm Oil
SAI	Sustainable Agriculture Initiative Platform
SDC	Swiss Agency for Development and Cooperation
SLP	Sustainable Living Plan
TSSP	Technical Skills Scholarship Programme
UN	United Nations
UNEP	United Nations Environment Programme
UNFCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNI	Union Network International
UNICEF	United Nations Children's Fund
WBCSD	World Business Council for Sustainable Development
WFN	Water Footprint Network
WTO	World Trade Organization
WWF	World Wildlife Fund

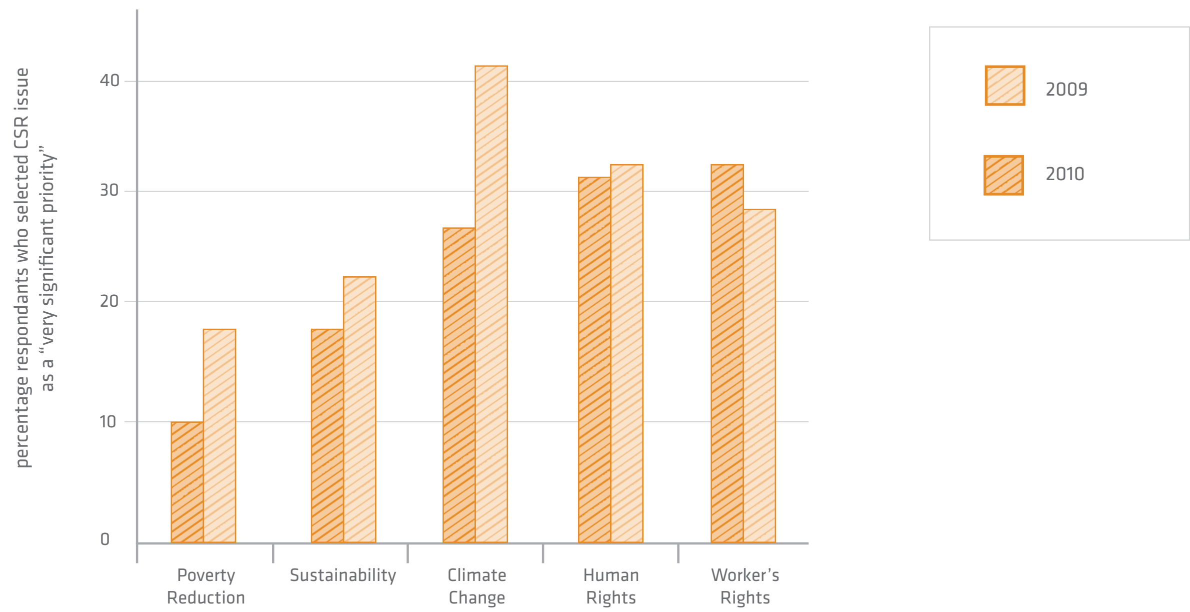
Why do major businesses adopt Corporate Social Responsibility policies?

A recent survey assessing the state of sustainable business by BSR and GlobeScan, two leaders in CSR advocacy, found that 84 per cent of respondents drawn from BSR's global network of more than 250 member companies were "very optimistic" that global businesses will embrace CSR in the next five years. Similarly, 94 per cent of respondents advised that their companies will either maintain or increase their CSR budgets in the year ahead.

At the same time global markets are rapidly changing. In 2010, Emerging Markets accounted for 70 per cent of global growth while research into its consumer base – the bottom four billion living in relative poverty with incomes less than $3,000 per annum – point to a potential $5 trillion consumer market. It would be sound business practice if CSR policies were attuned to the concerns of governments and people in these Emerging Markets.

Research suggests otherwise. According to the BSR and GlobeScan survey only 10 per cent of respondents cite poverty reduction – a fundamental development objective in the developing world – as a 'very significant priority' in their company's CSR policy. In contrast, first world priorities like climate change, human rights and sustainability concerns figure highly in its findings (see Figure 1.1).

FIGURE 1.1 'VERY SIGNIFICANT' CSR PRIORITIES



Source: BSR and GlobeScan, 2010

Why is this the case?

This report seeks to answer this question. It analyzes CSR policies in industrialized economies; identifies issues which would define CSR policies in Emerging Markets; reviews the typical institutional differences between economies and public institutions and policies in developed and developing economies; defines relevant CSR criteria for Emerging Markets; and assesses the CSR policies against both sets of criteria of a representative group of corporations which operate in, trade into or source from Emerging Markets. This is first step in a program to engage those enterprises in a dialogue over appropriate CSR for Emerging Markets.

World Growth proposes to work with the companies assessed in this report – and others – in the future on developing CSR policies that are more attuned to the needs of Emerging Markets.

