

# Getting Started in Corporate Social Responsibility

A practical guide for small, medium and large companies in Hong Kong



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Shalini Mahtani  
CEO, Community Business, February 2007

## About Community Business

Community Business is a unique membership based charity whose mission is to lead, inspire and support businesses in Hong Kong to continuously improve their positive impact on people and communities. Community Business provides training, facilitation and advice to some of the world's leading companies in Corporate Social Responsibility (CSR) and its major areas of focus include CSR strategy and policy, corporate community investment and diversity in the workplace. Founded in 2003, Community Business currently works with a range of small, medium and large companies committed to CSR. For more information, visit [www.communitybusiness.org.hk](http://www.communitybusiness.org.hk).

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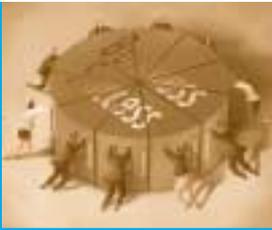
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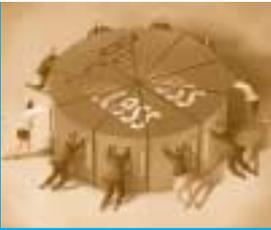
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### Foreword

"This document is a direct outcome of the signing of the Hong Kong Corporate Social Responsibility (CSR) Charter. As three signatories to the Charter, we are committed to CSR as we believe that this is the only way to ensure the long-term sustainability of our businesses. We appreciate that each of you will have your own definitions of CSR and resulting actions, but that is a fundamental part of this journey of continual improvement.

We believe this document will be a valuable guide that can assist other companies in Hong Kong to get started and improve their progress in CSR and we welcome further opportunities to engage with you in discussions to develop a network of like-minded CSR enterprises.

We would also like to acknowledge the vital and fundamental role taken by Community Business in advocating CSR and building capacity across all levels of Hong Kong society."



**Brian Harrison**  
Head of Asian Practice  
Allen & Overy



**C K Chow**  
CEO  
MTR Corporation



**Peter Sullivan**  
Executive Director and CEO  
Standard Chartered Bank  
(Hong Kong) Limited

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### Author's Note

#### The origins of this publication

The Community Business Leadership Team (CBLT), comprising leadership from companies in Hong Kong, developed and launched the Hong Kong Corporate Social Responsibility (CSR) Charter in September 2005. The aim of the Charter is to:

- Provide organisations committed to CSR with a tool to declare their CSR commitment to stakeholders.
- Provide organisations committed to CSR with a framework to follow on their CSR journey.
- Encourage organisations to recognise the importance of CSR to their business and agree to the values and aspirations incorporated therein.

The CBLT recognises that in order for CSR to be embraced by the Hong Kong business community, there needs to be more understanding of CSR — what it is and how to put it into practice. This guide has been written to assist companies in Hong Kong, of all sizes, local or multinational, to get started on their CSR journey. It has also been written for companies who already have CSR initiatives in place but need clarification and guidance on how to align their business objectives with their CSR approach. This guide is applicable to all companies, whether or not they are a signatory to the Hong Kong CSR Charter.

To view the Charter, please refer to page 5. For further information about the Charter and details on how to become a signatory, please visit [www.communitybusiness.org.hk](http://www.communitybusiness.org.hk).

#### Terminology

The aim of this publication is to provide an easy-to-read guide with real-life examples and practical advice. With this in mind, we have endeavoured to use everyday language rather than business jargon. In this publication we refer largely to “companies” and “businesses”. CSR however applies to both for profit and non-profit organisations.

#### Acknowledgements

Community Business is grateful to Allen & Overy, MTR Corporation and Standard Chartered Bank (Hong Kong) Limited for sponsoring this publication and for taking a leadership role in CSR in Hong Kong.

Community Business would also like to thank the following individuals for their invaluable input: Christine Loh, CEO of Civic Exchange and Board Director of Community Business and Mallen Baker, Development Director at Business in the Community in the UK and Editor of Business Respect.

Thank you also to Kate Vernon at Community Business and Jennifer Eagleton for editing this guide.



### Executive Summary

Corporate Social Responsibility (CSR) has become a popular term. However there is no universally accepted definition of what it means. Essentially CSR is about a company recognising that its long-term business success is dependent on its relationship with all its stakeholders — both inside and outside the company — and that adopting responsible management practices is essential.

For a company to be successful in carrying out CSR, it needs to embed socially responsible values throughout the business, influencing its day-to-day operations. The CSR Framework presented in this guide sets out one way of doing this. The Framework was developed for companies operating in Hong Kong and has four steps. The first two steps are regarded as essential whilst the last two steps are viewed as aspirational. These four steps reflect the framework set out in the Hong Kong CSR Charter and are applicable to all companies, whether they are currently signatories of the Charter or not.

The first step, “**Provide leadership**”, is the foundation for this framework and requires that corporate leaders communicate and behave in a manner which is consistent with corporate values. Leadership needs to recognise that CSR is a business issue and ultimate responsibility rests at the top.

The second step, “**Integrate CSR into organisational strategy and operations**”, is about prioritising the approach to CSR by closely aligning it to business objectives, deciding what action to take and how to measure its success.

The third step, “**Engage with stakeholders**”, is about consultation with all those who affect or are affected by the business. While there are many advantages of stakeholder engagement, there are risks involved which also need to be considered.

The fourth step, “**Communicate CSR**”, is about reporting CSR to stakeholders. Today’s culture of accountability requires that companies demonstrate that they are good corporate citizens. How and what a company decides to report will depend on a number of factors and principles.

This guide maintains that a strategic approach to CSR is essential and aims to give readers useful tools to implement it. However, any approach to CSR should be regarded as work-in-progress. A company needs to constantly review the environment in which it operates and adapt its approach accordingly.



## Hong Kong Corporate Social Responsibility Charter

Our organisations in Hong Kong have voluntarily chosen to recognise the importance of Corporate Social Responsibility (CSR) by agreeing to the values outlined in this Hong Kong CSR Charter. Representing different sectors with a wide range of activities, we accept that our organisations are at different stages in their CSR journey. However, our organisations share a commitment to the core principles of CSR and a vision for the way forward.

### We agree to:

#### 1. Provide leadership

Ultimate responsibility for CSR rests with leadership in our organisations. We assign clear responsibilities, resources and leadership roles for addressing CSR and we promote CSR within our spheres of influence.

#### 2. Integrate CSR into our organisational strategy and operations

CSR is about the principles by which we conduct our business. Due to the varying nature and needs of our businesses, we implement policies and programmes relevant to our workplace, marketplace, community and environment with respect to local considerations and in line with our global values.

### We aspire to:

#### 3. Engage with our stakeholders

Our stakeholders play a fundamental role in our success. We strive to engage with our stakeholders in the workplace, marketplace, supply chain, community and in matters relating to public policy.

#### 4. Communicate CSR

Transparency and accountability in respect to CSR are fundamental to our internal and external stakeholders. We strive to communicate to our stakeholders in a manner both relevant and appropriate to our business.

We commend this Hong Kong CSR Charter to all business and other organisational leaders and actively encourage other enterprises to adopt these values.

### Signatories (Companies indicated with an "\*" are Founding Signatories)

- ABN AMRO\*
- Allen & Overy\*
- American International Assurance Company (Bermuda) Limited
- APCO Asia Limited (now APCO Worldwide)\*
- Atos Origin
- Baker & McKenzie Hong Kong\*
- Barclays\*
- BP Asia Limited\*
- British Council Hong Kong\*
- CLP Holdings\*
- Credit Suisse (Hong Kong) Limited\*
- DHL Express (Singapore) Pte Ltd\*
- Fleishman-Hillard\*
- Freshfields Bruckhaus Deringer\*
- Hewitt Associates LLC
- The Hong Kong and China Gas Company Limited\*
- Hong Kong Quality Assurance Agency
- Manpower Services (Hong Kong) Limited\*
- MTR Corporation Limited\*
- PepsiCo Asia\*
- Schroder Investment Management (Hong Kong) Limited\*
- Serco Group (HK) Limited\*
- Shell Hong Kong Limited
- St George's Harvey Nash (now Hays Executive)\*
- Standard Chartered Bank (Hong Kong) Limited\*
- Sun Hung Kai Properties Limited
- The Timberland Company (Asia Pacific) Pte Limited\*
- TOM Group Limited
- UBS AG\*
- Wong's Kong King International (Holdings) Limited
- Zurich Insurance Group (Hong Kong)\*



# The Big Picture

## Defining Corporate Social Responsibility (CSR)

CSR has become a popular term, yet there is no universally accepted definition of what it means. Most would agree that CSR is beyond compliance with the law and covers a wide range of components. However, exactly what it encompasses will vary depending on whom you speak with, their level of awareness, what business they are in, what their stakeholders think and their business objectives. CSR can range from equal opportunities and employee volunteering to the working conditions of suppliers and environmental biodiversity.

CSR is not so much about how you define it, but rather the process you use in order to establish what it means for you and its relevance to achieving your business objectives. CSR is essentially about recognising that your company's long-term success is dependent on its relationship with all its stakeholders — both internal and external to the company — and not just its shareholders. One widely used definition of CSR is:

**CSR is about companies achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment.<sup>1</sup>**

There are some CSR practitioners who see CSR as being synonymous with the term "triple bottom line", which is the sum total of a company's economic or financial responsibility, its environmental responsibility and its social responsibility. This is also known as a company's contribution to sustainable development<sup>2</sup> or its "People, Planet, Profit" approach to doing business.

The CSR Framework and Tasks 1 to 5 presented in this guide are designed to assist you in defining what CSR means for your company.



### Example: Definition: Sustainable Development versus CSR

Company: MTR Corporation

Number of employees in Hong Kong: 6,513

#### **Sustainability Definition:**

Sustainability drives MTR Corporation's business culture through work practices that:

- Provide value for money to customers while delivering safe and environmentally sound rail and property services.
- Develop and build environments that create quality living and working communities in Hong Kong.
- Pursue a business model that promotes long-term economic and financial viability for MTRC.
- Provide employees with a safe, healthy and caring work environment.
- Sustain environmental, health and safety standards in relationships with suppliers, contractors and business partners.
- Maintain ongoing stakeholder communications and build relations that seek to achieve common objectives.

#### **CSR Definition:**

Through socially responsible behaviour, MTR Corporation aims to be a competitive and profitable enterprise able to make a long term contribution to sustainable development by generating economic growth and providing jobs and careers whilst supporting the social and environmental needs of the society.

The CSR Guideline (published in December 2005) is supported by a number of top-down and bottom-up initiatives with key stakeholders in the areas of Community Investment, Employment and Social Affairs, Sustainability and Environmental Initiatives.

