

# Risky Business?

## Corporate Governance in Asia

25-26 September 2006



CPA  
AUSTRALIA



# Corporate Social Responsibility In South East Asia

## Its Implications for Corporate Governance

**Sebastian Bombaci**

**Chairman, Business Management Committee  
CPA Australia, Hong Kong China Division**



# CSR - In South East Asia



- CPA Australia
- One Definition of CSR
- CSR Around the World
- What About Hong Kong?
- Why CSR is Growing
- CPA Australia CSR Survey
- CSR and Corporate Governance

## CPA Australia – Hong Kong China Division

*“To demonstrate our commitment by identifying opportunities for economic growth in Hong Kong for CPA Australia members and the business community.”*

## Role - Business Management Committee

*Plays a leading role in*

- Identifying key business issues*
- Researching the issues and*
- Disseminating information to*
  - CPA Australia members,*
  - The Government and*
  - The community at large*

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## One Definition of CSR

Triple bottom line reporting...

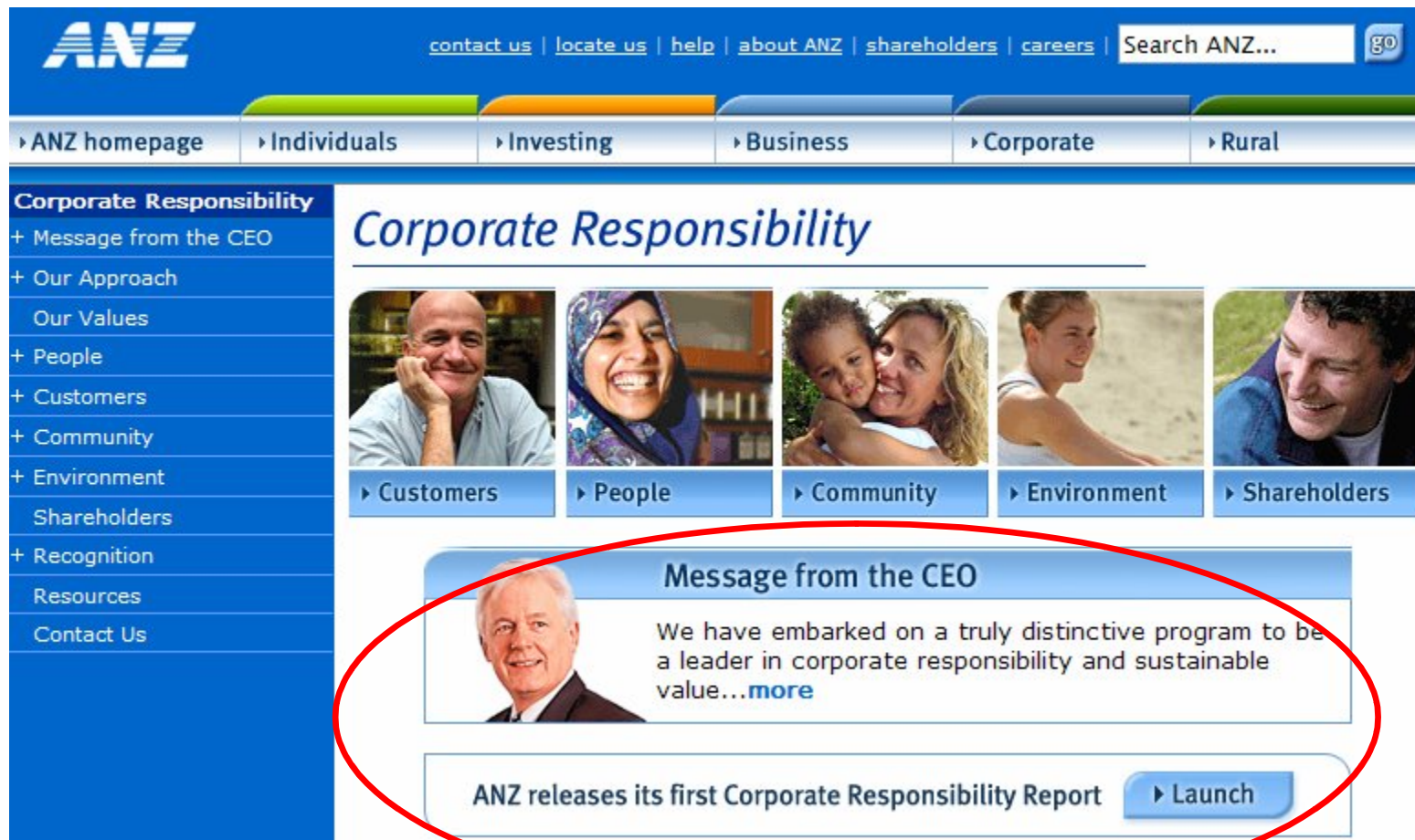
“...the expansion of corporate accounting responsibility to a wider group of stakeholders over a range of issues....”

