Patterns of Corporate Social Responsibility in the Philippines: A Case Study of Japanese

Companies Operating in the Philippines

by

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Abstract

In the past decades, Corporate Social Responsibility (CSR) has been continuously transforming. Although in many countries it remains a voluntary activity, there are significant differences among companies in terms of how they report or implement their CSR. The aim of this thesis is to better understand the CSR situation of ten Japanese companies operating in the Philippines while at the same time to contribute to the limited amount of literature on CSR in developing countries. For this research, both qualitative and quantitative research methods have been used. This study attempts to determine how companies define or perceive CSR and how they incorporate factors like human rights, labor rights, CSR reporting, internal formal policies, supply chain relation, international standards or environmental CSR in their company's CSR. The results show that the implementation of CSR is very much dependent on the company's size, big companies have a multi-stakeholder approach while small companies focus more on philanthropy. The CSR in the Philippines is characterized by volunteerism which is also reflected at the employee level. International environmental-related standards and certifications are more popular than any other standards that promote CSR. The challenge for the companies is to incorporate a human rights-based approach when implementing CSR and at the same time to promote their CSR policies within their entire organization.

Keywords: Philippines, Corporate Social Responsibility, Human Rights, Labour Rights, International Standards, Environment, Supply Chain.

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List of abbreviations

CSR	Corporate Social Responsibility
CHRP	Commission on Human Rights of the Philippines
ECLAC	Economic Commission for Latin America and the Caribbean
ESG	Environmental, Social and Governance
GRI	Global Reporting Initiative
ILO	International Labour Organization
ISO	International Organization for Standardization
ITUC	International Trade Union Confederation
OECD	Organization for Economic Cooperation and Development
PBSP	Philippine Business for Social Progress
PHP	Philippine Peso
PNVSCA	The Philippine National Volunteer Service Coordinating Agency
SDGs	The Sustainable Development Goals
TNC	Transnational Corporations
UNCESCR	United Nations Committee on Economic, Social and Cultural Rights
UNGC	The United Nations Global Compact
UNIDO	United Nations Industrial Development Organization
WBCSD	The World Business Council for Sustainable Development

1. Introduction

1.1 Motivation and Problem Statement

Living in a globalized world offers us the chance to come across a wide range of products and services. But although the international trade has increased tremendously in the past decades, our knowledge about how these goods are being produced is still limited: what international standards are applied to their production, whether labor rights or human rights are being protected during the process, or to what extent the production of such goods affects the environment.

Over the last decades, business has increasingly come under scrutiny. Through various forms of communication, we are constantly reminded about the impact business can have on our societies. Business triggers innovation, creates jobs and generates economic growth, but at the same time it can be associated with environmental degradation, pollution, corruption, labor rights violations or human rights abuses.

In order to last, the primary responsibility of a business is to make profits. But is this the sole responsibility that business carries? As compared to financial responsibilities, the social responsibilities of a company may prove complex and more difficult to define or pin down. Corporate social responsibility (CSR) is expected to fill in this gap and provide companies with both an ethical compass and a means to reduce the negative impacts associated with social risks.

CSR or "Corporate Social Responsibility" has been constantly developed and redefined in the past decades. Simply put, CSR is the responsibility that private business or companies have or should have within the society. Some companies understand CSR as a marketing tool, as philanthropy, or as a one-time donation while others recognize the importance of multiple stakeholders, the adoption of international standards or implement their CSR by incorporating ESG factors[1]. Companies that operate internationally or domestically, in developed or developing countries, have distinct patterns of CSR and are influenced by different factors. Company's size or company's industry, as well as cultural factors can also influence a company's CSR to a great extent. In the absence of a universal definition of Corporate Social Responsibility, we can approach CSR from various angles. However, it is important to identify the elements that make the difference between a good CSR and a poor CSR.

The motivation for this thesis is to deepen our knowledge of CSR in the Philippines in relation to important factors such as human rights, labor rights, international standards, supply chain policies or environmental policies. As research on CSR in general, and CSR in relation to human rights is scarce

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[1] ESG refers to environmental, social and governance and it is a term used by investors to evaluate corporate behavior.

in developing countries, this thesis intends to contribute to the research on CSR in developing countries and especially in the Philippines. Through a practical analysis of main constituents of CSR, the present study can provide valuable information not only to companies interested to improve their CSR, but also to their stakeholders.

1.2 Scope

The focus of this research is the CSR in the Philippines. To accommodate the research scope, ten Japanese companies operating in the Philippines will be analyzed in terms of their CSR understanding and implementation. The Philippines was selected for this research for several reasons. First, the Philippines is an example of a developing country with a wide range of social issues that can influence the CSR of a company. The current research attempts to provide more information in terms of challenges that developing countries and companies operating in developing countries face in terms of CSR. And secondly, CSR research in developing countries is scarce and to our best knowledge, there is no study of the CSR of Japanese companies operating in the Philippines.

Japanese companies were selected for this research due to a higher level of research participation and responsiveness. Although a comparison between domestic (Filipino) companies' CSR and foreign (Japanese) companies' CSR is not within the scope of the present research, references and parallels will be drawn where possible, in order to gain a better insight on the CSR situation in the Philippines.

1.3 Purpose and Research Questions

The purpose of this thesis is to gain a deeper understanding of the CSR situation among the companies operating in the Philippines. To achieve this purpose, the following research questions were developed:
1) How do companies define CSR?
2) What are the obstacles and the motivations to engage in CSR?
3) To what extent are international standards being adopted in relation to CSR?
4) What are the patterns of CSR among the companies that participated to this research? (with a focus on human rights, workplace quality, suppliers related policies, environmental CSR and CSR programs)

1.4 Thesis structure

The remainder of the thesis is structured as follows:

Chapter 2: What is CSR? In this chapter the concept of CSR will be introduced. It will analyze CSR in an international context as well as in the Filipino context.

Chapter 3: Business and Human Rights. In this chapter, the relation between business and human rights will be analyzed.

Chapter 4: Methodology. The research methods and the process of data collection will be explained in this chapter.

Chapter 5: Findings and Data Analysis. In-depth analysis of empirical data is provided in this chapter.

Chapter 6: Conclusions. In this chapter the conclusions are presented.

2. Literature review

In this chapter, the concept of CSR will be introduced. Although one single standardized definition of CSR does not exist, definitions given by important organizations and institutions will be referred to. The aim of this chapter is to understand CSR in an international context and in the Filipino context, by pointing out the drivers of CSR as well as its development in the past decades.

2.1 CSR, a short history.

The idea of corporate social responsibility is not a new idea and it can even be argued that it has historical roots. Ancient civilizations such as the Egyptians or the Sumerians made use of rules for commerce in order to facilitate trade and ensure that the large public's interest is taken into consideration. We can find evidence of social activism against corporations back in 1790's when one of the first consumer boycotts was organized against the slave-harvested sugar in British West Indian slave plantations. (Werther and Chandler 2011, 9-10)

Wayne Visser (2010), contends that CSR has been practiced for more than 4000 years. He gives as an example the ancient *Vedic* and *Sutra* texts of Hinduism and the *Jatakas* of Buddhism which include ethical references on usury or the charge of an excessive interest rate. Another example he provides refers to the *Zakat* or the wealth tax in the Islamic culture which can also be considered a form of CSR.

Throughout history, CSR has been constantly redefined, and its evolution reflects the dynamism of the concept. Katsoulakos et al. (2004) offer a detailed historical perspective on the evolution of CSR to which we will shortly refer below.

Modern CSR became more popular in the 1950s and continued in the 1960s with the birth of the environmental movement. In the 1970s, Archie Carroll's definition of CSR and the CSR pyramid became widely known (Figure 2-1). In the 1980s, an increasing number of CSR codes were developed in relation to occupational health and safety. During the 1990s a series of international standards and codes were developed and started to be used in different industries (ISO14001, SA8000, and GRI). Reference to some of these codes will be made in more detail in Chapter 3. The 90's were marked by the development of sustainability concepts following the 'Earth Summit' in Rio de Janeiro in 1992. Starting with the 2000s we can notice a mainstreaming of CSR and a maturation of the phenomenon. An entire industry of CSR experts, agencies, reporting standards, and publications is emerging. The public is also more receptive and watchful over the private sector and pressures corporations to be more transparent and accountable as a result of multiple corporate scandals.

2.2 What is CSR? Defining CSR.

The etymology of the word *company* alludes also to the connection between the private sector and the society at large. In Latin, *company* is the combination of two words: "*cum*" and "*panis*" which can literally be translated into: "breaking bread together." (Micklethwait and Wooldridge 2003, 8)

Werther and Chandler (2011, xi) note that various terminologies are often used as equivalent when referring to CSR: strategic philanthropy, corporate stewardship, business responsibility, corporate citizenship, global business citizenship, corporate community engagement, community relations etc. Four relevant definitions related to CSR, provided by internationally operating institutions or organizations, are referred to below:

1) **The WBCSD's (The World Business Council for sustainable Development) definition of CSR:**

   "Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."[2]

2) **CSRwire's definition of CSR:**

   "CSR is the integration of business operations and values, whereby the interests of all stakeholders including investors, customers, employees, the community and the environment are reflected in the company's policies and actions."[3]

3) **ILO's definition of CSR:**

   "a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors."[4]

4) Referring to the purpose of business, David Packard, the co-founder of Hewlett-Packard, cited by Visser (2010), affirms:

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[2]WBCSD is a CEO-led, global association comprising about 200 international companies dealing exclusively with business and sustainable development. Accessed January 6, 2016. http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx

[3]CSRwire is a digital media platform for the latest news and reports related to CSR and sustainability. Accessed January 6, 2016. http://www.csrwire.com/home/more_news/?category=23

[4] International Labour Organization (ILO). Accessed January 6, 2016.
http://www.ilo.org/public/english/standards/relm/gb/docs/gb295/pdf/mne-2-1.pdf

"Why are we here? Many people assume, wrongly, that a company exists solely to make money. People get together and exist as a company so that they are able to accomplish something collectively that they could not accomplish separately -they make a contribution to society."

2.3 Theories and opposing viewpoints on CSR

Archie Carroll (1979, 500) was among the first scholars to distinguish between the responsibilities that a company is expected to have. He places the economic responsibilities at the base of the pyramid, because without profits, no business can survive. But aside from economic responsibilities, companies have also legal, ethical and discretionary responsibilities. Legal responsibilities refer to the duty of a company to operate within the legal frameworks established by the government (for example, paying taxes). Ethical responsibilities refer to avoid affecting one's stakeholders in a negative way (for example, false marketing). Discretionary responsibilities are considered to be proactive actions that a company can take in order to create a positive impact.

Figure 2-1.The Pyramid of Corporate Social Responsibility (Source: Archie B. Caroll, 1979)

The Nobel prize-winning economist Milton Friedman was convinced of the contrary, arguing that the only "social responsibility of business is to increase its profits" (Friedman, 1970). He contends that "the corporate responsibility of business is to continually grow…in the process paying workers a fair wage, paying the proper taxes, operating within the law anywhere it operates. By doing so, it fulfills its proper role in society as a generator of generate growth and employment." Friedman's pragmatic view is based on the fact that growth is unlimited and achievable. However, given the limited resources of our planet as well as the environmental challenges that we currently face, business will need a more holistic view. Companies

indifferent or unaware of their social and environmental responsibilities are likely to be more and more criticized.

A strong critic of CSR is Robert Reich, the former US Ministry of Labor during the Clinton administration. He argues that CSR is used to divert attention from establishing laws that protect and advance the common good and keep supercapitalism from overwhelming politics. He considers that the most effective way to push corporations to be virtuous is the democratic process and legislation. Without laws applying to all companies, "stakeholder" boards would find themselves in a race to the bottom. (Reich, 2007).

Werther and Chandler (2011, 14-19) distinguish among a moral, rational and an economic argument for CSR. According to the moral argument, business exists thanks to society and is therefore endowed to it as the result of its success. The rational argument for CSR refers to the risks that an organization might prevent by implementing a good CSR. The increase in social responsible investment in the past years accounts for CSR from an economic perspective.

Amao (2013, 78-79) focuses on the stakeholder theory when analyzing CSR. The stakeholder theory attempts to answer the question of which group in society corporations are responsible to. Amao divides stakeholders in two categories: primary stakeholders and secondary stakeholders. Primary stakeholders are those who directly influence, engage or support the company's operation (stockholders, investors, employees, customers). Secondary stakeholders are represented by groups that are indirectly affected by a company but do not influence the business or are not involved in direct transactions with the company (communities for example).

Juan Miguel Luz (Luz 2011, 4) identifies two sets of drivers that shape the dynamics of CSR: external and internal drivers. External drivers include law/regulation, market forces and civil society's increasing expectations on business. Internal drivers comprise CEO motivation/managerial behavior, operational efficiency and strategy. He also argues that the Anglo-American business view still centers on a limited group of people, the shareholders, while the European and the Asian view emphasize the importance of other stakeholders as well. Even though such groups do not have an obvious relation with the company, they can impact its business and vice-versa. The challenge for the business will be to define this type of relation and establish a meaningful connection which is based on inclusiveness.

One of the most powerful drivers of CSR is without doubt, globalization. The intensification of cross-border trade, the activities of international organizations like OECD, ILO, UN, GRI, and ISO which have developed a number of important declarations, codes, principles or guidelines with regards to the corporate conduct have all contributed to the shaping of CSR. Influenced by globalization, the world is becoming more homogeneous, "a global culture" is developing which makes people think globally and act locally (Baylis et al. 2011, 14-31). The globalization of technologies, of media and the internet brought the social, the economic and the political spheres closer and closer shrinking the space between business and the civil society. The media and the access to information have enabled the consumers and the civil society

to come closer to the private sector and increased their expectations with regards to social and environmental issues. One of the biggest fears against globalization is related to the raise of non-state actors: multinationals but also international organizations. As they become more and more powerful, issues of accountability and democratic control are brought under discussion. This is the space where CSR is becoming more visible.

2.4 CSR in the Philippines

2.4.1 Drivers of CSR

In the Philippines, CSR was influenced by the "third wave of democratization" (Luz, 2011). The term itself was coined by Samuel P. Huntington in 1991 and refers to the democratization of countries such as the Philippines ("People Power Revolution", 1986), South Korea (1987), Pakistan (1988), South Africa and the end of the apartheid (1994), the collapse of the Berlin Wall (1989)and the democratization of Eastern European countries. The democratization brought into the scene the civil society, a new player that started challenging the way governments and the business sector exercise their power. The idea that democratization and CSR are interconnected is also reinforced by Werther and Chandler (2011) who argue that the two dimensions that have the greatest influence and visibility on CSR are democracy and economics. Wealthy societies have greater resources and implicitly greater options in terms of CSR. In consequence, they have different expectations. In the case of poor countries, people tend to focus on the basics of life: food, shelter, transportation, education, medicine etc. Differences in CSR expectations among rich and poor societies can be reduced to priorities. (Werther and Chandler, 2011)

In the developing countries, such as the Philippines, poverty levels influence the types of CSR as well as its implementation. Thus, the role of business becomes more challenged and the involvement and contribution of the private sector alongside other important actors like the government or the non-profit sector, becomes increasingly required.

2.4.2 Defining CSR in the Filipino context

Definitions of CSR in the Philippines make specific references to economic development and the importance of community investment. Three definitions that are relevant for this study will be given below.

1) The League of Corporate Foundations Inc.[5] defines CSR as:

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[5] The League of Corporate Foundations Inc. is a network of over 80 operating and grant-making corporate foundations and corporations promoting strategic CSR in the Philippines. Accessed January 6, 2016. http://www.lcf.org.ph/aboutthelcf/mv

"a corporation's continuing commitment to perform as a responsible member of society by behaving ethically and contributing to economic development while improving the quality of life of its workers, the community and the environment."

2) Philippine Business for Social Progress (PBSP)[6] defines CSR as following:

"[…] business principle which proposes that the long-term sustainability of business is best served when profitability and growth are accomplished alongside the development of communities, the protection and sustainability of the environment, and the improvement of people's quality of life."

3) Manuel M. Lopez, CEO of Lopez Holdings Corp. sees CSR as: "*giving back to the communities that we serve, sharing with the less fortunate and being able to help our fellow countrymen.*" (Calingo and Delos Reyes, 2011)

2.4.3 CSR's evolution in the Philippines

Calingo and Delos Reyes (2011, 48-52) distinguish three major periods in the evolution of CSR in the Philippines: unorganized CSR (from 1960s to 1970s), organized philanthropy (from 1980s to1990s) and organized movement (from 2000 until present).

"Unorganized CSR"(1960s to 1970s), during this period, the Philippines were still under the effects of US colonization and the business sector was mainly involved in charity and donations. Marcos administration was characterized by severe economic crisis and the declaration of the Martial Law in 1972. In this context of political turmoil and societal disorder, the survival of the business itself was threatened. As a result, business associations and organizations decided to coordinate and share their efforts through CSR programs. In 1971 they organized PBSP, comprised of companies such as San Miguel Corporation, Shell Companies in the Philippines, United Laboratories, SGV and Company, Soriano Group and others. It was a period marked by restrictions and lack of know-how but the CSR managed to evolve. Other non-profit organizations that took birth during this period are the Association of Foundations (1971) and the Bishops-Businessmen's Conference (1972).

