

## **Evolving Legal Frameworks of Corporate Social Responsibility in Southeast Asia**

### **Abstract**

*Over the past decade and a half, Corporate Social Responsibility (CSR) in Southeast Asia has transitioned from voluntary corporate initiatives to integral components of legal and regulatory frameworks. This paper examines the progression of CSR within the region from 2010 to 2024, focusing on the interplay between corporate practices and evolving legal mandates. It explores the historical context of CSR, the shift from shareholder primacy to stakeholder inclusivity, and the significant legal developments that have shaped CSR practices in countries such as Indonesia, Malaysia, and Singapore. Through this analysis, the paper aims to provide a comprehensive understanding of how CSR has been legally codified in Southeast Asia, reflecting a broader commitment to sustainable development and ethical corporate governance. The evolution of Corporate Social Responsibility in Southeast Asia from 2010 to 2024 reflects a dynamic interplay between corporate practices and legal frameworks. The region has made significant strides in integrating CSR into corporate governance, transitioning from voluntary initiatives to legally mandated obligations. Regulatory enhancements, such as the ASEAN Taxonomy for Sustainable Finance and national guidelines, have provided clearer directives for corporations, promoting responsible investment and adherence to ESG principles. Through this analysis, the paper aims to provide a comprehensive understanding of how CSR has been legally codified in Southeast Asia, reflecting a broader commitment to sustainable development and ethical corporate governance.*

### **Introduction of the topic**

In 2024, Southeast Asia experienced significant advancements in Corporate Social Responsibility (CSR) from a legal perspective, reflecting a growing commitment to sustainable and responsible business practices. The Association of Southeast Asian Nations (ASEAN) introduced an updated Taxonomy for Sustainable Finance in the first quarter of 2024. This taxonomy aims to harmonize sustainability standards across member countries, promoting decarbonization and aligning with global frameworks such as the European Union's Taxonomy. The initiative underscores ASEAN's dedication to fostering sustainable finance and encouraging corporate adherence to environmental and social governance (ESG) principles. At the national level, Singapore's Monetary Authority of

Singapore (MAS) launched the Singapore-Asia Taxonomy for Sustainable Finance, establishing detailed criteria for defining green and transition activities across key sectors. This move enhances clarity for corporations regarding sustainable practices and aligns with international standards. Despite structural challenges, Southeast Asia faces an estimated \$1.7 trillion investment gap to fund the green transition until 2030. Since 2021, only \$45 billion has been invested in dedicated green initiatives, highlighting the need for accelerated efforts in environmental sustainability.

In December 2024, Indonesia's anti-corruption agency conducted raids on the Financial Services Authority's office as part of an investigation into the alleged misuse of CSR funds by financial regulators. This action underscores the increasing legal scrutiny and enforcement of CSR-related activities in the region, emphasizing the importance of transparency and accountability in corporate practices. While there have been advancements, critiques have emerged regarding the effectiveness of CSR initiatives. For instance, Southeast Asia's highly anticipated environmental rights declaration in 2024 was perceived by some as lacking in enforceable commitments, indicating the need for more robust legal frameworks to support CSR efforts. These developments in 2024 highlight a regional trend towards embedding CSR within legal structures, moving beyond voluntary actions to enforceable obligations that align corporate operations with broader societal goals.

## **1. Origin of the Legal Concept**

Legal debate over 'Corporate Social Responsibility' (CSR) first emerged from famous debate between Professor Adolf A. Berle, Jr. and E. Merrick Dodd, Jr. in the early 1930s, which historically involved two main issues.<sup>1</sup>The first issue is whether corporations indeed have responsibilities to society.<sup>2</sup>The second issue is "whether the managers of large, publicly held corporations should have a legal duty, when making decisions for the corporation, to take into

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<sup>1</sup>See Adolf A. Berle, Jr., *For Whom Corporate Managers Are Trustees: A Note*, 45 Harv. L. Rev. 1365 (1932); Adolf A. Berle, Jr., *Corporate Powers as Powers in Trust*, 44 Harv. L. Rev. 1049 (1931); See E Merrick Dodd, Jr., *For Whom Are Corporate Managers Trustees?*, 45 Harv. L. Rev. 1145, 1154 (1932).

