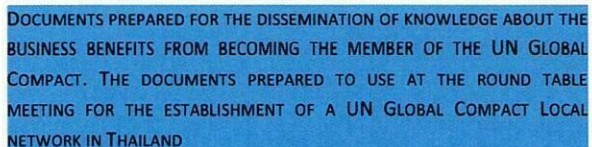




Publication to Promoting the UNGC in Thailand



DOCUMENTS PREPARED FOR THE DISSEMINATION OF KNOWLEDGE ABOUT THE BUSINESS BENEFITS FROM BECOMING THE MEMBER OF THE UN GLOBAL COMPACT. THE DOCUMENTS PREPARED TO USE AT THE ROUND TABLE MEETING FOR THE ESTABLISHMENT OF A UN GLOBAL COMPACT LOCAL NETWORK IN THAILAND

OCTOBER 2015





Table of Contents

EXECUTIVE SUMMARY	2
THE UN GLOBAL COMPACT LOCAL NETWORK.....	3
INTRODUCTION TO THE UNGC.....	3
BECOMING A MEMBER OF UNGC.....	6
UN GLOBAL COMPACT LOCAL NETWORK.....	7
BENEFIT OF BECOMING THE MEMBER OF THE UN GLOBAL COMPACT	8
CASE STUDIES.....	9
FORD MOTOR COMPANY: THE ALIGNED BUSINESS FRAMEWORK	9
THE UNGC LOCAL NETWORK IN A NUTSHELL	11
THE UNGC LOCAL NETWORK IN ASIA AND OCEANIA.....	12
LOCAL NETWORK AND IT'S ACHIEVEMENT.....	12
MILESTONES AND ACHIVEMENTS IN 2014	13
BUSINESS AND HUMAN RIGHT SITUATION IN THAILAND	15
BUSINESS AND HUMAN RIGHTS : CURRENTS ISSUES FOR THAILAND	16
FISHERIES INDUSTRY	16
CONCLUSION.....	17
ANNEX 1(LETTER OF COMMITMENT).....	19
ANNEX2 (TEMPLATE FOR THE COMMITMENT LETTER).....	20
ANNEX3 (SAMPLE LETTER FOR COMPANIES).....	21
REFERENCE.....	22



EXECUTIVE SUMMARY

The changing of global operating environment where the role of civil society and the private sector are increasing has created impacts on the business model. The traditional business that measured by profitability and shareholder value is no longer viable. In fact, businesses that upheld traditional business pattern focus on shareholder value maximization only might lead to degrading of firm value and financial performance.

In the competitive condition of the new business pattern urge companies to pay more attention to social and environmental objectives, and businesses must operate in a more responsible way. Business risks are minimized by systematically engaging with stakeholders in a wide range of areas, including the protection of consumer rights, human rights, labor standards, environmental sustainability and good governance. Such stakeholder engagement also creates opportunities for businesses to improve access to capital. Furthermore, being more responsible does not bring benefits to the business alone, but also creates a positive and long-term impact on economic growth, the development of social standards and the sustainable management of natural resources, which ultimately benefits to the economy and society at large.

In responding to the above pressure, businesses tend to increasingly engage in various forms of corporate social responsibility (“CSR”) activities. However, as a result of the lack of understanding of the concept of CSR and the absence of in-depth changes implemented within the business, the objectives of social responsibility often remain unachieved.

Recognizing that a strong need has developed for a business platform to support the increasingly high number of businesses committed to becoming more responsible, the Secretary General of the United Nations initiated the UN Global Compact to encourage business entities to adopt ten universal principles and fully embrace the notion of corporate citizenship. Since its creation in the year 2000, more than 10,000 business entities have joined this community from 130 different countries. At present, 31 of those entities are Thai.

The UN Global Compact has inspired and encouraged its members to improve their business performance and operations by taking into account their impact in economic, social and environmental terms. The UN Global Compact enables each of its members to effectively demonstrate their social responsibility by adhering to its core principles. The main benefit for the UN Global Compact members is that they can reduce their business risk, build confidence amongst a wide variety of stakeholders and become more efficient in the way they operate their business, and can do so in globally accepted ways.

This year marks the 15th anniversary of the creation of the UN Global Compact. On this occasion, a new and further set of ambitious goals have been set, called the UNGC+15. Developed and agreed with the private sector, the aim of UNGC+15 is to encourage economic growth and job creation while focusing on the protection of fundamental labor rights and the respect for environmental and health and safety standards in line with international standards and conventions.

The UNGC+15 is a clear signal that scattered CSR efforts are no longer sufficient to reduce business risks and optimize access to new capital. It instead sets a concrete, widely agreed and efficient path for the development of social responsibility and sustainable development.



THE UN GLOBAL COMPACT LOCAL NETWORK

The key mechanism to achieve the objectives of the UN Global Compact and the UNGC+15 on the ground and ensure an effective implementation is the existence of a local network at the country level (“UNGC Local Network”). A perfect example of the adage “think globally, act locally”, such mechanism will strengthen the capacity of the government in trade negotiations with foreign countries. A UNGC Local Network currently exists in more than 100 countries, each initiated and operated through the local business sector. In Southeast Asia, many countries have a UNGC Local network, although there are none yet in Brunei, Cambodia, Laos and Thailand.

A UNGC Local Network must both adopt international practices and harness the unique strengths and specificities of the businesses in a given country. The business will have the opportunity to be participate in the network, from its creation and operations to its policy advocacy efforts. Most importantly, the needs of each of its members should be considered and taken into account by the network.