### CSR is a business imperative

In today's environment CSR is a business imperative. With advancing technology, globalisation of markets and 24-hour media, stakeholders are more demanding of companies than ever before and want them to operate transparently and demonstrate that they are socially responsible. Both internal and external stakeholders alike are making their voices heard in powerful and influential ways and for many companies CSR has become the new "license to operate".

A company should also understand that CSR is not simply about demonstrating that it is not doing bad things — like polluting the environment or treating workers unfairly — but about how its business activities make a positive impact on the community in which it operates. Such business activities need to have commercial validity to ensure that they remain sustainable over time.



### A strong business case for CSR

If you need a business case for CSR, think no further than the impact of adopting responsible management practices on three stakeholder groups: your customers, employees and investors.

Customers want to buy products that are safe, affordable and reliable and prefer goods which do not harm the environment or exploit people. Employees want to work for and remain loyal to an employer who remunerates and treats them fairly, provides training and development opportunities and understands that they have a “life” outside of work. Investors, over and above their return on investment, want to ensure that the company operates with transparency, has the trust of its stakeholders and will continue to be a going concern.

In addition, from a risk-management perspective, the consequences of failing to behave in a “socially responsible” manner, for example by adopting negligent labour practices or polluting environmental processes, can be damaging to the reputation of a company and have a far-reaching impact on its bottom line.

This is the business case for CSR in its simplest form and throughout this guide you will see examples of the business case for CSR in Hong Kong. The reason why each company should carry out CSR will differ and change over time as the environment in which the company operates also changes.<sup>3</sup>

The CSR Framework presented in this guide on pages 10 to 36 will assist you in exploring why your company should be socially responsible.

### CSR costs and benefits

Although CSR can have many benefits, CSR is not a magic recipe for success and does not compensate for bad decisions made in conventional aspects of business such as marketing, production or financial control.<sup>4</sup> In addition, CSR initiatives will not always have immediate financial returns and costs may outweigh benefits — particularly in the short term.

#### Consumers in Hong Kong consider CSR

38% of consumers in Hong Kong rank environmental and social considerations in their top three purchasing factors.<sup>5</sup>

#### Hong Kong employees happy with “work-life” balance are more loyal employees

Employees who are satisfied with the amount of time they have with their family and friends are more satisfied with their jobs. The more satisfied people are with their jobs the less likely they are to leave their employers.<sup>6</sup>

#### Hong Kong investment community — watch out!

“Sustainable and Responsible Investment (SRI) is still viewed by many investors in Hong Kong as ‘not realistic’. Such views miss the point entirely. SRI analysis of Hong Kong and Asian companies reveals striking anomalies between perceived value and actual risks to earnings, hence its power as an investment tool. CSR standards are becoming ever more powerful drivers in the global marketplace and this is why SRI keeps on growing.”

Tessa Tennant, Chair – **Association for Sustainable and Responsible Investing in Asia (ASRIA)**



### Response to CSR sceptics<sup>7</sup>

There are a number of common arguments we hear from sceptics of CSR.

#### **“CSR is a western concept. It does not apply to companies operating in Hong Kong.”**

CSR is not a western concept. It is a strategic response by companies to a changing environment and Hong Kong society is changing as it is elsewhere. CSR enables companies to monitor shifts in social expectations and helps control risks and identify market opportunities. Companies in Hong Kong are increasingly choosing to embrace CSR because it is in their best interest to do so.

#### **“CSR is purely a marketing activity for companies giving money to charity.”**

There are many business reasons why a company may choose to be engaged in CSR and market positioning is certainly one key driver. (For a reference list of main business drivers, see Table 1 on page 15.) Charitable giving is not the same as CSR — it is one component of CSR and falls under a company's corporate community investment. (For a reference list of CSR components, see Table 3 on pages 18 and 19.)

#### **“The purpose of business is to maximise profits. CSR adds to costs and reduces profits.”**

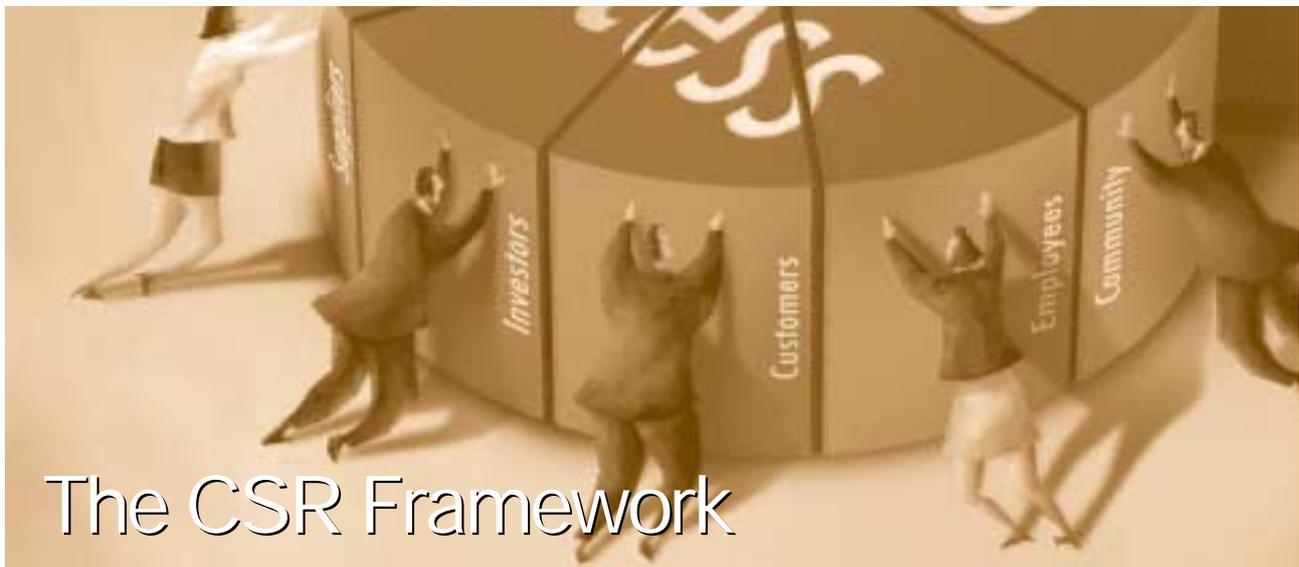
CSR should be undertaken by a company for business reasons — it must therefore be seen as an investment with potential long term benefits rather than as a cost. Like any investment, it may or may not have the desired returns. These returns may not translate into monetary returns and if they do, may take time to show in the financial bottom line. For example, a recently launched work-life balance programme that gives staff the flexibility to work from home will result in the company incurring technology costs to establish remote access for employees. However, this programme is likely to reduce absenteeism and staff turnover as well as increase staff morale. These are all clearly benefits but may not be captured by the income statement in the short term.

#### **“CSR is for large companies who can afford it and not for SMEs.”**

This argument generally assumes that CSR is about a company making cash donations to charities. Corporate philanthropy is only one aspect of CSR. CSR does not always require a financial cost to be incurred in order to derive a financial benefit. For example, both a small and large company can benefit from cost savings by conserving energy. This can be achieved quite simply by implementing a policy to switch off lights, computer monitors and other electrical appliances at lunchtime and at the end of each working day.

#### **Key Points**

- There is no single, universally accepted definition of CSR. Each company needs to develop its own definition based on its business priorities.
- CSR is a business imperative for companies of all sizes. Companies are increasingly answerable to their customers, employees and investors and need to demonstrate that they are acting responsibly.



As a company embarks on its CSR journey, it is important to note that each company is at a different starting point.

The following CSR Framework sets out four practical steps that are required to incorporate CSR into the operations of your company. This framework is not the only way to integrate CSR into your company — there are many other tools available. However, this framework has been developed by and for companies operating in Hong Kong using the Hong Kong Corporate Social Responsibility Charter (see page 5) as its foundation.

The four steps in this framework are applicable whether your company is small, medium or large and whether or not your company is a signatory to the Charter. As you review this framework, you may find that some parts of the process are already in place and others will need further work. The four-step process is illustrated on the next page.

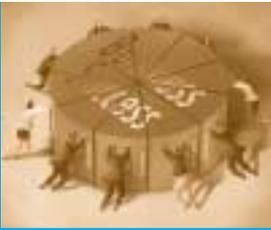
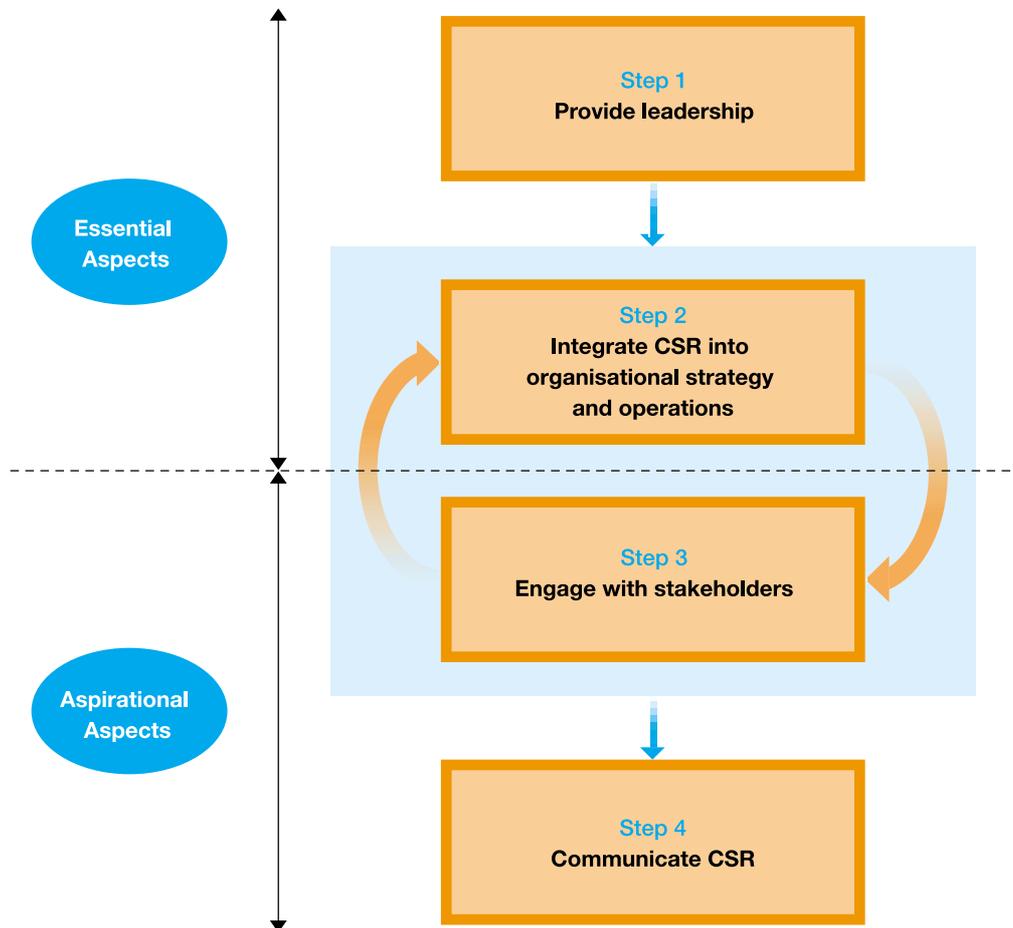


Diagram 1: The CSR Framework (developed using the Hong Kong CSR Charter)



The first step, “**Provide leadership**” is the foundation of this framework. Without strong leadership there is little chance that CSR will be taken seriously and afforded the resources required to ensure success.