<sup>2</sup>Supra note 1.

account not only the needs of the shareholders but also other groups affected by the corporations' actions, such as its employees, customers, or the communities.”<sup>3</sup>

### **1.1 Shareholder Primacy Movement**

In the 1920s, managerial abuse was the main issue in corporate law because corporate control was moving from ownership to management as firms grew larger.<sup>4</sup> Berle believed that the corporate law of the 1930s did not fully work to protect shareholder property from the abuse of managerial power.<sup>5</sup> In 1931, Berle contended that managers owing shareholders have the fiduciary duty to protect shareholders' wealth, the norm of so-called shareholder primacy.<sup>6</sup>

### **1.2 Refutation of Shareholder Primacy: CSR Initiative**

In 1932, Dodd responded to Berle's shareholder primacy theory by focusing on corporations' responsibilities to society.<sup>7</sup> Dodd argued that corporate managers owe a fiduciary duty not only to their shareholders, but also to all stakeholders who can be affected by managerial decisions.<sup>8</sup>

### **1.3 Settlement of the Debate in Favor of CSR**

In the end, the debate between the two scholars concluded when Berle accepted Dodd's CSR argument. Under the current state of corporate law, corporate managers as fiduciaries may, but are not required to, consider the interests of constituencies other than shareholders in making managerial decisions.<sup>9</sup> Thus, most businesses and legislatures have hesitated to adopt mandatory CSR.<sup>10</sup>

## **2. The Asian Context**

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<sup>3</sup>C. A. Harwell Wells, *The Cycles of Corporate Social Responsibility: An Historical Retrospective for the Twenty-First Century*, 51 U. Kan. L. Rev. 77, 78 (2002).

<sup>4</sup>Theodore Levitt, *The Dangers of Social Responsibility*, 36-5 Harv. Bus. Rev. 41, 42 (September-October 1958).

<sup>5</sup>See supra note 1; Sang-Hun Choe, *Corruption Scandal Snowballs at South Korea's Samsung Group*, N.Y. Times, November 6, 2007.

<sup>6</sup> See supra note 1; Supra note 5.

<sup>7</sup> See Supra note 1, at 1145, 1154 (1932).

<sup>8</sup> See Supra note 1

<sup>9</sup>See Judd F. Sneirson, *Doing Well By Doing Good: Leveraging Due Care For Better, More Socially Responsible Corporate Decision making*, 3 Corp. Gov. L. Rev. 438, 440 (2007).

<sup>10</sup> JEEHYE YOU, *LEGAL PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY LESSONS FROM THE UNITED STATES AND KOREA*, Springer India 2015, DOI 10.1007/978-81-322-2386-3

CSR has not been absent from the traditional indigenous enterprises' agenda, but manifests itself in very different ways than seen in the West. The key elements that define the practice of CSR in Asian companies are: cultural influences, classical philanthropy; State capacity, participation in global supply chains and home-grown corporate misdemeanors.<sup>11</sup>

### **3. Convergence of International Instruments in Southeast Asian Countries to Adopt CSR Trends**

A variety of instruments have emerged globally namely the Global Reporting Initiative (GRI), Sustainability Reporting Guidelines, the ISO 26000, the United Nations Guiding Principles for Business and Human Rights, the OECD Guidelines for Multinational Enterprises (MNEs), the International Finance Corporation (IFC), Sustainability Performance Standards and the United Nations Global Compact (UNGC) which locally to help companies implement corporate social responsibility (CSR).<sup>12</sup>

In this region, the most commonly used instruments are UNGC, the GRI Sustainability Reporting Guidelines, and the ISO 26000 standard. The relatively high level of use of the GRI Sustainability Reporting Guidelines and the ISO 26000 standard may be a reflection of their practical and flexible nature.<sup>13</sup> Both standards were developed through extensive multi-stakeholder processes that involved Southeast Asian stakeholders although the processes were mainly centered in the West. Although comprehensive and often cited by the other international instruments, the OECD Guidelines have not been adopted by companies in the region to a large extent.<sup>14</sup>

In Asia, the general uptake of international CSR instruments remains low for a variety of reasons including lack of government incentives, low levels of stakeholder pressure and, in particular, lack of consumer concern. Interestingly, stock exchanges are one of the drivers for CSR and for uptake of instruments in the region.<sup>15</sup>

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<sup>11</sup>Bindu Sharma, 2013, *Contextualizing CSR in Asia: Corporate Social Responsibility in Asian economies*. Singapore: Lien Centre for Social Innovation. Available at: [https://ink.library.smu.edu.sg/lien\\_reports/](https://ink.library.smu.edu.sg/lien_reports/).