Becoming a member of the UN Global Compact offers a vast array of benefits. In addition, participating in the establishment of a UNGC Local Network offers an unprecedented opportunity to a business to find local solutions to global issues and raise the economic, social and environmental standards in the country in which its operates.

INTRODUCTION TO THE UNGC

Although the instruments and legal sources of soft law and CSR are not legally binding, their potential should not be underestimated. Soft law and CSR methods in general are having a significantly greater influence on contemporary social relations, whose overall effectiveness is not measured through the focus on necessity or stipulated sanctions, but through the interactive function toward overall socio-economic importance. The role of soft law and CSR pro futuro becomes much more important, because different tools and methods will be primarily used in the transformation of business practice to which hard law will only post factum give a legal framework. Moreover, in the wider sense of the word, by direct and indirect reception, they have undoubtedly become an integral part of collective agreements and for more than a decade they have also been an integral part of economic powers.¹

Practically several systems have been developed to deal with several social issues including NGOs and philanthropies, and international organizations are well-meaning and motivated, but they're not designed to scale. And National governments are self-interested by design, the nature of "national interest" makes government contribute less in a world trans-boundary challenges. We are looking for a way to cope with economic pressure and power in a world where nation-state power is on the decline and where a proper global world order has not yet been established. Globalization have enabled and empowered the role of business in economic power, the corporations are in the best position to solve the social challenge and become the best hope for our “sustainable future” and in the same time it is becoming clear that the well-being of workers, communities and the planet is tied to the health and wealth of the business. Companies understand that thinking long term and looking at risks and opportunities through a wider lens would strengthen their competitiveness in global mar-

¹ Mario Vinković, The Role of Soft Law Methods (CSR) in Labour Law, P. 15



ket. Companies proactively manage a company's operations and value chain to stay competitive. It is inevitable that corporate sustainability is necessary for business today.

As business interests increasingly overlap with societal interests and human development objectives, responsible business practices and cross-sector partnerships play a more important role than ever before. To foster a more inclusive and stable global market, the active engagement of businesses will be critical. At the same time, responsible business practices not only contribute to the well-being of stakeholders, they have increasingly become a long-term value proposition for business itself. It makes business sense for companies to invest in creating a sound environment in which to do business, to minimize risks and to harness new business opportunities by supporting developing and emerging markets.

In trying to address the key social issues and how companies should respond to them, a number of different frameworks have been developed in the field of CSR. These include the UN Global Compact (UNGC), the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises, the International Organization for Standardization's (ISO) ISO 26000 framework.²

UN Global Compact Principles

Human Rights

PRINCIPLE 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2 make sure that they are not complicit in human rights abuses.

Labour

PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4 the elimination of all forms of forced and compulsory labour;

PRINCIPLE 5 the effective abolition of child labour; and

PRINCIPLE 6 the elimination of discrimination in respect of employment and occupation.

Environment

PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8 undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9 encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery

SOURCE :[HTTP://WWW.THAICSR.COM/2006/05/10.HTML](http://www.thaicSR.com/2006/05/10.html)

In January 1999 at the World Economic Forum, UN Secretary General Kofi Annan called on business leaders to join an international initiative aimed at bringing together the representative from private sector as well as the United Nations, labor associations and civil society to foster partnerships in pursuing of a more sustainable and inclusive global economy. Through the promotion of universal social and environmental principles.³

² CSR Asia Centre at AIT, Engaging Business to Promote Human Rights and the UN Global Compact in Thailand, P.1

³https://www.unglobalcompact.org/newsandevents/speeches_and_statements/london_school_of_economics.html



Ten principles of the The UN Global Compact, explained in the above mentioned table. were endorsed by chief executives, the Global Compact is a practical framework for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of workstreams, management tools and resources all designed to help advance sustainable business models and markets. ⁴

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

The UN global compact demonstrates that international institutions have to create platforms for self-regulation between corporations and civil-society actors to work toward global social

With over 10,000 business participants and other stakeholders from more than 145 countries, the Global Compact offers participants a wide spectrum of specialized workstreams, management tools and resources, and topical programmes and projects — all designed to help advance sustainable business models and markets in order to contribute to the initiative's overarching objective of helping to build a more sustainable and inclusive global economy. ⁵

UN Global Compact initiative are voluntary from the perspective of the corporations that choose to engage with them in that neither relies on formal legal sanctions to achieve their objectives. Rather, they each have their own unique means of promoting observance. The Global Compact is not a regulatory instrument – it does not ‘police’, enforce or judge the behaviour of companies – it relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share best practices in pursuing the principles upon which the Global Compact is based. To promote basic engagement quality, the Global Compact asks participating companies to publish in their annual report (or similar corporate report) a description of the ways in which they are supporting the Global Compact and its ten principles. This ‘Communication on Progress’ is an important tool to demonstrate the continuous performance improvement to which the 7 Global Compact aspires. Companies that do not communicate their progress for two years in a row are declared inactive until they communicate their progress. To further promote continuous quality improvement and better accountability, the Global Compact has introduced other integrity measures that utilize dialogue to help participants raise the quality of their implementation efforts. Under these integrity measures, it is anticipated that local networks will play an increasingly important role in practical solution. ⁶

In addition to these activities, the Global Compact offers participants a variety of ways to maximize the benefits of participation through further engagement. This guide offers assistance and inspiration to new participants not only on how to carry out their commitments to the Global Compact, but also on ways to engage more actively. Another unique feature of the Global Compact is that signing on not only commits the company as a whole, but specifically its leadership. The personal involvement of a top executive is an important signal to employees and other stakeholders that the company's corporate citizen engagement is an operational and