During the period of "organized philanthropy" (1980s to1990s) the Filipino government adopted many policies of deregulation, decentralization and liberalization which increased the foreign investment and influenced the existing private sector. The number of foundations started to increase, favored by the new democratic system: SM Foundation (1983), Coca-Cola Foundation Philippines (1986), Roxas

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[6] Philippine Business for Social Progress (PBSP) is the largest corporate-led social development foundation in the Philippines. It is committed to poverty reduction and it is one of the leading Asian foundations in the promotion of CSR. Accessed January 6, 2016. http://www.pbsp.org.ph/

Foundation (1987), Sarmiento Foundation (1988) etc. Other companies chose to implement their CSR programs through Community Relations or human resources departments. In the 1990s, PBSP aimed to create a more organized CSR strategy and developed Area Resource Management (ARM). ARM focused on providing capacity building and facilitated the connection with other partners among the NGOs or the private sector. Investment in CSR tends to become strategic and strengthens the relations between the participants.

In the third stage, the "organized movement" started around the year 2000 and continues until present. It was greatly influenced by globalization and by the flourishing of CSR worldwide. The notion of "shared value" (Porter and Kramer 2006, 1-14) became very popular in the field of CSR. Porter and Kramer explain "shared value "by pointing out that the competitiveness of the company and the health of the community are interdependent. The League of Corporate Foundation endorsed this movement in the Philippines by getting involved in educational projects and other collaborative initiatives performed through their committees on Arts &Culture, Education, Enterprise Development, Environment and Health.

2.4.4 Filipino values reflected in CSR

The reflection of Filipino values into CSR has unique traits. Quisumbing (2004) quoted by Aguiling-Dalisay and Sarmiento-Enrile (2011), emphasizes three major Filipino values: *makabayan*[7] (nationalism), *maka Diyos* (faith in God) and *makatao* (personhood).

Aguiling-Dalisay and Sarmiento-Enrile add that *makabayan* finds its origins in the pre-colonial Filipino society and it is based on the belief that love of one's country lies at the core of successful business and also that a firm's success ensures national progress.

Christianity and the Catholic Church have had one of the most powerful influences in determining Filipino values over the time. *Maka Diyos* is mentioned in texts such as "Dekalogo" by Andres Bonifacio[8] or "True Decalogue" by Apolinario Mabini[9] (Aguiling-Dalisay and Sarmiento-Enrile 2011). In these texts, the love for God, for your country as well as for one's neighbor are closely connected. One of the distinctive traits of the CSR in the Philippines is the dominance of the family-run enterprises with strong roots in communities that share religious values and the faith in God. CSR is perceived as a manifestation of faith and reflects the personal values of its founders as well as the company's values. There are companies where praying is still highly valued, where worship services are encouraged and CSR decisions are put into practice only after they have been prayed over. (Aguiling-Dalisay and Sarmiento-Enrile, 2011).

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[7] In Tagalog, "maka" is the equivalent of "pro"; "bayan" can be translated as "nation" and "tao" stands for "person/individual".

[8] Andrés Bonifacio y de Castro (November 30, 1863 – May 10, 1897), Filipino revolutionary leader.

[9] Apolinario Mabini y Maranan (July 23, 1864 — May 13, 1903), Filipino statesman and lawyer.

Being a *makatao* is a personal value and it is associated with showing one's concern and feelings and sharing one's time and talents with less fortunate people within a community (Gripaldo 2005, 172). *Makatao* is also connected to *pakikipagkapwa*[10] which refers to shared identity or seeing oneself in the other's eyes. Helping the less-privileged, is seen as helping a fellow being and it is a demonstration of *pakikipagkapwa*. (Aguiling-Dalisay and Sarmiento-Enrile, 2011)

The concept of *bayanihan*[11] is a concept deeply rooted in the Filipino culture and it is associated with "the spirit of volunteering" or "camaraderie/kinship". There is an obvious connection between *bayanihan* and the predominance of philanthropic CSR in the Philippines. During the fieldwork in the Philippines, I could observe that most of the interviewees had participated on a personal level in the CSR programs by volunteering or through personal donations.

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[10] Literally translated as "relationships".
[11] From "bayan" which means "town, community".

3. Business and Human Rights

In this chapter, the relation between business and human rights will be analyzed. An independent chapter has been dedicated to this topic in order to better explain the connection between CSR and human rights. The situation of human rights in the Philippines will be described.

3.1 Human rights and international standards

"Human rights have come to represent the moral dimension of globalization: the affirmation of universal standards to which we can look for guidance for the humanization of capitalism [...]. human rights set the parameters and goals for any legitimate human organizations. It therefore seems appropriate to see human rights as a source of ideas for determining the normative ordering of global capitalism and its governmental structures."
(Campbell, 2004 cited in Voiculescu, 2011, 10)

Human rights are not an isolated part of CSR. In fact, because human rights relate to workers' rights, working conditions, community relations or community impact we can even say it is probably the part of CSR that brings the biggest challenges. The debate about business and human rights brings into discussion the moral obligation of business to respect and protect human rights but also economical motivations that support this approach. Implementing and promoting human rights can attract investment and relates to risk management. Responsible investment, which takes into consideration environmental impacts, social impacts and human rights for example, is expanding and indexes like FTSE4Good[12] or Dow Jones Sustainability Index[13] have started to include human rights criteria in their performance indicators. Pension funds and major public sector funds also take into consideration the human rights criteria.

According to the Special Representative of the Secretary-General on business and human rights, no earlier than 2007, human rights were still a concept "mysterious for business" and companies did not understand what their role was within this framework. "Human rights… were seen as the exclusive domain of States and no universally agreed framework" was in place. (United Nations, Global Compact, 2011)

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[12] FTSE4Good is an index of ethical investment stock market launched by FTSE Group in 2001. It was designed to measure the performance of companies with strong Environmental, Social and Governance practices.
[13] The Dow Jones Sustainability Index is a standard for investors interested in sustainability and sustainable practices.

The state has the primary responsibility to respect and promote the human rights of its citizens. But international human rights law (as per The Universal Declaration of Human Rights[14]) also mentions that non-state actors, as organs of society, have the responsibility to uphold human rights. A number of standards have been developed with the aim to regulate business internationally. The number of companies that participate to such initiatives or refer to international standards in the implementation of their CSR programs is still small but has been constantly increasing in the past decade. International standards relevant to business and human rights are referred to in the table below:

Table 3-1: International Standards relevant to business

International standards	Description
1)The International Bill of Human Rights	It consists of the Universal Declaration of Human Rights (1948), The International Covenant on Civil and Political Rights (1966) and the International Covenant on Economic, Social and Cultural Rights (1966).
2) ILO's Declaration on Fundamental Principles and Rights at Work.	Adopted in 1998, it commits Member States to respect and promote: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced labor, the abolition of child labor and the elimination of discrimination in respect to employment.
3) The United Nations guiding Principles on Business and Human Rights	Global standards of practice expected of all States and business with regards to human rights and business. Presented by Professor John Ruggie, the Special Representative of the United Nations Secretary-General in 2011. It promotes the "Protect, Respect and Remedy" framework.
4) The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy	A set of guidelines for MNEs, governments, employers' and workers' organizations with regards to employment, trainings, work conditions and industrial relations (1977).

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[14] The Preamble to the UDHR : "**THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS** as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction." Accessed January 7, 2016. http://www.un.org/en/documents/udhr/

5)The OECD Guidelines for Multinational Enterprises	A code of responsible business conduct supported by governments of multinational enterprises operating in or from the adhering countries (1976).
6) The United Nations Global Compact	A UN initiative encouraging global business to adopt sustainable and socially responsible policies. It enforces 10 principles, grouped under 4 pillars: human rights, labor, environment and anti-corruption (since 2000).
7) The Global Reporting Initiative	Founded in 1997 and known also as GRI, it is an international independent standard organization that helps business organizations and governments to communicate their impact with regards to climate change, human rights, and corruption.
8) SA8000	Developed by Social Accountability International (SAI) in 1997, it is an audible certification standard encouraging organizations to apply socially accepted practices at the workplace.
9) ISO26000	An International Standard of social responsibility for all organizations developed by the International Organization for Standardization in 2010. It is based on 7 key principles: accountability, transparency, ethical behavior, respect for stakeholders' interests, and respect for the rule of law, respect for international norms of behavior, and respect for human rights.
10) The Voluntary Principles on Security and Human Rights	A set of principles designed for companies in order to encourage the respect and promotion of human rights (2000).

According to a survey (U.N., 2007) conducted by the Special Representative of the UN Secretary General on 314 TNCs, the main international human rights tools that companies refer to, are: 67% UN Global Compact, 35% The Universal Declaration of Human Rights, 28% ILO standards, 11% OECD Guidelines, 3% The International Covenant on Civil and Political rights / international Covenant on Economic, Social, and Cultural Rights and other UN documents.

The number of companies applying such standards is still low but an increase has been observed especially in the case of multinational or transnational companies.

3.2 Business and Human Rights in the Philippines

In the Philippines, human rights violations are often related to child labor, enforced disappearances, extrajudicial killings, forced labor, indigenous peoples' rights violations, human trafficking or sexual exploitation.

The Philippines have a National Human Rights Institution (status A) - the Commission on Human Rights of the Philippines (CHRP) which was founded in 1987. According to the 2012 Universal Periodic Review, the UN Country Team and UNICEF questioned the relevance of CHRP indicating that it remained a weak national institution operating under a limited budget and with no power to prosecute cases.

As a member of both the UN and the ILO, Philippines has ratified numerous international conventions. Fundamental ILO Conventions ratified by the Philippines can be found in the table below:

Table 3-2: ILO Conventions ratified by the Philippines

Fundamental ILO Conventions ratified by the Philippines	Ratification year
Freedom of Association and Protection of the Right to Organize **Convention, 1948 (No. 87)**	**1953**
Right to Organize and Collective Bargaining Convention, 1949 (No. 98)	**1953**
Forced Labor Convention, 1930 (No. 29)	**2005**
Abolition of Forced Labor Convention, 1957 (No. 105)	**1960**
Equal Remuneration Convention, 1951 (No. 100)	**1953**
Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	**1960**
Minimum Age Convention, 1973 (No. 138)	**1998**
Worst Forms of Child Labor Convention, 1999 (No. 182)	**2000**

The main critique coming from international bodies or organizations, is that these conventions are not effectively enforced in the Philippines. For example, according to the Universal Periodic Review (2012 session), The (ILO) Committee of Experts on the Application of Conventions and Recommendations urged the Philippines to take the opportunity provided by the adoption of the Magna Carta of Women (the Republic Act 9710), which came into force in 2009, to adopt the necessary legislation or amendments for the protection of women. It also urged the Philippines to take steps to amend the Labor Code in order to bring the legislation into full conformity with ILO Convention No. 100 (1951) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value. The UN Committee on Economic, Social and Cultural Rights (CESCR) expressed their concern with regards to employment opportunities and urged the Philippines to increase its efforts to reduce unemployment and underemployment for young,

unskilled and inexperienced workers. CESCR warned also with regards to the low levels of minimum wages that remain insufficient to provide an adequate standard of living for workers and their families.

In terms of CSR and human rights, it is very interesting to note the 2006 initiative taken by the Joint Foreign Chambers of Commerce comprising business groups from the United States, Australia, New Zealand, Canada, Europe, Japan and Korea and a number of U.S. corporations that called on the President Gloria Macapagal- Arroyo's administration to put an end to political killings in the Philippines. They argued that this kind of violence should not find its place in a democratic state, and called for more investigation. This type of action, though still limited, proves that business has the resources to get involved in the human rights protection and can establish a dialogue with the government on the subject.

According to the Global Witness organization, 82 people were killed in the Philippines between 2002-2014 due to land and environmental disputes. One of the most disputed sectors in the Philippines is the mining sector, which often involves displacements and conflicts with the indigenous populations.
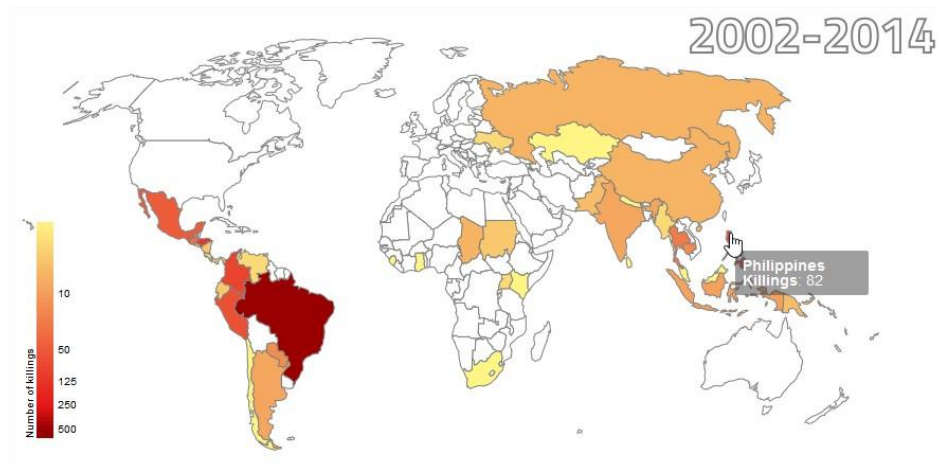
Figure 3-1 Global Killings of Land and Environmental Defenders 2002-2014 (Source: Global Witness)

Another area in which the Philippines have been notoriously criticized is the labor unionism and freedom of association. The International Trade Union Confederation (ITUC, 2012) notes that although unions are recognized in the Philippines, they operate within an environment of intimidation where many restrictions apply. Employers make use of anti-union practices, one of them being the replacement of long-term employment contract by subcontracts or other types of contingent labor.

4. Methodology

In this chapter, the research methods and the process of data collection will be described.

4.1 Research approach

The research focuses on a specific group (Japanese companies) tied to a specific location (The Philippines). The study will make use of both qualitative and quantitative methods:

Qualitative methods: interviews with key persons from the companies that participated to the research, interviews with an organization promoting CSR in the Philippines, companies' website information, consultation of available codes of conduct and annual CSR reports.

Quantitative: questionnaire.

Miles and Huberman (1994, p. 40) emphasize that the qualitative and quantitative methods are interconnected: "But at bottom, we have to face the fact that numbers and words are *both* needed if we are to understand the world". Trochim (2005, 122-123) supports this theory, noting that "quantitative and qualitative data are, at some level, virtually inseparable. Neither exists in a vacuum; neither can be considered totally apart from the other. ".

With this in mind, it is hoped that the use of both qualitative and quantitative methods will contribute to the objectivity of this study and provide in-depth analysis.

4.2 Research Instruments and Data Collection

In this section, more details about how the research was carried out are provided.

In the first stage (October-December 2014), an *online questionnaire* was sent to 200 Filipino companies and 150 Japanese companies operating in the Philippines. A modified questionnaire was used (see Appendix1), compiled using as a reference model the CSR Questionnaire for companies (UNIDO)[15], the Corporate Social Responsibility Survey of Hang Sen Index (Oxfam)[16], and the CSR Questionnaire for promoting CSR to small and medium enterprises in the Caribbean (ECLAC)[17]. The questionnaire had a total of thirty-nine questions and focused on CSR from the following perspectives: the company's understanding of the CSR concept, CSR reporting, workplace quality, supply chain policies, CSR programs

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[15] UNIDO CSR questionnaire. Accessed November 2015. http://csr-net.org/limesurvey/index.php .

[16] CSR survey of Hang Sen Index. Accessed January 13th, 2016
http://issuu.com/oxfamhongkong/docs/hsi2009_en/49?e=1468741/5443346.

[17] ECLAC CSR questionnaire. Accessed January 13, 2016. http://www.cepal.org/en/publications/5067-promoting-corporate-social-responsibility-small-and-medium-enterprises-caribbean .

and environmental CSR. At this stage, the response rate was very low: none of the Filipino companies filled the questionnaire online and only one Japanese company did.

In the second stage (December 2014-January 2015), the same number of companies were contacted via e-mail and a company visit/interview was requested for the purpose of the current research. Three Filipino companies and 24 Japanese companies provided a reply. Interviews/company visits with ten of the Japanese companies operating in the Philippines were scheduled. Because the response rate was higher among the Japanese companies, the current research will focus only on the Japanese companies.

In the third stage (February 2015), questionnaires and interviews were conducted during a two week fieldwork in the Philippines. The fieldwork took place between 15-28th of February in the capital city of Manila and neighboring cities. From this point of view the research is based on a convenience sampling, namely on the accessibility and availability of the companies that participated to the study. Key persons handling CSR programs for the companies that participated to this research (communication managers, human resource managers, marketing managers etc.) were interviewed. The same questionnaire was used as in stage one. The average interview duration was one to one and a half hour, and would start with the filling in of the questionnaire. A discussion about the company's CSR and CSR programs would usually follow, and additional questions related to the topic. The qualitative interviews provided the opportunity to find out more about the participants' attitude towards CSR and gain more information about the CSR programs their companies are involved in. Most of the companies would also have their own presentation of CSR programs during the interviews. In addition to the interviews with the companies, an interview with Ms. Necylene Kate B. Gacilo, from the Center for Corporate Social Responsibility (Asian Institute of Management) was conducted about the state of CSR in the Philippines (see Appendix 2).

During the fourth stage, the information related to CSR provided by the companies on their websites, in their codes of conduct as well as in their annual CSR or sustainability reports (where available) was reviewed. An interview with Fuji Xerox was conducted in Japan which will be referred to in Chapter 5, in relation to sustainable and strategic CSR.