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# CSR – Australia



The screenshot shows the ANZ Australia Corporate Responsibility page. At the top, the ANZ logo is on the left, and navigation links for 'contact us', 'locate us', 'help', 'about ANZ', 'shareholders', and 'careers' are on the right. A search bar labeled 'Search ANZ...' is also present. Below the navigation bar, a horizontal menu contains links for 'ANZ homepage', 'Individuals', 'Investing', 'Business', 'Corporate', and 'Rural'. The main content area is titled 'Corporate Responsibility' and features a grid of five images with corresponding labels: 'Customers', 'People', 'Community', 'Environment', and 'Shareholders'. A 'Message from the CEO' section is highlighted with a red oval, containing a photo of the CEO and the text: 'We have embarked on a truly distinctive program to be a leader in corporate responsibility and sustainable value...more'. Below this, a banner reads 'ANZ releases its first Corporate Responsibility Report' with a 'Launch' button.

ANZ

[contact us](#) | [locate us](#) | [help](#) | [about ANZ](#) | [shareholders](#) | [careers](#) | Search ANZ...

› ANZ homepage | › Individuals | › Investing | › Business | › Corporate | › Rural

**Corporate Responsibility**

- + Message from the CEO
- + Our Approach
  - Our Values
- + People
- + Customers
- + Community
- + Environment
- Shareholders
- + Recognition
- Resources
- Contact Us

## Corporate Responsibility

› Customers | › People | › Community | › Environment | › Shareholders

### Message from the CEO

We have embarked on a truly distinctive program to be a leader in corporate responsibility and sustainable value...[more](#)

ANZ releases its first Corporate Responsibility Report

## Business in the Community - UK

Focused on continually improving the impact companies have on society

Membership - 750 companies, including 71 of the FTSE 100 and 82 per cent of the FTSE

Purpose is to create a public benefit by

- Inspiring companies to improve the positive impact of business in society
- Creating a unique platform for dialogue & collaboration
- 100 partnerships across the UK and more than 60 partner organizations
- Experienced in developing practical and sustainable solutions
- Impact on key social issues by engaging in collaborative action
- Integrate, manage and measure responsible business practice

# World Business Council for Sustainable Development



180 international companies united by a shared commitment to sustainable development via

- Economic growth
- Ecological balance and
- Social progress

WBCSD's - belief - sustainable development is good for business

Mission - to provide business leadership as a catalyst for change

Aims

- Business leadership
- Policy development
- Best practice
- Global outreach

# FTSE4 Good Index - UK



Contact Us | FAQs | Site Map | Search | DDS

About Us   **Indices**   Research & Publications   Media Centre

Home > Indices > FTSE4Good Index Series

## Indices

### FTSE4Good Index Series

- Values
- Constituents
- Index Rules
- Index Changes
- Index Reviews
- Product Specifications
- Information for Investors
- FTSE4Good Japan
- EIRIS
- Criteria Documents & Company Information

## FTSE4Good Index Series

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. Transparent management and criteria alongside the FTSE brand make FTSE4Good the index of choice for the creation of Socially Responsible Investment products.