<sup>12</sup>Leena Wokeck, *Convergence and Coherence in International CSR Instruments: Implications for Business in the Asian and Pacific Region*, available at: <https://www.unescap.org/>.

<sup>13</sup>Responsible Research, Asian Sustainability Rating 2011 (2011); KPMG, KPMG International Survey of Corporate Responsibility Reporting , 2011.

<sup>14</sup>Supra note 12.

<sup>15</sup> Supra note 12.

Although many of the global CSR instruments do converge on the issues related to supply chains, in practice many companies in Southeast Asia struggle with limited practical guidance on managing sustainability throughout complex supply chains and often limited expertise in the effective management of sustainability.<sup>16</sup>

Human rights are one of the biggest barriers to the further adoption of global CSR instruments. Governments in the region have not consistently adhered to human rights policy in line with the United Nations Universal Declaration of Human Rights and other frameworks, often providing limited leadership to business. A further hindrance is that the global CSR instruments are perceived as somewhat inconsistent or at least unclear in the area of complicity in human rights.<sup>17</sup>

#### **4. CSR Trends in Southeast Asia**

##### **(a) Principles of conduct**

##### **(i) Reporting and Disclosure**

The importance of monitoring, reporting and communicating with stakeholders helps to establish this trend of CSR among the companies.

In Indonesia, Article 74 under the Law 40/2007 on Limited Liability Companies Law, is now popularly known as the “CSR Law”. In case if, Article 74 becomes unenforceable, a voluntary approach to CSR, though Article 66 of Law 40/2007 requires companies to “report on the implementation of Social and Environmental responsibility.”

In Malaysia, the trend of reporting and disclosure has been proliferated in areas such as CSR in supply chains,<sup>18</sup> its standardization, CSR in large organization<sup>19</sup> and CSR in small businesses.<sup>20</sup> In

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<sup>16</sup> Supra note 12.

<sup>17</sup> Supra note 12.

<sup>18</sup> Frost R Welford, 2006, *Corporate social responsibility in Asian supply chains*, Corporate Social Responsibility and Environmental Management 13: pg 166–176.

<sup>19</sup> Anderson CL, Bieniaszewska RL. 2005, *The role of corporate social responsibility in an oil company's expansion into new territory*, Corporate Social Responsibility and Environmental Management 12: 1–9, International Journal of Production Economics 113: pg 74–87.

<sup>20</sup> Balzarova P Castka MA, Bamber C, Sharp J. 2004, *How can SMEs effectively implement the CSR agenda – a UK case study perspective*, Corporate Social Responsibility and Environmental Management 11: 140–149; Lepoutre J, Heene A. 2006. *Investigating the impact of firm size on small business social responsibility: A critical review*, Journal of Business Ethics 67: pg 257–271.

2001, Bursa Malaysia,<sup>21</sup>the country's stock exchange, mandated disclosure on corporate governance practices of listed companies. It also published "Powering Business Sustainability – A Guide for Directors", a push to adding CSR to the boardroom agenda.<sup>22</sup>

In May 2004, the National Tripartite Initiative on CSR (NTI) was established in Singapore as a national steering committee to "embrace CSR as a coordinated national initiative - to view the issues holistically and address any gaps at the national level."<sup>23</sup>In Singapore's leading listed companies, SGX monitors the Code of Corporate Governance 200, which requires listed companies to disclose their corporate governance practices and explain deviations from the Code in their annual reports.<sup>24</sup>The Royal Thai Government, having begun the process in 2007, is still formulating public policy on CSR.<sup>25</sup> Thailand established the CSR Promotion Centre to function as the government center tasked with promoting CSR and formulating national policy on CSR in Thailand.<sup>26</sup>

## **(ii) Organizational Governance**

Good governance is often said to be the foundation of good CSR as it establishes the systems and procedures to ensure that a company is governed in an ethical and responsible way.<sup>27</sup>

In Indonesia, limited liability companies and state owned enterprises have a higher obligation to CSR. Organizations with CSR obligations need to budget and report activities, and companies found to be not complying with the law face penalties.<sup>28</sup>

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<sup>21</sup> See [www.bursamalaysia.com/sustainability/](http://www.bursamalaysia.com/sustainability/).