4.3 Research Participants

As shown in previous sections, the selection of the companies was made based on their degree of responsiveness as well as based on their location (Manila or regions within a 150 kilometer distance from Manila). The companies belong to various industries: agriculture, automotive, manufacturing, textiles, transportation or high tech/ electronics.

The participants (to interviews and questionnaires) were key persons activating in departments involved or related to CSR (environmental management section, business operations department, and human resources department), general managers or the presidents of the companies.

4.4 Ethical considerations

The companies' names are confidential and the data is displayed in aggregate numbers. The participants were asked in advance via e-mail for the permission to visit their company as well as for the permission to have the interviews.

5. Findings and Data Analysis

5.1 Companies' perception of CSR. Drivers and challenges.

In this section companies' perception and definition of CSR is examined as well as to what extent CSR is perceived as a philanthropic activity, a commitment to existing regulation, a commitment to multiple stakeholders or as a strategic business tool.

Four out of the seven definitions were selected by the respondents in order to define the CSR (see Figure 5-1). Seven out of ten respondents define CSR as "promoting transparency, fairness and accountability through a set of internal rules of processes by which businesses are operated and regulated" and as "the way a company engages with its stakeholders". Four out of ten respondents, define CSR as "the sum of philanthropic activities a company carries out voluntarily from time to time in the local community" while two respondents see CSR as a "commitment to national labor and environmental laws.
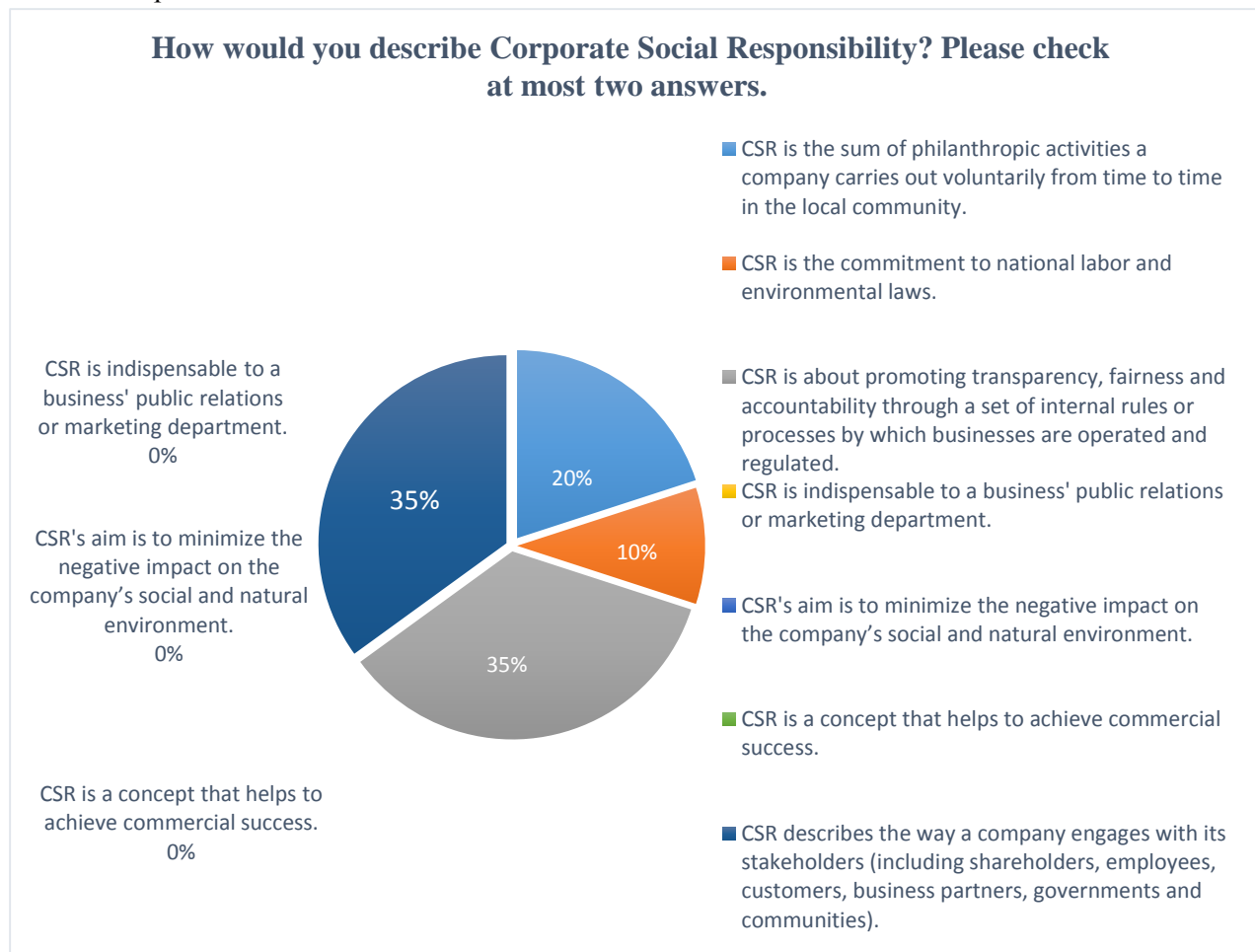

Figure 5-1: Defining CSR

How many employees does your company have?

Figure 5-2: Employee number

As the respondent companies were not selected based on an industry criteria, the current research does not attempt to establish a relationship between the company's industry and its own definition of corporate social responsibility. However, we can distinguish a significant relationship between the company's size[18] and the definition of CSR. Most of the large companies (six out of seven), describe CSR taking into consideration a multi-stakeholder perspective while small and medium companies perceive CSR rather as a voluntary philanthropic activity (two out of three).Corporate social responsibility tends to be associated rather with big companies or multinational companies as they are perceived as being more concerned with protecting their reputations in front of key stakeholders. At the same time, bigger companies are thought to have better resources to invest in their CSR. According to McWilliams and Siegel (2001, 117-127), CSR participation can enhance various stakeholder relations and result in the reduction of a company's business risk. Previous research also shows that smaller firms participate in CSR activities in particular through donations and giving (Madden et al., 2006, 49-60). This could explain why they view CSR mainly as philanthropic.

Figure 5-3 provides more details in terms of how companies relate to CSR in terms of costs, legislation, human rights or marketing motivations. Twenty percent of the respondents consider CSR as being "costly", 10% are uncertain, while the majority of 70% disagree with the statement. The philanthropic nature of CSR is reflected in the view of 70% of the respondents while 30% do not consider that CSR equals philanthropy. Seventy percent of the respondents consider that government authorities should promote CSR and only 40% of the respondents consider that CSR should be legislated. Worldwide, there are only a few countries with legislation for CSR. One of them is the Philippines with a mining law according to which 5% of a company's profit activating in the mining sector goes to CSR activities. The first country to

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[18] In accordance with the European Commission, we will consider that small companies have less than 50 employees, medium companies have less than 250 employees and large employees have a number of employees bigger than 250.
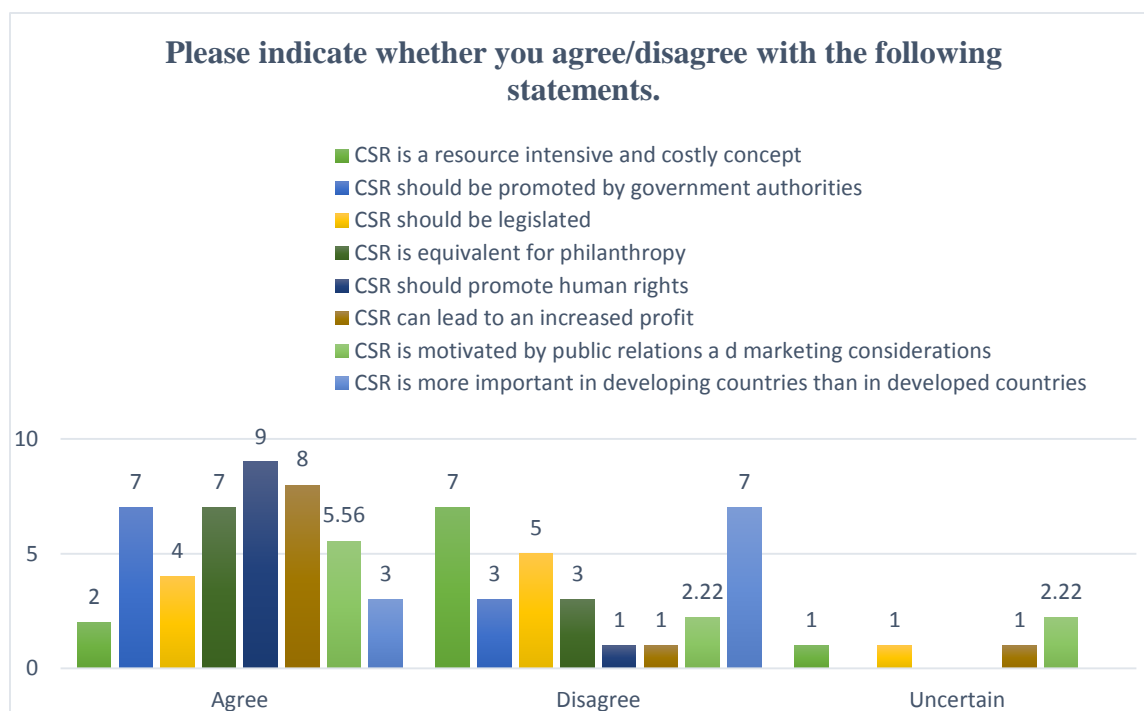
Please indicate whether you agree/disagree with the following statements.

- CSR is a resource intensive and costly concept
- CSR should be promoted by government authorities
- CSR should be legislated
- CSR is equivalent for philanthropy
- CSR should promote human rights
- CSR can lead to an increased profit
- CSR is motivated by public relations a d marketing considerations
- CSR is more important in developing countries than in developed countries

Figure 5-3:Defining CSR 2

introduce mandatory CSR was Indonesia though the initiative itself was long debated and controversial.[19] India also legislated CSR in 2014, requiring companies to spend 2% of their net profits on social investments. According to the Global Reporting Initiative (2014), legislating CSR "could lead to forced philanthropy, 'tick box' behavior, tokenism or even corruption, and masking of data to avoid having to comply."[20]

During the interviews, one of the respondents expressed his concern with regards to the legislation of CSR as following: "It is like giving food without wanting to". It emphasized that good will should not be made mandatory as this might lead to a reverse result. Another respondent affirmed that legislating CSR in the Philippines would "complicate things".

It is important to note that 90% of the companies agree that CSR should promote human rights, however, in terms of reporting about human rights or implementing formal policies related to human rights, the percentage is much smaller. Eight in ten respondents agree that CSR can help the company increase its

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[19] Indonesian law GR 47/2012 stipulates that all companies that manage or utilize natural resources or that impact natural resources are required to bear a social and environmental responsibility which is harmonious and balanced with the surroundings and the local society according to the values, norms and culture of that society. http://www.ibanet.org/Article/Detail.aspx?ArticleUid=103427a1-0313-4d6c-b7f7-c5deb0bedbb5 . Accessed October 15, 2015.

[20] Global Reporting Initiative's (GRI) Sustainability Reporting for Sustainable Development conference, June 2014 India. https://www.globalreporting.org/SiteCollectionDocuments/Mumbai-declaration-on-sustainability-reporting-for-sustainable-development.pdf. Accessed October 15, 2015.

profits, some of them considering this is an indirect result of CSR or the result of the company's CSR advertising. More than half of the interviewed companies consider that CSR is motivated by public relations and marketing considerations with one of the respondents considering that CSR is motivated by public relations but not by marketing considerations.

In Figure 5-4 we can observe that none of the companies interviewed have an independent CSR department and that CSR activities are performed under different umbrellas. Big companies usually externalize the CSR activity to the company's foundation, this is the case for only one of the ten respondents of this study. Many of the respondents acknowledged that the CSR activity is often influenced by the parent company as well as by top management: the CEO or the board of directors. The CSR activity in 40% of the companies is handled by the human resources department which is seen as one of the essential departments in promoting CSR. The Human Resources department is very important as it has the power to implement CSR across all departments but at the same time it runs the risk to focus the CSR programs at the employee level only and omit other stakeholders from the picture.

Who manages the CSR activity in your company?

Other	2
Chief Executive Officer	1
Business Manager	2
Marketing	0
Human Resources	4
Board	1

Figure 5-4: Management of CSR activity

Figures 5-5 and 5-6 shed more light on the companies' motivations and incentives to engage in CSR. The results show that the main motivations for companies to engage in CSR are: better corporate image (70%), employee satisfaction (70%) and to improve business opportunities (60%). One of the
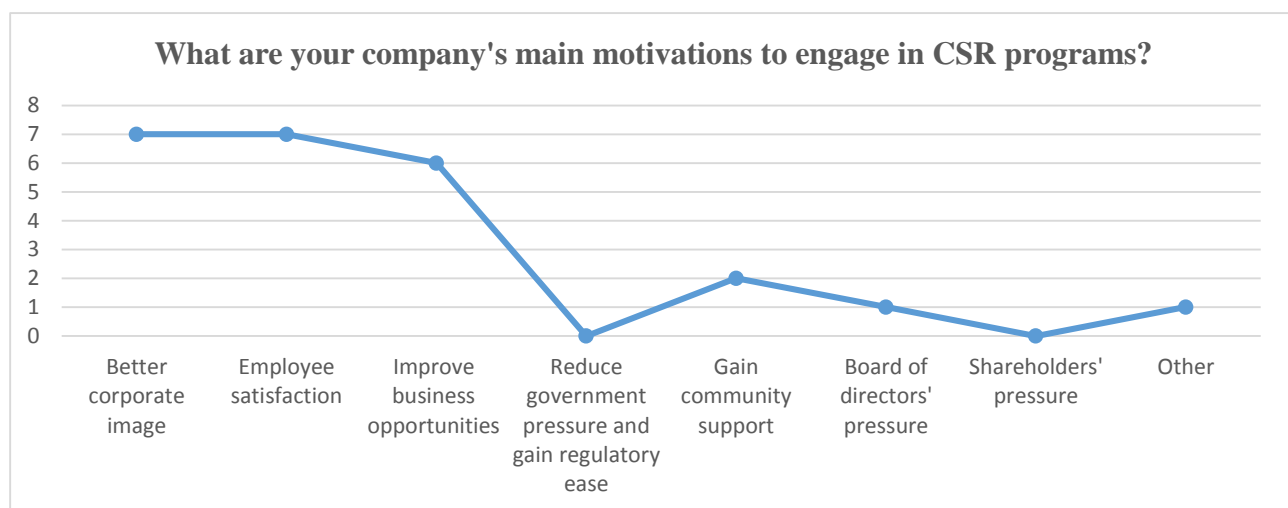
What are your company's main motivations to engage in CSR programs?

Better corporate image	Employee satisfaction	Improve business opportunities	Reduce government pressure and gain regulatory ease	Gain community support	Board of directors' pressure	Shareholders' pressure	Other
7	7	6	0	2	1	0	1

Figure 5-5: Main motivations to engage in CSR

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respondents mentions that their CSR has improved the employee satisfaction; one of the results being that employees trust managers more and it is now easier to work with them.
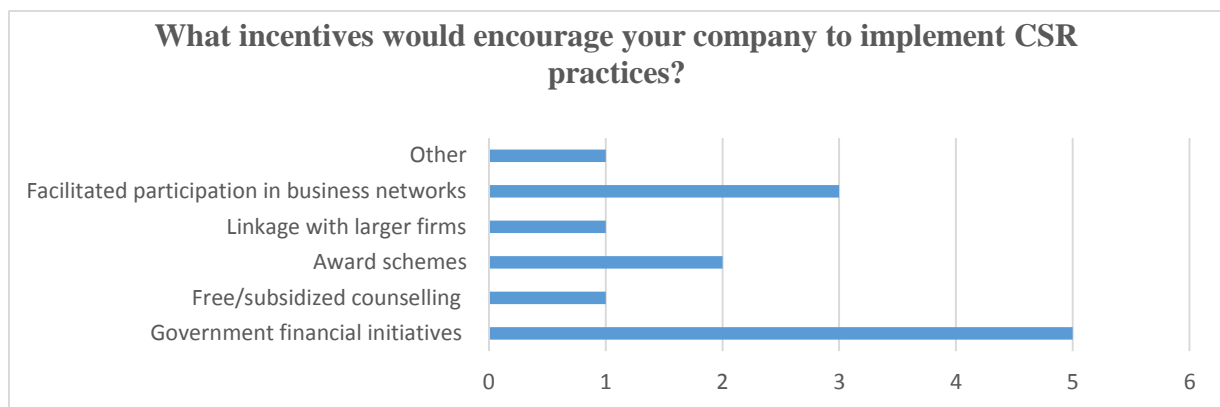
What incentives would encourage your company to implement CSR practices?

Category	Value
Other	1
Facilitated participation in business networks	3
Linkage with larger firms	1
Award schemes	2
Free/subsidized counselling	1
Government financial initiatives	5

Figure 5-6: Incentives for CSR

Past research on Filipino companies, (Maximiano, 2005) shows that the main drivers of CSR were: 1) customers, 2) reputation/image and 3) company's traditions and values.

Among the companies interviewed, only 20% of them engage in CSR activities in order to gain community support. The motivations to implement CSR play an important role in determining the most important stakeholders for a company. Half of the companies believe that government financial initiatives would help promote CSR more while facilitated participation in business networks would encourage 30% of the companies.

