



樂施會
Oxfam
Hong Kong

Corporate Social Responsibility Survey of Hang Seng Index Constituent Companies 2009



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Oxfam Hong Kong Address: 17/F, China United Centre,
28 Marble Road, North Point, Hong Kong
Tel: (852) 2520 2525 Fax: (852) 2527 6202
Website: www.oxfam.org.hk

Oxfam Hong Kong is an international development and relief agency working to reduce poverty and injustice around the world. Oxfam Hong Kong recognises that much poverty is caused by injustice and that poverty alleviation requires economic, social and structural change. Oxfam Hong Kong works with people facing poverty and with partner organisations on development, humanitarian, policy advocacy and public education programmes.

This paper was based on a survey undertaken by CSR Asia with Professor Richard Welford and Jacqui Dixon as the principal researchers, and Kalina Tsang and Dr. Stephen Frost as the lead editors. The layout and design of the report was managed by Kwok-ho Wong, with Ky Lau as the designer.

CSR Asia is the leading provider of information, training, research and consultancy services on corporate social responsibility and sustainable business practices in Asia. Operating as a dynamic social enterprise, CSR Asia occupies the unique middle ground between civil society organisations and fully commercial consultancies. This enables the organisation to provide independent and cutting-edge services and expert insight into the corporate social responsibility issues facing companies in Asia. Based in Hong Kong with offices around the region, CSR Asia builds capacity and promotes awareness of CSR in order to advance sustainable development across the region.

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Oxfam Hong Kong staff Kalina Tsang is the manager of this research project. For further information on the issues raised in this paper, please email kalina@oxfam.org.hk. The report is freely available on Oxfam Hong Kong's website at www.oxfam.org.hk

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1.1 Oxfam's Concern with Corporate Social Responsibility

Oxfam believes that the private sector plays a central role in development, having an impact on or contributing to poverty reduction in many different ways. Where there is a healthy and responsible private sector, there are greater possibilities for sustainable development and economic growth that can lead to poverty reduction. By enabling poor people to access decent jobs, goods, services and credit, as well as improving incomes through access to markets, businesses make their most important contributions to development that benefits poor people. These contributions have a real impact on poverty reduction when companies integrate their social and environmental responsibilities into their core business operations and decision-making processes.

The credit crisis and financial turmoil has highlighted that now is the time to strengthen corporate social responsibility (CSR). There are many global issues facing business and wider society today: poor corporate governance practices and widespread corruption, the economic crisis and soaring food prices, labour abuses and supply chain management, scandals over product safety and severe environmental damage, climate change and increasing natural disasters – all of which often hit the poor first and hardest. Now, more than ever, we believe companies need a “social license” to operate. They need to demonstrate to the public, to consumers, to communities, to their own investors, that in addition to making good products and profits, they are socially and environmentally responsible. The role for business to contribute to closing the gap between the rich and the poor has never been more apparent.

Oxfam Hong Kong has long been active in promoting CSR in Hong Kong and other parts of East Asia. Oxfam believes CSR goes beyond philanthropy and compliance and addresses how companies manage their economic, social and environmental impacts, as well as their relationships with key stakeholders. Our engagement with companies is driven by the fundamental belief that businesses play a critical role in poverty reduction and sustainable development. Our goal is to influence companies to improve their policies and practices. When businesses pay poverty wages, allow sub-standard work conditions, destroy the environment and neglect people's rights – as they sometimes do – it is much harder for people to lift themselves out of poverty. However, we also engage with businesses that are genuinely committed to making a positive impact in the developing world and to contributing to social and environmental development in a sustainable way.

In 2004, we released the research report *Turning the Garment Industry Inside Out – Purchasing Practices and Workers' Lives*; and since then, we have advocated for changes in purchasing practices as well as improved practices in CSR by garment companies. We believe that these changes could benefit poor workers and contribute to the goal of reducing poverty. In 2006 and 2009, we published two more research reports, again on the garment sector, focusing on Hong Kong and Mainland China companies. The *Transparency Reports I and II* documented how far Hong Kong's top garment retailers have come in terms of providing consumers and investors with the information they need to make ethical purchasing and investment choices. Since then, we have engaged in constructive dialogue with some of these companies

and with key stakeholders, hosting round-table talks on good supply chain labour practices. We also launched the first CSR Guidebook for the garment industry *Good Fashion: A Guide to Being an Ethical Clothing Company*, and organised sustainability reporting seminars to promote good practices among companies.

The launch of the first *Corporate Social Responsibility Survey of Hang Seng Index Constituent Companies* in December 2008 expanded our scope of work beyond the garment sector. It was the first attempt in the Asia region to document the CSR policies and initiatives of the biggest companies in the Hong Kong stock market. Because they are the best performing companies, they collectively have an enormous impact on the Hong Kong economy, and therefore, on social and environmental issues. By evaluating the companies listed on the Hang Seng Index, the survey provided a general representation of how Hong Kong enterprises are addressing important social and environmental issues within their business strategies. The survey findings have generated interest among media, overseas institutes, socially responsible investors, regulatory bodies and the Hang Seng Index constituent Companies themselves.

This report marks the completion of the second survey of the Hang Seng Index constituent companies in 2009. The survey focused on companies demonstrating the implementation of CSR initiatives through provision of substantial supporting evidence. Based on the feedback from companies in the first survey process, the 2009 questionnaire was adapted to be shorter overall, yet more rigorous. The scoring criteria were stricter, requiring much more evidence from companies for any points to be given. Oxfam Hong Kong hopes that this revised methodology will set a higher benchmark and a platform for continuous dialogue with companies on improving their CSR practices in the long run.