<sup>22</sup>Rashid MZA, Ibrahim S. 2002, *Executive and management attitudes towards corporate social responsibility in Malaysia*, Corporate Governance 2: pg 10–16.

<sup>23</sup>Cedric Foo, Keynote Address by Minister of State for Defense and Chairman, Spring Singapore at the launch of the National Tripartite Initiative on Corporate Social Responsibility, May 26, 2004, Singapore.

<sup>24</sup>MAS - Code of Corporate Governance, available at: [www.mas.gov.sg/fin\\_development/corporate/governance/code\\_of\\_corporate\\_governance.html/](http://www.mas.gov.sg/fin_development/corporate/governance/code_of_corporate_governance.html/).

<sup>25</sup>Thailand's reply to the UN Special Representative of the Secretary-General on human rights and transnational corporations and other business enterprises - 2010-05-07, available at: [www.mfa.go.th/humanrights/newsdetail.php?s=1192&id=24352/](http://www.mfa.go.th/humanrights/newsdetail.php?s=1192&id=24352/). See also [www.mfa.go.th/humanrights/index.php?option=com\\_content&view=article&id=65:corporate-social-responsibility-csr-&catid=35:un-resolution&Itemid=73/](http://www.mfa.go.th/humanrights/index.php?option=com_content&view=article&id=65:corporate-social-responsibility-csr-&catid=35:un-resolution&Itemid=73/).

<sup>26</sup> Supra note 12.

<sup>27</sup>Supra note 12.

<sup>28</sup>Janti Gunawan, Maggie Twaddle, Kym Fraser, *Exploring Sustainable CSR for Indonesia by Forming Strategic Partnerships between Industry Sectors*, IOSR Journal of Business and Management (IOSR-JBM) Volume 18, Issue 11. Ver. I (November. 2016), PP 72-78, DOI: 10.9790/487X-1811017278.

The Malaysian government formed “The Silver Book” in 2006<sup>29</sup> which set out guidelines for Government Linked Companies (GLC`s), with Khazanah Nasional Berhad<sup>30</sup> responsible for monitoring GLC`s implementation of CSR measures in accordance with the framework. In 2000, Malaysian Institute of Corporate Governance first introduced the “Malaysian Code on Corporate Governance” (Code) in order to raise practice of good corporate governance.<sup>31</sup>

The Thai government established National Corporate Governance Committee (NCGC) to set out policies, measures, and schemes to upgrade the level of corporate governance in Thai business.<sup>32</sup> In 1998, Stock Exchange of Thailand it issued a listing requirement for all listed companies to have an audit committee and issued the “Code of Best Practices for Directors of Listed Companies”.<sup>33</sup>

In the Philippines, in order to reform corporate governance the Securities Regulation Code was formulated which clarified insider trading and market manipulation rule and increased the protection offered to minority shareholders. SEC also issued a circular entitled “Code of Corporate Governance.”<sup>34</sup>

### **(iii) Bribery and Corruption**

Although corruption is not a new phenomenon, it is of growing concern around the world and a major obstacle to a credible CSR. Pervasive corruption within most governments and often within business inherently contradicts the CSR ethos. Most often anti-bribery laws are primarily directed at bribe-takers, rather than both the giver and taker.<sup>35</sup>

Southeast Asia is still among the most corrupt regions in the world and, for the most parts, slowly descending into further corruption, at least according to Transparency International (TI) Annual

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<sup>29</sup>The Silver Book, available at: [www.pcg.gov.my/PDF/silver\\_booklet/](http://www.pcg.gov.my/PDF/silver_booklet/).

