

# CORPORATE SOCIAL RESPONSIBILITY (CSR) LAW IN THE CONTEXT OF INNOVATION IN VIETNAM

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## Overview

**INTRODUCTION** In the current era of rapid innovation, Corporate Social Responsibility (CSR) has become essential for aligning business practices with sustainable development and broader societal values. As innovation accelerates, CSR legal frameworks are increasingly necessary to guide corporations in responsibly navigating the social, environmental, and governance implications of their activities. This paper examines the evolving intersection of CSR and legal requirements in Vietnam, with a focus on how existing legislation can support a digitally transforming economy committed to sustainable development.

**CSR HISTORY** CSR appeared around the beginning of the 20th century. Initially, it was a form of operating model with rules set by businesses themselves, helping businesses contribute to social goals in the form of humanitarian businesses, works for the community. However, this meaning has gradually changed from voluntary at the individual level to mandatory as a policy because of changes in the business and social environment. In the 1950s, CSR began to be defined, typified by the works of Howard R. Bowen, considered the "father of CSR". However, a unified definition of CSR has not yet been decided, mainly due to different perspectives. Since the 1990s, CSR has become a strategic element in business operations globally, emphasizing sustainable development and business ethics. It was also the time that CSR began to be introduced to Vietnam through international projects and investments from multinational corporations. Since 2000, CSR has become a discussed topic in seminars and Government policies, with the attention of international trading partners. However, it's still in a voluntary status until now.

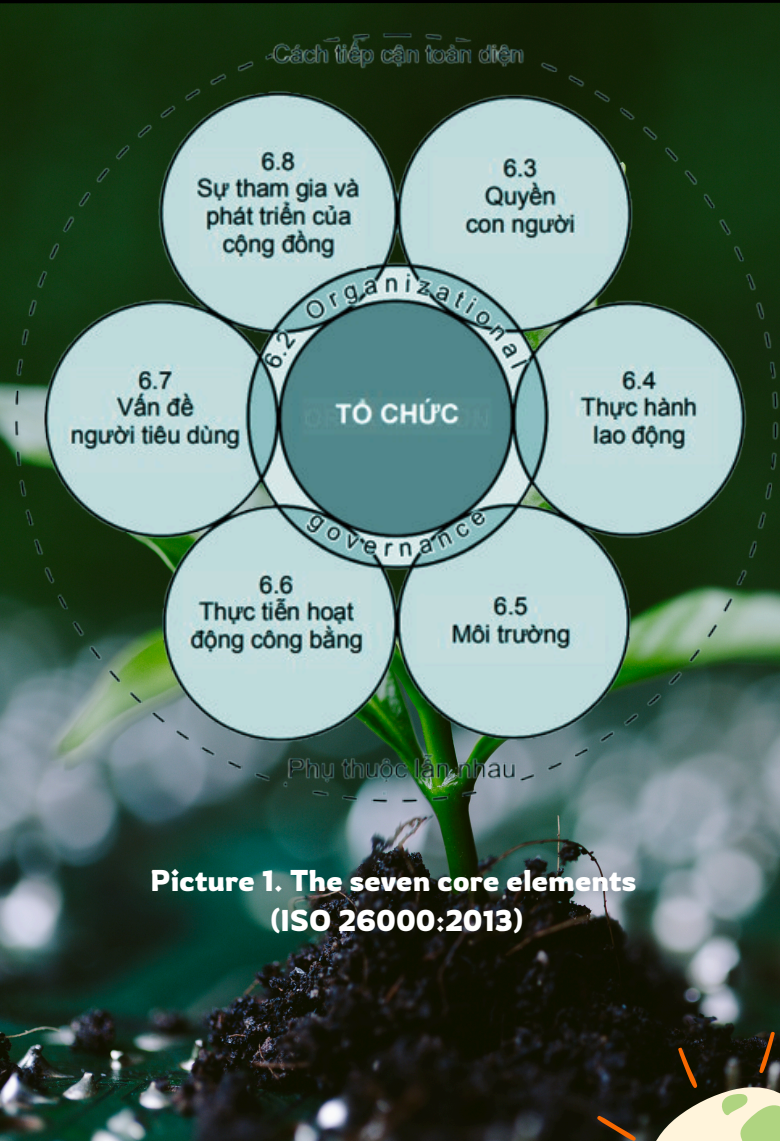
**METHODOLOGY** Document research method is used to synthesize available data from previous surveys, reports, and databases to clarify the current situation of CSR application by businesses in Vietnam; Synthetic and analytical methods are used to clarify Vietnam's current legal regulations on CSR; Comparative method is used to find similarities and differences in CSR policies and regulations in Vietnam compared to the EU; from there, propose appropriate recommendations for Vietnam.