Nevertheless, we are aware of the survey's limitations. While this survey aims to provide an overview of companies' CSR policies and related measurement systems via verified self-administered questionnaires, it does not seek to assess negative issues and impacts, particularly on issues involving the environment and labour rights. We hope that the survey will continue to facilitate comprehensive dialogue on both positive and negative impacts regarding corporate responsibility. Our ultimate objective is to call on the largest companies in Hong Kong to demonstrate the best international practices and take the lead in the CSR movement, with a view to achieving poverty reduction.

1.2 Benefits of CSR to Hong Kong companies

For the past decade, we saw the rapid development of voluntary CSR standards at the global level, like the UN Global Compact, Global Reporting Initiative, Equator Principles, UN Principles for Responsible Investment, and so on. It is expected that the upcoming ISO 26000 international standard on social responsibility, the decision to review the OECD Guidelines for Multinational Enterprises, and the emergence of "own company" private standards will ensure continuous and heightened interest in CSR. As many Hong Kong companies are operating internationally, it is beneficial for them to pay attention to global trends in CSR, including "soft laws" and mandatory measures, which we will explain in later sections.

More stakeholders believe CSR, if positioned strategically, can drive company competitiveness and, in turn, profitability. Nowadays, consumers have growing expectations and demands over ethical business conduct. Increasing numbers of multinational corporations have been targeted by consumer campaigns and media on sweatshops, human rights abuses and supply chain issues over

the past decades. Companies run the risk of their reputations being badly tarnished, which could be critical to a company's profitability and ability to attract customers, investors, business partners and employees. On the other hand, both customers and buyers increasingly want products that result from responsible social and environmental practices. Reports show that the market share for eco-friendly, fair trade and environmentally certified products is on the rise. Hong Kong companies can become more competitive and enter new markets if they are able to meet the same demands for CSR.

From an investment perspective, the requirements of financial institutions for evidence of sound management of social and environmental issues are growing too. Perceived risk has an effect on the cost of financial capital; and, therefore, companies managing those risks may be able to access capital at better rates. Recent trends have seen the development of specialty forms of capital available for businesses that explicitly aim to contribute to sustainable development. The global socially responsible investment market was estimated to be nearly 5 trillion Euros as of late 2008.¹ Rapid development of global sustainability indices such as FTSE4Good and Dow Jones Sustainability Indexes will continue to drive socially responsible investment across the world.

There is little doubt that being a good business can enhance trust in a company and instil confidence amongst stakeholders. First and foremost, CSR and good workplace practices are important for staff recruitment and retention. Research demonstrates that employees want to work for companies that they can respect, and thus CSR helps in the recruitment of top talent.² A Hill and Knowlton survey of MBA students from around the world found that the quality of management and employee talent weighs heavily in their assessment of a firm's reputation. Asian students in particular felt strongly about the importance of a firm's brand reputation in order to be successful financially. In fact, three out of four

MBA students say that corporate reputation plays an extremely or very important role when considering where to work after completing their MBA.³

Furthermore, companies that invest in their employees through good benefits, staff development and training and flexible working arrangements will ultimately reduce turnover, maintain a healthy, happy and thus productive workforce to ensure quality and innovation. The top factor for potential employees concerning CSR was that a company treats its employees well, and allows maintenance of work-life balance.⁴ In the Global Workforce Study (the largest study of its kind, surveying nearly 90,000 employees in 18 countries, on what drives attraction, retention and engagement) conducted in July 2008, it is found that CSR is linked to how well employees perform and the impact this has on the bottom line. More specifically, the study found that CSR is the third most important driver of employee engagement overall.⁵ A human resource strategy that embeds CSR can motivate staff, develop their personal skills and enhance work-life balance, making them more committed and more productive.

There is no doubt that sound environmental practices will reduce costs for a company (such as saving energy, reducing water usage and paper consumption, etc). An increasing number of joint business-environmental initiatives have been formed at both the local and international level. The global retailing giant Walmart has already started to work with its suppliers on an ambitious sustainability index to rate consumer products on environmental and social impact. A labelling system is expected to reveal those ratings to consumers and thus hold its supply chain accountable. It is foreseen that companies that take account of environmental and social issues in project design will build distinct market advantages.

2 Methodology

2.1 The Hang Seng Index

The Hang Seng Index is also known as the Hong Kong Blue Chip Index, and measures the performance of the largest and most liquid companies listed in Hong Kong. It is a free float-adjusted market capitalisation-weighted stock market index and is the main indicator of overall market performance in Hong Kong. There were 42 constituent stocks in total as of June 2009, which represent over 60 per cent of total market capitalisation of the Hong Kong Stock Exchange. Collectively, these companies have an enormous impact on the Hong Kong economy and thus environmental, social and governance issues too.

It is therefore crucial to understand their behaviour with regard to their contribution to poverty alleviation and making Hong Kong a better society.

The Index is now composed of 25 companies headquartered in Hong Kong, 16 in Mainland China and 1 in the United Kingdom. It covers 10 industry sectors in total. As well as being highly profitable, many of these companies account for a very large workforce, with 31 per cent of constituent companies each employing over 100,000 people.

Chart 1 shows the industry representation and **Table 1** shows all company profiles based on company responses during the survey period.

