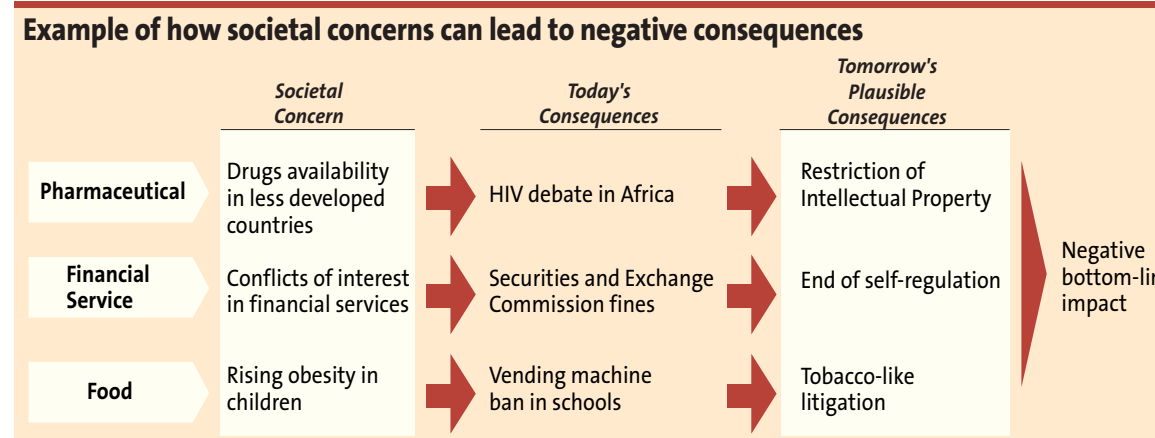


The next wave of CSR

Corporate Social Responsibility (CSR) is not new in the Malaysian corporate scene and neither is it a passing craze adopted by players to appear trendy. CSR is here to stay, as *Starbiz* learns about its developments and challenges for more effective CSR-driven results.



Source: Khazanah Nasional

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MALAYSIANS have always had it in them. It, meaning the work involved under the banner of Corporate Social Responsibility (CSR).

These are the words of Datuk Johan Raslan, chairman of the Institute of Corporate Responsibility Malaysia (ICRM), to describe CSR engagement by Malaysians and local corporations.

CSR means that corporations have an obligation to consider the interests of clients, employees, shareholders, communities and ecological concerns in all aspects of business operations.

"It is part of Malaysian culture to help one another or the less fortunate. Gotong-royong activities in the kampungs are a norm and this is simply translated into CSR activities when people grow up to be executives or heads of companies," he told *Starbiz* recently.

Also, he said the stories of chief executive officers rising from humble beginnings to wealthy stature, keen on helping the less privileged, and rich families involved in philanthropy were common among Malaysians.

In the past, he said, people understood the CSR concept as needing to forgo profits or having employees take on extra work.

ACCA Asean and Australasia director Tay Kay Luan said the majority of local firms had a narrow view of its definition.

"For Malaysian companies and government leaders, CSR is confined to doing good for the community through donations, philanthropy, sports development or participation in charity events," he said.

Johan, who is also the chairman of Price-waterhouseCoopers executive, said one of the biggest misconceptions about CSR involved the company CEO giving a big cheque to an underprivileged home or a cause.

"CSR is more meaningful when an entire company gets involved in not a one-day event, but in an activity that is carried out on a sustained basis," he said.

But, he said, this narrow understanding was slowly diminishing, driven by an awakening in the Malaysian corporate scene.

The first, he said, is the involvement of the Government and regulators to promote CSR benefits through the government-linked companies (GLC) transformation programme.

"The Silver Book programme allows the GLCs to be at the forefront and these players are experimenting with new ideas.

"Their CSR activities just do not stop at poverty eradication and environment conservation, but also touch on education and heritage related issues," he said.

Another important factor was "people power," Johan said. Increasingly, employees are given the chance to speak up and demand that



Tay Kay Luan

companies carry out more meaningful activities.

"People are choosing to join firms that have principles close to their own values," he said. This in turn, pushes firms to adopt CSR-driven policies to engage the best talent.

Shell Malaysia, in an email response, said almost 80% of its staff who read Shell's reports indicate a higher sense of pride in the company.