FTSE4Good can be used in four ways:

- Investment - a basis for socially responsible financial instruments and fund products
- Research - a research tool to identify socially responsible companies
- Reference - a reference tool to provide companies with a transparent and evolving global corporate responsibility standard to aspire to and surpass
- Benchmarking - a benchmark index to track the performance of socially responsible investment portfolios

### Further Information

- [FTSE4Good Inclusion Criteria](#)
- [FTSE4Good Countering Bribery Criteria](#)
- [Impact of New Criteria & Future Direction Report 2004-2005](#)

### FTSE4Good News

- [08.09.05 Semi-Annual Review of the FTSE4Good Indices](#)
- [07.06.05 Launch of New Criteria & Future Direction Report 2004-2005](#)
- [11.03.05 Results of FTSE4Good March 2005 Review](#)
- [21.09.04 Launch of FTSE4Good Index Series](#)

# CSR – USA & Corporate Philanthropy



## Welcome to Google.org – the philanthropic arm of Google

Google.org includes the work of the Google Foundation, some of Google's own projects using Google talent, technology and other resources, as well as partnerships and contributions to for-profit and non-profit entities. While we continue to define the goals, priorities and approach for Google.org, we will focus on several areas including global poverty, energy and the environment. The Google Foundation has made some initial commitments, which include:

- **Acumen Fund**: a non-profit venture fund that invests in market-based solutions to global poverty. The Fund supports entrepreneurial approaches to developing affordable goods and services for the 4 billion people in the world who live on less than \$4 a day.

“ We hope that someday this institution will eclipse Google itself in overall world impact by ambitiously applying innovation and significant resources to the largest of the world's problems. ”

- Sergey Brin & Larry Page

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# HKSAR - Sustainable Development Unit



中華人民共和國香港特別行政區政府

The Government of the Hong Kong Special Administrative Region  
of the People's Republic of China

ENGLISH | 繁體版 | 简体版 | 



# What About Hong Kong? – Multi-nationals

## ● CLP in Hong Kong

- Our Business
- Supply Reliability
- Power Quality
- Quality Living
- Service Excellence
- **Good Corporate Citizenship**
- Residential Customers
- Business Customers

## ● Business Partners

## CLP in Hong Kong


More than Light

Home > Hong Kong > CLP in Hong Kong > **Good Corporate Citizenship**

### Good Corporate Citizenship

CLP believes corporate social responsibility and business objectives can co-exist and support each other in achieving a sustainable society. As such we endeavour to practise good corporate citizenship, as it is a culture and a collective behaviour that requires with strong leadership support and persistent employee commitment.

# What About Hong Kong? – Major Corporates



Corporate Home > Sustainability

## Sustainability

**Corporate Site**


- Business Overview
- Railway Operations
- MTR Properties
- Investors' Information
- Projects
- Tenders & Contracts
- Consultancy Services
- Careers at MTR
- Corporate News
- Sustainability**

### Sustainability

We view sustainability as the guiding principle on how we develop and manage our business, grow our people, partner with our contractors and suppliers and engage our stakeholders. It encapsulates the dynamics that drive our business culture as an energetic, thriving and responsible corporate citizen.

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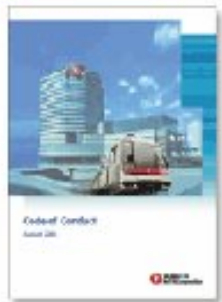
### Sustainability Reporting



The Corporate Sustainability Report provides an overview of our approach to sustainability and details the progress in our economic, social and environmental performance on an annual basis. Since 2002 we have conducted the reporting exercise using the Global Reporting Initiatives (GRI) Guidelines – 2002 model.

The 2005 Report, **Rail to People, People to Rail** focuses on engaging our stakeholders.

### Code of Conduct



The MTR Code of Conduct sets out the policies and practices that the Company has developed to deal responsibly with its internal and external stakeholders.