<sup>30</sup>Khazanah Nasional is the investment holding arm of the Government of Malaysia and is empowered as the Government’s strategic investor in new industries and markets. Khazanah is also the key agency mandated to drive shareholder value creation, efficiency gains and enhance corporate governance in companies controlled by the government, commonly known as Government-Linked Companies, or GLCs. See [www.khazanah.com.my/](http://www.khazanah.com.my/).

<sup>31</sup>Abdul Hadi bin Zulkafli, M.Fazilah bt. Abdul Samad and Md Ishak Ismail, *Corporate Governance in Malaysia*, available at: [www.micg.net/research/CORPORATE%20GOVERNANCE%20IN%20MALAYSIA%20-%20MICG](http://www.micg.net/research/CORPORATE%20GOVERNANCE%20IN%20MALAYSIA%20-%20MICG).

<sup>32</sup> Supra note 12.

<sup>33</sup>The Stock Exchange of Thailand, see [www.set.or.th/en/regulations/cg/roles\\_p1.html/](http://www.set.or.th/en/regulations/cg/roles_p1.html/).

<sup>34</sup>The enactment by the United States Congress of the Sarbanes-Oxley Act, which basically imposed stringent requirements for monitoring the corporate governance practices of publicly listed companies, came three months later, in July 2002.

<sup>35</sup> Supra note 11.



Corruption Perception Index. Cambodia is by far the most corrupt country in the region followed by Myanmar, Laos, Vietnam, Thailand, and Malaysia.<sup>36</sup> Despite significant progress, the integration of CSR into legal frameworks in Southeast Asia faces several challenges. One major issue is the substantial investment gap in funding the green transition. Estimates suggest that approximately \$1.7 trillion is needed until 2030 to finance sustainable initiatives in the region, yet only \$45 billion has been invested since 2021. This shortfall highlights the urgency for increased financial commitment from both the public and private sectors.

Additionally, critiques have emerged regarding the effectiveness of CSR policies. For example, Southeast Asia's highly anticipated environmental rights declaration in 2024 was perceived by some as lacking enforceable commitments, indicating the need for more robust legal frameworks to support CSR efforts.

Singapore jointly tops Transparency International's Corruption Perceptions Index for 2010406. The notion and ideal of ethical leadership in the political realm is a key competitiveness instrument and have been key drivers in Singapore's economic competitiveness.<sup>37</sup>

## **(b) Human rights**

### **(i) Consumer Issues**

Nascent consumer movements have emerged to encourage consumers to act on their own initiative to select products, pushing businesses to deliver product quality, safety and other socially responsible behaviors. Despite a weak consumer movement, across the region companies are adopting consumer-oriented initiatives in many small ways. Philippines has consumer protection<sup>38</sup>, laws as well. The Bank of the Philippines Islands (BPI) targets the overseas Filipino community

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<sup>36</sup><https://scandasia.com/corruption-still-reigns-in-southeast-asia/>.

<sup>37</sup>See Neo Boon Siong and Geraldine Chen, *Dynamic Governance: Embedding Culture, Capabilities and Change in Singapore*, Singapore: World Scientific, 2007; Richard H.K. Vietor, *How Countries Compete: Strategy, Structure, and Government in the Global Economy*, Boston, MA: Harvard Business School Press, 2007, especially chapter 3, on how the Singapore government creates the overall environment for "Singapore, Inc.'s successful competition in the global economy; *The link between responsibility and a competitive economy has been affirmed in Account Ability*, The State of Responsible Competitiveness 2007, London: Account Ability, 2007.

<sup>38</sup> Consumer Act of the Philippines - Republic Act - 7394 Consumer Act of the Philippines, 1991, available at: [www.chanrobles.com/republicactno7394.htm/](http://www.chanrobles.com/republicactno7394.htm/).



and bundles remittance services with products that are relevant for their needs, such as financial education and micro-entrepreneurship program.

In Indonesia, TELKOM, together with the Indonesian Internet Warung Association, has launched a new domain name system (DNS), Nawala, as part of the effort to establish a “safe and healthy internet”.