"People want to work for a company that shares their values and commitment to sustainable development. On (university) campuses, we find that the first questions we receive are about our sustainable development principles," Shell said.

Tay concurs, stating that as reported in a British Mori Survey in 2003, companies with better reputation in their social and environmental performance attract top graduates.

Johan provides a comparison of the level of CSR awareness among Malaysian firms and its regional peers and finds that Malaysian firms have performed "very credibly".

"Since we introduced CSR reporting in annual reports of local firms, we have seen progress from carrying out events for public relations exercise to more sustainable activities," he said.

CSR reporting was made compulsory in Budget 2006, requiring all public listed companies to report on their environmental and social responsibility performance.

Bursa Malaysia had stated that these reports ranged from a one-line statement to a stand-alone report, allowing flexibility to adopt this practice.

Tay cites good examples where companies

have started to shift from social obligations to place more emphasis on bigger issues including health, corruption, supply chain management and stakeholder engagement.

But, he said, it was vital to remember that changes do not happen overnight.

"Given the momentum and increasing level of awareness, I believe that there will be many more companies engaging in CSR-related activities that go beyond philanthropy and charity," Tay added.

So, then, are there any thorns in the optimistic picture of CSR in Malaysia?

Johan feels that the only challenge that firms would face was finding the time to carry out all CSR-related activities. "The only thorn I can see is that there is so much to do and that is making it difficult to find what to focus on."

He believed that the level of awareness was so strong that CSR-driven incentives were secondary in driving local corporations to adopt these healthy practices.

In Budget 2008, it is expected that incentives will be offered to further promote CSR, but

framework, is not only aimed at its environmentalists and managers but also engineers, technicians and finance staff.

Celestine said some of the key challenges include the articulation and implementation of a CSR policy.

Dorner added: "CSR should be embodied by all employees and not solely driven by management," she added.

BP Asia Pacific (M) Sdn Bhd communication and external affairs manager Zukifli Othman said BP recognised that the main responsibility was to maximise the value of company overtime. "Also, it is important to operate in a manner consistent with the norms and values of its shareholders."



Datuk Johan Raslan says one of the biggest misconceptions about CSR involved the company CEO giving a big cheque to an underprivileged home

Johan said Malaysian companies, which were heavily involved in sustainable development, would continue to practice CSR regardless of these extra "perks".

It boils down to the basics. In order to get people interested in CSR, like the famous phrase, "charity begins at home," caring for staff needs was a sure way to get them interested.

"If you are not nice and caring towards your staff, it will be tough to get them to do stuff," he added.

Tay puts the ideas in a broader context, stating that in this flat world that companies operate in, doing business was no longer the same.

"Consumers are more demanding as they have more access to information and the societies we live in are more interdependent," he said.

Consumers will be upset if they know products they buy are made using child labour or in unhygienic conditions or even elimination of waste will contaminate water used for consumption.

"We are no longer living in a vacuum."

Sustainable development for the long term

LEGISLATION and incentives to promote practices under the corporate social responsibility (CSR) banner are welcomed but not seen as necessary.

In a random email survey conducted by *Starbiz*, one firm implied that legislation or regulatory intervention was not needed in encouraging companies to adopt healthy practices.

"We would like to think that companies like sustainable development not because legislators force them to but rather that they are aware that they have to ensure their long-term livelihood," Shell Malaysia said in an email response.

Shell's view was that the granting of incentives was a "good way to go", but it hoped that companies would realise that sustainable development was about making good business sense.

Philips (M) Sdn Bhd head of corporate communications, brand management and sustainability, Christina Celestine, said other than incentives, companies should be further encouraged to highlight other benefits linked to CSR.

"These include results that lead to significant competitive advantage. It could be in the form of improved financial performance, enhanced brand image and reputation, reduced long-term cost and effective risk management," she said.