Chart 1: Industry representation in Hang Seng Index

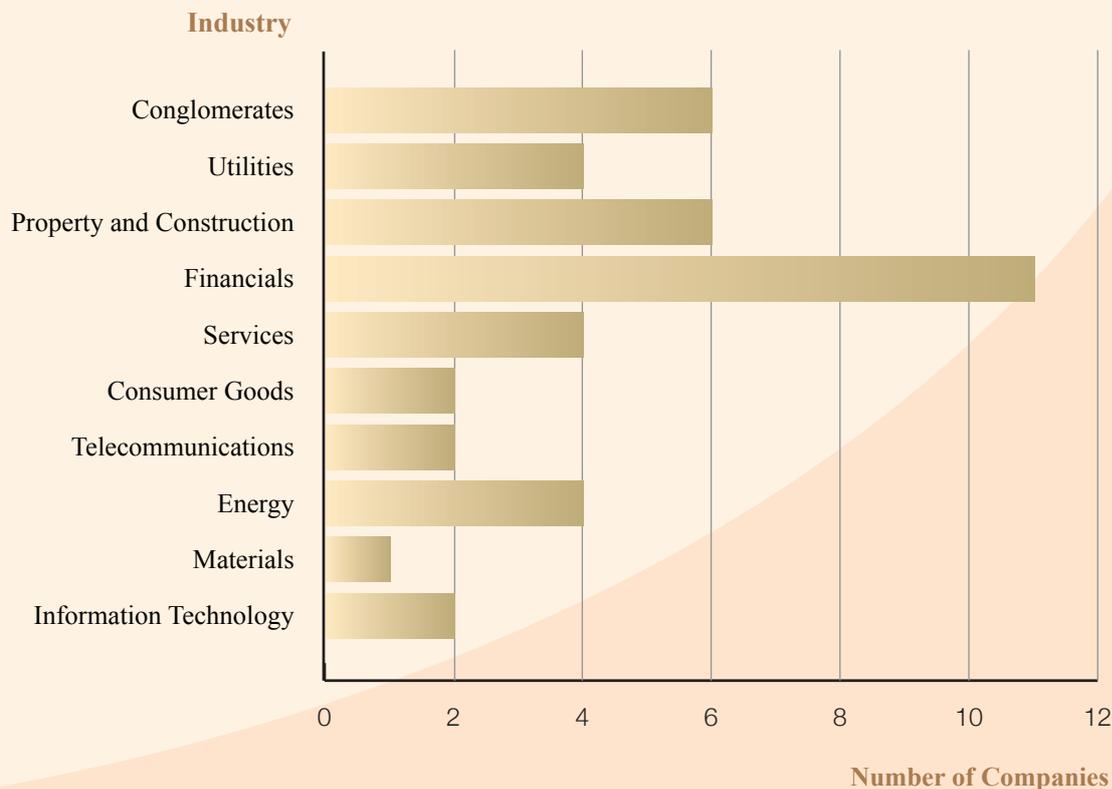


Table 1: List of Hang Seng Index constituent companies

HK\$ (unless otherwise specified)								
Stock Code	Company Name	Industry	Year of establishment	Revenue (08) (million)	Profits (08) (million)	Profit before tax (08) (million)	Total no. of employees	Country of company headquarters
1	Cheung Kong Holdings	Properties & Construction	19th Century	16,436	9,843	15,518	240,000	Hong Kong
2	CLP Holdings Ltd	Utilities	1901	54,297	10,423	11,772	5,717	Hong Kong
3	Hong Kong and China Gas Co Ltd	Utilities	1862	12,352.2	4,394.8	4,957.4	1,922	Hong Kong
4	Wharf Holdings Ltd	Conglomerates	1886	15,940	4,194	9,031	12,900	Hong Kong
5	HSBC	Financials	1865	663,200	50,360	72,130	312,866	UK
6	Hong Kong Electric Holdings Ltd	Utilities	1889	12,773	8,029	9,339	1,864	Hong Kong
11	Hang Seng Bank	Financials	1933	14,099	13,725	15,878	9,671	Hong Kong
12	Henderson Land Development Co Ltd	Properties & Construction	1976	13,492	16,320	17,730	7,300	Hong Kong
13	Hutchison Whampoa Ltd	Conglomerates	1828	348,365	17,664	44,742	230,000	Hong Kong
16	Sun Hung Kai Properties Ltd	Properties & Construction	1972	24,471	28,151	31,235	30,000	Hong Kong
17	New World Development Co Ltd	Conglomerates	1970	29,360.8	12,730.3	14,174.3	57,000	Hong Kong
19	Swire Pacific Ltd	Conglomerate	1974	24,670	6,281	6,328	over 70,000	Hong Kong
23	Bank of East Asia	Financials	1919	6,456.631	103.640	7,257.693	10,863	Hong Kong
66	MTR Corporation	Services	1975	17,628	8,280	9,027	14,076	Hong Kong
83	Sino Land Company Ltd	Properties & Construction	1971	/	7,720.9	/	approx. 9,000	Hong Kong
101	Hang Lung Properties Ltd	Properties & Construction	1949	4,172.6	4,130.3	6,695.2	1,955	Hong Kong
144	China Merchants Holdings	Services	1872	RMB 309,620	RMB 141,590	RMB 85,890	33,991	China
267	CITIC Pacific Ltd	Conglomerates	1990	46,420	8,053	12,332	28,654	Hong Kong
291	China Resources Enterprise, Limited	Conglomerates	1992	64,628	2,961	3,791	144,000	Hong Kong
293	Cathay Pacific Airways Ltd	Services	1946	86,578	8,558	9,671	20,673	Hong Kong
330	Esprit Holdings Ltd	Consumer Goods	1968	34,485	4,745	5,977	10,700	Hong Kong
386	Sinopec Corp	Energy	2000	RMB 1,502,443	RMB 26,200	RMB 24,317	358,304	China
388	Hong Kong Exchanges and Clearing Limited	Financials	1999	7,549	5,129	5,928	848	Hong Kong
494	Li & Fung Limited	Consumer Goods	1906	111,000	11,603	2,683	Around 26,000	Hong Kong
688	China Overseas Land and Investment	Properties & Construction	1979	18,892.373	5,072.282	8,585.3	10,567	Hong Kong
700	Tencent Inc	Information Technology	1998	8,112.648	5,651.574	3,520.688	6,194	China
762	China Unicom Ltd	Telecommunications	2000	RMB 148,906	RMB 33,913	RMB 8,141	205,200	China
836	China Resources Power Holdings Co Ltd	Utilities	2001	26,771.662	1,717.448	2,151.512	23,400	Hong Kong
857	PetroChina Co Ltd	Energy	1999	1,071,146	159,300	161,829	466,502	China
883	CNOOC Limited	Energy	1999	RMB 125,977	RMB 44,375	RMB 57,880	3,584	China
939	China Construction Bank	Financials	1954	RMB 269,747	RMB 92,642	RMB 119,741	298,581	China
941	China Mobile	Telecommunications	1997	RMB 412,343	RMB 142,615	RMB 149,743	138,368	China
1088	China Shenhua Energy Company Limited	Energy	2004	RMB 107,133	RMB 26,641	RMB 36,975	59,543	China
1199	COSCO Pacific Ltd	Services	1987	US\$ 337.973	US\$ 165.961	US\$ 275.177	1,061	Hong Kong
1398	Industrial and Commercial Bank of China (ICBC)	Financials	1984	RMB 310,200	RMB 111,200	RMB 145,400	385,609	China
2038	Foxconn International Holdings Limited	Information Technology	1999	71,851	945	1,530	115,250	China
2318	Ping An Insurance Co Ltd	Financials	1988	107,940.899	540.833	3,377.972	82,808	China
2388	Bank of China (Hong Kong)	Financials	2001	25,526	3,007	4,078	13,463	Hong Kong
2600	Aluminum Corporation of China Ltd	Materials	2001	76,725	158	124.8	107,887	China