## **(ii) Labor Issues**

Occupational health and safety, wage and gender discrimination, hours of work- all are issues that have legislative and regulatory requirements in most countries, although enforcement on all fronts leaves much to be desired. Therefore, companies competing globally stand out in legal compliance as they operate in a global CSR spotlight unlike their domestic counterparts.<sup>39</sup>

Vietnam Agenda 21 (VA21) it includes CSR related issues such as labor practice, gender equality and the development of local and regional communities.<sup>40</sup>

In Singapore, much of industrial relations have been dominated by the state and the historical National Tripartite Initiative. As seen, the construction industry is still to take significant responsibility for the group of migrant workers, and continues to see the welfare of them as the responsibility of the sub-contractor, is one of the best CSR initiative.

The Ministry of Labor has encouraged employers to enter the Thai Labor Standard System (TLS 8001-2003) to help protect and promote a better living for employees. The Ministry of Industry has announced the Standard for CSR to act as a guideline for entrepreneurs in Thailand.<sup>41</sup>

## **(c) Other Key Issues**

### **(i) Supply chains**

On the international side, CSR entered the Southeast Asian business lexicon via local partnerships with MNCs and via Asian-based supply chains to Western-based multinationals. During 1980s, they then began to adopt a growing number of voluntary codes of conduct, sometimes

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<sup>39</sup> Supra note 11.

<sup>40</sup> See [www.undp.org.vn/detail/newsroom/news-details/?contentId=1734&languageId=1](http://www.undp.org.vn/detail/newsroom/news-details/?contentId=1734&languageId=1); see also [www.unescap.org/tid/publication/indpub2565/](http://www.unescap.org/tid/publication/indpub2565/).

<sup>41</sup> Supra note 12.

accompanied by third-party certification processes to ensure compliance in their supply chain too.<sup>42</sup>

The anti-sweatshop movement of the 1990s pushed MNCs to acknowledge the double standards in their own operations, compelling them to take responsibility for their global supply chain.<sup>43</sup>

In Philippines, it is often said that “the CSR of small enterprises is fair trade.”<sup>44</sup> With Singapore companies having both private and government-linked venturing overseas, it is concerned with supply chains in the developed countries where there is increasing importance on CSR which is “beyond national boundaries to discover which standards to follow and perhaps to exceed”<sup>45</sup> BCA Green Mark in Singapore is another initiative towards complying with the global supply chain. Thailand passed the Product Responsibility Law in 2009 that focuses on the manufacture, import and sale of goods that cause or may cause injury.<sup>46</sup>

## **(ii) The environment and sustainable development**

Within ASEAN, Indonesia is the largest producer of energy with improved management of the energy sector.<sup>47</sup> The new Indonesian policy shifts the reliance from non-renewable to renewable energy resources and changes the energy consumption behavior towards more energy use awareness while combating the waste of energy.<sup>48</sup> The role of financial institutions in sustainable development is guided by the United Nation Environmental Program Finance Initiative (UNEP-FI, 2015).<sup>49</sup> Sustainable or green banking is the banking practice of a CSR initiative. Renewable energy is one of the areas within green banking.<sup>50</sup>

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<sup>42</sup> Supra note 12.

<sup>43</sup> Supra note 12.

<sup>44</sup> Supra note 12.

<sup>45</sup> Gerald F. Davis, Marina V.N. Whitman, and Mayer N. Zald, *The Responsibility Paradox!* Stanford Social Innovation Review (Winter 2008): 30-37 at pg 34.

<sup>46</sup> Supra note 12.

<sup>47</sup> Gunawan, J. and Fraser, K. (2012), *Green jobs in Asia: Potentials and prospects for national strategy*, *Economy of Tomorrow*, IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 11. Ver. I (November. 2016), PP 72-78 [www.iosrjournals.org](http://www.iosrjournals.org)

<sup>48</sup> Asian Development Bank (ADB), 2015, *Summary of Indonesia's Energy Sector Assessment*, ADB Papers on Indonesia, No. 09, Manila.

<sup>49</sup> United National Environment Program - Finance Initiative (UNEP-FI), (2015), *UNEP FI Guide to Banking & Sustainability*, retrieved from: [http://www.unepfi.org/fileadmin/documents/guide\\_banking\\_statements/](http://www.unepfi.org/fileadmin/documents/guide_banking_statements/).