4. BSR and GlobeScan (2010), State of Sustainable Business Poll, accessed at: http://www.bsr.org/reports/BSR-GlobeScan_State_of_Sustainable_Business_Poll_2010_Final.pdf;
5. World Economic Forum (2010), Emerging Market Multi-Nationals: Building the New Fortune 500, accessed at: http://www3.weforum.org /en/sessions/summary/emerging-market-multinationals-building-new-fortune-500c672.html?fo=1;
6. World Resources Institute (2007), The Next 4 Billion: the base of the pyramid, accessed at: http://pdf.wri.org/n4b_executive_summary_graphics.pd;
7. BSR and GlobeScan (2010);
8. Carrefour, Coles Group, Nestlé , Proctor and Gamble, Staples, Tesco, Unilever Walmart, and Woolworths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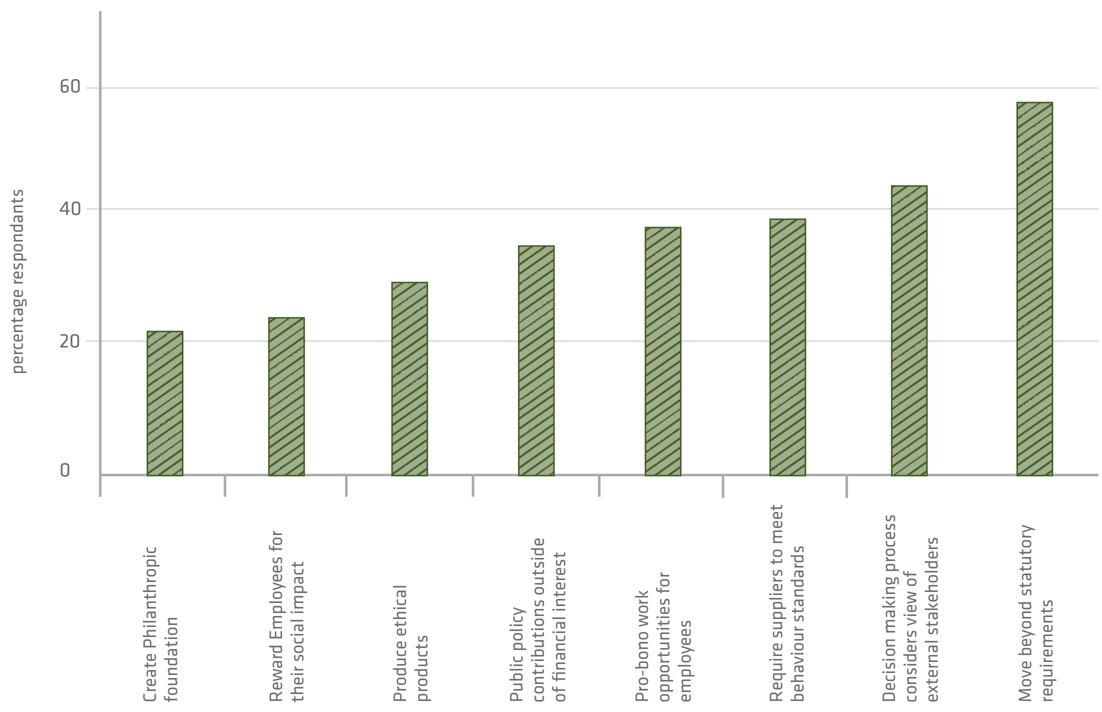
Corporate Social Responsibilty policy increasingly demands business to act as a political agent, player and market manager.

Economist Milton Friedman argued in the 1970s that the 'social responsibility of business is to make a profit.' This continues to be a view held by influential economists Dr David Henderson, Robert Reich and others, who point out that the welfare of society in market economies depends on privately owned enterprise generating profits. Business has one leading stakeholder – the shareholder.

Those who object to this, such as activist writers Naomi Klein and George Monbiot, argue for an idealized world where civil society plays a self-appointed role as moral regulator of how governments and the private sector should behave. They increasingly demand that large corporations play a greater role in society. A number of business schools and academics agree with this view, and engage in a running commentary on the "stakeholders" that must hold business accountable. Civil society increasingly is put on a par with the shareholder and the consumer.

CSR places requirements on business to deliver standards and outputs in excess of those specified by public authorities. One study found 59.1 per cent of respondents considered their CSR activities went beyond statutory compliance (see Figure 2.1). [12]

FIGURE 2.1 'VERY SIGNIFICANT' CSR PRIORITIES



Source: Economist Intelligence Unit 2008

9. Milton Friedman (1970), 'The Social Responsibility of Business is to Increase Profits' in The New York Times: September 13, 1970, accessed at: http://www.umich.edu/~thecore/doc/Friedman.pdf;
10. Henderson (2004, p.60); Robert Reich, The Case Against Corporate Social Responsibility: University of California, Berkeley, accessed at http://ssrn.com/abstract=1213129;
11. See: George Monbiot (2004), The Age of Consent: a Manifesto for a new world order, HarperPerennial, London.
12. Economist Intelligence Unit (November, 2007), Global Business Barometer, accessed at: http://www.economist.com/ media/pdf/20080116CSRResults.pdf.