2628	China Life Insurance Co Ltd	Financials	2003	RMB 166,811	RMB 21,277	/	/	China
3328	Bank of Communications Co., Ltd.	Financials	1908	RMB 76,660	RMB 28,423	RMB 35,818	68,083	China
3988	Bank of China	Financials	1983	RMB 228,288	RMB 86,251	RMB 65,073	222,829	China

2.2 Data Collection

The survey methodology in 2009 was substantially different to the process followed in 2008. Feedback provided by various companies during the 2008 survey highlighted a number of important areas of concern. These included the amount of time taken to complete the survey questionnaire, the short period of time in which the companies were given to respond and limitations placed on Mainland China companies with the questionnaire being in English only. To meet these concerns, the 2009 questionnaire was adapted so that it contained fewer questions overall, yet the scoring process was more rigorous. The questionnaire was also made available in Chinese. In order to encourage a greater response overall, Oxfam Hong Kong and CSR Asia held a half-day briefing session one week before the questionnaire was sent to companies. Twenty-three companies in total attended the session, which outlined the purpose of the survey, the methodology, scoring process and timeframe to be followed. The briefing received positive feedback from attending companies and helped to ensure better clarity and transparency about the survey process.

Specific criteria from all areas of CSR were considered when creating the questionnaire. In order to reduce the number of questions and better streamline the sections, criteria regarding corporate governance and strategy from the previous questionnaire were incorporated into the CSR strategy and reporting section, which led to the creation of six core areas overall. The other core areas include stakeholder engagement, workplace quality, environmental performance, supply chains and community investment.

The questions were also adjusted to be less focused on policies and commitments and more focused on actual implementation. This, coupled with a higher response rate in 2009, enabled us to form a more accurate picture of corporate reality in Hong Kong.

Questions in the 2009 survey were aimed at gaining further insight into specific issues related to CSR that would not necessarily be publicly available information. The questionnaire was designed to “dig deeper” into companies’ management strategies, and provide a means by which they could exhibit effectiveness and transparency in implementing their CSR programmes. For example, the strategy and reporting, supply chain, and community investment sections contain question to determine whether or not a company has mechanisms to monitor the effects of CSR implementation.

In the 2008 survey, governance was a core area with specific questions highlighting the integrity of a company through the implementation of good governance measures from the highest levels. In 2009, this core area focused more on CSR strategy, making sure CSR is a board level concern through not only the implementation of CSR strategies, but also monitoring ethical governance, joining externally recognised initiatives, and publicly reporting CSR based on internationally recognised guidelines.

Overall, the survey questions were based on a combination of Oxfam Hong Kong’s and CSR Asia’s view of what constitutes good CSR practice; along with internationally recognised sustainability indexes such as the FTSE4Good Index Series, the Dow Jones Corporate Sustainability Assessment Questionnaire 2009, the Social Responsibility Index questionnaire 2005 of the Johannesburg Stock Exchange and internationally recognised guidelines including the Corporate Giving Standard and the Global Reporting Initiative. The full questionnaire is attached as Appendix in this report.