In terms of biggest obstacles to integrate CSR (Figure 5-7), the first reason quoted by the respondents was the lack of funds (60%), followed by the lack of support from the top management (40%). Some companies do not possess the resources for CSR implementation or development and this is not the case of small companies only. The financial aspect remains the main barrier to pursue CSR, with big companies admitting the budgets are limited but at the same time being optimistic about an increase in the
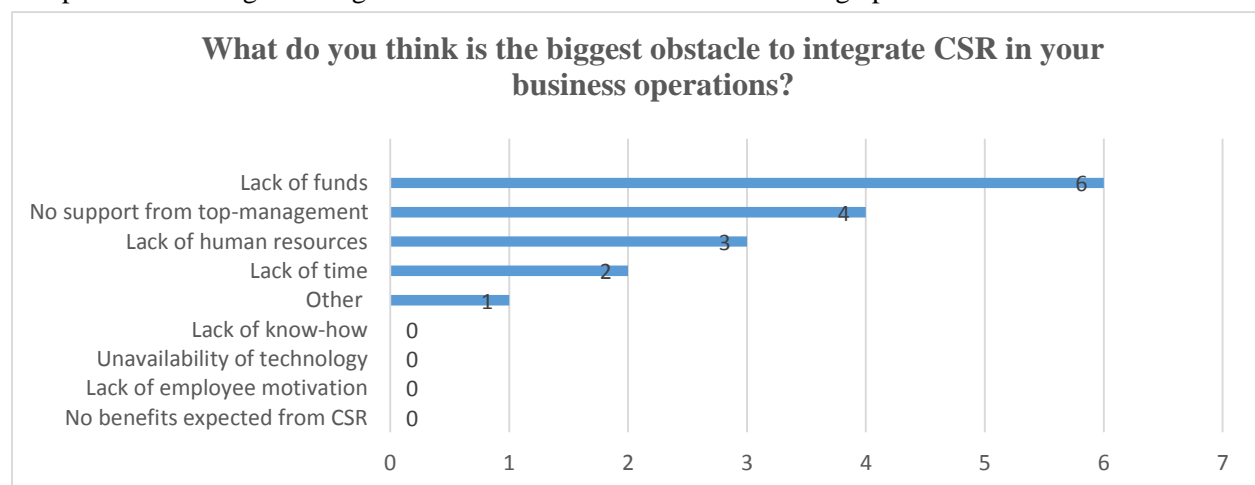
What do you think is the biggest obstacle to integrate CSR in your business operations?

Category	Value
Lack of funds	6
No support from top-management	4
Lack of human resources	3
Lack of time	2
Other	1
Lack of know-how	0
Unavailability of technology	0
Lack of employee motivation	0
No benefits expected from CSR	0

Figure 5-7: Biggest obstacles to integrate CSR

future. The mentality of the company's leader is also very important because it can influence CSR in many ways and at the same time can advance CSR's implementation at all the levels of an organization. Other obstacles to integrate CSR are represented by the lack of human resources (30%) as well as the lack of time (20%). One respondent answered that there are no obstacles in implementing CSR.

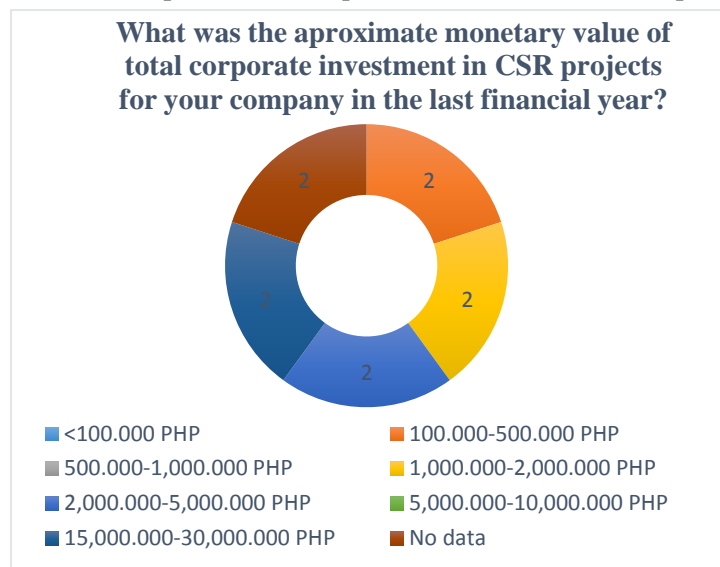Companies were inquired about their annual corporate giving: direct cash, but also in-kind giving such as medicine, food, electronics, etc. (see Fig.5-8). Due to insufficient data, we cannot calculate the corporate giving as a percentage from the net profit for the companies interviewed. Many companies provide generous donations for relief effort and other calamities. This is very much connected with the country's profile and with the fact that the Philippines are periodically affected by many natural calamities like typhoons, floods, earthquakes or volcanic eruptions.

Figure 5-8: Monetary value of corporate investment in CSR

Previous research related to corporate giving practices, also shows the popularity of employee giving as well as the practice of matching by the companies. A survey carried out by Philippine Business for Social Progress (2000), showed that 93% of the respondents had programs in corporate giving, the dominant practice being cash donations (77%) followed by in-kind giving (65%), employee giving (43%), employee volunteering (29%) and company matching of employee giving (27%) .
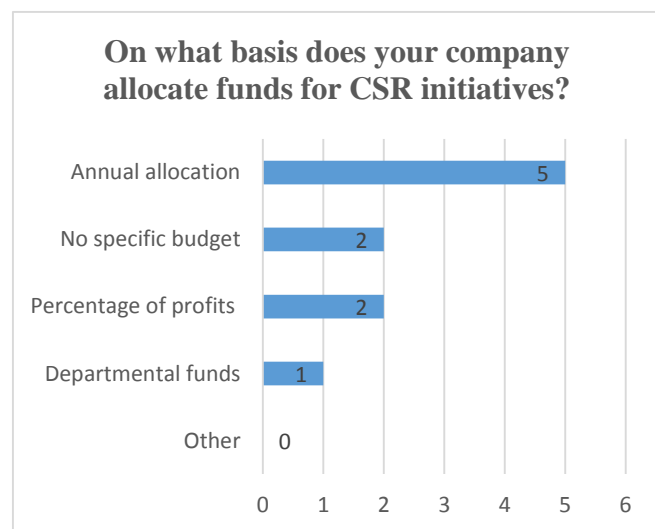

Figure 5-9: Funds allocation for CSR initiatives

In terms of budgets allocated to CSR (Figure 5-9), the results show that half of the companies have an annual budget that is allocated to CSR projects in their companies, 20% don't have a specific budget, for 20% the money is allocated as a percentage of profits, and for 10% as a departmental basis. It can be noted that the companies do not limit themselves to pre-settled budgets. For example, many of them declared that they collected money following the violent typhoon Haiyan and other similar disasters and made donations to affected areas. Under such

circumstances, the employees themselves organize to donate a sum of money which is also backed by the company.

Would you hire a professional consultant to deal with your company's CSR if:

- The service was offered free of charge
- The service was offered for a market based fee

Figure 5-10: Hiring a CSR professional consultant

Asked whether they would hire a professional CSR consultant (Figure 5-10), 70% of the companies answered affirmatively if the service was free of charge but only 20% would still hire one for a market based fee. One of the companies interviewed had a subcontracted consultant in charge with their environmental projects.

5.2 Codes of conduct, CSR reporting and international standards

Codes of conduct represent a voluntary action that companies chose to adopt from various reasons: protect company's reputation, reassure customers about their environmental and social practices, increase employee motivation or just as a PR tool. Correctly implemented, voluntary codes of conduct can help regulate business, increase workers' protection, promote human rights and improve corporate governance. Jenkins (2002) supports the idea that a genuine corporate code of conduct should go beyond the legal obligations of a firm because just not breaking the law does not mean it assures a high ethical standard.

Leipziger (2003) argues that an effective code of conduct can raise awareness about corporate responsibility internally, can help the companies to set strategies and objectives and avoid risks and at the same time to foster dialogue and partnerships between companies and their key stakeholders.

International trade unions might expect the codes of conduct to refer to ILO core labor standards, in particular to refer to freedom of association and collective bargaining. In practice, very few of them refer to such rights directly. Codes of conduct should reflect the participation of various stakeholders including workers. However, there are many cases when workers are not aware of the existence of a code of conduct and or do not participate at the creation of one.

Because many of the human rights violations occur in the supply chains of a company, companies are considered to be responsible for implementing the same standards and work with their supply chains to uphold human rights, and other environmental and social challenges. In reality, most of the codes of conduct

don't have the power to reach down the supply chain to include non-unionized staff, deregulated export zones or homeworkers.

In order to be effective, a monitoring mechanism for the implementation of the code of conduct is needed. Workers need to have a strong knowledge of the code's contents and participate in the monitoring of the code, only in this way can they make effective use of the code of conduct. SA8000 is an example of an international standard certification and it was devised as a model of code of conduct which promotes workers' rights. One of the advantages of such codes is that they imply external auditing. The drawbacks of such certifications is that they imply extra financial costs that companies are not always willing to pay for. Also, companies are not always comfortable with external auditing as well as with the publishing of results. Transparency is a very important element, and an independent verification of the codes would make them more effective and reliable. Monitoring reports should be an open source to the public, a demand that companies usually hesitate to take into consideration.

"*Since large auditing and consultancy firms usually carry out the monitoring of company codes with little transparency or public participation, weather the codes are actually being implemented or not remains a guarded secret. Besides, auditing firms may not reveal damaging information since they get paid by the company being audited.*" (Teeple &McBride 2011, 68)

Codes of conduct may create the framework for achieving workplace justice but they should not eliminate the need for regulation and enforcement of laws by the government. The efficacy of the codes of conduct remains a controversial subject. On the one side, we might think that companies would undertake more social responsibilities if voluntary measures are applied. On the other side, we should not forget that because codes are non-binding, no company can be held accountable for not observing its own code of conduct.

This research shows that codes of conduct are much more popular than CSR reports and all of the ten companies interviewed had one. Many of these codes of conduct or codes of ethics are for internal use only, therefore the access to information was limited and the results are based on the data gathered during the interviews and from the questionnaires.
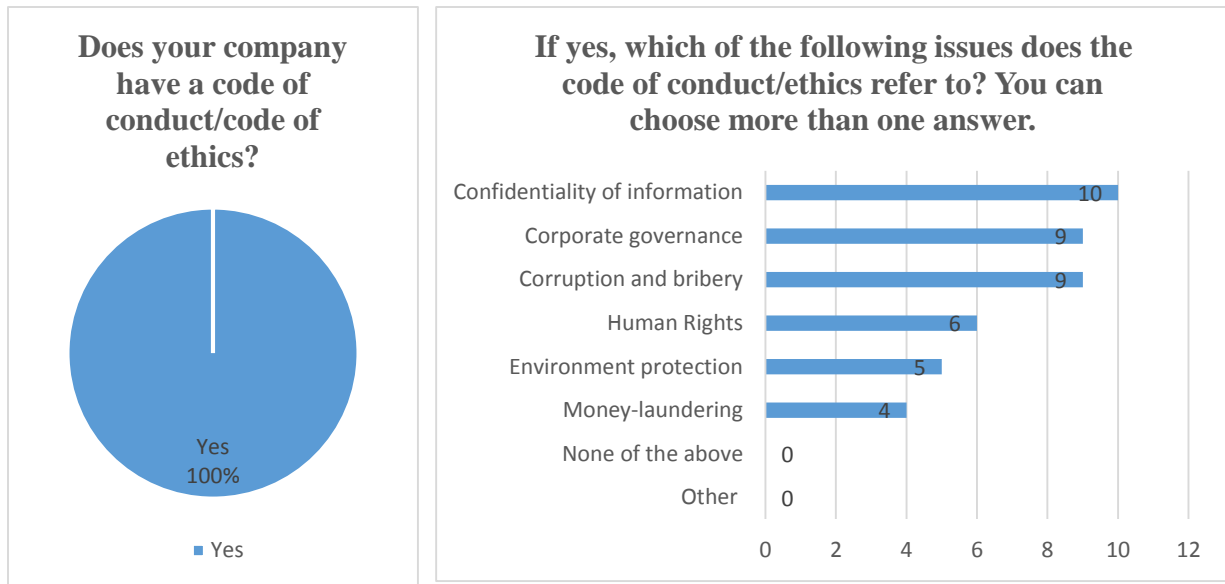
Does your company have a code of conduct/code of ethics?

If yes, which of the following issues does the code of conduct/ethics refer to? You can choose more than one answer.

Figure 5-11: Codes of conduct and their coverage

The most important aspects included in the codes of conduct are confidentiality of information, corporate governance or policies on corruption and bribery. Human rights are mentioned in 60% of them, while environment protection and money-laundering in 50% and 40% respectively. Voluntary codes of conduct can be an important tool to improve labor and human rights, working conditions, supply chain management, or tackle corruption problems. In developing countries, such codes of conduct play an important role as complementary mechanisms for governmental regulations.

A company's commitment to CSR initiatives is also reflected through actual implementation of the policies mentioned in the codes of conduct and through monitoring mechanisms. It is positive to note that 80% of the companies interviewed have monitoring mechanisms in place. The monitoring mechanisms might be counselling mechanisms, monthly reporting procedures, trainings or other measures implemented by the human resources department. In the past twenty years, the number of codes of conduct, sustainability reports as well as company reporting in general has increased significantly. The CSR report is another tool that can show a company's commitment to different stakeholders as well as a tool for promoting transparency.

Does your company have a monitoring mechanism for the implementation of the code of conduct?

Figure 5-12 : Monitoring mechanism for the code of conduct

Among the companies interviewed, half of them produce a CSR or a sustainability report (Figure 5-13). However, only one of the companies had a CSR stand-alone report dedicated to their activity in the Philippines. The other four, refer to the parent company's annual CSR report. Also, one of the respondents stated that their CSR report is for internal use only. A connection between the company's size and the existence of a CSR report can be distinguished: the bigger the company, the more likely is to produce a CSR report while none of the small companies had one. In terms of coverage, the CSR reports include references to environmental protection, workplace quality, and ethical supply chain or community investment. To a lesser extent they include: CSR strategy (20%), human rights (20%) and anti-corruption
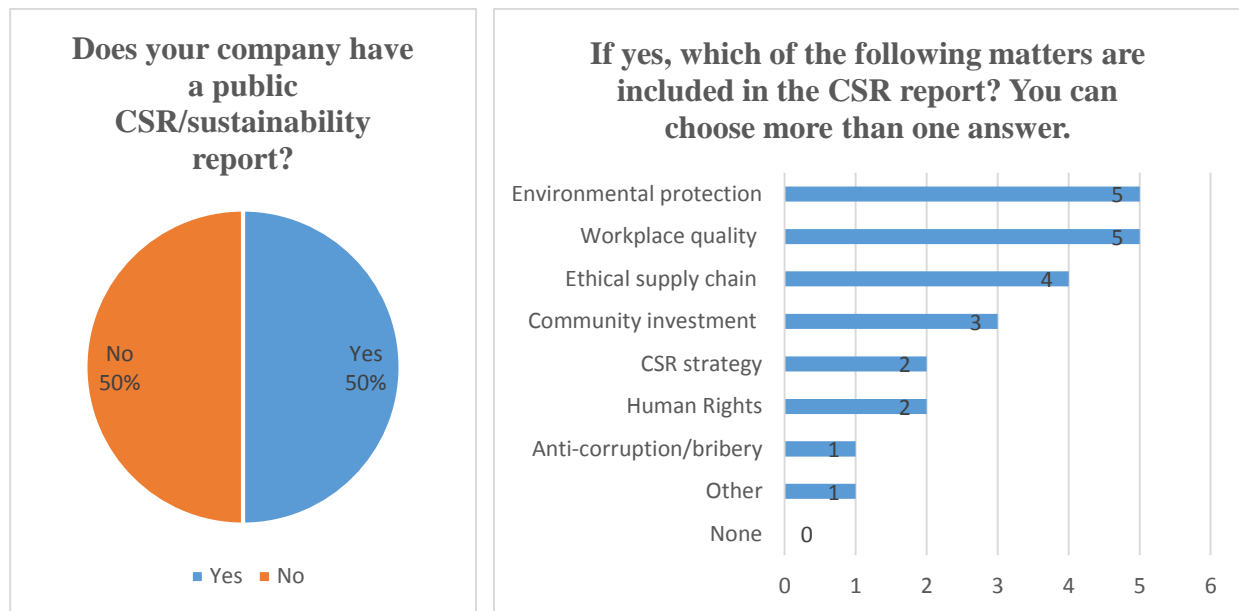
Figure 5-13: CSR report and coverage

policies (10%).

In terms of international standards (Figure 5-14) , we can note that the companies interviewed, as subsidiaries, are not members of the UN Global Compact, the largest voluntary sustainability initiative in the world initiated by UN; however, two of their parent companies are signatories to the Global Compact. In the Philippines, 54 organizations are members of the Global Compact Philippines. Five of the parent companies use ISO 26000 and three of them GRI Framework to report on CSR. From 2005 until present, almost 113 Filipino companies used the GRI Framework to report on their social responsibility activities. The parent companies who adopt international standards or are affiliated to international bodies show a better understanding of how to integrate CSR and this aspect has the power to influence positively their subsidiaries' CSR.