A number of business leaders support this proposition. Paul Polman, the CEO of Unilever, which claims to have the largest market of any global corporation in Emerging Markets, opined recently that if governments are short-sighted and global institutions leave policy gaps, business should be prepared to fill them.[13]

Shareholders and consumers were once considered the most important stakeholders to business. Now, global corporations such as Unilever, Procter & Gamble and Tesco are formulating CSR policies which reflect the positions and interests of pressure groups and non-governmental organizations (NGOs) based in industrialized economies.

In 2009, approximately 650 consumer goods manufacturers recently formed the "Consumer Goods Forum"[14], a network for good manufacturers. In December 2010 on the margins of the UNFCCC (United Nations Framework Convention on Climate Change) conference in Mexico a number of its members declared that by 2020 they would source only product that was "sustainably" sourced and certified accordingly. These companies are well aware, as shown by Mr Polman that this means higher priced products, whether the consumer wants them or not.

The World Wildlife Fund (WWF) has recently declared its strategy is to "Transform Markets" by using systems which certify that products meet WWF's view of what is sustainable.[15] It has declared its strategy is to use voluntary certification systems to capture strategically significant links in supply chains (like retailers or consumer goods manufacturers with dominant shares of markets in those links) to force producers to apply its preferred sustainability standards and to deliver these (frequently expensive) products to consumers. It has set out this ambition for the timber and paper, palm oil, soy, marine products, beef and sugar industries.[16]

Most of the corporations that are considered leaders in CSR policy are traditional advocates of free trade and open markets. Yet they are moving towards CSR strategies that require business activity to manage markets, control suppliers and deny consumers freedom of choice.

In the latter case, this can produce results where the lowest-priced products may not be available to low-income consumers in particular markets. That concern does not seem to feature in the CSR policies proposed by NGOs in wealthy economies. It should also ring alarm bells if these strategies are carried into developing economies where concern to raise living standards and eradicate poverty is a national goal. This raises ethical questions. If CSR is supposed to demonstrate concern for leading social issues in the community in which a business is operating, it needs to be sensitive to local concerns.

Further, the business case should not be ignored. Emerging Markets have become and will continue to be the fastest growing markets in the world for quite some time. So are global corporations attuned to CSR needs in Emerging Markets?

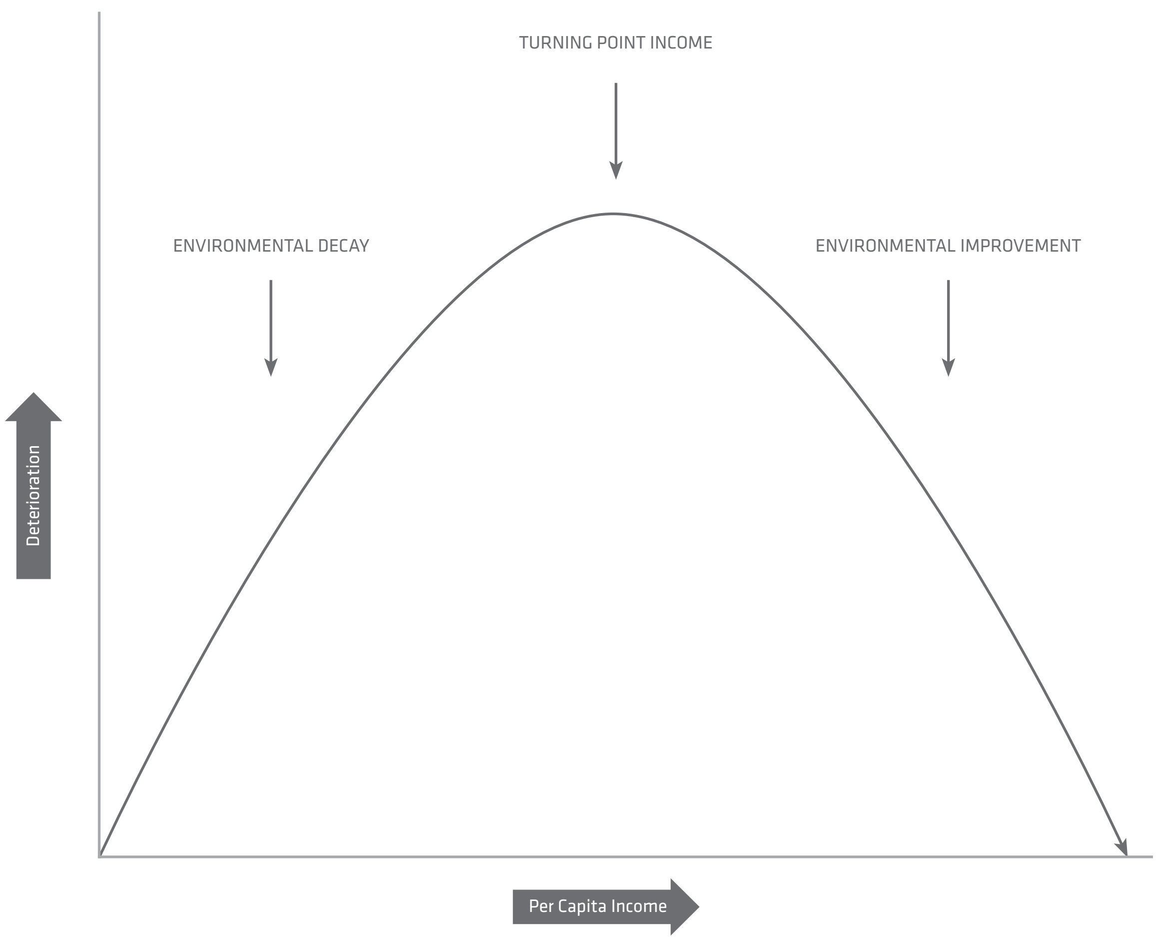
13. Paul Polman (March, 2011), The Hindu Businessline, accessed at: http://www.thehindubusinessline.com/features/brandline/article1543724.ece
14. See: www.consumergoodsforum.org
15. See: WWF Market Transformation Initiative, accessed at: http://wwf.panda.org/what_we_do/how _we_work /businesses/transforming_markets/solutions/
16. For further information see: World Growth (2010), 'Green Risk and Red Ink: WWF's Threat to Free Enterprise', Green Papers: Issue VII, available at: http://www.worldgrowth.org/resources/

