

## CORPORATE SOCIAL RESPONSIBILITY

# COMPANY+GOVERNMENT+ INDIVIDUALS = RESPONSIBILITY

BY KH. KHULAN

Understanding the responsibility of companies is important to all sectors of the economy. But its realisation in the mining sector is a top priority today...

If one turns the pages of humankind's history, the era of industrialisation holds great weight. Beginning in the 1800s, the industrial revolution brought technical and technological progress. Large corporations have become firmly established since that time.

Many people from rural areas dreaming of better lives came to live in the cities. Industrialisation flourished and the process of urbanisation expanded, impacting class distinctions.

The middle-class was formed in accordance with the wealthy and worker classes. The market was supplied with the first luxury consumer goods, such as the bicycle, gramophone, typewriter, and automobile. The income from industry and trade grew day by day, but there were also a lot of downsides, too. Namely, these are the loss of a direct link between nature and humans.

The factories polluted the air, water, and environment, leaving a great deal of poisonous substances and waste



Photo by E. Zorigt

*At National CSR Forum in October 2012*

## Why Responsibility?

The industrialisation period, was not at all environmentally friendly. It was when many of today's largest companies got their first start and they focused most strongly on business operations without much concern about the impact their activities might have on the surrounding environment.

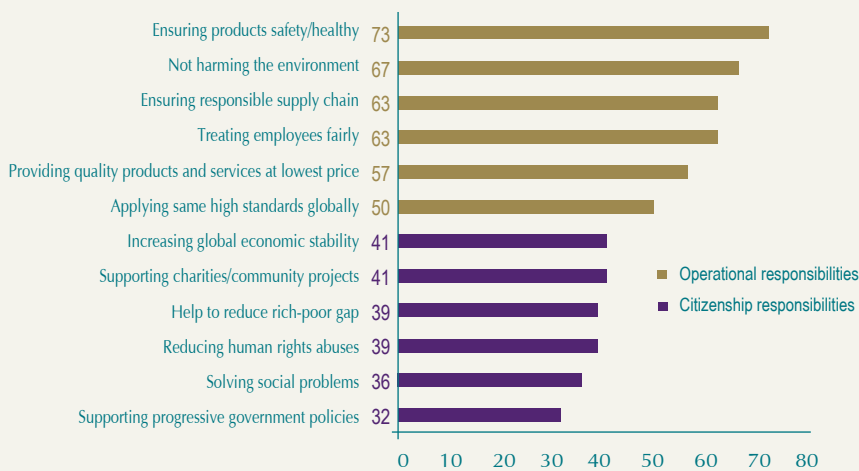
Today, the topic of corporate social responsibility is talked about worldwide. The term is not new for entrepreneurs. The definition of social responsibility, as it pertains to business, originates from the 1950s

when several European countries began implementing its core ideas.

Big corporations have realised that they must act responsibly towards their customers, employees and society. Environmental responsibility was added after social responsibility later in the 1980s. It came about after it was apparent that the ecological conditions were changing worldwide.

During the Earth Summit in Rio De Janeiro in 1992, politicians from all over the world came to the conclusion that sustainability must be included in economic planning too. »

### New Expectations of Business



Source: Celina Pagani-Tousignant's presentation "The Role of Companies in Society", 2012

development of economic growth as well as the issues concerning the environment and society, she said.

This ideal is related to companies of all sizes and it is needed within sectors such as mining, construction, public transport, tourism, and processing factories, said D. Erdenebayar, head of the Sectoral Development Policy Coordination Department at the Ministry of Economics.

Though often overlooked, reporting on activities is no less important than any other aspect, according to Rolf Dietmar, director of the Sino-German Corporate Social Responsibility project.

"CSR reporting means informing about the progress a company has made on sustainable development to the public", said Dietmar in his presentation.

Most countries publish their reports voluntarily. Yet, interestingly, France and Sweden have made reporting mandatory since 2001 and 2008, respectively.

Another example comes from Mongolia's southern neighbour. Chinese companies had 32 CSR reports when the concept first started to take hold in the country compared with over 890 today, said Dietmar.

Ch. Nergui, head of the Policy Planning and Coordination Department at the Mongolian National Chamber of Commerce and Industry (MNCCI) noted that Mongolian companies tend to forget to issue these reports.

Understanding the responsibility of companies is important to all sectors of the economy. But its realisation in the mining sector is a top priority today. There is a great demand for the application of environmentally friendly technology.