This idea is also supported by Porter (1995) who contends that companies competing internationally have higher standards. Operating in a global environment pushes the companies to engage in more visible forms of CSR so they can position themselves as good citizens in the international market

Has your company joined any of the following CSR initiatives or other national/international agreements related to environmental or social responsibility?

- 10
- 90%

Legend:
- Global Compact
- Global Reporting Initiative
- Ethical Trading Initiative
- SA 8000
- ISO26000
- None of the above

Figure 5-14: International initiatives for CSR

Though the present study does not attempt to compare whether international companies perform better than domestic companies, previous research shows that in 2003 the CSR penetration in the Philippines was 29% for the domestic companies and 43% for international companies (Chambers et al. 2003).

5.3 Workplace Quality

5.3.1 Labor Unionism

In this section, workplace quality, labor rights and labor related policies are analyzed in relation to CSR. The labor force in the Philippines in 2013 comprised 42.3 million workers out of which 3.3% were members of trade unions. In 2013, there were 18,484 unions registered with 1.9 million reported members, 1.4 million in the private sector and 476,000 in the public sector. [21]

"The Philippines-Labour Market Profile 2014" report, produced by the Danish Trade Union and the Council for International Development Cooperation shows that in the period 2003-2010, the union density has fallen from 20.2% to 10.6% while collective bargaining agreements in non-agricultural sectors have registered a fall from 19.7% to 10.9%. According to the authors of the report, although the Philippine Constitution of 1986 guarantees the freedom to form unions, the right for workers to organize, or the right to strike, the Philippines remains a country with widespread and often anti-union activities (Philippines registers six follow-up cases on the ILO's Committee on Freedom of Association).

Among the companies interviewed, 30% of them had a labor union and a collective bargaining agreement. All three companies that have responded affirmatively are big companies, with a number of about 1000 or more employees. (Figure 5-15)

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[21] Bureau of Labour Relations, Labour relations overview. Accessed January 3, 2016. http://www.blr.dole.gov.ph/index.php/labor-relations-overview#1-i-unions .

Does your company have a trade union?

Yes 30%
No 70%

Yes ■ No ■

Are the company's employees covered by a collective bargaining agreement?
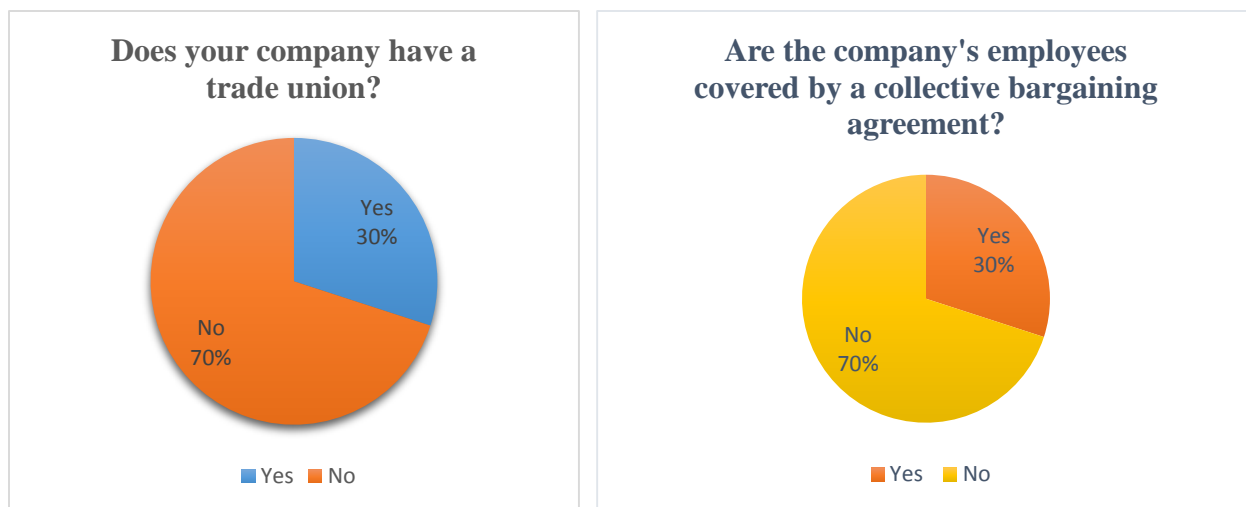
Yes 30%
No 70%

Yes ■ No ■

Figure 5-15: Trade unions and collective bargaining agreement

One of the respondents expressed disapproval with regards to labor unions, noting that labor unions "are negative and in many cases they can cause the company's failure".

Among the companies whose workers are covered by a collective bargaining (Figure 5-16), one has a percentage of 25-50% of employees covered by such agreement, the second 50-75%, while the third respondent could not disclose the precise number of employees covered by their bargaining agreement. The results show that trade unions are not perceived as key stakeholders by many companies.

How many employees are covered by the collective bargaining agreement?

33%   33%
33%

■ 75-100% ■ 50-75% ■ 25-50 % ■ No data
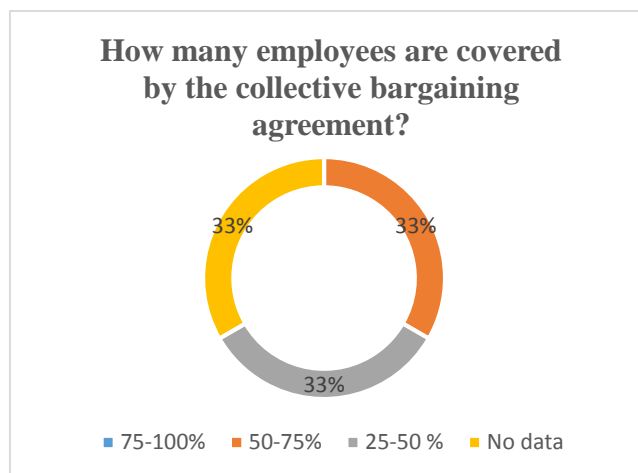
Figure 5-16: Employees covered by a collective bargaining agreement

5.3.2 Types of employment

In terms of types of employment, we can distinguish full time / regular employment, part-time employment and subcontracted employment. According to the Danish Trade Union and the Council for International Development (2014), in the Philippines the use of short term contractual labor is prevalent in
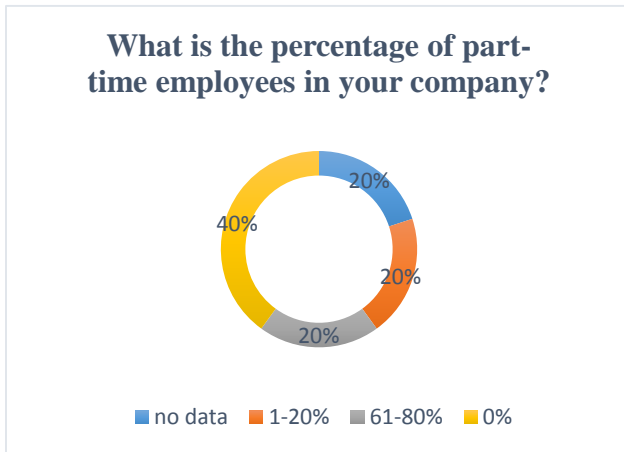
Figure 5-17: Part-time employment
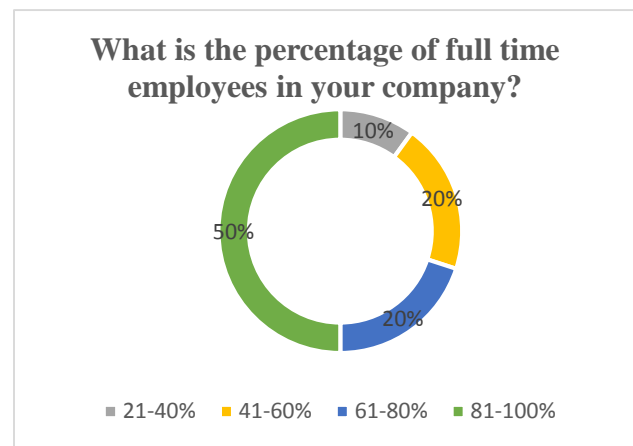
Figure 5-18: Full time employment

the private sector and some employers chose this as a means to minimize unionization and avoid providing the workers with other rights that regular workers have. This type of work is also considered contingent work. Brown (2012) states that contingent employees usually have fewer labor rights and benefits than regular employees. Employers are aware of this distinction and make use of it to their advantage in order to attain more flexibility, lower labor costs and secure their competitive advantage. Part-time employment is reflected in Figure 5-17. Half of the companies interviewed use a full time workforce in a proportion of 81-100% (Figure 5-18). 30% of the companies hire subcontractors in a proportion of 61-80%, another 30% in a proportion of 21-40%, 20% of the respondents hire 1-20% subcontracted workforce while 10% do not use subcontracted workforce at all (Figure 5-19).
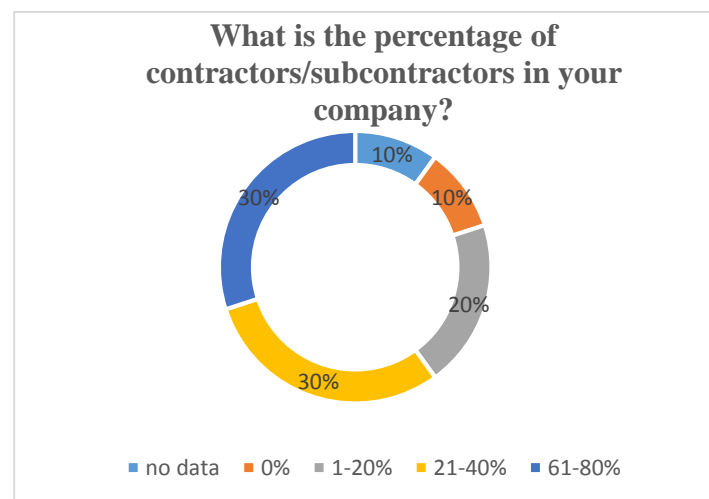
Figure 5-19: Subcontracted employment

5.3.3 Gender equality

What percentage of your senior and middle management comprises women?
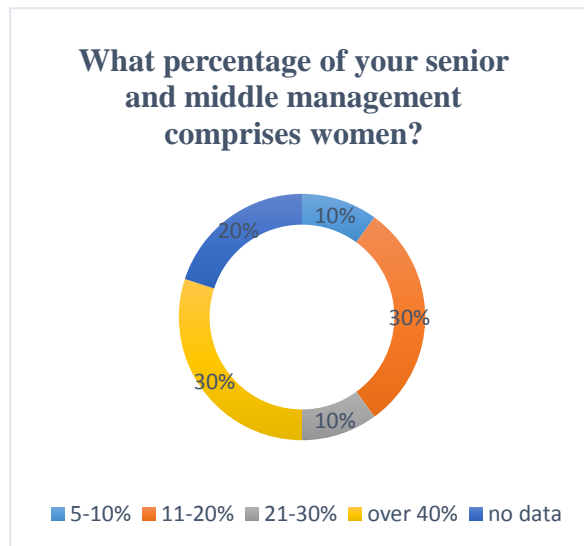
Figure 5-20: Women in senior and middle management

According to the Global Gender Gap Index, the Philippines ranked 9 out of 142 countries in 2014 and was the best performer in the Asia-Pacific region[22]. In the Philippines, women have a good representation in the labor market and participate in the ownership of firms. However, the employment rate for women remains lower than for men. Total employment rate for women in the Philippines in 2013 was only 48% as compared to men at 74%.[23] Among the companies interviewed, 30% of the respondents employ more than 40% women at the middle and senior management level; 30% hire women in top management in a proportion of 11-20%, and 20% of the respondents did not provide any data on the subject (Figure 5-20). A study conducted by Harvard Business School and researchers at Catalyst (Soares et. al, 2011), shows that companies with more women at the top may be better practitioners of CSR.

"*Companies are realizing that advancing more women to senior leadership roles has many benefits, including increased financial performance and sustainability. As this study shows, inclusive leadership has a positive influence on the quantity and quality of an organization's CSR initiatives. When business leadership includes women, society wins*." (Anabel Pérez, Senior Vice President, Development, Catalyst.[24])

5.3.4 Working hours

According to the Labor Code of the Philippines[25], the normal hours of work of any employee shall not exceed eight hours a day (Art. 83). Eighty percent of the companies interviewed affirm they have an

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[22] The Global Gender Gap Index ranks countries according to their gender gaps, in terms of equality between women and men. It analyzes inequalities between women and men in terms of economic participation and opportunity, educational attainment, political representation/empowerment and life expectancy. Accessed January 3, 2016. http://www3.weforum.org/docs/GGGR14/GGGR_CompleteReport_2014.pdf

[23] ILO, Key Indicators of the Labor Market Database. Accessed January 3, 2016. http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm

[24] Accessed January 23, 2016. http://www.catalyst.org/media/new-catalyst-study-links-more-women-leaders-greater-corporate-social-responsibility

[25] Labor Code of the Philippines. Accessed January 23, 2016. http://www.dole.gov.ph/labor_codes/view/4

internal policy on the maximum working hours for full time employees (Figure 5-21). The companies without such policies are small enterprises with less than 200 employees. One of the respondents explained
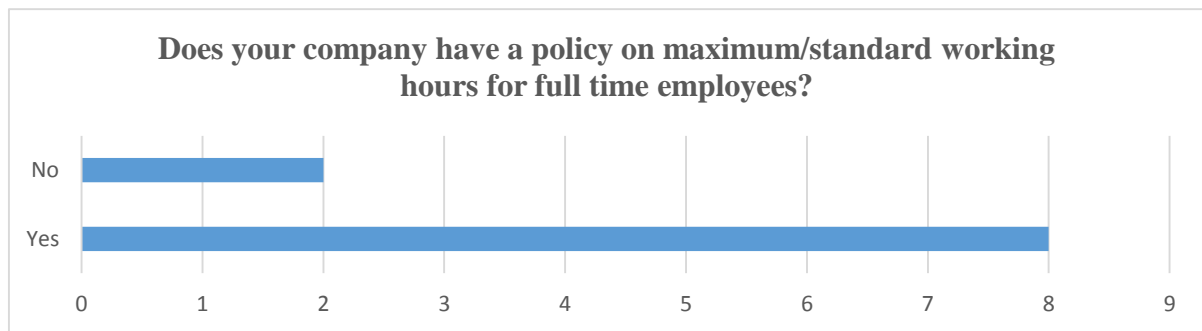

Figure 5-21: Policies on working hours

that their company does not have a policy on maximum working hours because their activity depends on the "company delivery commitment to the client."

In terms of flexible working hours (Figure 5-22), half of the respondents have such a system in place. Many of the companies in the manufacturing sector argue that it is more difficult to implement this kind of system when production targets are to be met. Some of the companies did have a flexible working system for their engineers but could not apply the same system for the production workers. Other companies allow their employees to change their working schedule if such request is applied for at least one day in advance. A flexible working system can be beneficial both to employers and employees.

The Department of Labor and Employment in the Philippines states that "the adoption of flexible work arrangements is considered as a better alternative than the outright termination of the services of the employees or the total closure of the establishment."[26] Prior to the implementation of a flexible working system, the employer needs to notify the department of Labor and Employment in the Philippines through the Regional Office which has jurisdiction over the workplace.[27]
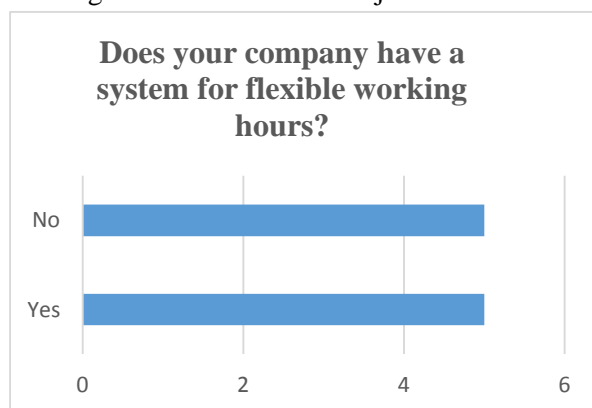

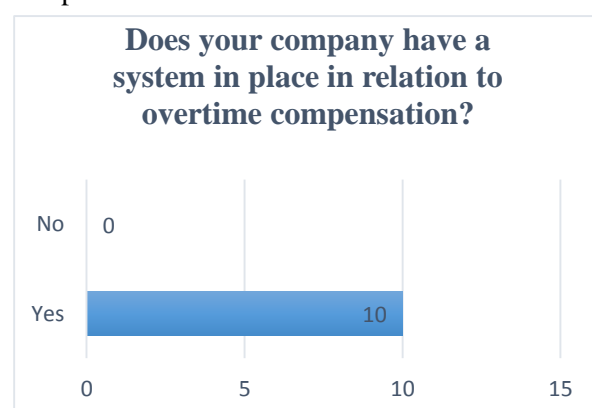
Figure 5-22: System for flexible working hours

Figure 5-23: System of overtime compensation

[26] Guidelines on the adoption of Flexible Work Arrangements, 2009. Accessed January 23, 2016.
http://www.dole.gov.ph/fndr/bong/files/DA%2002-09.pdf
[27] Idem.

According to Art. 87 from the Labour Code, work may be performed beyond eight hours a day provided that the employee is paid for the overtime work, an additional compensation equivalent to his regular wage plus at least twenty-five percent (25%). Work performed beyond eight hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate of the first eight hours on a holiday or rest day plus at least thirty percent (30%) thereof.