3. IDENTIFYING CSR PRIORITIES IN EMERGING MARKETS

As global corporations expand their engagement with Emerging Markets the scale and appropriateness of CSR policies need to take account of public policy priorities and public interest in Emerging Markets.

When the question of the relationship between economic development and environmental protection became an international issue in the 1980s, most economists accepted the proposition reflected in the "Kuznets Environmental Curve", that per capita GDP had to rise to a certain level in poor countries before action was taken to improve the environment (see Figure 3.1).

FIGURE 3.1 THE ENVIRONMENTAL KUZNETS CURVE



Source: Lipford & Randle, 2010

In the late 1980s two US economists (Paul Kurgan and Anne Krueger) even estimated that income had to exceed US$8000.

The application of this proposition to all cases has been challenged but its general proposition is accepted, except within ecological economics. High levels of air and water pollution in low-income economies and improvements in environmental conditions in growing economies provide everyday testimony to its value.

Yet commitments to economic growth and eradication of poverty, which are vital to raising living standards and are also fundamental to the eventual development and adoption of environmental standards, tend not to feature in CSR policies. The basic differences between industrialized and emerging economy approaches to matters typically considered core CSR issues need to be understood. They are canvassed in general in the areas of sustainability, labor and human rights, and governance.

Sustainability

In most CSR frameworks, high priority is given to action on climate change. This is the leading issue for NGOs in most industrialized economies. Not so in leading developing countries. Consider this summary of leading sustainability concerns from India's National Environmental Report: *"Environmental degradation is a major causal factor in enhancing and perpetuating poverty, particularly among the rural poor when such degradation impacts soil fertility, quantity and quality of water, air quality, forests, wildlife and fisheries."* [17]

The report on achievement by the People's Republic of China of the environmental goals in the 11th Five Year Plan (2006- 2010) highlighted a failure to realize leading sustainability goals – these were to reduce pollution of air and water and solid waste. Impacts of climate change did not figure.[18] In 2007 the National Development and Reform Commission issued China's policy on climate change. It observed that for China climate change was ultimately a matter of economic development.[19]

Developing countries have contended that action on climate change must not transcend economic development priorities, regardless of efforts by Western Governments, such as the UK report by Lord Stern that argued that economic growth would suffer more if developing countries did not act to dramatically reduce emissions.

Labor and human rights

CSR programs invariably stress ethical policies in the production link in supply chains usually because of pressure from organized labor in their home markets. Their motive frequently is to see wages lifted in those economies to reduce the competitiveness of exported products.

In most developing countries the leading labor interest, among unions and governments, is instead in increasing and perpetuating jobs. Human rights transgressions are usually a function of lack of respect for those rights by government authorities. Suggestions that private employers should be responsible for correcting such situations are something most companies are rightly careful to avoid; the range of actions that can be taken by businesses is often limited.

Governance

CSR practice is to encourage companies to take responsibility for reducing corruption and fostering greater transparency in transactions with governments. There is an anti-business sentiment among many Western NGOs and that exerts a flavor in the common implication that business might be presumed to be involved where there is corruption. Corruption is a function of poor government, which is why it is endemic in very poor countries. Schemes like the Extractive Industries Transparency Initiative which obliges companies to reveal their financial transactions with governments and puts them under some obligation to pressure governments to reveal how they handle the payments simply increase the cost of doing business and have little impact on the practices of government in developing countries.

For citizens and consumers in developing countries, the primary interest in governance is to see effective delivery of government services.

17. Ministry of Environment and Forests (2006), Government of India, "National Environmental Plan", p.4.
18. State Council of the People's Republic of China, China National Environmental Protection Plan in the Eleventh Five-Year (2006-2010);
19. People's Republic of China (2007), 'China's National Climate Change Program 2007,' National Development Reform Commission, p.3.