The main message of the forum was that corporate responsibility brings more efficiency if the state, businesses and society can implement it together. The development of this concept has already started in Mongolia, and there is no way back in today's globalised world. ■

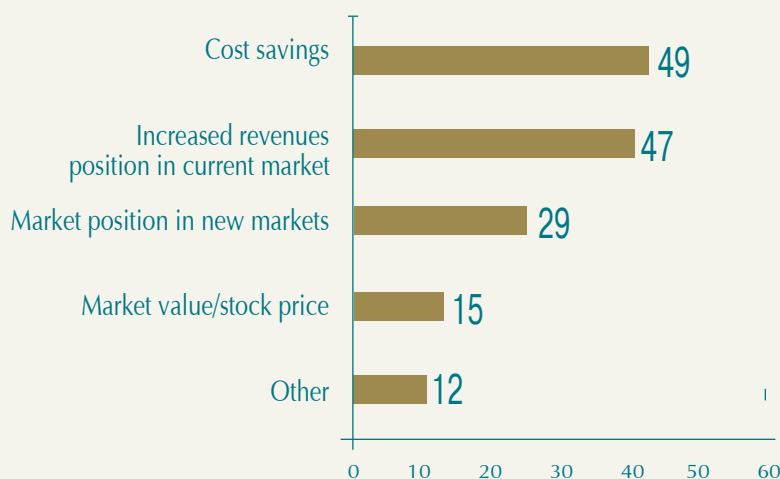
### ▶ A National CSR Forum

Corporate social responsibility is not a brand new topic to Mongolia either. Mongolia's private sector has passed the initial phase and is now working from the next level, said G. Kherlen, vice director of the Financial Regulatory Committee at the Corporate Social Responsibility (CSR) Forum. The event, presented by German development agency GIZ's programme Integrated Mineral Resource Initiative (IMRI), opened with remarks from S. Oyun, the minister of nature, environment and green development, and Peter Schaller, German ambassador to Mongolia.

The forum included discussion of the International Standards Organisation's (ISO) 26000 regulations, the benefits of activity reporting, and project development in various aspects of industry, society and the environment.

Oyun explained the significance of upgrading standards of methods and technology. She said the creation of inclusive green growth is essential, which the government has acknowledged with the creation of a ministry dedicated to green development. Prime Minister Norov Altankhuyag will lead the Sustainability Committee while paying particular attention to the

### Benefits of CSR Reporting



Source: Rolf Dietmar's presentation "Benefits of CSR reporting", 2012

## Mongolian Economy asks CSR experts



**Dr. Rebecca Chung-hee Kim, Assistant professor of CSR and International management, The University of Nottingham Malaysia**

### How has the role of corporate social responsibility (CSR) grown in business development worldwide?

In the old days, Milton Freedman [1970] said "The social responsibility of a business is just to increase its profit". However times have changed, and the Western idea of maximizing shareholder interests is limited to the area of the competitive global market.

Why CSR? Because the market has been changed. And beyond shareholder returns, companies have to think about how they can share their ideas and profits with the community, which gives a legitimacy and driver's license to a cooperation.

It is about business for making a profit and generating the shareholders' returns, and how they can get the help and consensus from the Mongolian government, the media and shareholders. This is a much more holistic approach towards business. It is very important.

These days people tend not to trust corporations. They think corporations always tells lies to make money. However, with the idea of CSR corporations can get that trust and support from the local government. It is about entering the market through to society. It is really critical and all about business; not about PR or donations.



**Celina Pagani-Tou-signant, President at Normisur International management consulting company**

### How does the social contract companies had in the 1960s compare with that of today?

The wellbeing of a society depends on the support of three sectors: government, private [companies] and civic society.

In most countries in the West, over 40 years ago, the roles of each sector were set. Government took care of the social needs of people and also developed laws to keep order in societies; companies provided jobs, paid taxes and did a bit of philanthropy; and organisations in civic society (NGOs) took care of the social issues that government did not cover.

These organisations were humanitarian organisations. A social contract was established among the sectors and each sector fulfilled the obligations of the contract with the assigned roles.

In the last 40 years there have been many changes. Companies have grown a lot, some of them have budgets bigger than the GDP of [some] countries and have become very powerful. Globalisation helped companies expand their operations overseas into countries where they didn't have a presence. They reached new clients and hired new employees and suppliers. At the same time society started to change. The way people looked at certain issues related to environmental contamination, human rights, labor issues, workers' health and safety, etcetera changed; and all of a sudden individuals, NGOs and governments started to look at them with great concern.

These issues were intimately related to

companies and the way they operated. Many of them developed environmental and human rights, and other types of policies at their corporate offices. But they didn't transfer these policies to their operations in foreign countries. This went unnoticed for a while, but in the last 15 years with the advances in communication and new technology, when news travel fast, companies cannot have this behavior anymore. As society's expectations of companies began to change over time, their role expanded.

People expect companies today to provide jobs and pay taxes, but they also want companies to sell safe products, diminish their environmental footprint, contaminate less, treat their employees well, create a safe work environment for employees, make ethical decisions, support the communities where they operate, etcetera. Companies need to do much more.

During this time, the role of government got smaller because budgets diminished. As a consequence, social services were cut. Civil society expanded. More humanitarian NGOs were created and also others with different purposes. New radical voices emerged from the people who protested against company abuses and environmental contamination, and they founded activist NGOs. These NGOs became very powerful and today they can bring companies to their knees.

There is a new social contract between companies, civic society and governments. The size of each sector also depends on the political, economic and social context of the country. ■