## Findings



- 01 Vietnamese legal regulations on CSR are scattered, not really clear, lack uniformity and connection,
- 02 Vietnamese legal regulations on CSR have not fully integrated international standards on CSR, leading to a lack of consistency in enforcement,
- 03 Awareness and capacity to implement CSR of Vietnamese businesses is still limited in many aspects.



Picture 1. The seven core elements (ISO 26000:2013)

## Discussion



- 01 Regulations on CSR in Vietnam are scattered in many laws and articles: Labor Code 2019 (Articles 6, 7, 134, 136...), Enterprise Law 2020 (Articles 8, 109...), Environmental Protection Law 2020 (28, 118, 119, 120...), Consumer Protection Law (Articles 14, 15, 19, 21...), tax regulations, tax incentives and many other regulations. Some commentators have pointed out differences between the approaches to CSR of Canadian, European and Anglo-Saxon economists. According to Chinese consumers, a socially responsible company is one that creates safe, high-quality products; as for the Germans, it is a company that ensures the safety of workers; in South Africa, companies need to contribute positively to the community through ensuring health and education... While in Vietnam, although the term 'social responsibility' is mentioned (Enterprise Law, Article 109), Vietnamese law does not have an exact definition to determine the scope of CSR.
- 02 On the one hand, because the scope of CSR has not been accurately determined by definition, Vietnamese businesses have difficulty determining standard indicators to apply CSR in their operations. On the other hand, ISO 26000 is considered one of the universal standards on CSR but is only voluntarily referenced, and is not complete, typically the 7 core elements of CSR mentioned in ISO 26000 is not found in detail in Vietnamese law, leading to a lack of standardization in businesses' CSR efforts. In addition, standard activities demonstrating social responsibility, aiming to build "corporate citizenship" are the thing that Vietnam should learn and integrate into legal regulations, both contributing to standardizing CSR, and promoting sustainable business values to the community.
- 03 Many businesses, especially small and medium-sized enterprises (SMEs), do not understand correctly or sufficiently the importance of CSR. Many businesses often only implement CSR to meet legal requirements or beautify their image, instead of aiming for sustainable impact. Lack of understanding and reluctance to change cause businesses to fall backwards compared to the progress of CSR. In addition, many businesses, especially SMEs, still consider CSR as a "cost burden" rather than an opportunity to innovate and add long-term value, which makes it difficult for businesses to innovate to integrate CSR into operations. Besides, short-term business orientation and ignoring long-term values are also some of the things that cause limitations for businesses in integrating CSR. In general, delays in awareness and practice of CSR will cause Vietnamese businesses, especially SMEs, to lose the opportunity to compete in the international market.

## Recommendations

- 01 Adding the definition of "social responsibility" to the Enterprise Law: is a type of corporate responsibility for the impacts of corporate decisions and activities on society and the environment, through transparency and ethical behavior integrated throughout the enterprise's operations, to contribute to sustainable development, including the health and prosperity of society, taking into account the wishes of stakeholders, in accordance with the law and consistent with international standards of conduct.
- 02 Integrate CSR into the national sustainable development strategy, to create a solid and consistent legal basis for application.
- 03 Develop a pilot model to apply mandatory CSR in businesses in clusters and regions, thereby aiming to mandatory integration of CSR into annual reports of businesses.
- 04 Develop appropriate minimum standards for each type of business, industry and scale: for example, manufacturing enterprises need to apply environmental standards to reduce CO2 emissions below industry standards, apply a system advanced wastewater treatment, ensuring human rights on the basis of a minimum wage above the legal level...; or for SMEs, they need to apply community activity standards, contribute 1-2% of annual profits to local support funds, use environmentally friendly packaging...
- 05 Determining the scope of CSR applied in businesses to establish standards for assessing CSR, Vietnam can refer to the 7 core elements mentioned in ISO 26000: organizational governance, human rights, labor practices, environment, fair operating practices, consumer, community development participation; or GRI's standard detailed reporting frameworks (GRI 200, GRI 300, GRI 400...).
- 06 Strengthen propaganda and raise awareness of the community and business leaders about CSR
- 07 Strengthen internal corporate training on CSR.



## Conclusion

In general, CSR in Vietnam today is still voluntary, and this is not convincing enough to promote the application of CSR in business practices. Changing the nature of CSR from voluntary to mandatory is the thing the author believes should be done. Above all, CSR should be implemented on a strict and complete legal basis. Therefore, amending, supplementing and perfecting Vietnamese law on CSR is urgent in today's era of innovation. At the same time, this work will be truly stronger with increased propaganda to raise awareness of the entire community.

## Key References

ISO 26000 | Sheehy, Benedict (2015). "Defining CSR: Problems and Solutions". Journal of Business Ethics ISSN 0167-4544 | Vietnam Consumer Protection Law | Vietnam Enterprise Law 2020 | Vietnam Environmental Protection Law 2020 | Vietnam Labor Code 2019