The gap between developed economies and developing economies

The brief review in the preceding paragraphs shows fundamental differences in the public policy environment on the issues in developed and developing economies which are considered in industrialized economies to be the core of good CSR policy (see Table 3.2). It considers the Institutional Framework, the Regulatory Environment, Standards of Governance, Infrastructure and Human Development Issues. These factors need to be fully taken into account when determining what CSR strategy to apply when operating in or sourcing from these economies.

TABLE 3.2: IDENTIFYING THE GAP

	DEVELOPED ECONOMIES	GAP	EMERGING MARKET DEVELOPING ECONOMIES
Institutional Framework	**EFFECTIVE INSTITUTIONS** • Effective institutions encourage commercial activity and competition; provide incentives to investors and spur economic growth and development. • Effective institutions support economic welfare, strengthen human and employee rights, improve health and education services, provide more equitable laws and access to dispute resolution mechanisms for business.		**INEFFECTIVE INSTITUTIONS** • Emerging world countries lack the basic social and economic institutions that secure economic welfare and prosperity. • This impacts commercial activity through inefficiencies and inadequate preconditions or best practice. • Detrimental to the economic growth and development required to raise real living standards and to alleviate poverty.
Regulatory Environment	**STRONG REGULATORY FRAMEWORKS** • Essential for economic growth and development. Liberalization improves competitiveness by ensuring that free-market principals are not distorted. • Allow for practical environmental management and social standards while at the same time incentivizing commercial activity and competiveness.	GAP	**WEAK REGULATORY FRAMEWORKS** • Impose market entry barriers, trade controls and high transaction and administration costs on business. This results in uncompetitive activity and market inefficiencies, impacting economic development.
Standards of Governance	**GOOD GOVERNANCE CAPABILITIES** • The rich world relies on its strong mechanisms for good governance to ensure the rule of law, to improve the efficiency and accountability of its private and public institutions and to reduce corruption. This provides developed countries with a framework in which their economies can prosper.	GAP	**POOR GOVERNANCE CAPABILITIES** • Poor governance can result in political and economic instability. • Systemic corruption impacts the functioning of government and private enterprise. • Poor fiscal capacities and weak property rights encourage corruption in emerging countries.
Infrastructure	**DEVELOPED INFRASTRUCTURE** • The rich world is well-endowed with developed infrastructure. Infrastructure acts as the basic physical and organizational structures needed for the operation of a society or business, and the facility necessary for an economy to function and grow. • Developed roads, water supply, sewers, power grids, information telecommunications networks are intimately connected with the process of economic growth. They raise productivity in the production of goods and services, and in the distribution of finished products to competitive markets.	GAP	**UNDEVELOPED INFRASTRUCTURE** • Emerging Market economies operate within an environment where access to essential infrastructure in limited. • Emerging markets are prone to crisis where poor infrastructure and insufficient preparedness and response mechanisms are common. These crises' can have economic, social, environmental, or industrial impacts.
Human Development	**ACHIEVEMENT OF HUMAN DEVELOPMENT INDICATORS** • Developed economies are the recipients of high life expectancy, formal education, high literacy rates, and high per capita income levels. This has positive implications for the functioning of a prosperous society and a robust economy.	GAP	**FAILURE OF HUMAN DEVELOPMENT INDICATORS** • Emerging Markets suffer from endemic poverty, high unemployment, low levels of literacy and poor public health. Improvements should be driven by economic growth to move vulnerable people and marginalized workers out of declining industries and into high-growth competitive employment.

4. MEASURING CSR PERFORMANCE IN EMERGING MARKETS

Criteria for CSR policies applicable to Emerging Markets are necessarily different from those in Developed Markets.

From the analysis of issues in the preceding chapters, criteria to assess the relevance of CSR policies of the group of companies under review have been set out below. This is the framework used to examine each company's CSR policy.

Nine companies were chosen as being representative of retailers and producers across the value-chain that either source materials from or have operations in Emerging Markets. Two retail companies based in mature markets were chosen from each of the North American (Walmart, Staples), European/UK (Carrefour, Tesco) and Asia-Pacific regions (Coles, Woolworths). The world's three leading consumer goods companies (Nestlé , Unilever, Procter and Gamble) were also assessed.

As there is no absolute consensus on the definition of 'Emerging Markets', World Growth has combined the classifications from three data providers: Dow Jones, the FTSE Group and the Economist Intelligence Unit. These 40 economies are listed in the Annex.

The results are contained in the following chapter. The full assessments and analysis are contained in the Annex to this report, available at the World Growth website (www.worldgrowth.org).