5.3.5 Benefits plans

In terms of benefits plans provided by the company, we can identify maternity/paternity leave, health insurance, life insurance, access to loans, trainings and pension plans (Figure 5-24). In the Philippines, the maternity leave is guaranteed by law, according to the Labor Code, Article 133[28]. The paternity leave is not found in the Labor Code but in the Republic Act No. 8187, also known as the "Paternity Leave Act of 1996."[29]

With regards to other benefits such as health insurance, it should be noted that in the Philippines, the health insurance is provided through the national health insurance program. In 1996, the Philippine Health Insurance Corporation (PhilHealth) was created in order to provide universal health coverage for
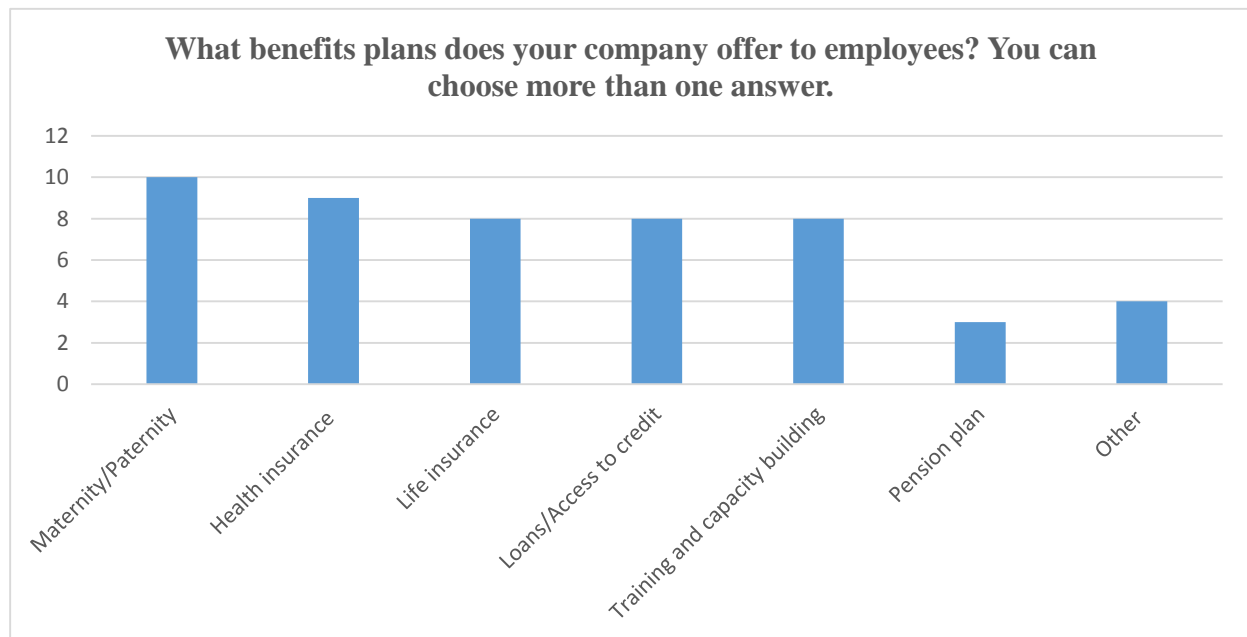
Figure 5-24: Benefits plans

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[28] Labor Code, Article 133. Accessed January 23, 2016. http://www.laborlaw.usc-law.org/lawsbank/pd-442.htm#article133 .
[29] Republic Act No. 8187. Accessed January 23, 2016.
http://www.ilo.org/dyn/travail/docs/1206/Republic%20Act%20No%208187%20-%20Paternity%20Leave%20Act%20of%201996.pdf

the Philippines. PhilHealth is a government owned and administered corporation, attached to the Department of Health. About 86% of the Filipino population is enrolled. All employees and employers must join PhilHealth; the employees have to pay 2.5% tax on their income, and the same amount has to be paid by the employer.

5.3.6 Formal policies and grievances mechanisms

Figure 5-25 shows more details with regards to formal written policies that companies implement. Among the companies interviewed, most of them have written policies addressing sexual harassment (80%), HIV/AIDS (60%), or power harassment (40%). Fewer companies address issues such as race discrimination

Does your company have a formal written policy addressing any of the following issues? If yes, please check the appropriate answer/s. You can choose more than one answer.
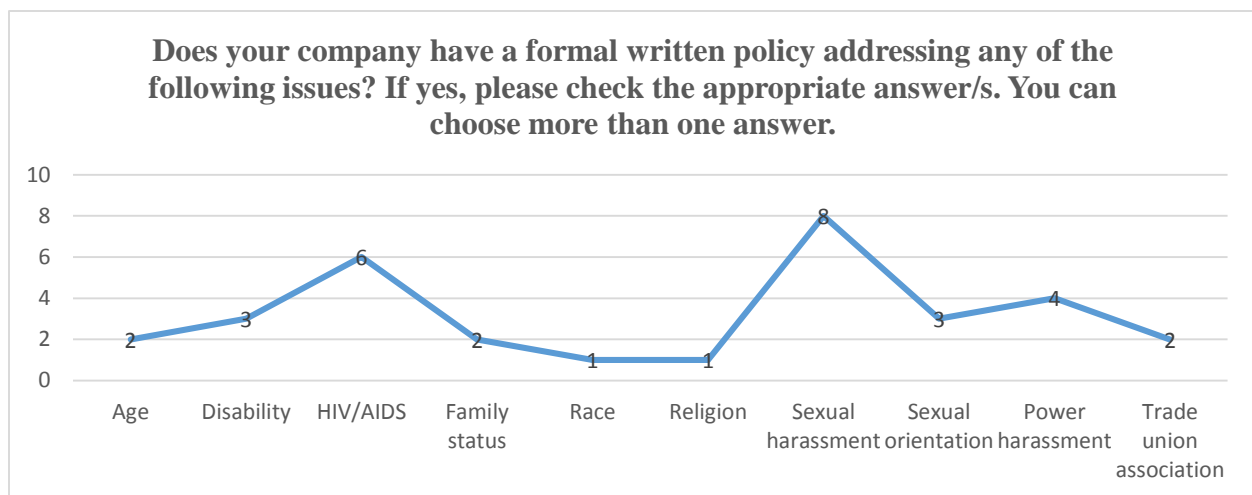
Figure 5-25: Formal written policies

(10%), religion (10%), family status (20%) or trade union association (20%). Only 30% of the companies have policies that protect their employees from discrimination based on their sexual orientation.

HIV is one of the taboos in the predominant Christian Filipino society. Despite that, according to the HIV Republic Act No .8504[30], also known as Philippine AIDS Prevention and Control Act of 1998, discrimination related to HIV is strictly prohibited.

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[30]Republic Act No. 8504, Article VII, Sec. 35. *Discrimination in the workplace.* — Discrimination in any form from pre-employment to post-employment, including hiring, promotion or assignment, based on the actual, perceived or suspected HIV status of an individual is prohibited. Termination from work on the sole basis of actual, perceived or suspected HIV status is deemed unlawful.

The Republic Act No. 7877, also known as "Anti-Sexual Harassment Act of 1995" declares sexual harassment unlawful in the employment, education, or the training environment[31].

The existence of various mechanisms of employee grievances in terms of discrimination or equality is a positive aspect that demonstrates the companies' commitment to uphold equal opportunity policies. In Figure 5.26 we can observe that 70% of the companies have an independent person or a department in charge of solving complaints. Half of the companies have an employee feedback mechanism or a counselling mechanism, while 30% of them have a help-line in place.

Does your company have any mechanisms in place to deal with grievances in relation to equality of treatment or discrimination?

Mechanism	Value
Employee feedback mechanism	5
Independent person or department in charge of solving complaints	7
Help Line	3
Counselling	5
Other	0
None	0
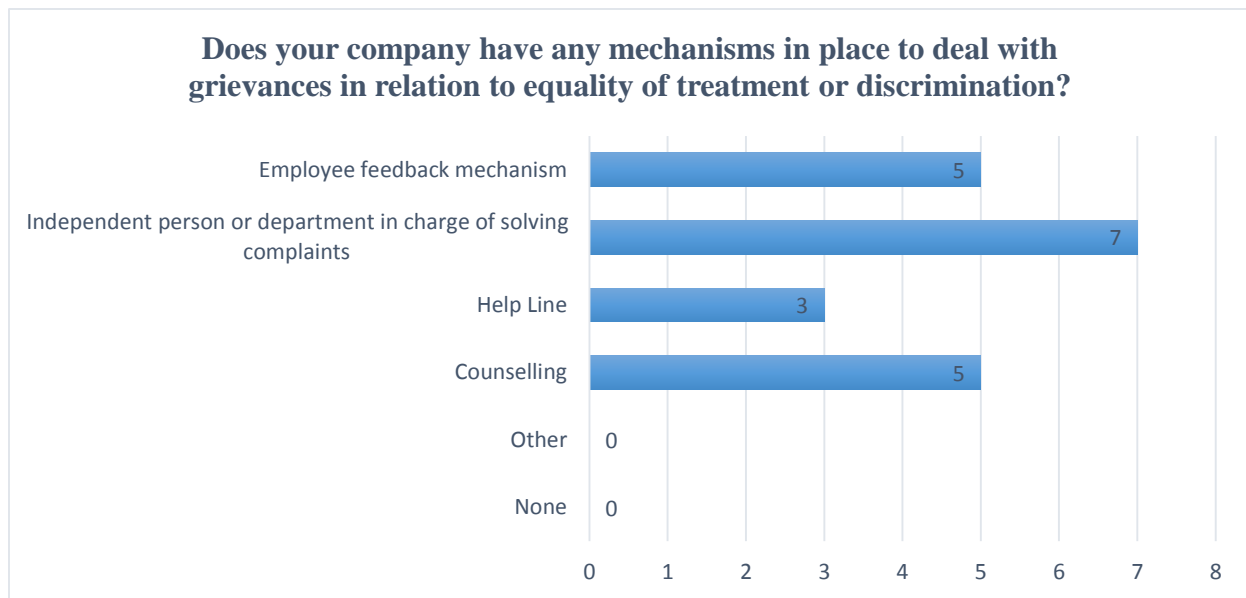
Figure 5-26: Mechanisms for grievances

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[31] The Republic Act No. 7877. Accessed January 23, 2016.
http://www1.umn.edu/humanrts/research/Philippines/RA%207877%20-%20Anti-Sexual%20Harassment%20Law.pdf

5.4 Volunteering

Volunteering is considered to be one of the simplest forms of CSR. Providing volunteer services can build a company's reputation, strengthen the community relationships, and can motivate the employees. Among the companies interviewed (Figure 5-27), 70% have a volunteering program in place for which the employees are being paid, 30% have unpaid volunteering programs, while some companies develop both paid and unpaid volunteering programs. Volunteering in the Philippines is a common practice, with many companies and employees getting involved in community volunteering. In the Philippines, volunteering is considered a tool for development.

In order to acknowledge the importance of volunteering, the Philippine government created in 1964 the Philippine National Service Committee which later on evolved into the Philippine National Volunteer Service and Coordinating Agency[32]. The Philippines also celebrates the International Volunteer Day for Economic and Social Development, every year on the 5th of December.

It should be mentioned here that Filipino values like "bayanihan" or the spirit of "camaraderie" are often associated with volunteering, which is considered to be one of the poignant traits of the Filipino people.

As mentioned in previous chapters, many of the companies that participated to this research were involved at the employee level in various forms of volunteering such as community volunteering.
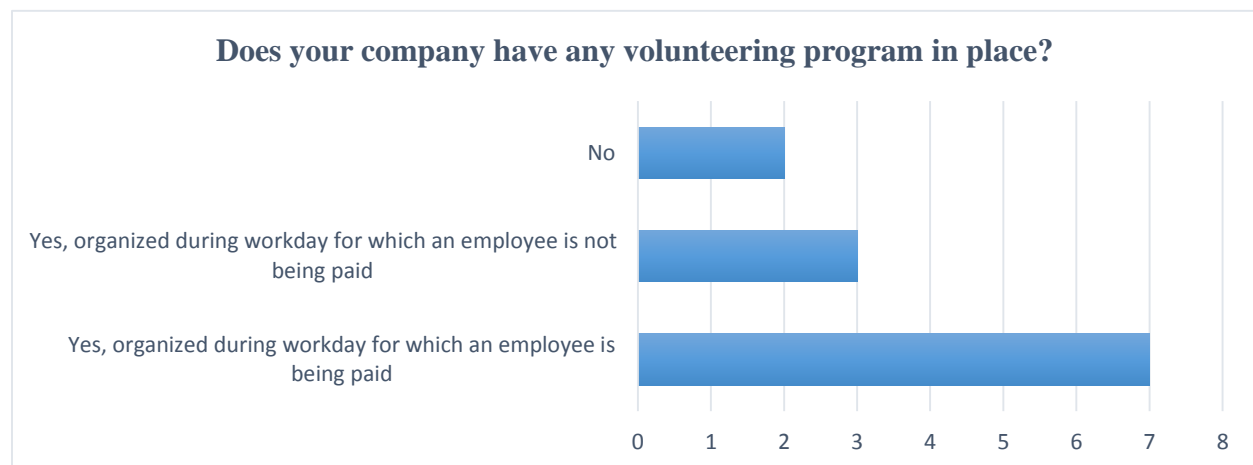

Figure 5-27: Volunteering programs

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[32] The Philippine National Volunteer Service Coordinating Agency (PNVSCA) is the government agency mandated to promote and coordinate volunteer programs and services in the Philippines. Accessed January 7, 2016. http://www.pnvsca.gov.ph/aboutus/aboutus_agency_profile.php
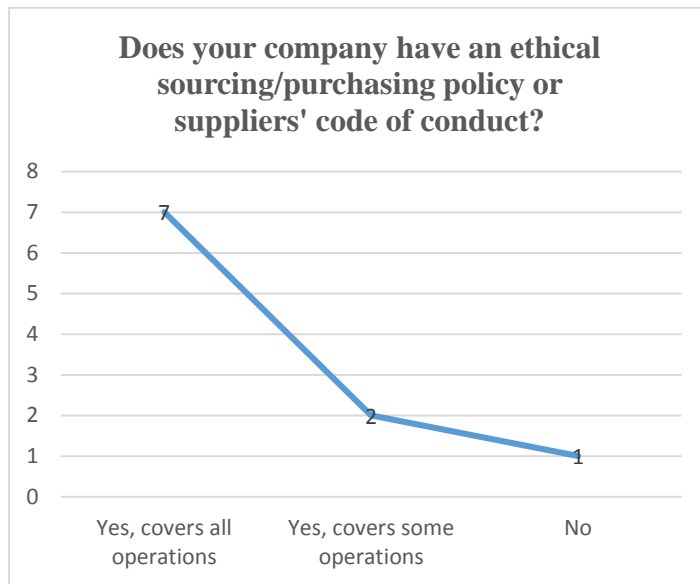
5.5 Supply chains

Figure 5-28: Suppliers' code of conduct

The supply chain management area is usually one of the most delicate areas in terms of CSR especially in developing countries where many companies do not take responsibility for their supply chains. It is positive to note that 70% of the respondents have an ethical sourcing/purchasing policy or a suppliers' code of conduct that covers all of their operations. Twenty percent of the companies have a similar policy which covers only some operations while only one company does not have any type of policy related to suppliers (Figure 5-28).

In terms of coverage (Figure 5-29), it is interesting to note that environmental protection weights more than any other aspect defining the relation between the company and their suppliers. 70% of the companies have worked with their suppliers in terms of environmental programs but to a significantly lesser extent in terms of labor rights/ labor rights education (30%) or human rights/human rights education (30%).
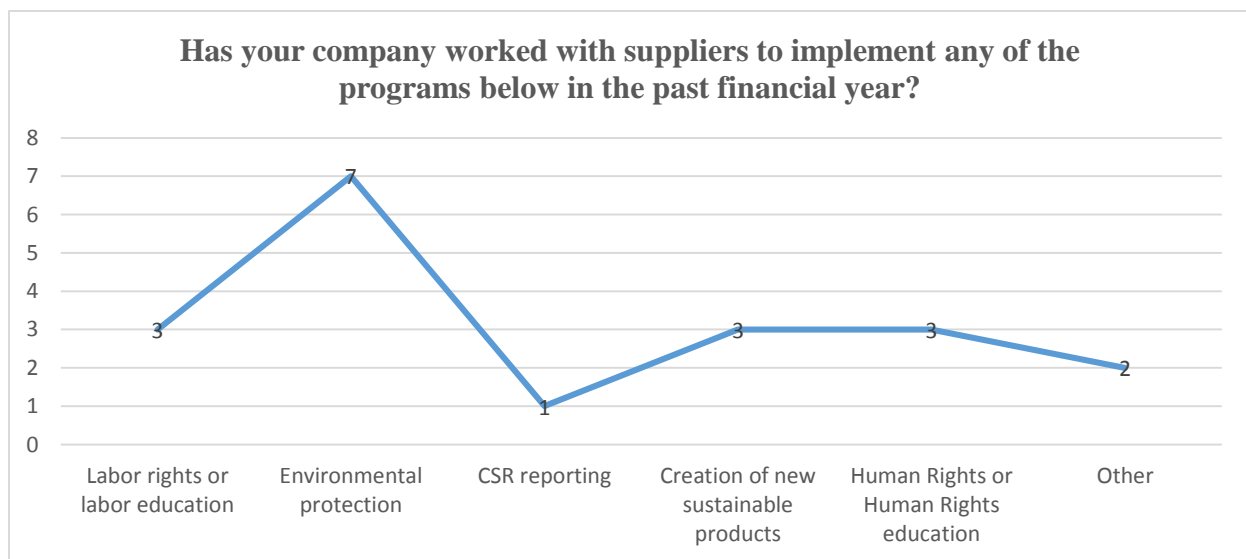

Figure 5-29: Programs with suppliers

5.6 Environmental CSR

The companies' environmental policies adhere in particular to local environmental laws and guidelines (80%) with more than half of the companies (70%) also being certified by the International Organization of Standardization for their environmental management system[33].