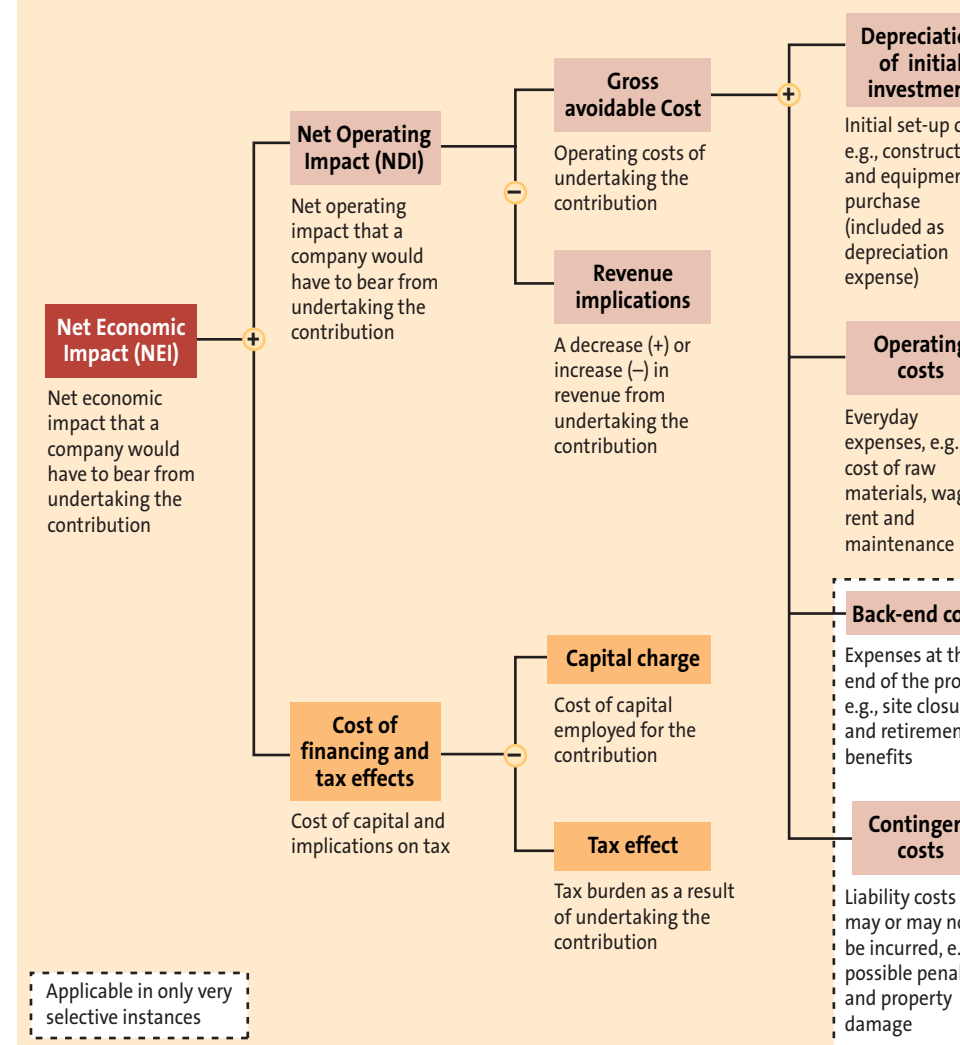
HSBC Bank (M) Bhd deputy chairman and chief executive officer Irene M. Dorner supports the idea of granting incentives as it would encourage companies to assimilate CSR values into their business strategies and goals.

"Companies will see the benefits of their investment in the long-term, and this is an encouragement to integrate CSR naturally into their plans and strategies," she pointed out.

But these companies admit that CSR values can't be embedded within company policies or even become daily practices of employees overnight.

Shell Malaysia contends that there is much work to be done. Sustainable development, which is Shell's principle used for its CSR

Components of NEI for an individual contribution to society



Source: Khazanah Nasional

Silver Book offers guidelines

MORE often than not, a CSR related programme is a process that firms may be reluctant to undertake, as there are no fixed formulae to measure tangible results from CSR investments.

The Silver Book, launched from the government-linked company (GLC) transformation programme, provides firms with scorecards and guidelines to measure these ideas and to gauge how effective their CSR policies are.

Among the tools include a cost-benefit assessment tool to analyse the costs and benefits of CSR contributions to society.

Under this two-part assessment is the focus on net economic impact (NEI).

The NEI captures the net cost (after accounting for revenue benefits, initial and recurring capital costs and tax effects) that a GLC has to bear if it undertakes a specific contribution. Also included in the Silver Book is a scorecard, which assesses the qualitative impact of a CSR activity on the GLC.

It covers customer goodwill and branding, employee goodwill, labour union relationship and investor community goodwill.

This scorecard allows for ranking of minor, moderate and major benefits. It also denotes a negative score, if the project does not yield good results.