<sup>50</sup> Biswas, D. (2016), *A Study of Conceptual Framework on Green Banking*, *Journal of Commerce & Management Thought*, Issue 1, pp. 39-53.

For Indonesian state-owned enterprises, CSR is guided by the Ministry of State-owned Enterprise in Indonesia regulation number PER-09/MBU/07/2015. For these organizations 4% of their corporate net profit needs to be allocated for CSR activities.<sup>51</sup>

In 2007, Singapore declared its aspiration to be the research and development hub for environmental and water technology in Asia.<sup>52</sup> Singapore, a signatory to the UN Framework Convention on Climate Change since 1997, has acceded the Kyoto Protocol.<sup>53</sup> In January 2008, the Singapore government set up the Inter-Ministerial Committee on Sustainable Development (IMCSD) in order to develop a national framework and key strategies for the nation's sustainable development.<sup>54</sup>

In Thailand, the Ministry of National Resources and Environment under the Environmental Quality Management Plan (2008-2011) encourages entrepreneurs to take into account environmental preservation and encourages the adoption of clean technology in production processes.<sup>55</sup>

In the Philippines, anti-pollution laws<sup>56</sup> such as the *Clean Air Act of 1999 (RA 8749)*, *Ecological Solid Waste Management Act of 2000 (RA 9003)*, *the Clean Water Act of 2004 (RA 9275)*, and *the Toxic Substances and Hazardous and Nuclear Waste Act (RA 6969)* all point to government efforts at guiding the business sector towards responsible behavior.

## **5. Legal Developments in CSR (2010-2024):**

### **i. Early 2010s: Establishing Foundations**

In the early 2010s, Southeast Asian countries began formalizing CSR practices through various initiatives. Indonesia took a significant step by enacting Law No. 40/2007 on Limited Liability

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<sup>51</sup>Supra note 24.

<sup>52</sup> See [www.sedb.com/edb/sg/en\\_uk/index/industry\\_sectors/alternative\\_energy/industry\\_background.html/](http://www.sedb.com/edb/sg/en_uk/index/industry_sectors/alternative_energy/industry_background.html/).

<sup>53</sup>Under the Kyoto Protocol, non-Annex I countries are not bound by emission-reduction targets. Annex I countries are required to reduce the emissions of six greenhouse gases, on average, by 5.2% below 1990 levels during the first commitment period from 2008 to 2012. See also Ministry of the Environment and Water Resources, Singapore (MEWR), *The Singapore Green Plan 2012* (Singapore: MEWR, 2006), 70.

<sup>54</sup> Channel News Asia, Valerie Tan, January 24, 2008, available at: [www.channelnewsasia.com/stories/singaporelocalnews/view/324718/1/.html/](http://www.channelnewsasia.com/stories/singaporelocalnews/view/324718/1/.html/).

<sup>55</sup> Supra note 12.

<sup>56</sup>Philippines Department of Energy, available at: [www.doe.gov.ph/TE/Envi.html/](http://www.doe.gov.ph/TE/Envi.html/).

Companies, which mandated that companies engaged in natural resource extraction implement CSR programs. This legislation underscored the government's commitment to ensuring that businesses contribute to social welfare and environmental sustainability. Similarly, Malaysia introduced the Silver Book under the Government-Linked Companies (GLC) Transformation Program, providing guidelines for GLCs to enhance their social and environmental contributions. These initiatives laid the groundwork for integrating CSR into corporate governance structures.

### **ii. Mid-2010s: Integration and Expansion**

Between 2015 and 2020, CSR practices became more mainstream in Southeast Asia, with companies increasingly aligning their CSR initiatives with core business strategies. In Malaysia, Bursa Malaysia, the national stock exchange, introduced mandatory sustainability reporting for listed companies, compelling them to disclose their CSR activities and impacts. This move enhanced corporate transparency and accountability, encouraging businesses to adopt more strategic and impactful CSR initiatives. In Indonesia, companies like PT Pertamina launched comprehensive CSR programs focusing on environmental sustainability and community development, reflecting a shift towards integrating CSR into business operations.