The Code of Conduct shall apply to all employees of the Company, in all places and circumstances of the business dealings.

Its aim is to ensure consistently high standards of care and fair treatment of those involved with MTR on issues including fair competition, bribery, conflict of interest and transparency.

Please click [here](#) (PDF, 2Mb) for details.

## Other Hong Kong CSR Initiatives

HSBC Living Business Awards

HK Environmental Campaign Committee

Business Environment Council

HK – Beam Society

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# CSR - One of The Reasons Why It Is Growing



[UPDATE](#)  
[SUMMARY](#)  
[NEWS](#)

*You have to meet the quota before you can go home.*

*She hit all 15 team leaders in turn from the first one to the fifteenth...*

*The physical pain didn't last long,  
but the pain I feel in my heart will never disappear.*

The above statements were made by Thuy and Lap, woman workers at Nike plant in Vietnam, and reported by CBS in October 1996. However disturbing those comments might have been, they turned out to be *but a scratch on the surface* of a far more horrendous reality -- confirmed, quantified, and fully documented in a [March '97 report](#) by Vietnam Labour Watch during its visit to Vietnam.

# ISO Standards – Helping CSR to Grow

**ISO 26000\*** – Guidance Standard on Social Responsibility

ISO 14000 – Environmental Management Standard

ISO 9000 – Quality Management and Assurance

## ISO in brief

International Standards for  
a sustainable world



\* Expected in 2008

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## Why Conduct a CSR Perception Survey

- Understand CSR trends in Hong Kong and how it compares with other markets
- Explore CSR organizational practices
- Provide information on company behaviour towards CSR and make recommendations

## Study Methodology

- Quantitative Survey
- Face to Face Interviews with 351 qualified accountants and associates from Hong Kong, Singapore and Malaysia
- Survey respondents from all industry sectors (MNCs and SMEs) including financial services, insurance, audit, business consultancy, manufacturing, engineering and construction
- Conducted during the last six weeks

## Definition of CSR

Definition of CSR	Hong Kong %	Singapore %	Malaysia %
To build a caring community spirit	76	84	71
A business approach that embraces risk factors from economic, environmental and social developments	75	79	86
Corporate Governance	66	88	82
Accounting responsibility to a wide range of stakeholders	73	74	82
Focus on Charity outreach and environmental protection	56	62	57

## Definition of CSR

- Building a caring community spirit through cultivating corporate citizenship and strategic partnership among the business, public and social service sectors”
- The expansion of corporate accounting responsibility to a wider group of stakeholders over a range of issues
- A business approach that creates long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments

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## Risky Business – Shareholder’s Money

### Directors Face a Twin Business Risk

- Fiduciary obligations to shareholders
  - If shareholders object to CSR initiatives then directors may be subject to legal scrutiny
- Business Performance
  - If directors don’t act to improve the company’s CSR performance the company’s image, brand and profitability may suffer

# Walking The Tight-Rope

## Legal Mandate

There is one and only one social responsibility of business, to use its resources to engage in activities designed to increase its profits















## Social Contract

Ethics in an organization improves both the culture and performance of the organization

Milton Friedman 1962

## Walking The Tight-Rope – Another View

	Single Bottom Line	The Other Two In Triple Bottom Line	
Accountable			
Measurable			
Comparable			
Standards			1
Legal Status			2
Protection for Directors			

1. Environmental regulations may exist
2. Obligations to comply with government regulations exist

## The Economist - Pick Your Permutation

	<b>Raises Social Welfare</b>	<b>Reduces Social Welfare</b>
<b>Raises Profits</b>	Good Management	Pernicious CSR
<b>Reduces Profits</b>	Borrowed Virtue	Delusional CSR

## Summary - CSR - In South East Asia

- Still in its infancy
- Conservative approach to implementation
- Lack of standards and ability to compare
- Lack of knowledge and education
- Little or no understanding of CSR by SMEs
- Many of CSR initiatives appear to be token
- Legal risks exist for directors

# Questions