⁴ <https://www.unglobalcompact.org/AboutTheGC/>

⁵ https://www.unglobalcompact.org/howtoparticipate/Business_Participation/

⁶ Investment Division, Directorate for Financial and Enterprise Affairs Organisation for Economic Co-operation and Development, THE UN GLOBAL COMPACT AND THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES: COMPLEMENTARITIES AND DISTINCTIVE CONTRIBUTIONS, P. 6



strategic priority. Top-down commitment can thus have tremendous influence on the quality of Global Compact implementation.⁷

Solutions for societal challenges are no longer limited to the political system but have become embedded in decentralized processes that include non-state actors such as NGOs and corporations.⁸ Global Compact is the largest voluntary network which provide the integral platform for strategic participation between members. By implementing of the ten principle guidelines, business will emphasize the legitimation of their actions in “doing well by doing good”. In fact, businesses are often required to establish form of legitimacy, moral legitimacy. Moral legitimacy refers to moral judgments about the corporation’s output throughout their procedure and supply chain, company structures and leaders commitment.⁹

As long as power and wealth are concentrated in the hands of a relatively few powerful corporations, and as long as international regulation and enforcement mechanisms that could control the behaviour of corporations with far-flung operations remain elusive, soft law mechanisms and sets of principles that set aspirational standards make an important and timely contribution to improved global governance.¹⁰

BECOMING A MEMBER OF UNGC

There are currently more than 8,000 business participants and 4,000 non-business participants in the UN Global Compact in 170 countries. Interested companies will be required to submit the application form online. Please visit <https://www.unglobalcompact.org/participation/join/application> to download the application form. The applications are available for business and non- business applicator.

For Business Organization. The interested company will need to prepare a letter of commitment signed by the Chief Executive Officer to the Secretary-General of the United Nations expressing commitment to

- o The Global Compact and its ten principles; and
- o Take action in support of UN goals; and
- o The annual submission of the Communication on Progress (COP).

Here below are the list of the required documents for companies to submit the application

1. The letter contains an official company letterhead;

⁷ the un global compact, after the signature, P.6

⁸ Andreas Georg Scherer, Guido Palazzo and Hannah Trittin, Transnational Corporations and Transnational Governance The Cost of Crossing Borders in the Global Economy, p.377

⁹ Andreas Georg Scherer and Guido Palazzo, The New Political Role of Business in a Globalized World – A Paradigm Shift in CSR and its Implications for the Firm, Governance, and Democracy p.26

¹⁰ Andreas Rasche and Sandra Waddock, Global Sustainability Governance and the UN Global Compact: A Rejoinder to Crit



2. The letter is addressed to the UN Secretary-General;
3. The statement includes the organization's commitment to the ten principles of Global Compact, taking action in support of UN goals, and the annual submission of the Communication on Progress (COP);
4. The COP will include the three necessary elements (statement signed by the chief executive expressing continued support for the Global Compact, a description of practical actions, and a measurement of outcomes).
5. The letter of commitment is signed by company's chief executive or equivalent (name and title must be legibly printed underneath the signature);
6. The letter of commitment (one-page statement) is scanned and available for upload before completing the Online Application Form.

Please see annex 1 for online application guideline and annex 2 for the sample of letter of commitment. After online application submitted, the interested company will be contacted back within approximately 30 days from the UNGC.

UN GLOBAL COMPACT LOCAL NETWORK

Global Compact Local Networks (GCLNs) are organized by participants who come together voluntarily to advance the UN Global Compact and its principles at the local level. There are more than 100 GCLNs. While holding different operations, all GCLNs work with the mission to advance the UN Global Compact standards in business. GCLNs serve a vital part in establishing the UN Global Compact inside diverse national context to address their local needs. In participating in a GCLN gives organizations the chance to draw in the cooperation from various stakeholders, including different organizations and agents from civil society, government, the academic, business associations and financial institution. GCLNs provide an important base for jump-starting business action and awareness on the ground. All UN Global Compact organizations are urged to take part in the incorporative action of their Local Network, and, where relevant, to facilitate engagement by their subsidiaries in networks as well. For all companies, the Local Networks are the perfect solution for thinking globally and acting locally.¹¹ To participate in a Local Network an organization must contact the Network contact person in their country. Detail for all Network contact persons, as well as specific information on the activities of each Local Network, can be found on the Global Compact website: <http://www.unglobalcompact.org>

¹¹ <https://www.unglobalcompact.org/engage-locally>



BENEFIT OF BECOMING THE MEMBER OF THE UN GLOBAL COMPACT

Day to day, business face difficulties trying to be more responsible and end up with distinctive chances on the positive outcome. Companies, especially with those who own operations worldwide, recognize that they will need to learn how to interpret headquarters' sustainable business policy into the operation that response to the local context. Global Compact Local Networks propel the activity and its Ten Principles at the nation level. They help companies understand what responsible business means within different national, cultural and language contexts and facilitate outreach, learning, policy dialogue, collective action and partnerships. Through our networks, companies can make local connections with other businesses and stakeholders from NGOs, government and academia and receive guidance to facilitate their sustainability commitments into local action. The Global Compact offers participants a many ways to maximize the benefits of participation through further engagement for new participants not only on how to carry out their commitments to the Global Compact, but also on ways to engage more actively.¹²

The benefits of engagement include the following:

- Adopting an established and globally recognized policy framework for the development, implementation, and disclosure of environmental, social, and governance policies and practices.
- Sharing best and emerging practices to advance practical solutions and strategies to common challenges.
- Advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labour, and other non-business interests.
- Linking business units and subsidiaries across the value chain with the Global Compact's Local Networks around the world many of these in developing and emerging markets.
- Accessing the United Nations' extensive knowledge of and experience with sustainability and development issues.
- Developing specific know-hows.
- Improving the company reputation and increasing the trust in the company.
- Assuming a leading role in critical themes.
- Developing a network with other organizations.
- Understanding the financial needs and promoting the capital access.