### **iii. Late 2010s to Early 2020s: Regulatory Strengthening**

As the 2010s progressed, Southeast Asian nations intensified their focus on CSR through more robust regulatory frameworks. In 2016, the Philippines Securities and Exchange Commission released the Code of Corporate Governance for Publicly-Listed Companies, which included provisions encouraging firms to consider the interests of all stakeholders and to integrate sustainability into their operations. Singapore also revised its Code of Corporate Governance in 2018, emphasizing the need for boards to consider sustainability issues as part of their strategic formulation. These regulatory enhancements signaled a regional shift towards embedding CSR into the corporate DNA.

### **iv. 2020-2024: Consolidation and Enforcement**

The period from 2020 to 2024 witnessed a consolidation of CSR practices within legal frameworks, accompanied by increased enforcement actions. In 2024, the Association of Southeast

Asian Nations (ASEAN) introduced an updated Taxonomy for Sustainable Finance, aiming to harmonize sustainability standards across member countries and promote decarbonization efforts. At the national level, Singapore's Monetary Authority launched the Singapore-Asia Taxonomy for Sustainable Finance, establishing detailed criteria for defining green and transition activities across key sectors. These initiatives provided clearer guidelines for corporations, aligning regional practices with global sustainability standards.

However, this period also highlighted challenges in CSR implementation. For instance, Indonesia's anti-corruption agency conducted raids on the Financial Services Authority's office in December 2024, investigating the alleged misuse of CSR funds by financial regulators. This incident underscored the need for transparency and accountability in CSR activities, emphasizing that legal mandates must be accompanied by effective enforcement mechanisms.

## **6. Conclusion**

Corporate Social Responsibility (CSR) has become a pivotal aspect of corporate governance, reflecting the evolving expectations of businesses to contribute positively to society beyond their economic objectives. The legal discourse surrounding CSR dates back to the early 20th century, notably marked by the debate between Adolf A. Berle, Jr. and E. Merrick Dodd, Jr. in the 1930s. Berle advocated for shareholder primacy, emphasizing that corporate managers' fiduciary duty was solely to shareholders. Conversely, Dodd argued for a broader fiduciary duty that includes all stakeholders affected by corporate decisions, such as employees, customers, and the wider community.

In Southeast Asia, the concept of CSR has evolved significantly over the past decade and a half. Initially perceived as voluntary corporate philanthropy, CSR has increasingly been integrated into legal frameworks, reflecting a regional commitment to sustainable development and ethical business practices. This paper explores the legal evolution of CSR in Southeast Asia from 2010 to 2024, analyzing key regulatory developments, enforcement actions, and the challenges faced in harmonizing CSR initiatives with legal mandates.

It is often argued that Asia lags behind CSR in the West especially in respect to the social side of it,<sup>57</sup> Southeast Asian countries concentrates at the highest level possible, the most pressing and trending issues related to corporate social responsibility, from the defense of human rights and more specifically of workers' rights, the protection of environment and health and the action.<sup>58</sup> Many recent initiatives show that times are changing, though. Both, the effort of, government and private sectors can be observed in order to comply with the global trends of CSR. There is an explosion of CSR-related activities within the non-governmental sector in Southeast Asia. Although some parts of the Asian continent achieved high economic growth during the last five decades, further economic development, poverty reduction, corruption, and environmental degradation are the major challenges that have yet to be overcome. The evolution of Corporate Social Responsibility in Southeast Asia from 2010 to 2024 reflects a dynamic interplay between corporate practices and legal frameworks. The region has made significant strides in integrating CSR into corporate governance, transitioning from voluntary initiatives to legally mandated obligations. Regulatory enhancements, such as the ASEAN Taxonomy for Sustainable Finance and national guidelines, have provided clearer directives for corporations, promoting responsible investment and adherence to ESG principles.

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<sup>57</sup> J Roche, *Corporate Governance in Asia*, Routledge, 1st Edition (May 19, 2005).

<sup>58</sup>Philippe Debroux, *Corporate Social Responsibility in Asia: the Beginning of the Road* , available at: [https://www.soka.ac.jp/files/ja/20170420\\_202931/](https://www.soka.ac.jp/files/ja/20170420_202931/).