TABLE 4.1: CSR FRAMEWORK FOR ASSESSMENT

CRITERIA FOR ASSESSING CSR POLICY		
AREA	**DEVELOPED ECONOMIES**	**EMERGING MARKET DEVELOPING ECONOMIES**
Sustainability	• Manage climate change • Recycle manufacturing and consumer waste • Require sustainable supply chain solutions • Support animal welfare • Reduce toxicity	• Improve air and water pollution • Reduce solid waste • Improve sanitation
Labor and Human Rights	• Engage with organized labor • Encourage ethical supply chains	• Increase employment
Governance	• Strengthen law enforcement • Improve transparency and corruption	• Improve service delivery
Community Support	• Support social and cultural groups	• N/A
Economic Development	• To reduce resource consumption	• Support economic growth • Raise living standards • Eradicate poverty
Health	• Improve access to medicines • Control of disease (HIV/AIDS)	• Improve health services • Control of leading diseases (Malaria, TB, HIV/AIDS)

5. RESULTS OF THE ASSESSMENT

The CSR policies of global businesses are generally not aligned with the development needs of Emerging Markets.

The CSR policies as discoverable from public sources and are analyzed against the framework set out in Chapter 4. A table summarizing the findings is set out below. A summary of company policy against these criteria and company details are provided in the Annex to this report. The Annex is available at the World Growth website (www.worldgrowth.org).

Results demonstrate that most of the CSR policies as applied by the companies reviewed are not aligned with the leading interests in Emerging Market economies. Nestlé and Carrefour appear to show greatest regard for conditions in developing countries in which they operate. That is measured by the number of activities they've undertaken.

However all companies fail the core test: Do their CSR policies support or accord with the leading interest in Emerging Markets and Developing Countries to ensure they support the imperatives to increase economic growth?

All companies subscribe to policies to demand suppliers to meet sustainability standards that are not required in either industrialized or developing country markets. This denies opportunities to source from companies which are large employers in growth industries. All companies or most of them have these policies in the case of timber and paper products, palm oil, some marine products, coffee and cocoa.

Most have indicated they intend to extend these criteria to other products. Nestlé and Unilever have declared all agricultural products will be sustainable on a targeted timeline. This cannot be achieved except by forcing producers in developing countries to increase the cost of their products. In many industries, such as palm oil, small producers, who constitute 40 per cent in Malaysia and Indonesia, the world's biggest palm oil producer countries will be excluded from supplying product.

Given that it is standard forecast that demand for food is set to rise, this policy will be even more out of step with interests and expectation in Emerging Markets, most of whom are important agro-industry exporters of some sort.

TABLE 5.1: DEVELOPED ECONOMY ASSESSMENTS

CSR AREA	CSR PRIORITIES	CARRE FOUR	COLES	NESTLÉ	P&G	STAPLES	TESCO	UNILEVER	WALMART	WOOL WORTHS
Sustainability	Manage climate change	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Recycle manufacturing & consumer waste	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Require sustainable supply chain solutions	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Support animal welfare	✓	✓	✓	✓	✗	✓	✓	✗	✓
	Reduce toxicity	✓	✓	✗	✓	✓	✗	✓	✓	✗
Labor & Human Rights	Engage with organized labor	✓	✓	✓	✗	✗	✓	✓	✓	✓
	Encourage ethical supply chains	✓	✓	✓	✓	✗	✓	✓	✓	✓
Governance	Strengthen law enforcement	✓	✗	✓	✓	✓	✗	✗	✗	✓
	Improve transparency & corruption	✓	✓	✓	✓	✓	✓	✓	✓	✓
Community Support	Support social & cultural groups	✓	✓	✓	✓	✓	✓	✓	✓	✓
Economic Development	Reduce resource consumption	✓	✓	✓	✓	✗	✓	✓	✓	✓
Health	Improve access to medicines	✗	✗	✓	✗	✗	✗	✗	✗	✗
	Control of disease (HIV/AIDS)	✓	✓	✓	✓	✓	✓	✓	✓	✓

TABLE 5.2: EMERGING MARKETS ASSESSMENTS

CSR AREA	CSR PRIORITIES	CARRE FOUR	COLES	NESTLÉ	P&G	STAPLES	TESCO	UNILEVER	WALMART	WOOL WORTHS
Sustainability	Improve air & water pollution	✗	✗	✓	✓	✗	✗	✓	✓	✗
	Reduce solid waste	✓	✗	✓	✓	✗	✗	✓	✓	✗
	Improve sanitation	✓	✗	✓	✓	✗	✗	✓	✗	✗
Labor & Human Rights	Increase employment	✓	✗	✓	✗	✗	✗	✓	✗	✗
Governance	Improve service delivery	✗	✗	✗	✗	✗	✗	✗	✗	✗
Economic Development	Support economic growth	✗[20]	✗	✗[21]	✗	✗	✗	✗	✗	✗
	Raise living standards	✓	✗	✓	✓	✗	✗	✗	✓	✗
	Eradicate poverty	✓	✗	✓	✗	✗	✓	✓	✓	✗
Health	Improve health services	✓	✗	✓	✓	✗	✗	✓	✗	✗
	Control of leading diseases (e.g Malaria, TB)	✓	✗	✓	✓	✓	✗	✓	✓	✗

20. Carrefour fails the core test of ensuring support to increase economic growth.
21. Nestlé fails the core test of ensuring support to increase economic growth.