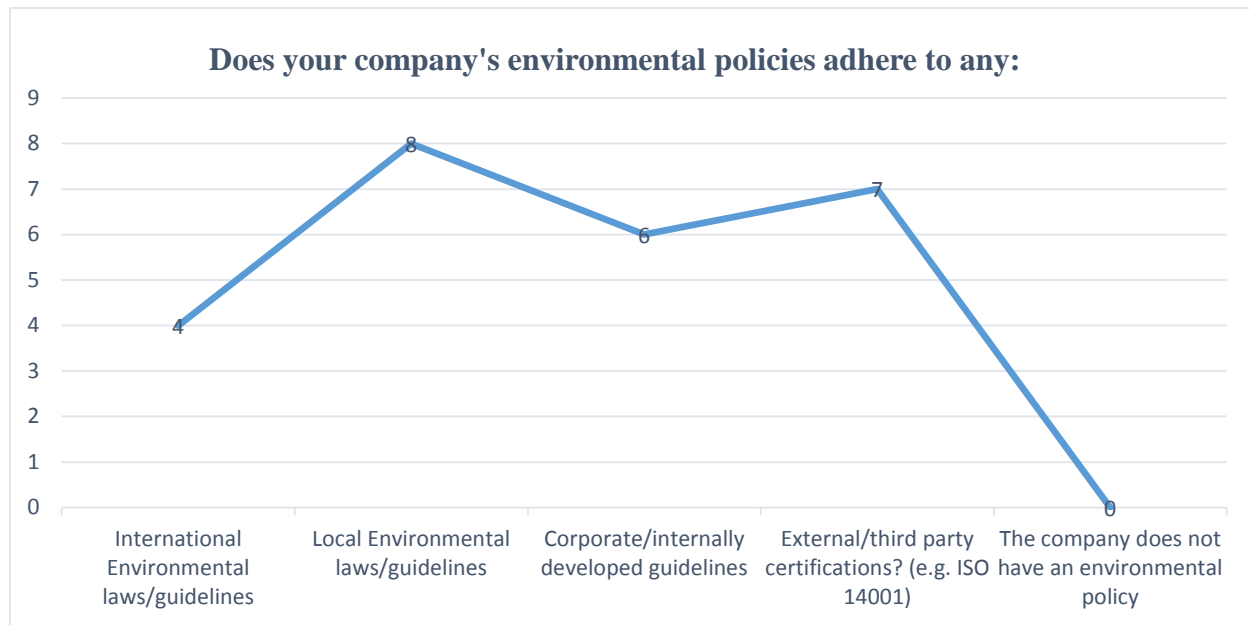The environment represents an important part of CSR, with most of the companies demonstrating

Figure 5-30: Environmental policies

their commitment to environmental protection.

The companies are aware of the importance of waste management, and adopt recycling or reusing measures during their industrial processes. A good understanding of the industry specific practices usually helps the company to engage in the right activities and decrease their waste production (Figure 5-31).

It is positive to note that all of the companies (100%) have reduction targets in terms of energy consumption and 80% of them are setting reduction targets for water consumption and paper consumption. In terms of greenhouse gases, only 30% of the companies have set reduction targets (Figure 5-32).

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[33] ISO 14001-**ISO 14000** is a family of standards related to environmental management that exists to help organizations (a) minimize how their operations (processes, etc.) negatively affect the environment (i.e., cause adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other environmentally oriented requirements, and (c) continually improve in the above. Accessed January 23, 2016. https://en.wikipedia.org/wiki/ISO_14000
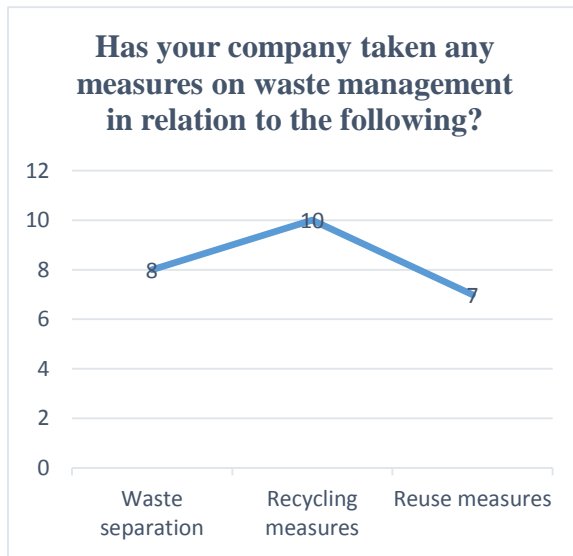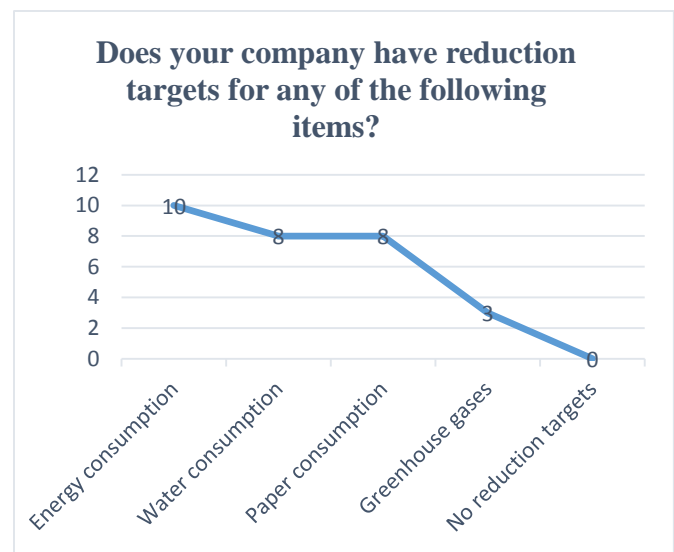
Figure 5-31: Measures on waste management

Figure 5-32: Reduction targets

Feldman (Feldman et al. 1997) considers that firms with better environmental performance are perceived as less risky by investors, an advantage for the firm itself and not only for the environment and other stakeholders.

5.7 CSR programs and Sustainability
5.7.1 CSR Programs

Among the ten companies interviewed, I have come across various types of CSR programs and projects addressed to three main stakeholders. Therefore, these programs were divided into three main categories (see Table 5-1): environmental programs, employee related and community development related. In all three categories we can find programs related to promoting education, skills development or trainings.

Environmental programs are adopted by the majority of the companies (90%). Companies activating in industries such as automotive or manufacturing have a bigger impact on the environment, therefore the awareness level is higher in such industries and the programs more diversified. One of the characteristics of Japanese companies in general is a higher level of concern with regards to environment, this aspect seems to be reflected also in Japanese companies operating outside Japan.

The CSR projects addressed to the employees, comprise a wide range of activities. During the interviews, the respondents have underlined the importance of such programs that help increase employee motivation. The employees are one of the most important stakeholders for the companies, keeping them safe and healthy benefits the company and mitigates the risks of supplementary costs.

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In terms of community development programs, a tendency towards philanthropy is evident. As discussed in previous chapters, this is one of the main characteristic of CSR in the Philippines, very much influenced by the country's economic situation.

Table 5-1 : CSR Programs

Environmental	Employee related	Community development/outreach
▪ Tree, mangrove planting ▪ Seedling planting ▪ Song contest for energy conservation ▪ Zero-waste marathon –testing environmental knowledge with fun tasks and puzzles ▪ Waste management orientation for students in elementary schools ▪ Eco Center with a vegetable garden, a mini lagoon, an artificial wetland, and a butterfly house ▪ Use of solar power ▪ Indigenous tree plantations ▪ Tree nurseries where seedlings are grown, then donated to schools, local	▪ The existence of a Safety Officer in charge to enforce occupational safety standards. ▪ Company doctor and nurses ▪ Environmental awareness training ▪ Risk assessment trainings ▪ Fire prevention trainings ▪ Promoting a healthy lifestyle programs : meat-free day ▪ Lectures on managing stress, diets or hepatitis B at the workplace ▪ Drug test ▪ Annual medical examination ▪ Flu vaccinations ▪ Bone density screening ▪ Standard first aid and basic life support training ▪ Emergency preparedness training ▪ Ergonomics lecture	▪ Hiring from neighboring areas ▪ Donations to vocational schools ▪ Books donations ▪ Storytelling program to school students ▪ Scholarship programs/monthly allowances for talented and unprivileged students ▪ Housing for vulnerable communities that can be replicated nationwide ▪ Support relief after disasters (typhoons) ▪ In-kind contributions such as clothing and medicines ▪ Donations to charitable institutions ▪ Cash donations for school supplies, tents. ▪ Toilet construction in schools ▪ Feeding programs to malnourished children ▪ Volunteering ▪ Gifts donations (medicines, slippers, electric fans, grocery items, rice) to cancer

government institutions or other private organizations ▪ Reforestation programs ▪ Adopt-A-Forest Project ▪ Establishment of an Environment Education Theatre ▪ Coastal/river clean-up ▪ Earth Day celebration activities ▪ Eco learning programs ▪ Product reuse/recycle programs	▪ Zumba/body combat or body conditioning recreation classes ▪ Team building ▪ Sports festival ▪ Workers' family day ▪ Christmas party ▪ Blood donation program ▪ Trainings addressed to the employees or to farmers in the agricultural sector. ▪ Cooking trainings, hairstyle classes for part-time workers, in order to supplement their revenues	foundations, hospitals, rehabilitation centers for abused and exploited girls, or centers for people with disabilities and special needs ▪ Partnering with clinics to provide free medical consultations and medicine within the community ▪ Road traffic safety awareness programs ▪ Dental outreach programs ▪ Free consultations and laboratory services in partnership with clinics ▪ Equipment donations to hospitals ▪ Adopt-A-School program[34] – school reparations and constructions ▪ Grants to engineering institutions in the country ▪ Cancer awareness campaigns ▪ Emergency shelters, portable beds/toilets/tubs

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[34] Adopt-A-School is a program initiated by the Department of Education in the Philippines and is based on volunteerism and partnership between the public and private sector.

5.7.2 Sustainable business

Brundtland Commission[35] (UN, 1987) defines sustainability as: "development that meets the needs of the present without compromising future generations to meet their own needs."

In terms of business, being sustainable can represent either a challenge or an opportunity. A challenge if companies refuse to embrace transformation, and an opportunity for those that are determined to deliver a social impact by investing in innovation, sustainable products or services.

According to Sustainability.com[36], in order to meet sustainability needs, companies need to develop strategies that balance competition and cooperation, and also to design and deliver products and services that meet social and environmental needs. Companies will have to adopt more resilient business models which reflect the true costs of environmental and social resources. They also argue that "for tomorrow's enduring businesses, sustainability will be about making money by meeting real and fundamental human needs."

One of the few researches[37] conducted with regards to sustainability in the Philippines, shows that Filipino companies have a "moderate" implementation of corporate sustainability. Linden (2013) argues that while companies perform better in terms of "Stakeholder Engagement" they perform the lowest in "Understanding Sustainability in Business." His research shows that the biggest hindrance to Corporate Sustainability in the Philippines is the mentality of top management. "The vision and direction that guide the companies push them in a direction that is still rooted in CSR-related ideas of charity and goodwill- ideas that detract away from recognizing equitable and sustainable stakeholder engagement." He contends that although engagement with community stakeholders is good and is driven by cultural values, the current mindset and structural constraints in companies slow the evolution of CSR and its transformation into Corporate Sustainability.

Major decisions related to the company's vison, mission and implicitly to sustainability, rest at the level of governance. Therefore, it is very important to understand the top management's approach to CSR and sustainability. A survey conducted among Filipino CEOs by the League of Corporate Foundations (2006) shows that the five top tools necessary to embed CSR values and policies throughout the company's management structure are considered to be, see Table 5-2:

Table 5-2: Tools necessary to embed CSR

1 Communicating values and policies internally
2 Gaining board support

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[35] Brundtland Commission or the UN World Commission on Environment and Development published the Brundtland Report in 1987. The report brings into discussion the necessity of sustainable development.
[36] A think tank and strategic advisory firm working to catalyze business leadership on sustainability. Accessed January 7, 2016. http://www.sustainability.com/

3 Gaining senior management support
4 Engaging in dialogue and partnerships with external stakeholders
5 Embedding social and environmental considerations into your Innovation process

According to the same study, 94% of the CEOs believe that CSR needs to be a top priority for companies but only 62% of them consider that companies are sure about the definition of CSR. The study also shows that only 38% of the companies explicitly integrate CSR issues into the recruitment and induction of new managers, 47% have a system of recognizing and rewarding good practice of CSR and 38% of them admit that CSR –related issues are becoming a part of the company's senior management performance assessment/incentive structures.

5.7.3 Strategic and Sustainable CSR

In this section, we will focus on strategic and sustainable CSR taking as an example Fuji Xerox Philippines[38]. In terms of CSR programs, Fuji Xerox Philippines is a good example of *strategic CSR*[39] because it reflects a holistic perspective within the firm's strategic planning. The company uses its core expertise to help resolving educational disparity among children in the Philippines but also in other regions where they operate. In order to achieve this, Fuji Xerox makes use of their production printers and provides learning materials and workbooks to a number of 400 children living in a disadvantaged area near the capital city of Manila, Philippines. It is a B-to-B (business to business) project for which the company partnerships with other companies and at the same time they collaborate with non-governmental organizations in order to distribute the materials and increase the numbers of beneficiaries. It is also interesting to note that another stakeholder, the company's employees, is integrated in this project by volunteering to monitor the progress of the students in the completion of the workbooks.

In a different community project located near Manila, Fuji Xerox in partnership with Gawad Kalinga, one of the biggest NGOs in the Philippines, put the basis of Fuji Xerox Village[40], a modern community of thirty permanent homes for former shanti dwellers. The village was provided with a multi-purpose hall used also as an education center to ensure that children are integrated in the education system.

By investing in poor communities and promoting better access to education, this type of CSR programs help supporting Sustainable Development Goals like "Ending poverty" or "Ensuring inclusive

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[38] We should note that Fuji Xerox Philippines is not one of the ten companies that participated to the fieldwork study and an interview with Fuji Xerox's CSR representative was taken in Japan, in August 2015.

[39] Werther and Chandler (2011) define strategic CSR as " the incorporation of an holistic CSR perspective within a firm's strategic planning and core operations so that the firm is managed in the interests of a broad set of stakeholders to achieve maximum economic and social value over the medium to long term."

[40] Accessed September 2015.http://news.fujixerox.com/video_library/detail/_vid_000093/ .

and equitable quality education and promote lifelong learning opportunities for all". This type of CSR projects can be considered both strategic and sustainable, as the company makes use of their core operations, covering a broad set of stakeholders and focusing on creating value over the medium to long term.

6. **Conclusion**

6.1 Conclusions on the Research Questions

The purpose of this thesis was to gain a deeper understanding of the CSR situation among the Japanese companies operating in the Philippines. Based on the findings, the following conclusions can be drawn in relation to the research questions:

1) How do companies define CSR?

How companies define CSR depends to a great extent on the company's size. Firstly, although many of the companies perceive CSR to some degree as philanthropy, big companies seem to be more aware of the importance of various stakeholders when defining CSR. Secondly, when defining CSR, the companies also acknowledge the importance of transparency, fairness and accountability in relation to CSR and internal rules. Thirdly, CSR is seen as a marketing or a public relations tool which can lead to an increased profit. Internally, CSR and CSR programs are associated with increased employee motivation.

2) What are the obstacles and the motivations to engage in CSR?

This research has found that the biggest obstacles to engage in CSR are related to the lack of funds as well as the lack of support from top-management. Most of the companies interviewed do not have a CSR department per se but they would hire a professional consultant to deal with their CSR activities if the service was offered free of charge. In terms of motivations, "a better corporate image", "employee satisfaction" as well as "improve business opportunities", represent strong motivations for companies to engage in CSR. Many of the companies expressed their desire for the government to provide more incentives to implement CSR.

3) To what extent are international standards being adopted in relation to CSR?

The results suggests that international standards are not yet very popular among the companies in the Philippines. The exception is made by international standards for environmental management (e.g. ISO 14001) which are popular among the respondents. We should also add that, while the companies interviewed are not members of international standard-setting organizations like the Global Compact, GRI, ISO26000 or SA8000, a small percentage of their parent companies are affiliated to some of these organizations. To what extent this has an impact on the subsidiary company, might represent the object of a future research.

Similar results have been obtained in relation to the CSR report. Where available, in most of the cases, the CSR report is prepared by the parent company for their entire global operations and not as a stand-alone report covering the company's activity in the Philippines. The most popular voluntary tool

among the respondents is the code of conduct. It is positive to note that in most of the cases the code of conduct is accompanied by a monitoring mechanism.

4) What are the patterns of CSR among the companies that participated to this research? (With a focus on human rights, labor rights, workplace quality, suppliers related policies, environmental CSR and CSR programs).