The second step, “**Integrate CSR into organisational strategy and operations**” assists a company in identifying, prioritising, implementing and measuring CSR. This step requires a set of questions to be asked internally and outlines tools that can be adopted. Both Step 1 and 2 are essential aspects in the CSR Framework.

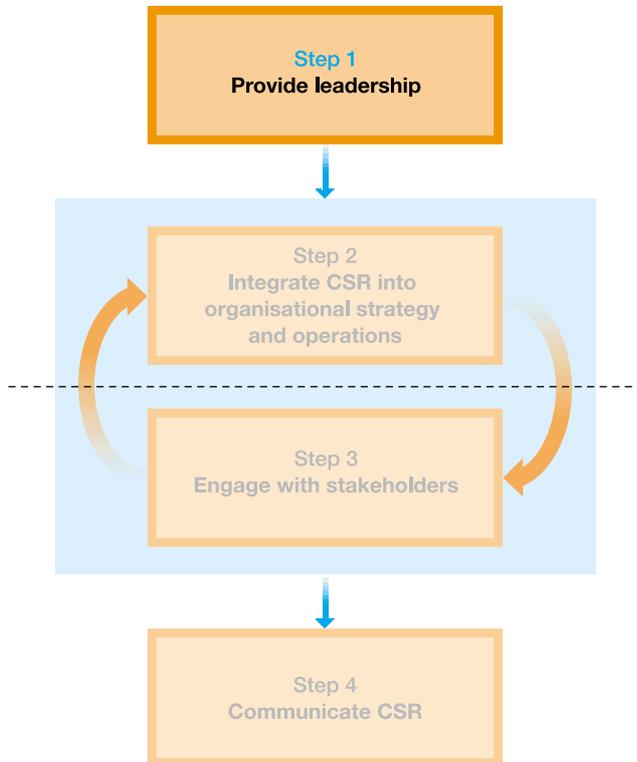
The third step, “**Engage with stakeholders**” is strongly encouraged and is fundamental to aligning CSR to stakeholder needs. Stakeholder engagement requires careful management and a company should use this dialogue process to inform decision making in integrating CSR into day-to-day operations.

The fourth step, “**Communicate CSR**” is also strongly encouraged. Today’s culture of accountability requires that companies demonstrate they are good corporate citizens and that they “walk the talk”. When first implementing CSR a company needs to decide on its key messages and may decide that it is not immediately in a position to communicate CSR to its stakeholders. Both Steps 3 and 4 are aspirational aspects of this CSR Framework.

The following sections address Step 1 to Step 4 in turn.



### Step 1: Provide leadership



*CSR will always remain at the fringe of business unless leadership drives the CSR agenda. Today's business leaders are required to be champions and consensus builders of corporate values in a society that often questions the sincerity and motivation of business.*

*In this section we explore leadership, both individual and collective — as a fundamental component of CSR.*

### Securing leadership commitment

Corporate communications and human resources departments in larger companies are often in charge of CSR. Although CSR may be located in these departments for functional reasons, it is imperative that CSR has leadership commitment and that leadership accepts ultimate responsibility. Until CSR is recognised by leadership and regarded as central to business success, it will not receive the attention or resources it deserves and therefore will fail to achieve its desired returns. Only when leadership commits to CSR and communicates this effectively to all staff can CSR be successful.

If your company does not already have an enlightened executive team, the challenge for middle management is to develop a sound business case for CSR and make sure it gets heard. Whilst the financial benefits of CSR are often difficult to quantify, particularly in the short term, there are a number of business drivers that clearly demonstrate the need for CSR. Step 2 of this CSR Framework looks at this in more detail and provides some practical tools to assist you in defining your business case for CSR.

In addition to developing the internal business case, there are other ways to enhance top-level support. Some suggestions include:

- Point to successful programmes in other companies, particularly in the same industry.
- Look for allies internally who you know are committed to CSR. Talk to these people individually to rally their support and seek their assistance in putting CSR on the corporate agenda.<sup>8</sup>



### Effective leaders

Many companies that have been successful in their adoption of CSR, can attribute that success directly to the commitment of their leaders. These individuals have clearly articulated their vision and commitment to CSR, both internally and externally. They have embodied their beliefs into their mission statements and breathed life into the values of their company. It is these companies that have allocated budgets and human resources to address CSR.

A company is often most severely tested when it faces some crisis that forces it to balance the conflicting interests of different stakeholders. Without leadership using corporate values as a guide in these situations, the company will often be judged by external stakeholders to have failed the most difficult tests that define whether a business is truly socially responsible or not. This aspect of CSR — having leadership resolve dilemmas rather than simply running “programmes” — is often underrated and is of great importance.

### Strength in collective leadership

Business leaders tend to have a wide sphere of influence and access to other leaders. Often they come together collectively in groups to advocate an issue where there is a shared interest — for example, in the lobbying of a reduction in corporate tax rates.

Since CSR is fundamental to a company’s long-term survival, many business leaders use their positions of leadership in chambers of commerce, business and CSR coalitions and government steering committees to enhance awareness of CSR.

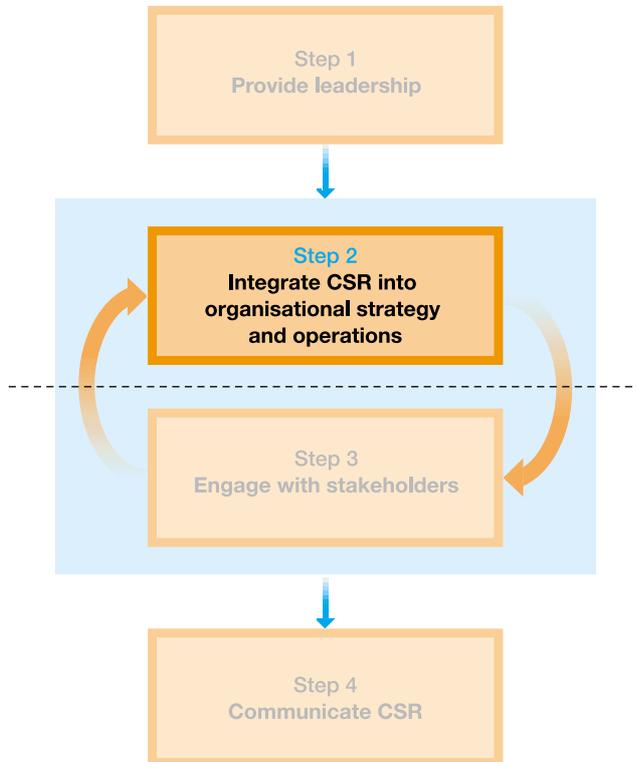
Examples of collective corporate leadership include the development of the Hong Kong Corporate Social Responsibility Charter<sup>9</sup> and the Clean Air Charter<sup>10</sup> — both initiatives developed and driven by businesses.

#### Key Points

- Strong leadership is essential for CSR to succeed and leadership needs to “walk the talk”.
- If leadership has not already bought into CSR, management needs to develop a sound business case and secure leadership commitment.
- There is strength in collective leadership and companies should take advantage of existing CSR business networks.



## Step 2: Integrate CSR into organisational strategy and operations

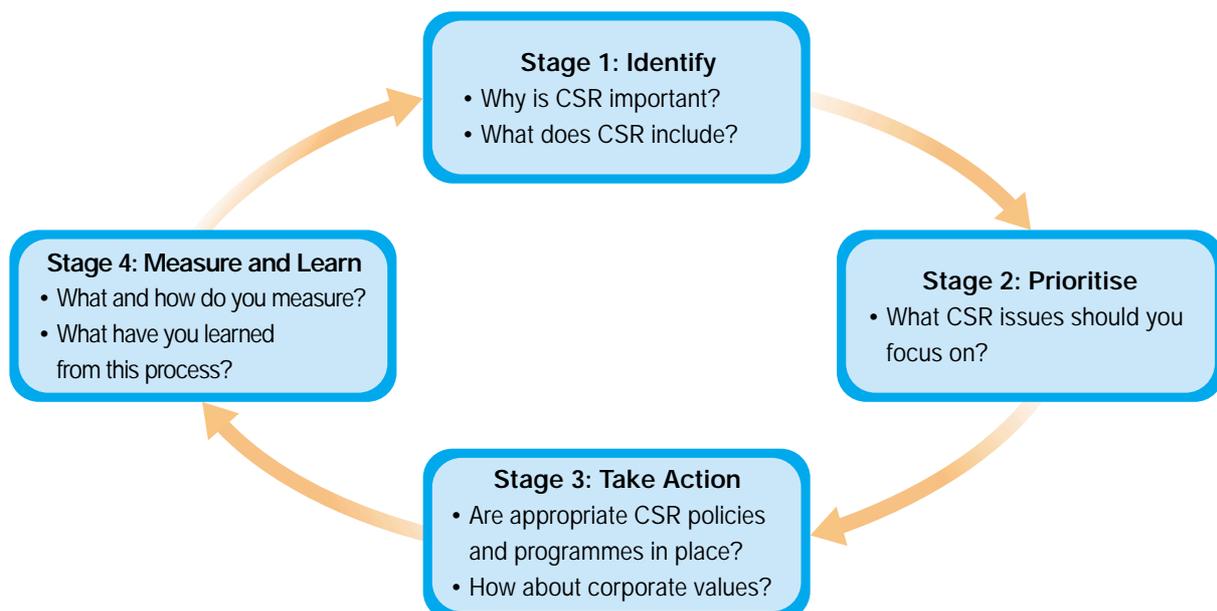


*Integrating CSR into the company is never easy. There are four stages necessary for integration to take place. First, **identify** CSR issues and business drivers, second **prioritise** CSR issues based on the principal business driver, third **take action** to implement CSR and fourth **measure** the impact and **learn** from experience.*

### Four stages of integration

In order to integrate CSR into your company, begin by following these four stages of integration:<sup>11</sup>

Diagram 2: Four Stages of Integration





## Stage 1: Identify

From the beginning you need to clarify why CSR is important to your company i.e. what your business drivers are and what particular components of CSR are relevant.