FORD MOTORS

In early 2008, Ford joined the United Nations Global Compact (UNGC), a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. This action reinforces our commitment to outstanding performance and transparency in these areas. We also actively participate by invitation in both the Human Rights and Supply Chain Sustainability Advisory Groups convened by the Global Compact. In addition, we intend to sign the UNGC's CEO Water Mandate and the CEO Statement of Support for the Women's Empowerment Principles.

SOURCE [HTTP://CORPORATE.FORD.COM/MICROSITES/SUSTAINABILITY-REPORT-2011-12/BLUEPRINT-GOVERNANCE-SUSTAINABILITY-COMMITMENT.HTML](http://corporate.ford.com/microsites/sustainability-report-2011-12/blueprint-governance-sustainability-commitment.html)

¹² <https://www.unglobalcompact.org/engage-locally/about-local-networks>



- Utilizing UN Global Compact management tools and resources, and the opportunity to engage in specialized workstreams in the environmental, social and governance realms.¹³

Details for all Network contact persons, as well as specific information on the activities of each Local Network, can be found on the Global Compact website:

<http://www.unglobalcompact.org/NetworksAroundTheWorld/index.html>¹⁴

CASE STUDIES

The cases will elaborate that fact companies are increasingly recognize the essential of human rights issue in their business. But anyhow it is still necessary to show how business could benefit through adopting human rights policies, practices and initiatives to convene company's management. Because the most effective human rights policies and practices are those that have the full backing of senior management. When human rights is viewed as an opportunity and not just a risk, the case may be easier to make¹⁵.

Case I

FORD MOTOR COMPANY: THE ALIGNED BUSINESS FRAMEWORK

COUNTRY OF ORIGIN	ISSUE COVERED
United States of America	Human Rights, Labour, Environment, General
SECTOR	MEMBER SINCE
Automobiles & Parts	2008
REGION Global	

¹³https://www.unglobalcompact.org/docs/networks_around_world_doc/communication/network_reports/2011/IT_VP.pdf

¹⁴ <http://www.unglobalcompact.org/NetworksAroundTheWorld/index.html>

¹⁵ UN Global Compact, embedding Human rights in Business Practice iii, p.7



BACKGROUND

Ford signs comparatively long-term agreements with strategic suppliers, which lends to increased openness, dialogue and a partnership attitude. Without the fear that non-compliance could mean the end of Ford's orders, suppliers are more open to discussing challenges and working together toward solutions. The nature of supplier relationships within the automotive industry in general—and specifically with Ford—gave rise to a program of social compliance based upon training and capability-building. This in turn has avoided development of a “gaming” reaction on the part of suppliers. Assessments are used by Ford on a sampling basis only to better understand conditions on the ground and, although used to ensure compliance on a site basis, are considered to be a part of supplier development. This approach is further enabled by current business efforts to reduce the supply base and develop deep and transparent relationships with a fewer number of suppliers for the long term.¹⁶

The Aligned Business Framework (ABF)

ABF suppliers are asked to:

- Articulate clearly expectations and standards for working conditions by establishing a code of conduct covering working conditions and environmental responsibility throughout the value chain.
- Promote these working conditions standards in its wholly owned facilities, with joint venture partners, and with suppliers throughout its value chain through training and compliance processes.
- Drive environmental performance in its wholly owned facilities, joint venture partners, and with suppliers throughout its value chain through responsible environmental management systems.

The ABF is Ford's strategic Purchasing business model. It was launched in 2005, ABF agreements establish working business models between Ford and the selected suppliers. The agreements are designed to increase future collaboration. As part of the agreement, Ford increases the volume of business with select suppliers. Since its launch, Ford has identified 67 production and 23 non-production ABF suppliers.

The ABF agreement aim to encourage Ford's supplier partners to be more responsible to ensure a proper working conditions and environmental management systems throughout their value chain.¹⁷

Each supplier will have to identify an executive to lead the development of its processes. Ford will provide assistance, contacts and materials to help the supplier to develop its program throughout the process.

LESSONS LEARNED

The framework involved long-term capacity building process that ford needs to provide to selected suppliers in order to facilitate Tier 1 supplier ownership for responsible supply chain management, Ford has developed an in-depth resource guide to give suppliers information and background on human rights, generally, and on the development of their own codes, specifically. It is sharing the developed training materials, as well as infor-

¹⁶ <http://supply-chain.unglobalcompact.org/site/article/50>

¹⁷ Business for Social Responsibility, Internal Alignment: An Essential Step to Establishing Sustainable Supply Chains A Beyond Monitoring Trends Report, p.23



mation and developmental guidance on its compliance and training processes. Finally, Ford has committed to working with suppliers to help resolve issues and concerns.¹⁸

IMPACT

The framework increases mutual profitability, drives innovation, and reduces the risk of operational or reputational problems through a robust sustainability management system. With ABF Ford manages to leverage human rights and environmental responsibility issues in its supply chain in a more collaborative, in-depth, integrated and aligned manner. Ford increases the volume of business with select suppliers. Since its launch, Ford has identified 67 production and 23 non-production ABF suppliers.¹⁹

OUTLOOK

True integration of human rights is a long-term process that requires the continuity of actions and commitment. The first discussion started in 2000, the first implementation of the CBWC was achieved at the parent company in 2003. This code was then revised based on feedback in 2007. During the time, the code was integrated into supplier terms and conditions, communications and purchasing practices.