Following the company briefing session in July 2009, we sent out questionnaires to all 42 Hang Seng Index constituent companies and received 31 responses (a return rate of 74 per cent, almost double

the response rate from 2008). The questionnaires were sent to the Chairperson of the company and also to key contacts within the Communications and CSR/Sustainability Departments. In cases where no contact could be found, they were sent to the Chairperson and the Investor Relations Department. The questionnaires were accompanied with a cover letter stating the intent of the survey and the possibility of the findings being made public. Companies were given four working weeks to respond. Companies that did not reply to initial requests for the questionnaire were contacted on two to three additional occasions by both telephone and e-mail. CSR Asia allotted extra time for completion of the questionnaire and continued to accept responses six weeks past the initial deadline. For those companies that ultimately did not respond, CSR Asia gathered information from public documents on both English and Chinese company websites, namely 2008 annual reports and, in a few cases, separate 2008 CSR or sustainability reports.

2.3 Scoring

The scoring of the questionnaire was based on both the company's responses and the amount and quality of evidence provided to support affirmative responses. In 2008, scoring was based on Yes, No, Don't Know responses; whereas, in 2009, scoring was based more on the quality of evidence. An answer of yes without sufficient evidence was scored in the same way as if a company answered no, and was awarded zero point. Providing evidence of CSR policies and initiatives became crucial to attaining higher scores. A chart describing the scoring process was provided to every company in the instructions section of the questionnaire. Performance in relation to each question was measured numerically by using a scoring system of zero, one, two and three. The overall score for each question was based on the extent to which the company adopts/ implements the indicated policy or practice as follows:

Level of adoption / implementation

None

Nothing in place and only sporadic or ad hoc activity takes place, if any. Or company does not know about their activities.

Partial or efforts

Objectives / systems are in place, but do not meet the level of generally acceptable CSR practices; or Evidence exists that regular / systematic efforts are being made to set objectives / implement a system.

Full / Complete

Objectives / systems are in place and are reported on, fully meeting the level of generally acceptable CSR practices.

Exceeding

Objectives / systems are in place exceeding the level of generally acceptable CSR practices.

Each dimension (CSR strategy and reporting, stakeholder engagement, workplace quality, environmental performance, supply chains, and community investment) had a maximum allowable score. The overall score of each company can range from zero to 135, which is translated to a score percentage out of maximum 100 per cent.

In order for companies to achieve the highest potential score, it was vital to include as much evidence as possible. Respondents were therefore requested to provide supporting evidence, details and examples of relevant policies and practices. They were also asked to add any related comments or examples that they thought were relevant.

Depending on the importance of the question, companies were scored to a possible maximum score of three, two or one. Highest marks for each question were given for an answer that provided the highest quality of evidence and/or examples of practices. In the 2009 survey, partial marks were awarded if a CSR initiative covered some operations and full marks were given if it covered all operations. References to public website links

evidence, as long as the company referenced the relevant information, which was then verified by the researcher.

The scoring for 2009 was stricter, requiring evidence for the majority of points that were given for a question. Furthermore, some questions were not scored on an ascending scale but instead required complete evidence to achieve two points or received no marks at all. There were a few questions that required evidence provided to be publicly available in order to receive marks (question 18 regarding workplace injuries and fatalities, in particular). As a result, we believe that this survey is a greater measure of corporate transparency, as those that did not provide publicly accessible information regarding key issues or did not respond scored poorly. Furthermore, in 2008, bonus points were awarded to companies that demonstrated good practices to help differentiate the leaders. This was not necessary for 2009 because the more implementation-specific questions, along with stricter scoring, naturally differentiated the leaders from the rest.

2.4 Key Challenges Faced in the Survey Process

A significant challenge faced in the 2008 survey was gaining access to relevant contacts within the Hang Seng Index constituent companies. Following the launch of the 2008 report, we were subsequently able to find more useful contacts, which helped to secure a higher response rate in 2009. CSR Asia was able to gain access to correct personnel with whom to discuss the survey, to convey its significance and to allow the companies extensions on submitting the survey. There were, however, fewer cases where the survey was sent only to the chairperson of the company and general addresses.

Of the 42 companies listed on the Hang Seng Index, 11 did not reply. Consequently, CSR Asia searched company websites for relevant CSR information and completed the surveys for them. Many questions in

the survey demanded responses that were not necessarily available from public information; and thus for those companies, the researcher had to rate them based on incomplete data. Many of the companies that did not respond demonstrated poor transparency practices by neglecting key CSR areas in their public reporting, such as workplace quality and supply chain. Furthermore, the specific nature of many survey questions required more in-depth and internal data than the general information disclosed to the public.

In order for researchers to remain objective, alignment with objectives and compliance to implementation could not be awarded unless the evidence was very clear. As a result, all but two of those companies that did not respond have been deemed laggards. It is possible that many of these companies do endorse more CSR policies and practices, but by failing to respond to the survey and not providing sufficient public information, these companies did not allow CSR Asia to provide them with an accurate grade of their CSR standards.

Similar problems arose for companies that did respond to the survey but cited entire web pages or reports as evidence. Researchers spent time searching the reports for sufficient evidence, which allowed for a greater chance of misinterpretation. The researcher could not ascertain which piece of information the company viewed as supporting evidence, and the interpretation may have differed from that of the company respondent. Company respondents who took more time to answer the questions and provide clear evidence were much more successful in being awarded marks.