### 1a. Identify CSR business drivers

An internal analysis of your company's strengths, weaknesses, opportunities and threats greatly assists in identifying your principal business drivers. Business drivers for CSR are generally divided into three main categories as shown in Table 1 below.

**Table 1: Reference of Main CSR Business Drivers**

Reason	Our organisation engages or wishes to engage in CSR because it will assist in ...	Score
1	<p><b>Developing competitive advantage and marketing positioning</b></p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• <b>Revenue growth and market access</b> Consumers increasingly wish to purchase products which are environmentally friendly and produce minimum harm to communities. CSR provides an opportunity for companies to develop new or improved products or services that better meet future needs.</li> <li>• <b>Cost savings and productivity</b> Companies can save costs by being eco-efficient (i.e. switching off electricity when not needed and recycling materials) and by treating employees well (employees are less likely to leave their jobs and take sick leave if they are happy at work).</li> <li>• <b>Access to capital</b> Companies in Hong Kong tendering for projects, particularly with global firms, are increasingly being asked about their CSR initiatives. Socially responsible investing is also on the increase.</li> </ul>	
2	<p><b>Attracting, developing, motivating and retaining employees</b></p> <ul style="list-style-type: none"> <li>• Employers want to be an employer of choice with employees.</li> <li>• Employees prefer to work in a company that is free from discrimination, provides training and development opportunities and understands the distinction between “work” and “life”.</li> <li>• New recruits are increasingly asking potential employers about CSR.</li> </ul>	
3	<p><b>Managing risk and protecting and building reputation</b></p> <ul style="list-style-type: none"> <li>• <b>Risk</b> is intrinsic to business and cannot be eliminated. However companies can improve their risk profiles by understanding the expectations of stakeholders and managing these expectations.<sup>12</sup> See page 28 for more on stakeholder engagement.</li> <li>• <b>Reputation</b> is not an end in itself. It matters because it enhances the ability to attract capital — both human and financial — to mitigate risk and to build a license to operate.<sup>13</sup> Reputation also has impact on how the company is viewed by other core stakeholders such as customers and the media.</li> <li>• A good reputation gives companies a “<b>license to operate</b>” and can provide a “buffer zone” or “<b>goodwill credit</b>” — space to make mistakes without being attacked, as may happen if the company did not have the trust or “credit” of stakeholders.</li> </ul>	



### Task 1: Identify your business driver

- Rank these in order of importance from 1 to 3 in the “Score” column in Table 1. (1= most important, 2 = second most important, 3 = least important)
- What is your principal business driver for CSR — Reason 1, 2 or 3? \_\_\_\_\_ (fill this in)

### Examples: Principal Drivers

#### Principal Driver: Developing competitive advantage and marketing positioning

Company: Global Asia Industrial Limited<sup>14</sup>

Number of employees in Hong Kong: 14

“Global Asia Industrial Limited is a car accessory manufacturing and trading company, with a trading office based in Hong Kong and production lines in mainland China. We were required by one of our main clients to implement an environmental management system. Realising that environmental protection will be an increasing concern for our clients we first decided to develop an Environmental Management System for ourselves and then set about convincing our suppliers to adopt green practices, some of whom reacted with hesitation. Some clients, especially the larger ones, prefer us because we readily offer greener, alternative packaging and commit to environmental management. Nowadays we are even able to alert our clients about the green product legislation in their export markets and this is value-added service for our clients. This move has already put us ahead of competitors so we plan to keep on strengthening our environmental management system to stay competitive.”

May Leung, Marketing Executive – **Global Asia Industrial Limited**

#### Principal Driver: Developing competitive advantage and marketing positioning

Company: Tak Cheong Electronics (Holdings) Co Ltd<sup>15</sup>

Number of employees in Hong Kong: 27

“Tak Cheong Electronics (Holdings) Co Ltd is an industrial enterprise handling semiconductor manufacturing and trading and our manufacturing arm. With the implementation of resource conservation measures such as ISO 14001, we have saved in operational costs. Also, we have increased our competitiveness among other companies as the environmental regulations are getting tighter and tighter around the world, especially in the EU, and customers are more demanding than before.”

Sam Ng, President & Chief Executive Officer – **Tak Cheong Electronics (Holdings) Co Ltd**

#### Principal Driver: Attracting, developing, motivating and retaining employees

Company: Allen & Overy

Number of employees: 4,900

“At Allen & Overy, our main driver is people — our current employees, our potential employees and our alumni, many of whom go on to be our clients. Our CSR focus is therefore pro bono work which is what our people want. Many of our previous employees continue to stay in touch with us and continue to take part in our employee volunteering efforts.”

Catherine Husted, Partner – **Allen & Overy**



## 1b. Identify CSR components

As mentioned earlier, CSR is sometimes referred to as the “triple bottom line” approach to doing business. This means looking at a company’s economic, environmental and social impact. The economic aspect of CSR is about the long-term financial sustainability and economic well-being of a company and is fairly well understood. Therefore, this guide does not focus on the economic aspect of CSR but instead focuses on social and environmental aspects. These social and environmental aspects can be further broken down as in Table 2 below.<sup>16</sup>

**Table 2: Social and Environmental Aspects of CSR**

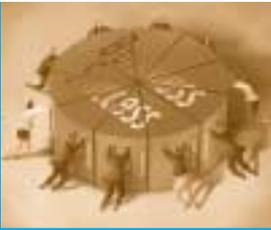
<p><b>Workplace<sup>17</sup></b></p> <p>Employers have a major economic and social impact on society through the employment they create. Through the collective amount of wages paid, employers as a whole have a critical impact on the health of the Hong Kong community. Because most employees spend most of their time at work, employers also affect the quality of life of employees through the company’s culture and training. For employers, the quality of employees makes a difference to their company’s productivity, profitability and competitive advantage.</p>
<p><b>Marketplace<sup>18</sup></b></p> <p>A company’s impact on society in the marketplace is made up of the impact of what it produces and how it buys and sells. How much value or harm do its core products and services generate along the supply chain? Is its approach to marketing, advertising and procurement fair and honest as well as effective?</p>
<p><b>Community<sup>19</sup></b></p> <p>Businesses, small or large, have an impact in the community through the employment they create and the production and sale of goods and services. A company can add to its impact on society through corporate community investment (CCI) — making contributions in cash and in-kind as well as employee volunteering. CCI is often the most visible part of a company’s CSR commitment.</p>
<p><b>Environment<sup>20</sup></b></p> <p>All businesses have an impact on the environment. A business can improve its impact through reducing the use of water, energy, greenhouse gases and materials and the production of waste. It should also protect the biodiversity of the natural environment and manage the environmental impact of the products it procures, produces and sells.</p>

Each of the above aspects covers a wide range of CSR components and often this is a great source of confusion and frustration for managers. You need to identify which CSR components are applicable to your company. There is no generic list of CSR components and there cannot be one because what may be relevant to your company may not be relevant to another.

Table 3 on the next two pages shows a list of CSR components, many of which are applicable to companies operating in Hong Kong. The level of detail of each component varies — for example, the environment indicators tend to be more quantifiable than those in the workplace. This list is for your reference only and is by no means exhaustive. You are encouraged to add components not already on the list which apply to your company.

**Task 2: Identify CSR components applicable to your business**

- In Table 3 on the next two pages, consider each CSR component listed and mark the column “Identify” with a tick (✓) if applicable and a cross (✗) if not applicable to your business. (Please note the purpose of the columns marked “Policy” and “Programme” is explained in Task 4 on page 23.)
- There may be other CSR components applicable to your business — add them to the bottom of the table in the space provided.



**Table 3: Reference of CSR Components**

Workplace <sup>21</sup> Includes those activities that define a company's relationship with its employees.	Identify Applicable / Not applicable	Prioritise Extent to which it meets business objectives (Score 0, 1, 2, 3)	Policy Y= Yes N= No	Programme Y= Yes N= No
• Equal opportunity and non-discrimination policies and practices on any grounds including, but not limited to: race, gender, family status, sexual orientation, age, disability, religion and HIV/AIDS.				
• A fair complaints handling mechanism.				
• No harsh or inhumane treatment and no forced labour.				
• Normal working hours, maximum overtime hours and fair wages.				
• Restrictions on the use of child labour.				
• Flexible working and work life balance.				
• Support programmes for employees covering pension schemes and special areas such as depression, bereavement, divorce, substance abuse, etc.				
• Staff training and development, in-house education and vocational training.				
• Health and safety of all employees.				
• Freedom of association, collective bargaining and the right to join trade unions.				
• Protection of human rights within its operations.				
• Education, training, counselling, prevention programmes for employees affected by HIV/AIDS or any other serious communicable diseases.				
Marketplace Includes those activities that define a company's relationship with its customers, suppliers and others in its sphere of influence.	Identify Applicable / Not applicable	Prioritise Extent to which it meets business objectives (Score 0, 1, 2, 3)	Policy Y= Yes N= No	Programme Y= Yes N= No
Customers <sup>22</sup>				
• Product description — all information is accurate and presentation is clear.				
• Product safety — products are safe for human health and the environment during the entire life cycle.				
• Pricing — no misleading or anti competitive pricing including fixed pricing, price discrimination and predatory pricing (dumping).				
• Ethical advertising — no misleading or offensive advertising .				
• Sales methods — no high pressure selling or exaggeration and no exploiting "at-risk" consumers.				
• Consumer rights are protected.				
• Fair complaints handling mechanism.				
• Data protection — personal data of consumers is protected.				
Suppliers <sup>23</sup>				
• No harsh or inhumane treatment and no forced labour.				
• Restrictions on the use of child labour.				
• Normal working hours, maximum overtime hours and fair wages.				
• Freedom of association and collective bargaining.				
• Health and safety of all employees.				
• Inspection of suppliers' facilities for health, safety and environmental aspects.				
Sphere of Influence				
• Protection of human rights within sphere of influence.				