Although 90% of the respondents agree that CSR should promote human rights, in practice, formal policies related to human rights and human rights implementation are fewer. This is one of the areas in need for improvement in terms of CSR.

In terms of labor rights, we can note that trade unions are more popular among big companies while small companies are more cautious with regards to labor unionism and collective bargaining. The labor unionism is relatively low but above the country's average. The results show that subcontracting or part-time employment are common practices among some of the companies, an aspect that does not contribute to the employee's long-term income security.

By examining the percentage of women in senior and middle management, we can infer that women are still underrepresented in these positions and it is an area that needs further consideration.

This study shows that formal policies addressing HIV/AIDS or sexual harassment are more popular than internal policies addressing discrimination in relation to age, race, disability, power harassment or trade union association. Most of the companies have policies related to standard/maximum working hours as well as for overtime compensation, and in some cases, they provide a system for flexible working hours. Common benefits that companies offer to employees include maternity, paternity, health and life insurance, access to credit while fewer companies offer a pension plan. The existence of some of these policies or benefits is also influenced by the country-specific laws and regulations.

As shown in the previous chapter, the relationship with the suppliers is one of the most important parts of CSR, especially in the context of a developing country like the Philippines where the probability of human rights or labor rights violations is very high within the supply chain. Among the respondents, the existence of sourcing or purchasing policies as well as a suppliers' code of conduct have been identified. According to this research, companies focus more on implementing environment related programs within their supply chains and less on programs concerning CSR reporting, labor and human rights or the creation of new sustainable products.

On environmental aspects, the results show that environmental CSR has a good implementation among the companies interviewed. A majority of the companies is ISO14001 certified, has reduction targets for energy, water and paper consumption and takes measures on waste management.

In terms of CSR programs, three major types are identified: environment-related, employee-related and community-related programs. The programs that address to employees focus on trainings and skills development in particular as well as on health programs.

One of the most prominent patterns of the CSR in the Philippines identified by this research, is the popularity of volunteering at the company level. Volunteering is the simplest form of CSR and can have a positive influence both on the employee's motivation and at the community level. Volunteering is embedded in the Filipino culture partly motivated by the country's economic conditions but also very much influenced by the Filipino values like makabayan, bayanihan or maka Diyos. At the CSR level, this can be found in projects of collaboration with NGOs like Gawad Kalinga that engage in poverty alleviation through house building and community development bringing together employee volunteers as well as the beneficiaries of such projects.

Philanthropy is more pervasive at the community level where donations are very popular as part of CSR programs. Although philanthropy will continue to exist as a CSR practice, companies will have to challenge themselves to design more sustainable CSR programs that can benefit both the companies and their stakeholders on a long period of time. Globally and also in the Philippines, the CSR is evolving from a voluntary practice to an indispensable element for the success of an organization and even as a mandatory requirement in some legislations. Legislating philanthropy or asking companies to donate a percent of their profits, might not be the best solution for a positive social impact. Rather than making donations mandatory, governments can request companies to implement human rights, labor rights, corruption related trainings; to conduct third party audits and also to collaborate with the private sector and the non-profit sector for the implementation of sustainable CSR projects.

CSR represents a part of corporate strategy and risk management, therefore the bigger the top management's awareness regarding CSR, the greater the benefits for the company.

6.2 Research recommendations

In order for companies to improve their CSR programs and maximize their potential and impact, the following areas where companies need to invest more have been identified:

- The need of a uniform CSR implementation at all levels of the organization. That would imply collaboration between departments and dissemination of information related to CSR. More support from top management can help trickle down CSR initiatives.
- Incorporate human rights, labor rights and corruption trainings in the employee education programs to increase sensitivity on the subject and help detect related risks.
- More transparency in terms of codes of conduct, CSR reports as well as CSR-related available information on the company's webpage. Availability and easier access to the code of conduct. The need of a standalone CSR report for the Philippines.
- In order to mitigate or eliminate various business-related risks, third party audits as well as human rights assessments are recommended.

- Internal and external supply chain audits as well as clear guidelines that promote human rights/labor rights among the suppliers.
- Align community investments and other CSR projects with Sustainable Development Goals.
- Monitor CSR programs in order to increase their efficiency. Measure the impact of CSR projects on communities, through surveys or feedback from the beneficiaries.

6.3 Research Limitations and Future Research

It is important to highlight that one of the limitations of this study was the number of participants. As only ten companies have been analyzed, it is relatively difficult to generalize the findings. Secondly, the study addressed the CSR in the Philippines only, and it would be interesting to conduct a similar study in other countries as well. A third limitation is represented by the fact that the study focused only on Japanese companies and a research on other foreign companies operating in the Philippines could provide a more vibrant picture.

CSR in the Philippines has a lot of potential and future research would help with more deeply understanding CSR in the Philippines. It would be valuable to investigate topics like the impact of CSR projects on the stakeholders, the CSR perception at the consumer level or conduct a comparison between domestic companies and foreign companies in terms of CSR.

Appendixes

Appendix 1

Corporate Social Responsibility Questionnaire

CSR patterns of Japanese companies operating in the Philippines

Instructions: The questionnaire should take no more than 20 minutes to complete. Your responses to this questionnaire will be kept confidential. The outcomes of this research will be presented in aggregate numbers without references to any particular company or respondent.

Thank you in advance for your cooperation.

1. Does your company have a public CSR/sustainability report?

- o ○ Yes
- o ○ No

2. If yes, which of the following matters are included in the CSR report? You can choose more than one answer.

- o ☐ CSR strategy
- o ☐ Community investment
- o ☐ Environmental protection
- o ☐ Ethical supply chain
- o ☐ Workplace quality
- o ☐ Human Rights

     o   Anti-corruption/bribery

              [   ]

3. Does your company have a code of conduct/code of ethics?

     o   ◯ Yes

     o   ◯ No

4. If yes, which of the following issues does the code of conduct/code of ethics refer to? You can choose more than one answer.

     o ☐ Confidentiality of information

     o ☐ Corporate governance

     o ☐ Human Rights

     o ☐ Money-laundering

     o ☐ Environment protection

     o ☐ Corruption and bribery

     o Other (Please Specify)

              [   ]

5. Does your company have a monitoring mechanism for the implementation of the code of conduct?

     o   ◯ Yes

     o   ◯ No

6. Has your company joined any of the following CSR initiatives or other national/international agreements related to environmental or social responsibility?

     o ☐ Global Compact

     o ☐ Global Reporting Initiative

     o ☐ Ethical Trading Initiative

     o ☐ SA 8000

     o ☐ ISO26000

     o ☐ None

     o Other (Please Specify)

              [   ]

7. What are your company's main motivations to engage in CSR programs? Please check at most two answers.

- ☐ Better corporate image
- ☐ Employee satisfaction
- ☐ Improve business opportunities
- ☐ Reduce government pressure and gain regulatory ease
- ☐ Gain community support
- ☐ Board of directors' pressure
- ☐ Shareholders' pressure
- Other (Please Specify)

8. Who manages the CSR activity in your company?

- ○ Board
- ○ Human Resources
- ○ Marketing/PR
- ○ Business Manager
- ○ Chief Executive Officer
- ○ Owner
- ○ Other (Please Specify)

9. On what basis does your company allocate funds for CSR initiatives?

- ○ Annual allocation
- ○ Departmental funds
- ○ Percentage of profits
- ○ No specified budget
- ○ Other (Please Specify)

10. What type of CSR projects has your company initiated by far?

- ☐ Transport related
- ☐ Health and welfare related
- ☐ Social facilities related
- ☐ Sports facilities related

o ☐   Skills training/ Education

o ☐   Environment related

o   Other (Please Specify)

[ ]

11. What was the monetary value of total corporate investment in CSR projects for your company in the last financial year?

*PHP/USD

[ ]

12. **Please indicate whether you agree/disagree with the following statements**.

	Agree	Disagree
CSR is a resource intensive and costly concept	○	○
CSR should be promoted by government authorities	○	○
CSR should be legislated	○	○
CSR is an equivalent for philanthropy	○	○
CSR should promote human rights	○	○
CSR can lead to an increased profit	○	○
CSR is motivated by public relations and marketing considerations	○	○

13. What do you think is the biggest obstacle to integrate CSR in your business operations?

- ☐ lack of human resources
- ☐ lack of employee motivation
- ☐ lack of time
- ☐ unavailability of technology
- ☐ lack of know-how
- ☐ no support from top-management
- ☐ lack of funds
- ☐ no benefits expected from CSR
- Other (Please Specify)

---

14. What incentives would encourage your company to implement CSR practices?

- ☐ government financial initiatives
- ☐ free/subsidized counselling
- ☐ award schemes
- ☐ sponsored participation in fairs
- ☐ linkage with larger firms
- ☐ facilitated participation in business networks
- Other (Please Specify)

---

15. Would you hire a professional consultant to deal with your company's CSR if:

*the service was offered free of charge?

*the service was offered for a market-based fee?

16. How many employees does your company have?

- ○ less than 10
- ○ 11-50

- ○ ○ 51-100
- ○ ○ 101-250
- ○ ○ 251-500
- ○ ○ 501-1000
- ○ ○ more than 1001

17. Does your company have a trade union?

- ○ ○ Yes
- ○ ○ No

18. Are the company's employees covered by a collective bargaining agreement?

- ○ ☐ Yes
- ○ ☐ No

19. If your answer to question 18 was "yes", please specify how many employees are covered by the collective bargaining agreement?

- ○ ○ less than 25%
- ○ ○ 25-50%
- ○ ○ 50-75%
- ○ ○ 75-100%

20. How many days of staff training did your employees receive on average over the last financial year?

- ○ ○ 0
- ○ ○ 1-10 days
- ○ ○ 11-20 days
- ○ ○ more than 21 days

21. Does your company have any mechanisms in place to deal with grievances in relation to equality of treatment or discrimination?

- ○ ☐ Counselling
- ○ ☐ Help Line
- ○ ☐ Independent person or department in charge of solving complaints

- ☐ Employee feedback mechanism
- ☐ None
- Other (Please Specify)

     [   ]

22. Does your company have a formal written policy addressing any of the following issues? If yes, please check the appropriate answer/s. You can choose more than one answer.

- ☐ Age
- ☐ Disability
- ☐ HIV/SIDA
- ☐ Family status
- ☐ Race
- ☐ Religion
- ☐ Sexual harassment
- ☐ Sexual orientation
- ☐ Power harassment
- ☐ Trade union association
- Other (Please Specify)

     [   ]

23. What is the percentage of full time employees in your company?

- ○ 1-20%
- ○ 21-40%
- ○ 41-60%
- ○ 61-80%
- ○ 81-100%

24. What is the percentage of part-time employees in your company?

- ☐ 1-20%
- ☐ 21-40%
- ☐ 41-60%
- ☐ 61-80%
- ☐ 81-100%
- ☐ 0%

25. What is the percentage of contractors/subcontractors in your company?

- o ○ 1-20%
- o ○ 21-40%
- o ○ 41-60%
- o ○ 61-80%
- o ○ 81-100%
- o ○ 0%

26. Does your company have a policy on maximum/standard working hours for full time employees?

- o ○ Yes
- o ○ No

27. Does your company have a system in place in relation to overtime compensation?

- o ○ Yes
- o ○ No

28. Does your company have a system for flexible working hours?

- o ○ Yes
- o ○ No

29. What percentage of your senior and middle management comprises women?

- o ○ 1-5 %
- o ○ 5-10%
- o ○ 10-20%
- o ○ 20-30%
- o ○ 30-40%
- o ○ over 40%

30. What benefits plans does your company offer to employees? You can choose more than one answer.

- o ☐ Health insurance

- o ☐ Life insurance
- o ☐ Pension plan
- o ☐ Loans/Access to credit
- o ☐ Training and capacity building
- o ☐ Defined contributions plan
- o ☐ Maternity/Paternity
- o Other (Please Specify)

[ ]

31. Does your company have any volunteering program in place?

- o ○ Yes, organized during workday for which an employee is being paid.
- o ○ Yes, organized during workday for which an employee is not being paid.
- o ○ No

32. Does your company have an ethical sourcing/purchasing policy or suppliers' code of conduct?

- o ○ Yes, covers all operations
- o ○ Yes, covers some operations
- o ○ No

33. Has your company worked with suppliers to implement any of the programs below in the past financial year?

- o ☐ Labor rights or labor education
- o ☐ Environmental protection
- o ☐ CSR reporting
- o ☐ Creation of new sustainable products
- o Other (Please Specify)

[ ]

34. Do your company's environmental policies adhere to any:

- o ☐ International Environmental laws/guidelines?
- o ☐ Local Environmental laws/guidelines?
- o ☐ Corporate/internally developed guidelines?

- o ☐ External/third party certifications? (e.g. ISO 14001)
- o ☐ The company does not have an environmental policy.

35. Does your company have reduction targets for any of the following items?

- o ☐ Energy consumption
- o ☐ Water consumption
- o ☐ Paper consumption
- o ☐ Greenhouse gases
- o Other (Please Specify)

36. Has your company taken any measures on waste management in relation to the following?

- o ☐ Waste separation
- o ☐ Recycling measures
- o ☐ Reuse measures
- o Other (Please Specify)

37. How would you describe Corporate Social Responsibility? Please check at most two answers.

- o ☐ CSR is the sum of philanthropic activities a company carries out voluntarily from time to time in the local community.
- o ☐ CSR is the commitment to national labor and environmental laws.
- o ☐ CSR is about promoting transparency, fairness, and accountability through a set of internal rules or processes by which businesses are operated and regulated.
- o ☐ CSR is indispensable to a business' public relations or marketing department.
- o ☐ CSR's aim is to minimize the negative impact on the company's social and natural environment.
- o ☐ CSR is a concept that helps to achieve commercial success.
- o ☐ CSR describes the way a company engages with its stakeholders (including shareholders, employees, customers, business partners, governments and communities).

38. Do you think that the activities listed below form a part of CSR?

	Yes	No	Uncertain
Waste separation	○	○	○
Introduction of codes of conduct	○	○	○
Providing job possibilities to people with disabilities	○	○	○
Sponsoring the local soccer team	○	○	○
Introducing anti-corruption policies	○	○	○
Utilizing energy saving light pulps	○	○	○
Employing women in management positions	○	○	○
Providing anonymous complaint mechanisms for staff	○	○	○
Hiring staff belonging to ethnic minorities	○	○	○
Granting free days to employees for community work or blood donations	○	○	○
Providing small occasional gifts to officials dealing with company matters such as registration or permits.	○	○	○

39. Please rate on a scale from 1 to 5 the importance of the below described issues for a company that wants to engage in CSR. (1=very important, 5= not important at all)

	1	2	3	4	5
Industrial Pollution	○	○	○	○	○
Energy efficiency	○	○	○	○	○
Renewable energy sources	○	○	○	○	○
Water consumption	○	○	○	○	○
Waste handling	○	○	○	○	○
Fatigue at work	○	○	○	○	○
National environmental law	○	○	○	○	○
Harassment at the workplace	○	○	○	○	○
Wages	○	○	○	○	○
Child labour	○	○	○	○	○
Hygiene at the workplace	○	○	○	○	○
Business ethics and transparency	○	○	○	○	○
Taxes	○	○	○	○	○

Corruption	○	○	○	○	○
Employee satisfaction	○	○	○	○	○
Maternity privileges	○	○	○	○	○
Freedom of association	○	○	○	○	○
Community work	○	○	○	○	○
Financial reporting	○	○	○	○	○
International standards	○	○	○	○	○
Stakeholder engagement	○	○	○	○	○
Certifications	○	○	○	○	○
Poverty/Hunger	○	○	○	○	○
Education	○	○	○	○	○

Appendix 2

Interview with Ms. Necylene Kate B. Gacilo, AFCSR Awards Coordinator at the Center for Corporate Social Responsibility (AIM-Ramon V. Del Rosario).The Center for Corporate Social Responsibility (AIM-Ramon V. Del Rosario) is one of the first research centers in Asia concentrating on corporate responsibility, corporate citizenship and corporations' impact on society.

Q1: What are the characteristics of CSR in the Philippines?

A: CSR in the Philippines is very sophisticated. For example, Philippines is the only country in Southeast Asia with a mining law related to CSR, namely 5% of the company's profit will go to CSR activities. Government efforts are not enough and CSR is perceived as a driving force to create an exclusive economic growth in the Philippines.

Q2: What kind of programs does your organization have in terms of CSR?

A: We are working towards embedding CSR in the corporate DNA, creating an environment for a strategic process, for thought innovation and also for research. We are working with companies that engage their suppliers' chain. For example Jollibee (Filipino fast food chain) is engaging Filipino farmers in their supply chain.

Q3: What are the drivers of CSR in the Philippines?

A: The drivers of CSR in the Philippines are international standards as well as NGOs which are very "pushy" both socially and politically.

Q4: What are the obstacles to integrate CSR in the Philippines?

A: The bureaucratic aspect represents one of the main obstacles in the Philippines. For example the disaster response took a long time because of that. It is easier to work with the private sector than government. In order for communities to support themselves, capacity building and technology transfer are also needed. The aim (of CSR projects) is to leave the community in a better shape even without the presence of the company.

Q5: Is philanthropy-based CSR effective?

A: Philanthropy-based CSR is efficient sometimes but we need to ask ourselves if it is sustainable or not. We have to look into the replicability of CSR projects and measure the sustainable impact to the community.

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