Ford and supplier have improved their ability to working conditions at both the policy and operational levels. It shows that the formal integration of the human rights dimension in business has contributed to an enhancement of business process.

Ford Motor Company benefits from its ethical business culture. Considering the current situation of other automakers in the global economic slowdown, it is clearly recognizable that doing business in an ethical and transparent manner may contribute to economic viability. And most importantly that the business case have strengthen and convene the attitudes of senior management to further encourage and symbolize Ford's commitment to sustainability: Ford recognizes that its products "no matter where they are made – are manufactured under conditions that demonstrate respect for the people who make them," according to Tony Brown, Group Vice President of Global Purchasing, "This is just as important as quality, cost-competitiveness or timeliness of delivery"²⁰

THE UNGC LOCAL NETWORK IN A NUTSHELL

The UN Global Compact (GC) started to launch its local network in 2001. Local Networks located in more than 90²¹ nations playing progressively imperative role in establishing and embedding the UN Global Compact into national context. As self-administered multistakeholder bodies drove by business, they bolster organizations in their business endeavours, while additionally making open doors for further engagement through aggregate activity. Since 2000 the number of local network remain increasing. The highest numbers of local network is in Europe where Asia/Oceania is increasing slowly due to the economic downturn and political instability. Anyhow with the shifting of the global power house to Asia and with the increasing role of civil society plus the trend of the sustainability and consumer awareness, the numbers of local network in Asia/Oceania regional is expecting to be higher

¹⁸ <http://supply-chain.unglobalcompact.org/site/article/50>

¹⁹ <http://supply-chain.unglobalcompact.org/site/article/50>

²⁰ MALTE DOLD, THE FORD APPROACH TOWARDS HUMAN RIGHTS AND BUSINESS INTEGRATION, p.13

²¹ <https://www.unglobalcompact.org/participation>

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THE UNGC LOCAL NETWORK IN ASIA AND OCEANIA

From the Local Network Report 2014 showed that Asia & Oceania grew by 6% in contrast to the 8% decline of 2013. The region gained 108 new participants (51 business and 57 non-business). Of the total 2,055 regional participants, the region is composed of 33% companies (676), 30% SMEs (611), and 37% non-business organizations (768)²² while in Europe experienced a slow growth. Local Networks in Asia & Oceania continue to influence the corporate sustainability movement motility in the private sector within different national, cultural, language and local contexts. They accomplish this by facilitating multi-stakeholder engagements and creating open spaces for participants to communicate and discuss ways to address reference global issues in a national and local context. The Asian Networks are active in internetwork collaboration and aim to discuss opportunities and solutions to common issues and to promote regional and sub-regional synergies to generate and scale up regional impact in the corporate sustainable movement. Some examples include an annual subregional roundtable conference by the Eastern Asian Networks and the launch of a joint publication that highlights best practices of networks in the region. In an effort to create an enabling environment for responsible business conducts, various Local Networks, particularly in South Asia, play a prominent role as a facilitator to engage in multistakeholder dialogues with policy makers to embed corporate sustainability in national agendas. A UNGC Local Network currently exists in more than 100 countries, each initiated and operated through the local business sector. In Southeast Asia, many countries have a UNGC Local network, although there are none yet in Brunei, Cambodia, Laos and Thailand.

Enlightened leaders are making sustainability a core part of business strategy. Now we need business leaders everywhere to make business a force for good. Together, we can respond to the urgency of our global challenges and build a better tomorrow.”

H. E. BAN KI-MOON

the United Nations Global Compact 15th anniversary celebrations

LOCAL NETWORK AND IT'S ACHIEVEMENT

Indonesia Global Compact Network

Indonesia Global Compact Network (IGCN) was launched on April 8, 2006 in Jakarta at the UNESCAP Conference. 22 companies and organizations made a mutual commitment and signed the pledge to support, and im-

²² UNGC, Global Compact Local Network Report 2014, p.30



plement the United Nations Global Compact Principles. It is governed by a Board of Trustees, a Board of Management and a Supervisory Board. With the current 117²³ Signatories comprised of major companies in the country including multi-national corporations, SME, universities and Civil Society Organizations²⁴. The top business industry that participate in the local network include of support services, media, forestry, general industry and personal good industry. Business is playing a vital role in driving the activities of the local network. Board of Founder are comprised of five leading companies in Indonesia. The current President is Mr. Y.W. Junardy, Chief Corporate Officer and Managing Director at PT Rajawali Corporation.²⁵

The Indonesia Global compact network is structured and led by the group of private sector that committed to the improvement for the higher standard of the business's operations in the country. The commitment of the founding committee have led to the organization of several activities that engage the local private sector and government authority to work together. The effort of the network were recognized internationally as one of the most successful local network in the region showing the efforts of business in helping companies to advance the goals of human progress and economic prosperity.

MILESTONES AND ACHIEVEMENTS IN 2014

Indonesia Global Compact Network

Indonesia implements a programme of activity to support Indonesia Global Compact Network signatories who wish to maximise the benefits of their engagement with the UN Global Compact. Indonesia Global Compact is one of the most dynamic local network in the region and represent the private sector driven network localizing global agenda in Indonesia.