6. “DICTATING COSTS” – A SUMMARY ANALYSIS OF LEADING SCHEMES

Global business is using market power to dictate social and environmental policies throughout their supply chains that work against the interests of Emerging Markets.

A number of leading global retailers and consumer goods producers have pledged to achieve zero net deforestation by 2020 by requiring its suppliers to meet sustainability standards in the production of products that they say create the economic incentives driving deforestation.[22] Sustainability action plans are to be developed for soya, palm oil, beef and paper. This was decided by 22 companies who are members of the “Consumer Goods Forum” (CGF) (see Box 6.1) at a meeting in the margins of the UN Climate Change negotiations in Cancun, Mexico in December 2010.

Similar commitments have been made by companies which are members of the “Sustainable Agriculture Initiative” (see Box 6.2), a group established by Nestlé and Unilever to develop agricultural production standards. Unilever for example, commits to 100 per cent sourcing of raw agricultural material under sustainability criteria by 2020.[23] Commitments are also reflected in individual firms’ corporate responsibility plans. Coles, an Australian supermarket retailer recently announced its intention to source 100 per cent RSPO certified palm oil for its own-brand products by 2015,[24] which will require palm oil suppliers to implement certification for palm plantations.

Box 6.1: Consumer Goods Forum

The Consumer Goods Forum (CGF) is a global industry network which claims to improve the way its members answer to and deliver on the needs of the world’s consumer base. It brings together senior management of over 650 retailers, manufacturers, service providers and other stakeholders across 70 countries. The Forum was established in 2009 through a merger of the Food Business Forum, the Global Commerce Initiative (GCI) and the Global CEO Forum. The Forum takes common positions on issues deemed relevant to the growth of the consumer goods industry in five priority areas: Emerging trends; Sustainability; Safety & Health; Operational Excellence and People Development. It develops and instructs on best practice standards and develops actionable plans which are measured for compliance along the value-chain (CGF Online).

Box 6.2: SAI Platform

The Sustainable Agriculture Initiative (SAI) Platform is an industry group created in 2002 by Nestlé, Unilever and Danone to support the growth of sustainable agriculture worldwide across coffee, dairy, fruit, arable and vegetable crops, and water and agriculture sectors. It works with its 25 industry members and incorporates policy directives from its NGO backed Advisory Council to develop principles and practices to meet sustainable production standards. It benchmarks these best practice standards against guidelines from other major schemes worldwide (SAI Online).

22. Consumer Goods Forum press release (29 Nov 2010), ‘Consumer Goods Industry Announces Initiatives on Climate Protection,’ accessed at: http://www.ciesnet.com/pfiles/press_release/Press_Release_2010/2010-11-29-ClimateProtection.pdf
23. Unilever Sustainability Living Plan (2010, p.7), accessed at: http://www.unilever.com/images/UnileverSustainableLivingPlan_tcm13-239379.pdf
24. Coles Ethical Sourcing, accessed online: http://www.coles.com.au/About-Coles/Sustainability/Ethical-sourcing.aspx; RSPO Coles member information, accessed at: http://www.rspo.org/?q=om/1454

This is a disturbing exercise of market power by companies which hold influential positions in the supply chain. It raises questions about interference with the proper functioning of the market. The essence of voluntary systems of certification (of sustainability or quality) is that the cost is ultimately borne by the consumer. Producers who choose to comply with a specified standard pass the cost on to the buyer, either a processor, or distributor or retailer (or all three), who then pass the cost onto the consumer. This will raise the cost of the product over those not certified. The consumer will pay a premium if the product demonstrates qualities the consumer values.

This is entirely separate from a system of regulation by Government where a law may require compliance with specified practices because it is a public policy imperative to secure the changes necessary (i.e. to lessen an action's environmental impact) to deliver a public good.

Those companies which have decreed they will only source product from suppliers if they meet a standard they specify are not seeking to develop a product for which there is market demand. Nor are they demanding the producer supply materials to specific technical conditions; they are instead specifying the conditions and process of the materials' production that they deem to be appropriate. In many cases this goes beyond statutory requirements.

Most of the companies which have pledged to source only from "sustainable" producers usually proclaim they support free trade and unrestricted competition in markets. Yet they are acting as partners in a declared strategy by the World Wide Fund for Nature (WWF) to promote adherence to schemes to certify sustainability of products in order to "transform" markets.

WWF pioneered its sustainability certification schemes in forestry. It developed the Forest Stewardship Council (FSC) certification system. While ostensibly a "market-based" system, there is consistent evidence consumers will not pay the premium for certified timber products for which the cost of certification to this scheme requires.[25] The FSC system has never paid its own way. Its development has not been fully funded by returns from fees for use of the system by companies selling higher priced FSC-certified products; it has been subsidized by grants from foundations, donors and governments to advance its environmental goal of restricting native forestry. This impacts welfare opportunities in Emerging Markets.