3 Findings

Final scores ranged from a high of 80 per cent to a low of 13 per cent, indicating a significant gap in CSR performance between the best and worst performing companies.

80%



13%

3.1 Company Scores

Table 2: Oxfam CSR survey overall results by composite score

Rank	Company Name	Total Score Percentage	Core Area Score (maximum score)					
			CSR Strategy & Reporting (18)	Stakeholder Engagement (21)	Workplace Quality (32)	Environmental Performance (35)	Supply Chain (17)	Community Investment (12)
1	HSBC	80%	17	21	23	25	12	10
2	CLP	77%	18	19	21	25	13	8
3	China Mobile	76%	17	21	22	19	16	8
4	Cathay Pacific	74%	17	19	27	20	11	6
5	MTR Corp	71%	17	21	25	21	10	2
6	Hong Kong and China Gas	69%	14	21	20	18	14	6
6	Foxconn	69%	18	17	18	17	16	7
8	Swire Pacific	67%	16	17	23	18	11	5
9	Hang Seng Bank	66%	14	18	24	19	8	6
10	HK Exchanges & Clearing	63%	17	19	21	22	2	6
10	Sun Hung Kai	63%	11	21	16	16	12	9
12	Li & Fung	61%	13	18	18	11	16	6
13	HK Electric	56%	11	16	15	21	7	6
14	Tencent	56%	13	15	16	10	13	8
15	Sino Land	53%	9	19	16	17	9	1
16	New World Development	52%	10	19	11	20	3	7
17	China Resources Enterprise	51%	8	18	19	10	10	4
17	Esprit	51%	10	13	23	6	12	5
17	China Shenhua	51%	14	21	9	17	3	5
17	Henderson Land Development	51%	11	19	14	10	8	7
21	Sinopec	48%	11	21	13	18	0	2
21	China Construction Bank	48%	12	21	10	15	2	5
23	Ping An	47%	13	16	18	8	4	5
24	China Unicom	46%	13	16	14	11	5	3
25	Bank of East Asia	45%	8	13	21	13	5	1
26	Bank of China (Hong Kong)	44%	10	12	19	8	5	5
27	China Resources Power	43%	10	17	18	11	0	2
27	Hang Lung	43%	12	14	15	11	4	2
29	PetroChina	42%	15	21	9	9	1	2
30	ICBC	41%	13	19	10	9	0	5
31	Bank of China	40%	15	18	6	13	0	2
32	CNOOC	38%	13	13	15	10	0	0
33	China Overseas	33%	8	13	13	6	2	2
33	China Merchants	33%	12	17	6	7	0	2
35	Bank of Communications	31%	9	10	10	6	4	3
35	China Life Insurance	31%	11	16	8	5	0	2
37	Aluminium Corp of China	30%	11	11	9	8	1	1
38	Hutchison Whampoa	29%	5	18	6	2	7	1
39	CITIC Pacific	25%	7	12	6	6	0	3
40	Wharf Holdings	20%	6	12	0	8	0	1
41	Cheung Kong Holdings	16%	7	13	1	0	0	0
42	COSCO Pacific	13%	8	8	0	0	0	1

Table 2 displays the overall survey results, documenting total score percentage and individual section scores for all companies included in the Hang Seng Index.

The total percentages reflect performance of scores out of a possible total score of 135 points. Companies have been divided into three categories based on their individual performance: leaders, mainstream, and laggards. Leaders received a score of 60 per cent or higher. Mainstream companies received between 40 per cent and 59 per cent. Laggard companies are those who scored lower than 40 per cent.

The response rate in 2009 was higher than the 2008 survey, with only 11 companies failing to respond. Of the 11 companies that did not respond, PetroChina and Bank of China were the only ones to make it out of the laggard category (i.e. the only two companies that had enough information publicly available to suggest mainstream CSR performance).

CLP and Foxconn achieved the highest score for CSR strategy and reporting. On environmental performance, CLP tied with HSBC. It is interesting to note that the stakeholder engagement section saw HSBC, China Mobile, MTR Corporation, Hong Kong and China Gas Company, Sun Hung Kai Properties, China Shenhua, Sinopec Corporation, China Construction Bank and PetroChina all earning the maximum number of points. Cathay Pacific received the highest marks for their workplace quality responses. China Mobile, Foxconn and Li & Fung are all tied for receiving the highest marks for the supply chain section. Finally, HSBC received the highest score for the community section.

Chart 2 indicates the difference in results from the 2008 survey. In 2008, 58 per cent of Hang Seng Index constituent companies scored in the laggard category, scoring under 40 per cent of all possible

points given. Sixteen per cent of companies fell within the mainstream category, and 26 per cent of companies were classified as leaders scoring over 60 per cent of total points. The 2009 results show a vast improvement in companies previously deemed to be laggard, with only 26 per cent of companies in the Hang Seng Index falling into this category. This is largely attributed to a greater response rate, creating a larger mainstream category that represents 45 per cent of the Hang Seng Index constituent companies overall.