**Table 3: Reference of CSR Components**

Community	Identify Applicable / Not applicable	Prioritise Extent to which it meets business objectives (Score 0, 1, 2, 3)	Policy Y= Yes N= No	Programme Y= Yes N= No
Includes those activities that define a company's relationship with the community in which the company operates.				
<ul style="list-style-type: none"> <li>Corporate Community Investment — contributions of cash, in-kind, skills and time of employees (employee volunteering).</li> </ul>				
<ul style="list-style-type: none"> <li>Local community protection including protection of indigenous populations and their rights and local culture.</li> </ul>				
<ul style="list-style-type: none"> <li>External campaigns and educational programmes for promoting CSR.</li> </ul>				
Environment <sup>24</sup>	Identify Applicable / Not applicable	Prioritise Extent to which it meets business objectives (Score 0, 1, 2, 3)	Policy Y= Yes N= No	Programme Y= Yes N= No
Includes those activities that define a company's relationship with the environment — internal and external to the place of work.				
<b>Materials</b> <ul style="list-style-type: none"> <li>Use of recycled and environmentally friendly materials.</li> </ul>				
<b>Water</b> <ul style="list-style-type: none"> <li>Use is minimised and where possible water is recycled.</li> </ul>				
<b>Energy</b> <ul style="list-style-type: none"> <li>Energy is conserved and where possible renewable sources of energy are used.</li> <li>If private power generators are used, high quality of fuel is ensured.</li> </ul>				
<b>Waste</b> <ul style="list-style-type: none"> <li>Waste is minimised and where possible water is reused and recycled.</li> </ul>				
<b>Biodiversity</b> <ul style="list-style-type: none"> <li>Nature and biodiversity of the location are preserved and where possible biodiversity is enhanced.</li> </ul>				
<b>Products and services relevant components</b> <ul style="list-style-type: none"> <li>Management of environmental impacts of products and services and production of energy efficient goods and services.</li> </ul>				
<b>Greenhouse gases</b> <ul style="list-style-type: none"> <li>These are reduced as far as possible.</li> </ul>				
Add other relevant components	Identify Applicable / Not applicable	Prioritise Extent to which it meets business objectives (Score 0, 1, 2, 3)	Policy Y= Yes N= No	Programme Y= Yes N= No



### Stage 2: Prioritise

In Task 1 you selected your principal business driver for CSR and considered why CSR is important to your business. In Task 2 you selected the CSR components applicable to your business.

Now you need to prioritise those CSR components applicable to your business based on your principal business driver. The purpose is to align your CSR focus with your business objectives.

#### Task 3: Prioritise your CSR components based on your business drivers

- Recap, what is your principal business driver? \_\_\_\_\_ (From Task 1 on page 16)
- Refer to Table 3 on pages 18 and 19 and specifically those indicators you marked with a tick (✓) in the "Identify" column.
- Now for each of these applicable components you marked with a tick (✓), ask yourself:

**"To what extent will addressing this component assist me in achieving my principal business objective?"**

Mark the "Prioritise" column in Table 3 on pages 18 and 19, based on the following scoring system:

	Score
no extent	0
little extent	1
some extent	2
large extent	3

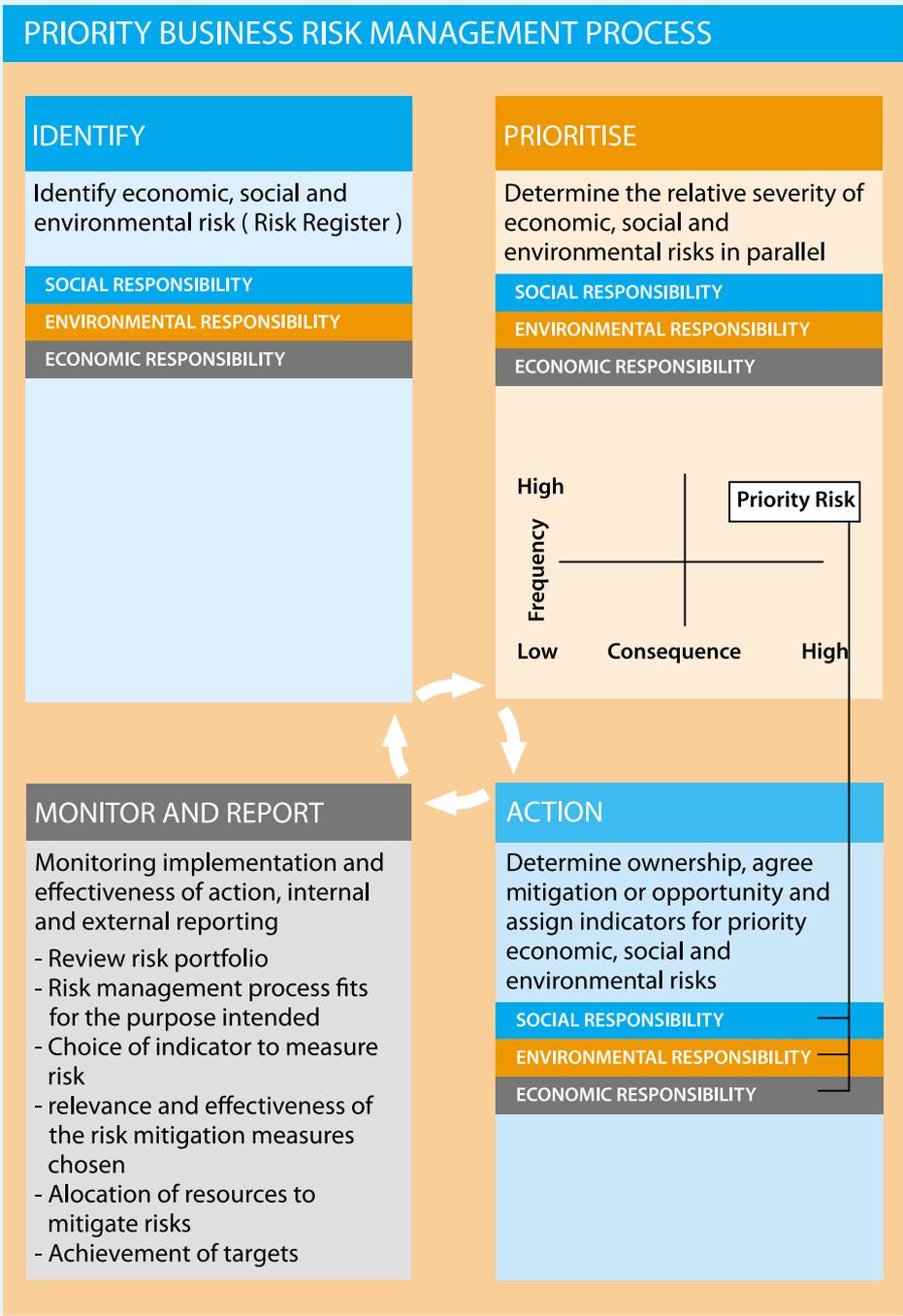
- Those CSR components that you scored "3" should be your primary focus for action, followed by those that scored "2" and then those that scored "1". Do not discard those that scored "2" or "1" but keep them on the radar screen.
- Task 1, Task 2 and Task 3 should be repeated regularly as your surrounding environment and risks continue to change.

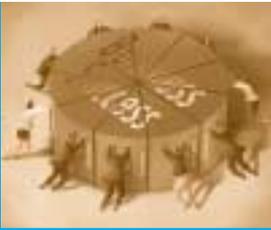


## Example: Another Way of Prioritising CSR

Company: MTR Corporation  
 Number of employees in Hong Kong: 6,513

MTR Corporation starts with a list of key business risks, identifies a priority, assigns ownership and actions and associates an indicator to allow regular monitoring of the effectiveness of both the actions and the management system. They focus on those indicators that rank high in terms of frequency and consequence — as can be seen in the diagram below. Further details can be found on the MTR Corporation Sustainability website.<sup>25</sup>





### Examples: Aligning CSR to Business Drivers

Company: Manpower Services (Hong Kong) Limited  
Number of employees in Hong Kong: 85

**Principle Business Driver: Attracting, developing, motivating and retaining employees.**

“Employee engagement is a recognised business driver for Manpower’s CSR programme in Hong Kong. We find that by engaging our staff in programmes that assist people, the community and the environment, team work, staff socialisation and client relationships are promoted and enhanced.”

Deborah Morgan, Director Hong Kong Operations — **Manpower Services (Hong Kong) Limited**

**CSR focus is:**

**Workplace:** Manpower’s university seminar series allow consultants to volunteer their time to educate graduating students on resume writing skills and job interview techniques. Manpower consultants share their recruitment knowledge and skills and gain experience in public speaking and presentation skills.

**Community:** Manpower’s association with Hong Kong Rehabilitation Power since 2003 provides all staff with a better understanding of working with people with disabilities and assists with placing these people in employment.

**Environment:** Environmental programmes such as beach cleaning and tree planting allow Manpower staff to not only mix with other colleagues company-wide, but also to socialise with invited clients and candidates.

Company: Samond Traders Holding Ltd<sup>26</sup>  
Number of employees in Hong Kong: 4

Samond Traders designs, manufactures and distributes watches and gifts for export to Europe and the USA. It is a small enterprise with only 4 employees in Hong Kong and one manufacturing partner in Mainland China.

**Principal Business Driver: Developing competitive advantage and market positioning**

“With the implementation of CSR, we can differentiate ourselves from competitors by being responsible, caring and environmentally friendly. We also benefit from cost savings with high efficiency, good team spirit and morale. And because we are a small company, it is much easier to motivate colleagues and for everybody to notice the benefits.”

Raymond Lo, Chief Executive Officer – **Samond Traders Holdings Ltd**

**CSR focus is:**

**Workplace:** Recognises that as a small company, some overtime work is inevitable and to tackle this problem is trying to streamline operations by understanding and documenting internal procedures.

**Marketplace:** Monitors new developments in product safety and environmental standards for its export markets. Implements product testing even when it is not required by the clients to reduce the risk of supplying faulty products and build customer confidence.

**Community:** Provides internships for young people from the Youth Work Experience and Training Scheme; its employees volunteer at the Tung Wah Group of Hospitals and at the Hong Kong Youth Institute. The company encourages staff to bring along their families and friends for volunteer activities.

**Environment:** Uses energy saving bulbs and fluorescent tubes; reuses and recycles supplies whenever possible and encourages communication with suppliers and clients via email instead of faxes.



### Stage 3: Take action

#### 3a. Consider policies and programmes

Having completed Task 3, you now have a list of CSR components that will most assist you in achieving your business objectives. The next task involves ensuring that for each CSR component that scored “3”, you have the necessary policies and programmes in place.

#### Task 4: Ensure that CSR policies and programmes are in place

In Table 3 on pages 18 and 19, there are 2 columns, one marked “Policy” and the other “Programme”. For each component that has a score of 3, answer the following questions:

##### 1. Do you have a written policy?

A policy is necessary to demonstrate your commitment to CSR. Developing a policy also assists you to clearly think through what it means to your business. It may be useful to look at CSR policies from other companies.

For local subsidiaries of multinational companies, consider consistency with global policies as well as local cultural appropriateness.

##### 2. Do you have a programme in place?

Programmes are essential to ensure that the policy is implemented. For each programme ensure you develop a roadmap that clarifies:

- Timeline and stages
- Objectives, targets and success factors at each stage
- Person responsible
- Sufficient resources

For local subsidiaries of multinational companies, ensure that programmes are relevant and appropriate for local operations.

#### Consider also having:

##### 3. CSR timeline

For addressing the CSR components which scored 2 and 1.

##### 4. CSR training

Ensure that this component is included in training for the management team, decision makers, the next generation of business leaders and in the new recruits’ induction programme.

