

The State of CSR in Malaysia: A Supply Chain Time Bomb?

By Wayne Visser

It was an interesting time to be in Kuala Lumpur, with the Greenpeace Kit-Kat campaign against Nestle having just gone viral. (Greenpeace accused Nestle of endangering orang-utans through deforestation caused by its irresponsible palm oil supply chain in Indonesia. See Nestle's response). While the campaign was specifically targeted at a Nestle supplier in Indonesia, Malaysia is also a major world source of palm oil and it clearly got the attention of large plantation companies like Sime Darby, a Malaysian company which supplies nearly 10% of the world market.

Fortunately for them, according to an interview I did with their Chief Sustainability Officer, Puvan Selvanathan, they are ahead of the curve, with some plantations already certified by the Roundtable on Sustainable Palm Oil (RSPO) and the rest scheduled for certification by 2011/2012 (whereas Unilever and Nestle are only committing to have fully converted supplies by 2015). Beyond the specific companies involved, however, the Greenpeace-Nestle palm oil debacle highlights the increasingly important role of sector-based codes and social media as new mechanisms for corporate governance and stakeholder accountability.

The RSPO is part of the new generation of multi-stakeholder CSR codes, which have far more credibility than their industry-led predecessors (like Responsible Care). It still has its problems – especially the ability for plantations to offset carbon rather than actually convert to sustainable practices, and a certification bottleneck that seems to be slowing things down – but it is part of the new web of CSR governance mechanisms that are needed to take responsible behaviour to scale. It will only work, however, when companies like Nestle, Carrefour and Unilever ‘choice edit’ on behalf of consumers, so that unsustainable palm oil is phased out completely.

As far as social media goes, the Greenpeace-Nestle campaign is set to become a classic CSR case study. One estimate calculates that within 4 days the Greenpeace report and shock-video may have reached half a million people through social media like Twitter and Facebook. This viral effect was seemingly boosted by Nestle’s attempt on its Facebook page to censor comments made by its critics. The fact that Nestle took swift action by dropping the accused Indonesian supplier and that their hands are effectively tied by a lack of available sustainable palm oil has done little to quell the angry reactions of online activists.

A related but different issue that I became aware of during my time in KL, through an interview with Matthias Gerber, is that most of the world's peat forests are in Indonesia and Malaysia. These underground forests are a colossal carbon sink asset for the world and pose a significant climate change threat, unless they are urgently protected. Instead, intensive farming and deforestation is lowering the water table, drying out these organic soils (comprised mainly of undecayed leaves) and resulting in peat forest fires, which release massive amounts of CO₂ into the atmosphere and are hard to put out once they begin.

As far as explicit CSR goes, according to CSR Asia research in 2008, Malaysia is marginally ahead of Singapore and the Philippines, but behind Hong Kong. My observation (informed by various conversations, interviews and the CSR workshop I conducted at the invitation of FORS) was that strategic, embedded CSR is still limited to very few large companies, such as those involved in the local UN Global Compact network. The progressive role of the government on CSR, however, may yet pay dividends. This includes, for example, presidential awards for CSR, the creation of an Energy, Green Technology and Water Ministry and the implementation of a Green Buildings Index.

There is even talk of impending reforms to company law, to redefine corporate purpose in terms of meeting stakeholder needs, rather than continuing to follow the global status quo of shareholder fiduciary duty. If it was any other country, I'd take this with a pinch of salt, but this is Malaysia, which dared to defy the IMF hegemony after the Asian financial crisis. If there is any government bold enough to challenge shareholder-driven capitalism, it may just be Malaysia.

I, for one, hope they have the courage to do so, because until we reduce the stranglehold that shareholders and financial speculators have over our companies and markets, it will always be like trying to sail against a gale that is blowing in the opposite direction, using only a handkerchief – namely CSR – as a sail. The trade winds of the market will always blow, but rather than tinkering with the sails, we need a new kind of vessel – a new model of sustainable and responsible business – that can not only navigate through the tempest, but also sail for calmer waters, where long term thinking is possible and preferable.

Source:

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