Chart 2:
Comparison of survey results
between 2008 and 2009

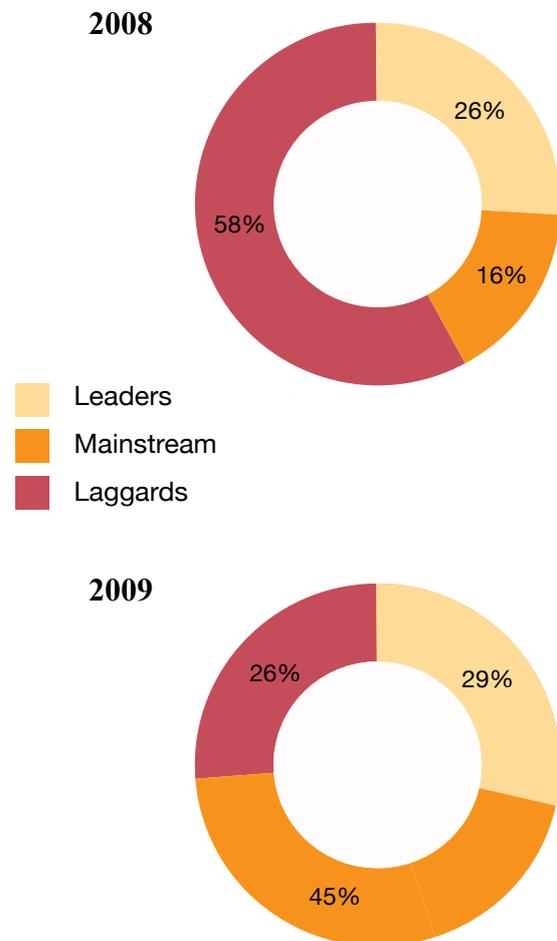
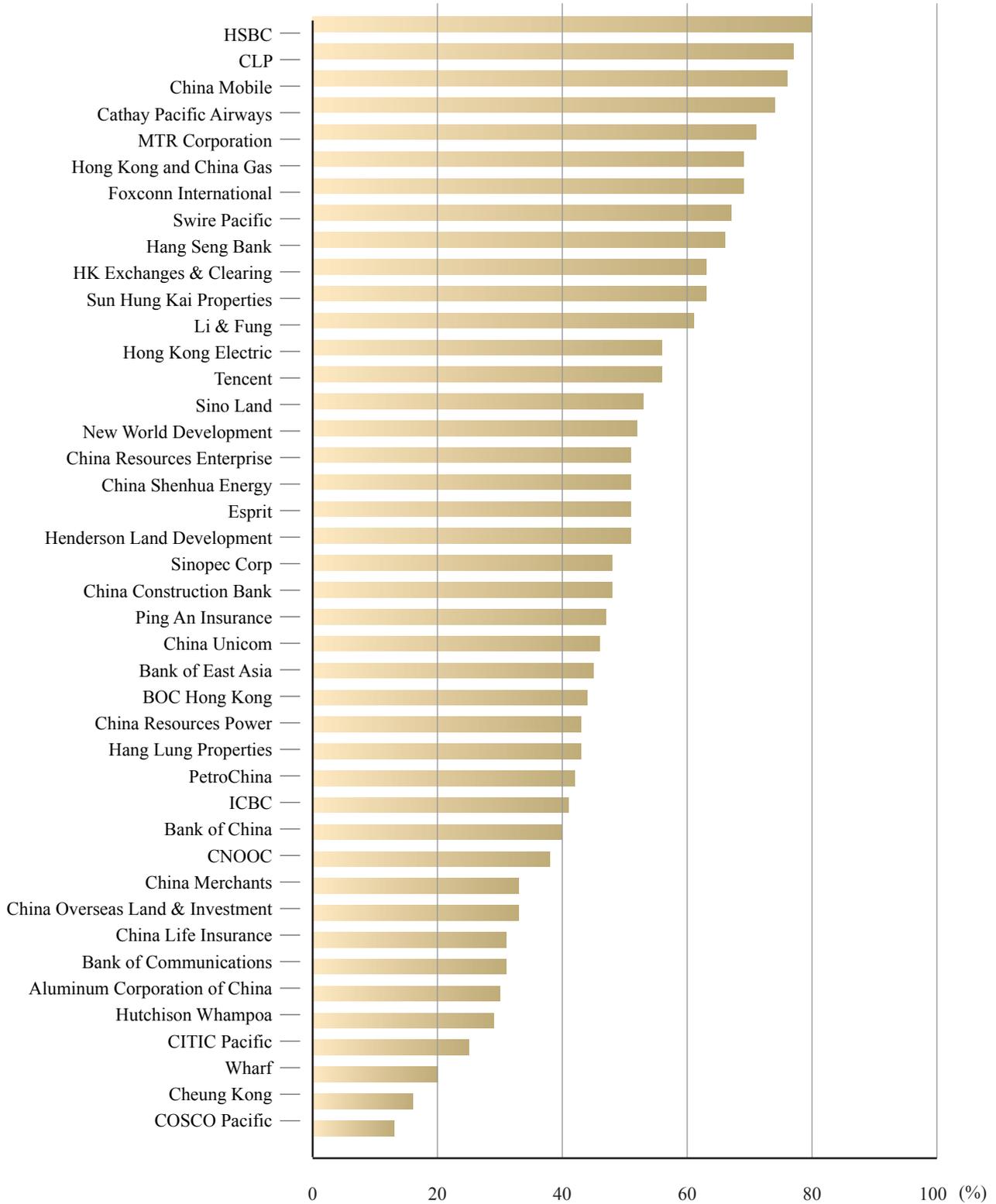


Chart 3: Overall company score percentage



It is worth noting that many Mainland China and Hong Kong companies have proven to be making efforts in their CSR with a significant increase in total score percentage from 2008, despite a stricter scoring system with more specific questions. Tencent, Sinopec, China Construction Bank, Ping An, China Unicom, Industrial and Commercial Bank of China, and Bank of China all increased their CSR positioning to mainstream, with many demonstrating strong performances in certain CSR areas. Similarly, Hong Kong companies such as Hong Kong Electric Holdings, New World Development, Henderson Land Development, Bank of East Asia, Bank of China (Hong Kong) and Hang Lung Properties all achieved lower percentages in 2008, but improvements in CSR reporting enabled them to achieve mainstream standing in the 2009 results.