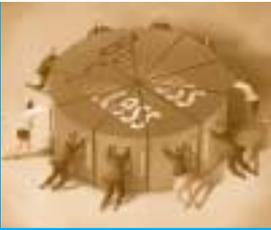
##### 5. Linkages<sup>27</sup>

Stand-alone action is always possible and can yield dividends but linkages inside and outside the business can have a multiplier effect. Linkages can be made with:

- Other companies and organisations that have made progress on the same components.
- CSR Business Associations who by their very nature work at building expertise in CSR in member companies and bringing companies together — like Community Business.
- Non governmental organisations (NGOs), some of whom have enormous expertise and can be tapped into to help understand issues, identify solutions and implement actions.
- Other initiatives, such as the HKSAR Government’s many public campaigns or international campaigns such as the United Nations Global Compact.

##### 6. CSR motivators

For example, including this CSR component in staff appraisals and having internal CSR awards.



### Examples: Policies and Programmes

#### Global Policies – Local Programmes

##### HIV/AIDS Policies and Programmes: Vital to manage risk

Company: Standard Chartered Bank (Hong Kong) Limited

Number of employees in Hong Kong: 4,200

“HIV/AIDS started as a business issue for us in Africa. Each day over 10% of our workforce is affected by the virus — either because they are sick, looking after someone who is sick or attending funerals of friends and family. In 2000 we initiated HIV/AIDS education sessions for our staff in Africa where we introduced specific policies, including non-discrimination, education and health benefits. Recognising that the spread of HIV/AIDS is a global issue, we rolled out a global awareness programme in 2003 to all staff across the 56 countries in which we operate. The programme provides a common framework and guidelines and gives individual countries the flexibility to adapt to local needs, depending on their respective prevalence rate, degree of impact of HIV/AIDS in the community and local cultural sensitivities.”

Benjamin Hung, Country Head, Consumer Banking – **Standard Chartered Bank (Hong Kong) Limited**

##### Diversity Policies and Programmes: Necessary to attract, develop, motivate and retain staff

Company: UBS AG

Number of employees in Hong Kong: 1,400

“UBS has global policies and initiatives to ensure that all our employees have access to equal opportunities and are protected from any form of discrimination in all of the jurisdictions in which we operate. In Hong Kong, we have initiated an internal dialogue with all staff including women to help them climb the corporate ladder, realise their full potential and so enhance female representation among senior management. Local engagement is vital in order both to understand the issues that are specific to Hong Kong as well as to fulfil our ultimate objective of attracting, developing and retaining the best talent — regardless of gender, race or creed.”

Kath Cates, Managing Director, Regional Operating Officer, Asia Pacific – **UBS AG**

##### CSR Motivators: CSR in staff appraisal

Company: Allen & Overy

Number of employees in Hong Kong: 253

“A key focus for us in CSR is community investment and particularly employee volunteering. Although it is not compulsory, it is recommended that employees dedicate a minimum number of hours each year to employee volunteering. The firm feels that including employee volunteering in the appraisal demonstrates the importance we place on community engagement. Employee volunteering is about putting our values into action.”

Catherine Husted, Partner – **Allen & Overy**

##### Linkages: Learning and working with others

Company: British Council Hong Kong

Number of employees in Hong Kong: 200

“At the British Council we believe in learning from others and collaborating where possible. For example, in order to enhance our understanding of people with disabilities we have engaged with the NGO, Hong Kong Rehabilitation Power to teach us about sensitivities necessary in working with people with disabilities. Also, we have partnered with Prudential in a project called “English Adventure” which is a bus equipped with teaching materials designed specifically by British Council teachers to teach English to children. We are always looking for new ways to partner with others which can be beneficial to all parties.”

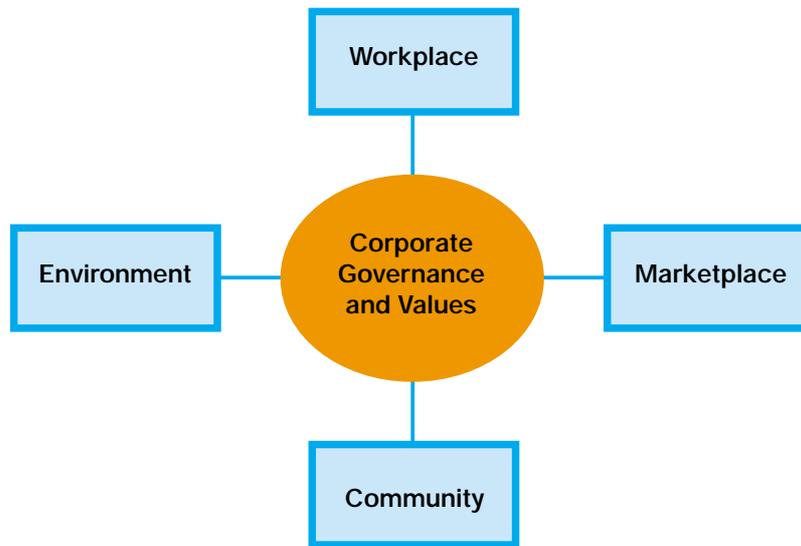
Ruth Gee, Director – **British Council Hong Kong**



### 3b. Adhere to corporate governance and values

A necessary condition for a company to be socially responsible is the existence of sound corporate governance and company values. Your company should have written policies in place and programmes to ensure that such policies are understood and strictly followed. Corporate governance should extend beyond complying with Hong Kong laws of personal integrity and should include leadership. Moreover, both family-owned and non-family owned businesses with business activities outside Hong Kong should seek to comply consistently with those standards adopted in the country with the highest standards.

Diagram 3: Corporate Values are the Core of CSR



**Task 5: Ensure that CSR policies and programmes exist in an environment with sound corporate governance and values**

Does your company have appropriate policies and programmes in place? Complete the following table.

Table 4: Examples of Corporate Governance and Values

Corporate Governance and Values	Policy? Yes/ No	Programmes? Yes/ No
• <b>Corporate values and purpose</b> — these are clearly stated, widely understood and followed.		
• <b>Transparency and accountability</b> — commitment to communicating on issues which have a significant impact on the company.		
• <b>Code of ethics</b> — including bribery and corruption.		
• <b>Compliance with the law and industry standards</b>		
• <b>Add others:</b>		



### Stage 4: Measure and learn

Your business and the environment in which it operates are constantly evolving. Therefore your CSR approach and focus should also adapt to these changing circumstances.

You should review your CSR strategy and regularly repeat Tasks 1 to 5. Also, you should review your progress against targets that you set out in Task 4. The saying “what gets measured gets done” is applicable to CSR.

#### 4a: Select appropriate measurement techniques

The decision on what to measure depends on:<sup>28</sup>

- What CSR components you have decided to focus on (from Task 3).
- What codes of practice and charters you have signed up to.
- Whether you are a multinational company that has already signed up for a measurement tool.
- Whether you are a leader or follower in your industry.
- What your stakeholders would like to know about your company and what you plan to report on.

#### How to measure<sup>29</sup>

Some companies know from their experience that CSR has tangible business benefits but have not necessarily sought to measure this impact.

#### Examples: Tangible Benefits of CSR

Company: Salon Go Ahead<sup>30</sup>

Number of employees: 22

“Business running costs are saved through environmental conservation measures. Morale has improved among employees and so has team spirit and this is good for the business. The training sessions where our employees train unemployed youth have increased the confidence of our employees. Our employees know that they are valued and take pride in their work. It may be the reason our junior staff stay with us longer compared to the market average. These initiatives build a positive image which we feel sure gives us an edge in the market.”

Charlie Luciano, Top Stylist/Chief Executive Officer – **Salon Go Ahead**

Other companies would like to measure how they are progressing in CSR but are not sure how to do it. The question of how to measure CSR is not an easy one and your company needs to work out the “key performance indicators” for the CSR components your company is most interested in. Here are some factors to assist you in selecting appropriate measurement techniques:

- Does my company have a code of business principles to measure against?
- Does my company belong to a business organisation or to a trade association that has already produced a relevant code to measure against?



## Example: Measuring the Impact of Employee Volunteering — Key Performance Indicators

<p>Company: Credit Suisse          Number of employees in Asia Pacific: 3,756          Programme: Race For Mentors, Credit Suisse executives mentoring ethnic minority youth</p> <p>In 2005 Community Business measured the impact of this programme on Credit Suisse, its employees and the youth who participated. Using the London Benchmarking Group measurement model, the following benefits were found to have accrued:<sup>31</sup></p>	
<b>Benefits to the firm</b>	
<b>Impact area</b>	<b>% of mentors that experienced an improvement</b>
Pride in Credit Suisse as a firm	74%
Perception of firm as an employer of choice	70%
<b>Benefits to employees</b>	
<b>Impact area</b>	<b>% of mentors that experienced an improvement</b>
Insight into how young people think	87%
Feel-good factor	83%
Relationship with colleagues at Credit Suisse	65%
Development of employees' skills	
• Listening	87%
• Communication	52%
• Problem solving	48%
<b>Benefits to the youth</b>	
<b>Impact area</b>	<b>% of mentees that experienced an improvement</b>
Self-confidence	85%
Confidence in communication with adults	90%
Desire to succeed	95%
Attitude towards life	95%
Knowledge about the world of work	90%

If your company is planning to report externally on CSR and is following or planning to follow the Global Reporting Initiative (GRI)<sup>32</sup> set of CSR indicators then you should use the reporting guidelines contained therein to assist you in measuring CSR. GRI is discussed in more detail on page 35.

### 4b. Learn<sup>33</sup>

The process of integrating CSR into your business operations is a learning process. Learn from successes and failures, changes in the business environment and the views of stakeholders, then feed that learning back into the CSR process so that your CSR strategy can be adapted.

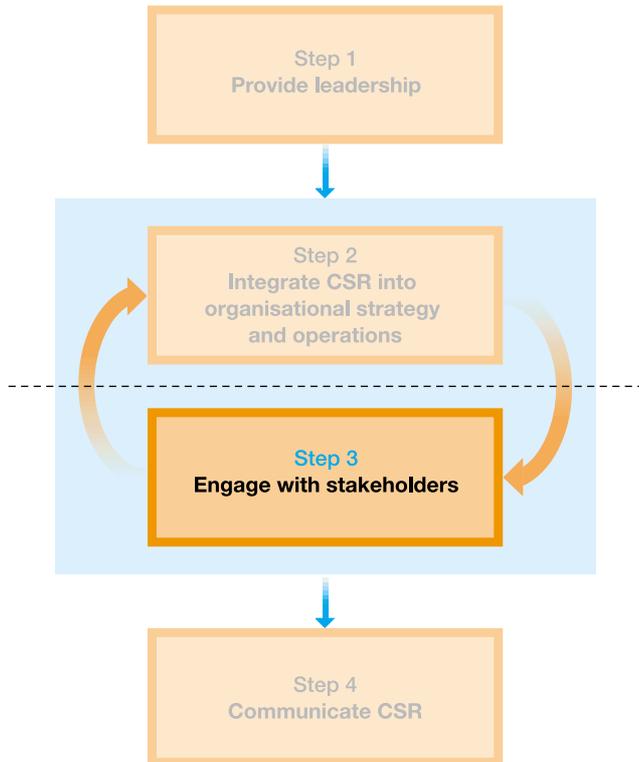
#### Key Points:

To integrate CSR into organisational strategy and operations a company should:

- Identify the principal business driver for CSR and the CSR components applicable to the business.
- Prioritise CSR components based on business driver.
- Take action by ensuring policies and programmes are in place and adhering to corporate governance and values.
- Measure the impact of CSR and learn from experience.