Instead, companies carry the cost of certification. They do not join the scheme because consumers demand FSC products; they do so because processors and retailers demand it, as well as to avoid being pressured and their brands attacked by anti-forestry NGO associates of WWF.[26]

This is the model with which the world's leading retail and consumer goods manufacturers have publicly associated, both by (in some cases) giving exclusive recognition to the FSC certification system over others or by working with WWF to develop new schemes, as in the case of palm oil and soy.

WWF has listed the products for which it has, or plans to develop, systems to certify sustainability. These include timber products, soy, palm oil, marine products, beef and sugar.[27] Most of these products are competitively produced by industries in Emerging Markets. There is a pattern of activity by WWF and other environmental NGOs to charge industries and Emerging Markets with despoiling the environment if the sustainability policies developed by WWF are not applied.

This activity and the new certification schemes compliance, with which is being promoted as essential if products from these developing country markets are to be exported are engendering resentment among producers and governments in Emerging Markets.

25. Patrick Durst, Philip McKenzie, Chris Brown and Simmathiri Appanah (2006), 'Challenges facing certification and eco-labeling of forest products in developing countries' International Forestry Review Vol. 8(2), (FAO: Thailand); Engineered Wood Products Association of Australasia Forest Management Schemes Gain Credit with Green Architects (27 April 2010), accessed at: http://www.ewp.asn.au/newsandmedia/news_forrest.html; UNECE/FAO Forest Products Annual Market Review 2009-2010; United Nations Geneva Timber and Forest Study Paper 21 (2010), accessed at: https://unp.un.org/Browse.aspx?serie=84

26. Thomas P. Lyon (2010), Good Cop Bad Cop - Environmental NGOs and their strategies towards business, (Earthscan: Washington); WWF (2001), The Forest Industry in the 21 Century, accessed at: www.salvaleforeste.it/.../504-The-Forest-Industry-in-the-21st-Century.html.

27. See: WWF Action for Sustainable Sugar, accessed at: assets.panda.org/downloads/sustainablesugar.pdf; WWF Forest Certification, accessed at: http://wwf.panda.org/what_we_do/footprint/forestry/certification/; WWF Responsible Soy Production, accessed at: http://www.worldwildlife.org/who/media/press/2010/WWFPresitem16674.html; WWF Sustainable seafood Fisheries certification, accessed at: http://wwf.panda.org/what_we_do/how_we_work/conservation/marine/ sustainable_fishing/sustainable_seafood/fisheries_certification/; WWF Global Conference on Sustainable Beef, accessed at: http://www.worldwildlife.org/who/media/press/2010/WWFPresitem17473.html

7. CONCLUSIONS: FROM CSR TO ECSR

In this report, the CSR policies of nine of the world's largest retail and consumer goods companies were reviewed. The key question was how did those policies relate to the CSR issues considered relevant in Emerging Markets?

The results are disturbing. Most of the world's largest retail and consumer goods manufacturing industry reviewed here have committed to strategies which result in imposition on developing country societies of the values of wealthy non-governmental organizations. Consider the example of the environment. The concerns given priority in their CSR programs, such as reducing greenhouse gases, are wholly divorced from priorities of Emerging Market economies such as reducing air and water pollution.

Only Nestlé demonstrated that its CSR policies in Emerging Markets were attuned in any realistic way to local requirements. But even it engages in strategies which could disadvantage suppliers from Emerging Markets and antagonize their governments.

These CSR strategies are supposed to demonstrate 'responsible' activity by corporations. A number appear to have persuaded their shareholders that this should include accepting responsibility to deliver results that are the responsibility of national governments. The Unilever CEO Paul Polman's recent comments are an illustrative case in point in this regard.

Members of the Consumer Goods Forum have accepted that they should be responsible for ensuring the companies from which they purchase products meet the labor standards set down by the International Labor Organization or the environmental standards of the WWF, not national governments.

What has this got to do with return on investment? Why would management make the interests of these great companies advance policies which depend on manipulation of markets, limiting competition and entering arrangements with non-profit organizations like WWF, who's only declared interest in markets is to manipulate them to advance its own political goals?

What is the commercial sense? More than half of Unilever's business, according to its own figures, is now in Emerging Markets. Most commentators accept that growth in those markets will significantly outstrip Europe and the US significantly in the future.

Governments in Emerging Markets do not like governments or enterprises headquartered in rich countries dictating agricultural or industry policies. The trade numbers demonstrate the reality. Most timber products and palm oil produced in the developing world is exported to other Emerging Markets.

The key question is why have these corporations adopted strategies that are likely to antagonize not only governments, but also producers and even new consumers in the fastest growing consumer markets globally?

A CSR policy that is attuned to Emerging Market economy interests is what is required, not a set of standards shaped by environmental activists in wealthy countries who consider economic growth a low priority in both rich and poor countries.

This paper has set out the criteria for such a CSR policy. The next step will be to engage companies for whom success in investing in and trading with Emerging Markets is a high priority, in an exercise to review and identify those opportunities with ECSR.

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