

CSR Project Report Executive Summary

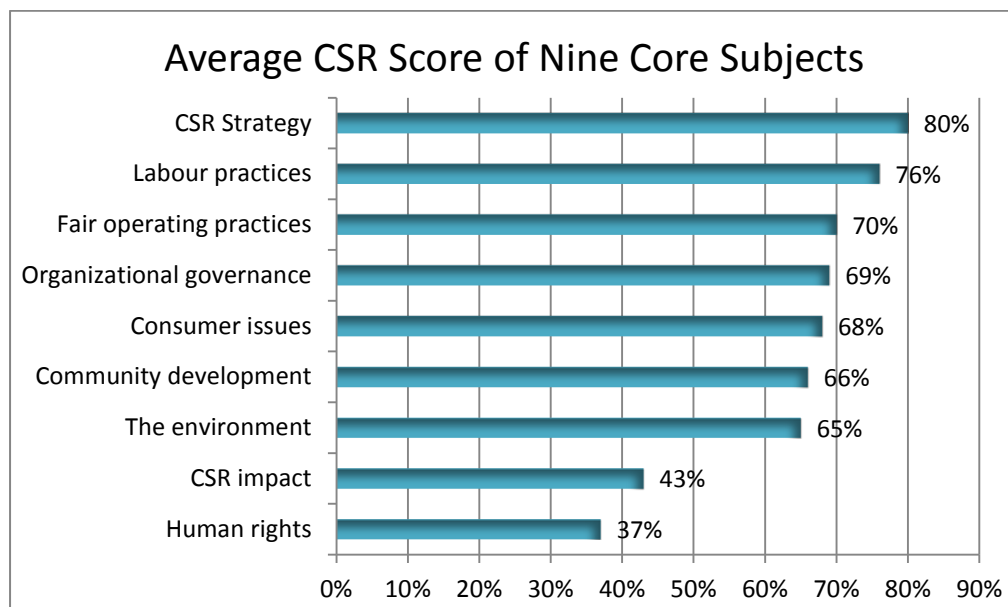
The primary objective of this project is to promote the advancement of Corporate Social Responsibility (CSR) and related CSR best practices in Hong Kong. This joint pilot study aims to investigate the current level of CSR performance, thereby setting a benchmark for Hong Kong, of a sample of publicly listed companies that are part of the HKCSS Caring Company Scheme.

In order to measure the level of CSR performance, we used the ISO 26000 Guidance on Social Responsibility, the most widely recognized international standard on CSR, as a framework by designing a questionnaire that covered the 7 core subjects of ISO 26000, organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development, and also added two more areas covering overall CSR strategy and impact evaluation. In total, there are 9 sections, given equal weighting, and 46 questions in the survey

Seventeen companies participated in this pilot study and were representative of the following industries: manufacturing and trading; public utilities and services; banking, financial and credit services; conglomerate; media and entertainment; transportation; hospitality, clubhouse and tourism; insurance; and property management. Five companies have less than 1,000 employees and six have over 10,000. Three of the 17 companies have been in business for less than 25 years while five of the companies have been operating for over 100 years. Qualitative interviews were conducted with 12 of the 17 companies to gain better insight on the level of CSR engagement.

The average overall CSR score for the sample is 64%. The highest scoring subject was CSR strategy at 80%, followed by 76% for labor practices, 70% for fair operating practices, 69% for governance, 68% for consumer issues, 66% for community involvement and development, 65% for the environment, 43% for CSR impact and the lowest score was 37% for human rights (see Figure 1 below). These scores serve as a baseline measure for Hong Kong with the hopes that scores progressively improve for each section, and therefore at the overall level of CSR performance.

Figure 4: Average CSR Score of Nine Core Subjects



Based on individual results from the questionnaire, along with information garnered through the twelve interviews, some observations can be made about the state of CSR engagement in Hong Kong, along with recommendations for all sectors to strengthen the commitment towards CSR. It is clear that the companies sampled have a CSR strategy in place, some more developed than others. Above and beyond that is the need to begin evaluating CSR strategy and look towards measuring the overall impact of CSR efforts, especially as more resources are diverted towards CSR.

Recommendations

Particular recommendations along each core subject based on ISO 26000 are included below:

- **Organizational governance:** In addition to official CSR governance arrangements, there is a need to strengthen value and culture building in companies. It might be helpful to create a system of economic and intangible incentives related to performance on social responsibility. Moreover, to reinforce stakeholder engagement in organizational governance, a system should be instilled to proactively identify, approach and engage stakeholders in managing risks (i.e., potential impact of business activities).
- **Human rights:** While on the surface, the relatively low score in this section as compared to the other core subjects seems to indicate a major issue, this is not necessarily the case. The philosophies behind the protection of human rights embodied in ISO 26000 are intended to institutionalize such practices by setting policies and stated principles. By virtue of Article 39 in Hong Kong's Basic Law, companies operating here are already required to abide by international laws governing human rights but the major difference is that prevailing practice in Hong Kong means this is not necessarily stated. However, the potential for improvement is there considering that some companies are now choosing to show their commitment to upholding international conventions. This should be further backed by government support in encouraging companies to adapt human rights policies across their organization.
- **Labor practices:** Many companies have implemented programs related to healthy work-life balance although more efforts could be made to improve on what is currently available and to regularly review HR policies and practices. Also, employers can think about providing channels for employees to get access to representatives of workers and actively engage these representatives in managing potential risks of business activities in relation to employees' welfare.
- **The environment:** In general, companies have adopted various approaches to saving energy and protecting the environment such as paper recycling, light dimming systems, and energy audit. However, these measures are small-scale whereas the focus should really be on larger-scale efforts, potentially joint partnerships, which would make more of an impact. For those companies with more resources, one way to further enhance their role in environmental protection is to collaborate with the government in promoting a sustainable lifestyle to the public. Policies like wasted food collection, energy audit in residential buildings, or installation of solar panels could be some effective means to achieve this goal.
- **Fair operating practices:** More of an effort can be made by companies to incorporate social and environmental criteria into their purchasing policies, filling a big gap between policy formulation and enforcement of supplier management. In addition, more training should be provided for staff on CSR values and practices such as property rights protection.
- **Consumer issues:** Companies did relatively well in addressing consumer complaints and protecting consumer rights but the low relevancy and transparency regarding information disclosure to consumers requires further attention. Furthermore, companies should be encouraged by the public and through appropriate government incentives and/or regulation, to focus on research and development of sustainable products and services.

- Community involvement and development: While all the companies in the sample are involved in the community, either through volunteer programs, philanthropic giving, or individually-supported projects, far more can be done in this area. Companies need to get better about due diligence within the communities in which they work, especially at assessing risks to the community and involving key stakeholders. While short-term, small-scale projects can be positive to the community, the key focus should be beyond just community involvement but also include community development.

Conclusion

It is clear that the CSR movement in Hong Kong has indeed progressed steadily over the years and there is ample evidence that these companies will continue to invest in CSR. However, it is also notable that the next step is for CSR policies and practices to be entrenched into corporate culture and championed at the highest levels. Without commitment from the top, CSR will at best exist at the strategic level. Furthermore, there is a need for the public (and especially the NGO sector) to demand more from CSR programs and also to show support and commitment for CSR efforts made by the private sector. Encouraging government to make enhancements at the regulatory level could ease the way for improvements to CSR policies and practices in, for example, the environment or human rights, so that the private sector in Hong Kong can continue to show steady improvements to overall CSR performance. As such, both HKCSS and HKU are dedicated to promoting CSR as a means towards a more sustainable future.

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