### Step 3: Engage with stakeholders



*Stakeholders are all those that affect or are affected by a company's activities — including shareholders, employees and customers. Stakeholder groups may want different things and the challenge is to balance their needs with the needs of the business. Ideally there should be dialogue with stakeholders at all stages of the CSR integration process. Stakeholder engagement must be managed with care and companies just starting out sometimes choose to wait before beginning engagement.*

#### Who are stakeholders?

A stakeholder is any individual or group which can affect or is affected by an organisation's activities. Stakeholders are increasingly self-legitimising — in other words, those who judge themselves to have an interest in an organisation's operations, value and performance are de facto "stakeholders".

These may include employees, investors, customers, suppliers, government, local community and non-profit organisations.<sup>34</sup>

#### Why do stakeholders matter?

Stakeholders are increasingly socially aware and can have a significant influence on the operations of a business. Investors for example, can voice their opinions through divesting shares. Employees can express their discontent in employee forums, trade unions or simply by leaving their employer. Other stakeholder groups may find other ways to be heard.



### Examples: Stakeholders Making Their Voices Heard

#### “Make Trade Fair — Labour Campaign”

Oxfam Hong Kong

In 2004 Oxfam Hong Kong launched its “Make Trade Fair — Labour Campaign” to ask the garment sector to improve its purchasing practices and to give workers their dignity and rights.<sup>35</sup>



Through an online petition, Oxfam encouraged Hong Kong citizens to express their concern about the conditions of workers and make certain demands from factories operating in developing countries, retail, sourcing, trading and brand companies, business associations and manufacturer’s organisations and the HKSAR Government.<sup>36</sup>

#### The Voice of the Minority Shareholder

Webb-site.com

Webb-site.com is an independent commentary on corporate and economic governance, business, finance, investment and regulatory affairs in Hong Kong and is run on a not-for-profit basis. Its goals are:

- to increase the transparency and efficiency of free markets and their participants, including companies, governments, regulators and controlling shareholders;
- to oppose all forms of cronyism, favouritism or protectionism by governments;
- to oppose anti-competitive behaviour by monopolies or oligopolies;
- to demand fairer treatment for minority shareholders, to educate and inform them, and promote their participation in corporate decision making.

On its website, it has a “Hall of Shame” which lists directors who ‘excel in bad governance at a senior level’ and have criminal convictions to prove it, as well as useful information about companies under investigation by the Police, SFC and ICAC. There is also a full archive of articles on companies and links to breaches of the Listing Rules and Takeover Code.<sup>37</sup>

### What do stakeholders want from companies?

Stakeholder groups have different wants and the challenge for a company is to balance these wants. For example, investors may want a company to reduce its costs by reducing employee salaries whereas employees may want an increase in salaries. Also, not all stakeholders in the same group necessarily want the same thing. For example, not all community groups want tobacco companies to make a donation to them.



## Expectations of Business

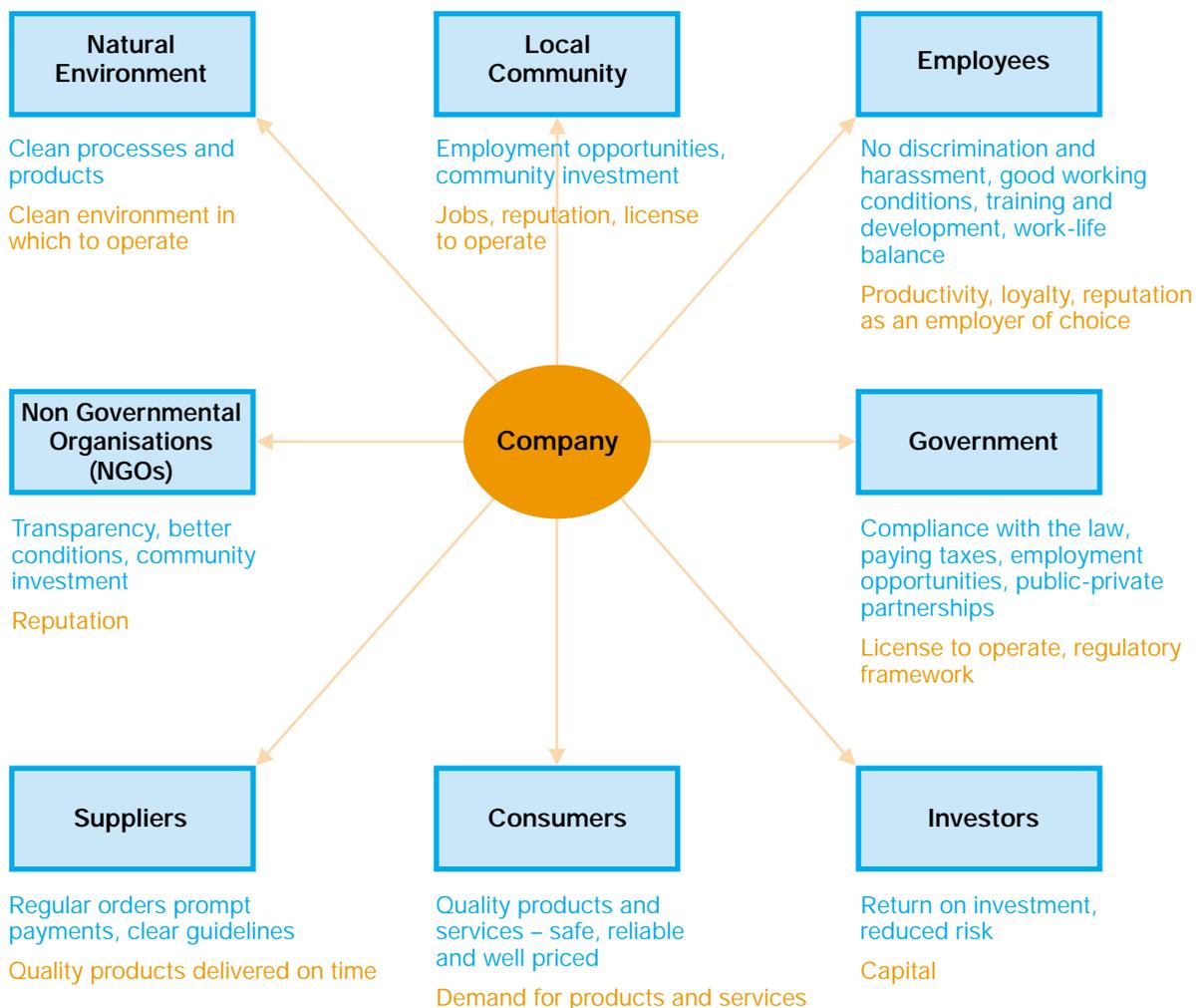
Company: Standard Chartered Bank (Hong Kong) Limited  
 Number of employees in Hong Kong: 4,200

“Business today is more than just making money. Expectations of corporate behaviour go beyond legal requirements. The business license to operate is given, perhaps not explicitly, but none the less effectively, by the communities in which we work. Without customers, staff, suppliers or investors what is any business worth? Business depends as much on the community infrastructure that enables key stakeholders to function as it does on capital and material assets. It is inconceivable that in the long term a company can enhance shareholder value unless it takes good care to retain and develop its customer and employee relationships.”

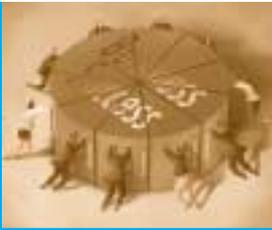
Benjamin Hung, Country Head, Consumer Banking – **Standard Chartered Bank (Hong Kong) Limited**

Diagram 4 below shows various stakeholder groups and what they may want from and in turn give back to a company. This diagram breaks down stakeholders depicted in Diagram 3 (workplace, marketplace, community and environment) into greater detail. However, please note that the stakeholders and factors in the diagram are not exhaustive.

**Diagram 4: Examples of Stakeholders — what they want from a company and the impact they have<sup>38</sup>**



**Key:** What stakeholders want from a company  
 The impact of stakeholders on a company



### What does stakeholder engagement mean?

Stakeholder engagement is about consulting with your various groups of stakeholders on CSR issues. Stakeholder engagement can take many forms — it may be face-to-face informal or formal dialogue, one-on-one or in a group, by phone (such as customer hotlines) or in written form through surface mail or email. Engagement is more than communication — it is a two-way dialogue between your company and its stakeholders.

### When to engage with stakeholders?

Ideally, stakeholder engagement should take place throughout the entire integration process described in Step 2 of the CSR Framework on page 14. Early engagement with stakeholders yields the greatest benefits — their insights can help you shape your CSR strategy from the very beginning. Consultation with them informs your decisions on what are your business drivers, what CSR components are most important, what your priorities should be, how to take action, measure impact and learn from experience.

In order to get started with stakeholders, your company needs to:

- **Identify**
  - Who are your stakeholders?
- **Prioritise**
  - Which stakeholders have the highest impact on your business?
- **Take Action**
  - How do you engage stakeholders throughout the CSR integration process defined in Step 2 of the CSR Framework?
  - How do you manage stakeholders?

### Managing stakeholder engagement

Having said that ideally stakeholder engagement should take place at each stage of CSR integration, in practice, many companies are not immediately comfortable with engaging with their stakeholders.

While there are many advantages of consultation and dialogue with stakeholders there are risks which should not be underestimated. External dialogue for example brings your company into the public eye. This greater scrutiny makes it critical that your company ensures stakeholder expectations do not exceed your company's ability to deliver.<sup>39</sup>

### Other models of stakeholder engagement

Sometimes, instead of a company initiating engagement with its stakeholders as depicted in Diagram 4, a company will be one stakeholder around a particular issue. For example, around the issue of minimum wages, a number of stakeholders affected by this issue may come together and a private sector company may only be one of these stakeholders. In this case at the core of the engagement is the issue rather than the company.



The following principles are useful in your dialogue with stakeholders.