To date, IGCN initiated 5 joint collaborative actions:

1. Human Rights TJAHAYA Project (Launched) Computer for Village Schools
2. Labour Growing Inclusive Markets (GIM) – Indonesia Cases
3. Environments Kalimantan Initiative
4. Anti-Corruption Business Ethics Safari and Code of Conduct workshops²⁶

²³ <https://www.unglobalcompact.org/engage-locally/asia/indonesia>

²⁴ https://www.unglobalcompact.org/docs/networks_around_world_doc/communication/network_reports/2011/ID_VP.pdf

²⁵ <http://indonesiagcn.org/>

²⁶ https://www.facebook.com/pages/Indonesia-Global-Compact-Network/26866434984089?sk=info&tab=page_info



HUMAN RIGHTS

From UNDP Human Development Index 2014, shows that Indonesia ranked no. 108 from 187 countries and categorized as part of Medium human development. Global Compact Network Indonesia underlined human rights as one of their priority issue for 2014, several events have been organized and relevant tool prepared to enhance the Social standard have been developed to address the issue. Activities include:

- To build the capacity of the business sector on business and human rights issue. The local network with the collaboration with the Institute of Policy Research and Advocacy (ELSAM), Global Compact Network Indonesia organized a roundtable discussion on Business and Human Rights. The round table discussion allow private sector to be further engaged to the respect of the human rights in business operation. The publication translated from “How to do Business with Respect for Human Rights,” originally published by the Global Compact Network Netherlands also prepare in the local language and released during the event.
- To provide a better access to national healthcare and service and to facilitate the basic human rights of an identity, in Indonesia. The local network together with various local social organizations, companies and Jakarta Provincial Government organize the Mass Wedding Programme 2014 with an aim to marry 5,000 beneficiary couples. With the poverty problem, participating couples could neither financially afford nor legally overcome to obtain marriage certificates, preventing them from receiving birth certificates for their children. Without Resident Identity Cards and Family Cards, families will not have access to national health care, public education, legal rights and employment in the country.



ANTI-CORRUPTION

Global Compact Network Indonesia together with Transparency International Indonesia, the Corruption Eradication Commission (KPK), and Paramadina University, organized the roundtable, “Private Sector Leaders Roundtable: Implementation of the Principle 10th of the UN Global Compact—Embody Integrity & Sustainable Business.” The meeting was a follow-up from the previous year’s “Private Sector Leaders Roundtable: Post-2015 Development Agenda,” the participants are included of business, academia and civil society representatives to share ideas on how to address anti-corruption challenges in Indonesia. The roundtable identified “Governance, Rule of Law and Public Policy” as one of the main priorities in the post-2015 development agenda. As a result of the event, a Business Ethics and Anti-Corruption Working Group was established to help address the issue among Global Compact signatories in a local context.

BUSINESS AND HUMAN RIGHT SITUATION IN THAILAND

Since the Coup d'état took place in the mid of 2014, Thailand has been in the spotlight of international concerns regarding human rights situation. One of the most significant Government measures is the policy that restricts the movement of people outside the border areas, especially those without proper documents. Thailand is not signatory to the Refugee Convention and lacking of local law recognising refugee status. The uncertain management of ethnic refugee and asylum seekers particularly the Rohingya from Burma hence has become the subject of criticism among international organizations and other states. The concerns also touch up on the failure to protect migrant workers in the country since Thailand is a destination and transit country for migrant workers from the neighbouring countries namely Cambodia, Myanmar and Laos who migrate to seek for a better life.

In the business sector, forced labour and human trafficking have hindered Thai business opportunities in the global market especially in the fishery industry in which Thailand has ranked the world's third-largest seafood exporter. The guardian (Neslen, 21 April 2015) ²⁹reported that the EU gave six months to Thailand to bring in legal reforms and improve control on illegal fishing; otherwise, a trade ban will be put in place. According to the 2015 Trafficking in Persons Report (US Department of State, 2015), Thailand has placed in Tier 3 which demonstrates the inefficient and insufficient efforts in combating trafficking in persons. The TIP report points to especially the lack of legal and social protection of Thailand and migrant seafarers.³⁰ On the other hand, in the Thai government's Thailand's Progress Report on Anti-Human Trafficking Efforts which was launched in March 2015, it was argued for the advanced progress in handling with human trafficking situation. The efforts include: an increased number of human trafficking cases under the judicial process, an assistance provided to Thai seafarers who were the victims of human trafficking in an Indonesian Island, a “Zero Tolerance for Human

²⁸ UNGC, Local Networks: Building a better future together, May 2015, p. 58

²⁹ U.S Department of State (2015) Trafficking in Persons Report, July 2015. Country Narratives: Thailand, p. 330-334.

³⁰ Human Rights Watch (2015) World Report 2015: Thailand. Available from <https://www.hrw.org/world>



Trafficking” policy which came into force since August 2014,³¹ an improved official register system for migrant labourers to prevent the exploitations from brokers, and other related prosecution attempts. In response to the forced labour and trafficking problems, the Thai government acknowledges the close cooperation and collaboration with the neighbouring countries is a key strategy.

BUSINESS AND HUMAN RIGHTS : CURRENTS ISSUES FOR THAILAND

For the last five years, Thailand have been facing the problem with local community due to the expanding of business scale in Thailand. The human right issue could create a long term business damage and economical downturn for the long run. The government has established an Alternative Dispute Resolution Office, and the National Human Rights Commission (NHRC) was formed in 2001. The Commission plays an important role in addressing claims of corporate-related human rights abuses, which have increased in recent years; in particular, it commonly handles claims of poor working conditions from migrant workers. The Commission has the ability to recommend amendments to domestic law where domestic human rights standards conflict with international standards. It also has a remit to investigate and mediate cases and to propose remedial measures, but its effectiveness is diminished by the fact that it has no sanctioning or enforcement capacity.³²

ISSUE I

FISHERIES INDUSTRY

The first issue based on the 2015 EJF report on Pirates and Slaves; How overfishing in Thailand fuels human trafficking and the plundering of our oceans.