The Silver Book also provides scenarios,

Global standards used in projects

COMPANIES in Malaysia have used global standards and internal guidelines to draft their Corporate Social Responsibility (CSR) projects long before local regulators formalised the local CSR frameworks.

HSBC Bank (M) Bhd deputy chairman and chief executive officer Irene M. Dorner said the bank as a group, uses both international and internal standards to draw up its CSR initiatives.

Among its commitments and memberships include the adoption of United Nations (UN) principles for responsible investment last year, the UN global compact in 2000 and the climate group in 2003.

She said HSBC formulated its own sustainability risk standard to better manage sustainable risk. "These cover sectors such as forest land and forest products, freshwater infrastructure, chemical and energy," she said.

BP Asia Pacific (M) Sdn Bhd communication and external affairs manager Zukifli Othman said the company used a common standard as a group.

"We focus our 3-E programmes on education, supporting local enterprise development and improving access to energy," he said.

Among its programmes include the Gemilang mentoring project and the setting up of the Ma' Daerah turtle sanctuary centre through a partnership between the Department of Fisheries, Malaysia, WWF Malaysia and BP/BP PETRONAS Acetyls.

Standard Chartered Bank (M) Bhd corporate affairs head Zaiton Idrus said the bank had identified seven priorities critical for a sustainable business.

This includes sustainable lending, protection of the environment, community investment, tackling of financial crime and responsible selling and marketing.

Zaiton said the bank also addressed issues in countries it operated in, making sure these (issues) were meaningful and made effective use of talent and abilities of its people.

Shell Malaysia also articulated seven sustainable development principles to cover the economic, environmental and social dimensions of its business.

"We invest over RM10mil a year on youth



Irene M. Dorner

development, educational awards and community service programmes. We have been sponsoring Malaysian students in their pursuit of higher education for over 35 years," it said.

Philips (M) Sdn Bhd corporate communications, brand management and sustainability head Christine Celestine said the company based its CSR programmes on the different needs of each community and looked for ways to contribute in areas that required crucial attention.

Some of its programmes include setting up of kindergartens in rural areas for low-income families and support of mobile eye clinics.

This year, the company will launch the Philips-Cetree energy efficient mobile showhome, a vehicle to educate people in the rural areas on renewable energy and energy efficiency.

BAT comes a long way in initiatives

BRITISH American Tobacco (M) Bhd (BAT) efforts its Corporate Social Responsibility (CSR) efforts to be treated with criticism and scepticism.

According to corporate and legal affairs director Christine Lee, BAT understands that the process of being recognised as a responsible company in this industry is long and arduous.

"What is crucial is that we continue our journey towards that end," she said in an email interview recently.

Lee said BAT's CSR efforts were based on a set of business principles, which includes mutual benefit, product stewardship and good corporate conduct.

BAT was also the first company to produce a social report following the AA1000 standards and the global reporting initiative guidelines since 2002, she said.

Lee said BAT's initiatives had also led the company to be included in the Dow Jones sustainability indices world for five consecutive years.

Unilever (M) Holdings Sdn Bhd said among the reasons why companies were hesitant to implement CSR-related activities, was the perceived costs involved.

"Rather than considering it as an investment and a business strategy, it is often seen as a liability, hence a small budget is allocated for CSR," it said.

Unilever's CSR initiatives are guided by its corporate purpose and code of business principles, which cover the social impact of its products, securing supplies of key raw materials and CSR benefits to its stakeholders and local communities.

"With over two-thirds of our raw materials coming from agriculture, we make sure these materials are sourced in a sustainable manner."

Maxis Communications Bhd head of corporate social responsibility Salmah Ahmad said the company had embarked on the Energy, Water and Communications Ministry -Maxis Cyberkids Programme to educate children in rural areas on Information, Communications and Technology and self-development skills.

Salmah said the programme was in its fifth year and had reached out to more than 7,000 students and teachers.

"Another effort is to upgrade rural telecommunications infrastructure, under the government's universal service provision (USP) initiative," she said.

Last year, Maxis contributed RM306.6mil to help improve rural access, bringing its total contribution to the USP to over RM1.01bil.

Salmah said the Maxis Developer Programme provided commercial platform to over 100 information communications and technology start-up firms. Since 2003, over RM12mil has been invested in the venture.