**Table 5: Stakeholder Engagement Principles**

<b>Principle 1:</b>	<b>Listen as well as share.</b> This is a two way dialogue — not an opportunity for your company to brag about how great it is.
<b>Principle 2:</b>	<b>Be honest and genuine in your communication and consistent.</b> This does not mean divulging confidential information but it does mean being genuine and honest in information you do share.
<b>Principle 3:</b>	<b>Be consistent with your message.</b> Ensure that the messages your company is sending through its different communications channels are consistent with one another.
<b>Principle 4:</b>	<b>Speak the language of your audience.</b> Be mindful of sensitivities of different sets of audiences and consider using an independent facilitator or partnership broker to assist.
<b>Principle 5:</b>	<b>Remember that sometimes stakeholders are wrong or will change their mind as events develop.</b> Some companies are anxious when they do not agree with stakeholders. Stakeholders are not always right and it is okay to disagree. In any business communication disagreements are not ideal, but if managed properly can have minimum negative impact on the relationship. In addition, stakeholder engagement will only tell you what people think about an issue today — it won't tell you how they may feel about it tomorrow.

### Examples: Companies Engaging With Stakeholders

#### Developing a CSR framework with stakeholders

Company: CLP Holdings

Number of employees in Hong Kong: 4,301

“Our stakeholder dialogue starts with identification of the key stakeholders and their major interests and concerns about our business. We communicate with individual stakeholders using a variety of written and spoken media, and increasingly by face-to-face group meetings. We follow up on stakeholder input, aiming to demonstrate clearly our recognition of their concerns, how they fit into the balance of our business considerations, and what we intend to do about them. The linkage of stakeholder dialogue to our vision and values is perhaps best illustrated in the case of the independent review panel on the CLP Value Framework. In today's fast changing world, expectations of responsible companies tend to rise in step with rises in standards of living and access to information. For our business to be viable, we need to understand our stakeholders' expectations and make difficult choices to strike the right balance among economic, social and environmental concerns which are often in competition with each other.”

Andrew Brandler, Chief Executive Officer – CLP Holdings



### Working with employees to develop our CSR programme

Company: ABN AMRO

Number of employees in Hong Kong: 1,500

“Employee volunteering is a key CSR component for us at ABN AMRO. We develop employee volunteering programmes in consultation with staff — all of whom are invited to sit on the ABN AMRO Employee Volunteering committee. It was our staff who decided that the focus for ABN AMRO in Hong Kong is children with learning disabilities.”

David Cross, Head of Services, Hong Kong – **ABN AMRO**

### Continuous dialogue with stakeholders

Company: Dunwell Environment Management Co Ltd<sup>40</sup>

Number of employees in Hong Kong: 90

“Dunwell maintains a good relationship with different stakeholders. In order to avoid one-voice decisions, it has monthly board meetings to listen to its shareholders. It also provides environmental and safety training to subcontractors to ensure their awareness of these issues. Through newsletters, seminars, plant visits and customer visits, Dunwell publicises its business direction and investments, as well as efforts in CSR, so as to increase its transparency and accountability.”

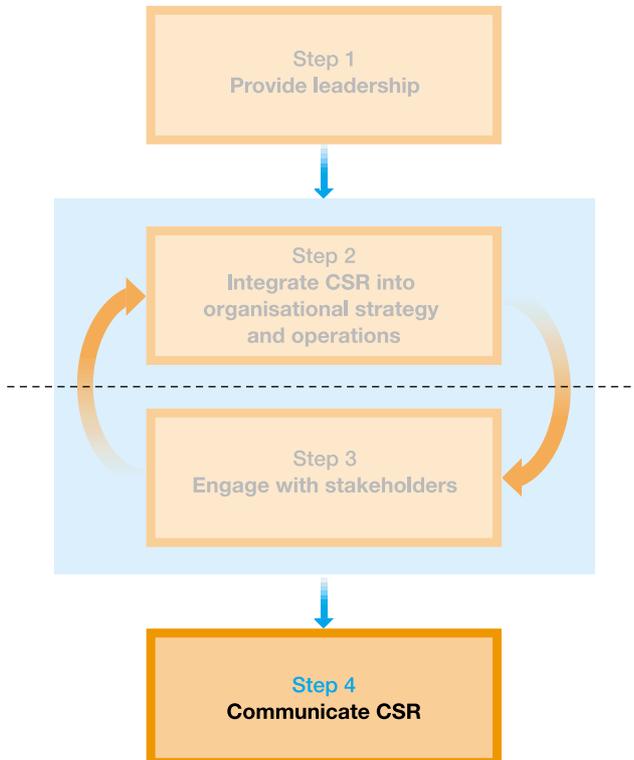
Daniel M Cheng, Managing Director – **Dunwell Environment Management Co Ltd**

### Key Points

- Stakeholders are all those that affect or are affected by a company’s activities — including shareholders, employees and customers.
- Different stakeholder groups have different expectations and are increasingly making their voices heard.
- Stakeholder groups may want different things and the challenge is to balance their needs with the needs of the business.
- Ideally dialogue with stakeholders should be at all stages of CSR integration described in Step 2 of the CSR Framework.



### Step 4: Communicate CSR<sup>41</sup>



*Stakeholders today want companies to demonstrate that they are socially responsible. A company therefore needs to consider communicating or reporting CSR.*

*There are different ways of communicating CSR and certain principles to bear in mind when reporting.*

#### Why should a company communicate CSR?

One way a company generally communicates to its stakeholders is through the annual report. The traditional annual report gives almost no attention to CSR and therefore gives an incomplete picture of a company's performance and its long-term sustainability. The annual report also concentrates on a company's previous performance and does not reflect changing business expectations. It is therefore of limited use in looking at the long-term commercial viability of the company.

There are great benefits to communicating on CSR, which include:

- Addressing social and environmental dimensions which may have a long-term effect on the sustainability of the business.
- Demonstrating openness and transparency about operations while building trust.
- Meeting the information needs of stakeholders.
- Demonstrating seriousness of intent with regard to CSR.
- Acknowledging staff for their involvement and support for CSR.

#### How to communicate to stakeholders?

To make communication effective, your company needs to:

- Identify and prioritise key audiences for communications.
- Decide on key messages.
- Report on the short and long-term impact of CSR programmes.
- Ensure over time that communication develops as a two-way dialogue with key stakeholders with a free two-way flow of information.
- Establish communication channels for the target audience.



### Ways of communicating

Good reporting practice by leading companies is reflected in how they target information and how they provide access to more information if needed. Within most business situations there are a range of communication methods that can be used for communicating your CSR work. See Table 6 below.

**Table 6: Examples of Different Ways of Reporting CSR**

Internal	External
Team briefings	Annual reports
Training sessions	Website
Internal magazines	CSR reports
Internal compliance or audit reports	Sustainability reports
Intranet	Environmental reports
Notice boards	Integrated reports
Site/location-specific reports	External magazines
	Annual General Meetings
	Media outlets
	Speaking platforms for senior managers

### CSR Reports

External reporting in the form of CSR or sustainability reports is one way of communicating to stakeholders. A company that decides to report may choose to adopt the Global Reporting Initiative (GRI) set of indicators partially or fully. The GRI reporting guidelines and list of indicators are available on [www.globalreporting.org](http://www.globalreporting.org). Not all companies that externally report on CSR choose to use GRI — some prefer to use their own set of performance indicators.

All types of report should link back to the underlying logic of your principles and values. Remember, reporting is not an end in itself but a means to build trust with your employees, customers, suppliers and other stakeholders by demonstrating your company's openness and willingness to be accountable for its impact on society. In addition, how you report may change in scope, content and format over time.



### Principles to bear in mind when reporting

When deciding which methods are most suitable for your audience, bear in mind the following reporting principles:

- Develop a graduated programme for external reporting.<sup>42</sup>
- Be realistic about what is possible in a given timeframe and when building expectations.<sup>43</sup>
- Over time, reflect the aspirations and needs of all interested groups.
- Include all the appropriate areas of your company's activities.
- Include all significant information.
- Make your reporting regular, systemic and timely.
- Communicate appropriately and effectively to each stakeholder group.
- Make your information, comparable, reliable and easy to understand.
- Focus on steps to improve performance.
- Talk about where you have made a positive impact but also where you have made mistakes.
- Do not make extravagant claims — this can give the impression that your work is just a publicity front. For example, commercial sponsorships should not for example be presented as community investments.
- Use quality assurance audit methods and external professional credentials to build credibility into your reporting.

#### Key Points

- Communicating CSR has many advantages and a company must think through what is the best way of communicating with target audiences.
- CSR or Sustainability reports are one way of communicating to stakeholders.
- There are a number of principles to bear in mind when reporting.



### Going Forward

CSR can yield tremendous benefits in terms of developing your competitive advantage, attracting and retaining people, managing risk and building reputation. These benefits are much more likely to be realised and sustainable if you have the proper infrastructure in place. The CSR Framework set out in this guide is one example of such an infrastructure.

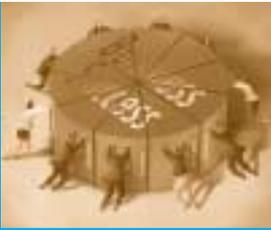
This framework highlights some of the most important aspects of CSR that you should consider as you set off on your CSR journey. However, it cannot possibly address all the specific issues you face and the questions you may ask. As you make progress, there may be other factors to consider, specific to your company or industry.

In going forward, your company should make every effort to translate the “aspirational components” of the CSR Framework into “essential components”. The crux of CSR is, after all, to align your business objectives to the needs of your different stakeholders. This is not possible unless you communicate with your stakeholders regularly and in a manner that is both honest and transparent.

CSR is a tool to improve your business and what may be appropriate for your business today may not be next year or the year after that. As the environment changes and your stakeholders and their needs change, so too may your CSR focus.

As you embark on your CSR journey we encourage you to draw on other resources and networks that can assist you. In particular, we refer you to Community Business, our website ([www.communitybusiness.org.hk](http://www.communitybusiness.org.hk)) and the experience of some of our members on the Community Business Leadership Team who would be happy to act as mentors in the process.

We wish you the best of luck!



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## Endorsement

“The emerging world of Corporate Social Responsibility can be a bewildering one for the busy business leader trying to navigate through the maze to find the essential things they need to know and the valuable things that will benefit their business. Shalini Mahtani has provided an excellent, concise commentary that gives a clear routemap for the journey towards being a profitable and responsible business. It should be a constant reference for small and large businesses alike.”

**Mallen Baker**, Development Director of Business in the Community and Editor ‘Business Respect’

“Corporate Social Responsibility has become a fashionable topic of discussion in recent years. This remains a hard to define topic for many corporate executives as well as for other stakeholders. While there is now a growing body of materials from around the world, we will need to generate our own in Hong Kong. Community Business’ latest publication is a useful addition to our local literature, written in an easy-to-understand manner.”

**Christine Loh**, CEO of Civic Exchange



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