According to the report which mentioned about the US Department of State's 2014 Trafficking in Persons (TIP) report which downgraded Thailand to Tier 3, the lowest possible ranking, for its failure to address human trafficking degrading Thailand to the countries such as North Korea and Saudi Arabia. It is the sad truth that the demand for seafood is leading a brutal trade in vulnerable humans and the collapse of entire marine ecosystems. The Thai fishing facing the fact that industry has overfishing. Rapid industrialisation of

“
I thought I was going to die. They kept me chained up, they didn't care about me or give me any food ... They sold us like animals, but we are not animals – we are human beings.
”

Cambodian migrant trafficked into the fishing industry³³

the fishing fleet during the 20th Century has resulted in too many vessels using destructive and unsustainable fishing methods to catch too many fish. This industry has consistently failed to take into the account the importance of the ecological costs of its unsustainable business model. Interesting to learned that slavery in the industry created by the impacts of overfishing plus the widespread pirate fishing which is itself both dive over-exploitation of fish stocks. The status of Thai law and enforcement means that much of what is internationally considered illegal, unreported and unregulated (IUU) fishing is permissible in Thailand. In Thailand long-haul vessels fishing in distant waters are allowed and present the highest risk of slavery. This fleet largely operates as it always has by plundering the waters of neighbouring countries and landing stolen fish back in Thai ports. The practice of transshipment at sea – where larger cargo vessels re-supply fishing boats and pick up their catches – allows commercial fishing vessels to stay out at sea indefinitely and turns boats into

³¹ Government of Thailand (2015) Thailand's Progress Report on Anti-Human Trafficking Efforts. 31 March 2015.

³² <http://lib.ohchr.org/HRBodies/UPR/Documents/session12/TH/IHRB-InstituteHumanRightsBusiness-eng.pdf>



floating prisons for trafficked and abused workers. IUU, transshipment at sea and weak documentation systems undermine private sector efforts to verify whether Thailand's export-oriented seafood supply chains are free of abuse.³³

Another EJF report on Broken Promises; Why Thailand should stay on Tier 3 in the 2015 US Trafficking in Person Report also mentioned that based on these failures and the ongoing occurrence of systematic trafficking and abuse in the fishing industry throughout the last year. This will send a clear signal to the Government that a substantive programme of action and series of reforms must be implemented to comply with the minimum standards for the elimination of trafficking.³⁴

CONCLUSION

Thailand is an export oriented emerging economy and the second largest in Southeast Asia after Indonesia. As a result, manufacturing is the most important sector and accounts for 34 percent of GDP. Services constitute around 44 percent of GDP. Within services, the most important are wholesale and retail trade (13 percent of GDP); transport, storage and communication (7 percent of GDP); hotels and restaurants (5 percent of GDP) and public administration, defence and social security (4.5 percent of GDP). Agriculture also makes a significant contribution - around 13 percent of GDP.³⁵ As an export oriented economy, Thailand's economy depends on the purchasing power and demand & trust from the foreign market. And further looking into deeper detail, Thailand's major export partners are China, Japan, the United States and the European Union. The United States and the European Union contribute around 22% of the export value. Refer to Risk Factors and limitations to the economic growth from NESDB Economic report said that one of the reason that Export sector remains key limitation to the economic growth and adversely affects income base is the slow progress on solving IUU Fishing problem might also pose some risks on exports.³⁶ The said incidence shows that business's competitiveness directly relate to a better standard of business's operation in Thailand. Business in Thailand can no longer operate the business without considering and including sustainability into their DNA.

Corporate Social Responsibility (CSR) is principally a company's commitment to operating in an economically, socially, and environmentally sustainable manner whilst balancing the interests of diverse stakeholders. Around the world, different companies use different definitions and, some refer to corporate responsibility or sustainable business and others use corporate citizenship. CSR will look different for different companies in different country contexts but issues such as human rights, labour standards, the environment, and good governance are areas of common interest to development agencies, government and the public.

In trying to address what the key issues are and how companies should respond to them, a number of different frameworks have been developed in the field of CSR and sustainability. These include the UN Global Compact (UNGC), the frameworks are aimed at encouraging sustainable, responsible, inclusive, transparent, and accountable practices among businesses, which can contribute to the sustainable development of society.

UNGC and its ten principle asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. The UN Global Compact initiative are voluntary from the perspective of the corporations that choose to engage with

³³ EJF, Pirates and Slaves; How overfishing in Thailand fuels human trafficking and the plundering of our oceans, 2015, p 6

³⁴ EJF, Broken Promises; Why Thailand should stay on Tier 3 in the 2015 US Trafficking in Person Report, 2015, p.15

³⁵ <http://www.tradingeconomics.com/thailand/gdp-growth-annual>

³⁶ NESDB, Thai Economic Performance in Q1 and Outlook for 2015, p.4



them in that neither relies on formal legal sanctions to achieve their objectives. Business individually can adopt the principle and use them as a guideline for their business strategy or in their sustainability plan. Using UNGC as a platform to be recognized internationally for their commitment, business individually can join and participate as a member, and to remain as a member of the UNGC business will need to apply the UNGC mechanism that will help business drive their commitment into practice. Being an export oriented country there is not much room for business in Thailand to ignore and avoid pressure from west calling for an improvement of business operational standard. But in order to stronger together business is on the driver seat to drive an economy in Thailand. Business could get together in self-govern network in the country. Establishing the local network allows the business to ideally localize UNGC and its ten principle into local context endeavour our strength and competitiveness to move forward together as one.



ANNEX 1 (LETTER OF COMMITMENT)



United Nations Global Compact

Online Application Guideline - Business Organizations -

To participate in the Global Compact, a business organization:

Prepares a Letter of Commitment (Fig. 1) signed by the Chief Executive Officer to the Secretary-General of the United Nations expressing commitment to

- the Global Compact and its ten principles; and
- take action in support of UN goals; and
- the annual submission of the Communication on Progress (COP).

Requirements of the Letter of Commitment for business organizations

- 1) The letter contains an official company **letterhead**;
- 2) The letter is addressed to the UN Secretary-General;
- 3) The statement includes the organization's commitment to the ten principles of Global Compact, taking action in support of UN goals, and the annual submission of the **Communication on Progress (COP)**;
- 4) The COP will include the three necessary elements (statement signed by the chief executive expressing continued support for the Global Compact, a description of practical actions, and a measurement of outcomes).
- 5) The letter of commitment is signed by company's **chief executive or equivalent** (name and title must be legibly printed underneath the signature);
- 6) The letter of commitment (one-page statement) is scanned and available for upload before completing the Online Application Form.

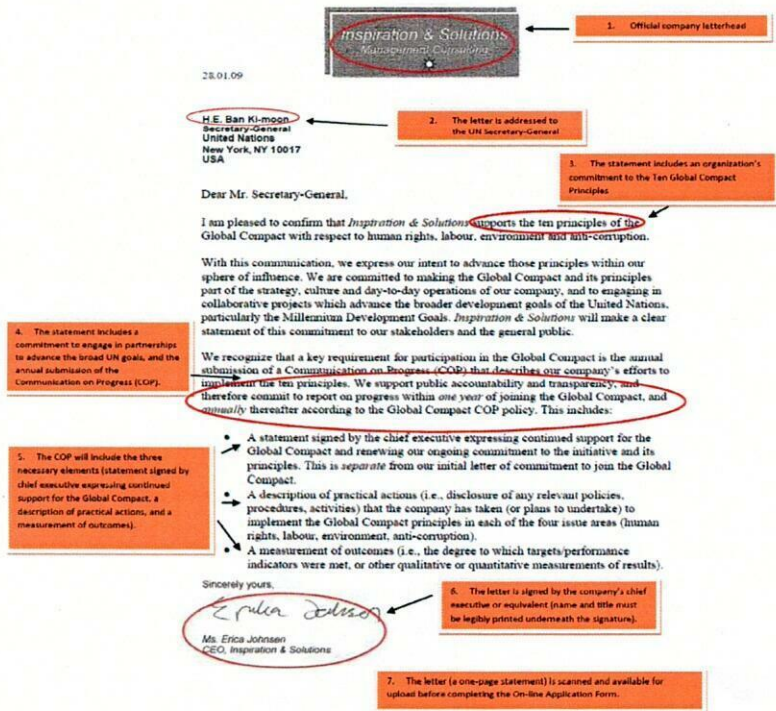
Please note: The Commitment Letter is posted on the participant's profile page on the Global Compact website in order to promote transparency.

Completes the Online Application Form (Fig. 2a-2b below) and uploads a digital copy of the Letter of Commitment signed by the highest executive;

- The name of the company's chief executive who signed the Letter of Commitment must correspond with the entry in the online registration form.
- To ensure that your Letter of Commitment fulfill the requirements stated above.

ANNEX 2 (TEMPLATE FOR THE COMMITMENT LETTER)

Fig. 1. Sample Template-Requirements of the Commitment Letter for Business Organizations



1. Official company letterhead

28.01.09

2. The letter is addressed to the UN Secretary-General

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

3. The statement includes an organization's commitment to the Ten Global Compact Principles

Dear Mr. Secretary-General,

I am pleased to confirm that *Inspiration & Solutions* supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.

With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. *Inspiration & Solutions* will make a clear statement of this commitment to our stakeholders and the general public.

4. The statement includes a commitment to engage in partnerships to advance the broad UN goals, and the annual submission of the Communication on Progress (COP).

We recognize that a key requirement for participation in the Global Compact is the annual submission of a *Communication on Progress (COP)* that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy. This includes:

- A statement signed by the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles. This is separate from our initial letter of commitment to join the Global Compact.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets performance indicators were met, or other qualitative or quantitative measurements of results).

5. The COP will include the three necessary elements (statement signed by chief executive expressing continued support for the Global Compact, a description of practical actions, and a measurement of outcomes).

Sincerely yours,

Erica Johnson

Ms. Erica Johnson
CEO, Inspiration & Solutions

6. The letter is signed by the company's chief executive or equivalent (name and title must be legibly printed underneath the signature).

7. The letter (a one-page statement) is scanned and available for upload before completing the On-line Application Form.



Sample Entry Letter for COMPANIES Only

[Company letter-head]

[Date]

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to confirm that [name of company] supports the ten principles of the Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement those principles. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. [Name of company] will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within *one year* of joining the Global Compact, and *annually* thereafter according to the Global Compact COP policy. This includes:

- A statement signed by the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles. This is *separate* from our initial letter of commitment to join the Global Compact.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Sincerely yours,

[Signature]
[Name Mr. / Ms. _____]
[Title* CEO/Managing Director]



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