The leader category has undergone interesting changes too. HSBC, CLP Holdings, China Mobile, Cathay Pacific Airways, MTR Corporation, Foxconn International Holdings, Swire Pacific, Hang Seng Bank and Hong Kong Exchanges and Clearing still emerge as CSR leaders among the Hang Seng Index constituent companies. In fact, the top three company rankings are the same as 2008, with HSBC, CLP Holdings, and China Mobile taking the positions respectively. However, joining them in 2009 are Hong Kong and China Gas Company, Sun Hung Kai Properties and Li & Fung, while Sino Land and China Resources Enterprise have dropped to the mainstream category.

Although the 2009 survey saw the rise of many Mainland China-based companies to the mainstream category, Hong Kong-based companies still constitute a greater representation in the leaders' category. China Mobile is the only Mainland China company represented in the leader category, ranking third overall. HSBC is the leader again in the 2009 survey, although it is notable that

the distinction between HSBC and other leading companies is much less significant. Due to the change in questions and more rigorous scoring methodology, HSBC earned 80 per cent of total marks as opposed to 93 per cent in 2008; and CLP comes in a much closer second. The “up and coming” companies managed to score well due to the existence of board level CSR committees, CSR reporting based on the GRI guidelines, expanded stakeholder dialogue with community groups and other important stakeholders, and setting environmental reduction targets.

2009 also saw a stronger correlation between companies responding to the survey and inclusion within the leaders and mainstream categories. As previously stated, the amount of information on the CSR practices of a given company became critical to their score. In other words, providing more information usually produced a higher score. Of the 31 companies listed in the leaders and mainstream categories, 29 of them returned the questionnaire.



Table 3 displays the rankings and scores of the companies that responded, illustrating the correlation between companies responding to the survey and their inclusion in the leaders and mainstream categories.

Table 3: Score percentage of companies that responded to the survey

Rank	Company	Total Score Percentage
1	HSBC	80%
2	CLP	77%
3	China Mobile	76%
4	Cathay Pacific	74%
5	MTR Corp	71%
6	Hong Kong and China Gas	69%
6	Foxconn	69%
8	Swire Pacific	67%
9	Hang Seng Bank	66%
10	HK Exchanges & Clearing	63%
10	Sun Hung Kai	63%
12	Li & Fung	61%
13	HK Electric	56%
14	Tencent	56%
15	Sino Land	53%
16	New World Development	52%
17	China Resources Enterprise	51%
17	Esprit	51%
17	China Shenhua	51%
17	Henderson Land Development	51%
21	Sinopec	48%
21	China Construction Bank	48%
23	Ping An	47%
24	China Unicom	46%
25	Bank of East Asia	45%
26	Bank of China (Hong Kong)	44%
27	China Resources Power	43%
27	Hang Lung	43%
30	ICBC	41%
33	China Overseas	33%
37	Aluminium Corp of China	30%

Table 4 provides a snapshot of company implementation of CSR policies and initiatives. These particular initiatives have been highlighted as good practices and illustrate the degree to which Hang Seng Index constituent companies understand and commit to CSR.

Table 4: Percentage of companies displaying specific CSR initiatives

CSR Policy/Initiative	Percentage of Companies
GRI Reporting	40%
Standalone CSR Report	57%
Human Rights in Code of Conduct	19%
UN Global Compact	17%
Carbon Disclosure Project	33%
Measurement of Greenhouse Gas Emissions	60%
Environmental Reduction Targets	43%
Stakeholder Engagement with Suppliers	64%
Stakeholder Engagement with Trade Unions	43%
Equal Opportunities Policy for All Employees	67%
Overtime Compensation System	55%
Ethical Purchasing Policy	69%
Monitoring Suppliers	45%
Alignment to UN Millennium Development Goals and /or national development goals	19%
Measurement of Community Investment Impact	29%

Nearly 60 per cent of companies are producing a standalone CSR report, though only 40 per cent of companies are using the GRI as a reporting guideline. Only 17 per cent of companies are signatories to the UN Global Compact, which is the largest voluntary corporate sustainability initiative in the world. A main facet of the UN Global Compact is its commitment to protecting human rights in business operations. It is therefore interesting to note a correlation between the percentage of companies that include human rights in their code of conduct and those that are signatories to the UN Global Compact.

The above figure also shows that climate change is becoming an important CSR issue for Hang Seng Index constituents, as evidenced by the greater participation level in the Carbon Disclosure Project. Moreover, 60 per cent of companies are measuring at least some of their greenhouse gas emissions and hence beginning to ascertain their impact on climate change. It is also positive that nearly half of all companies are setting reduction targets for at least one environmental area, namely greenhouse gas emissions, energy, water or paper. Though there is still much room for Hang Seng Index constituent companies to improve, it is encouraging that they are taking the first step to address the issue.

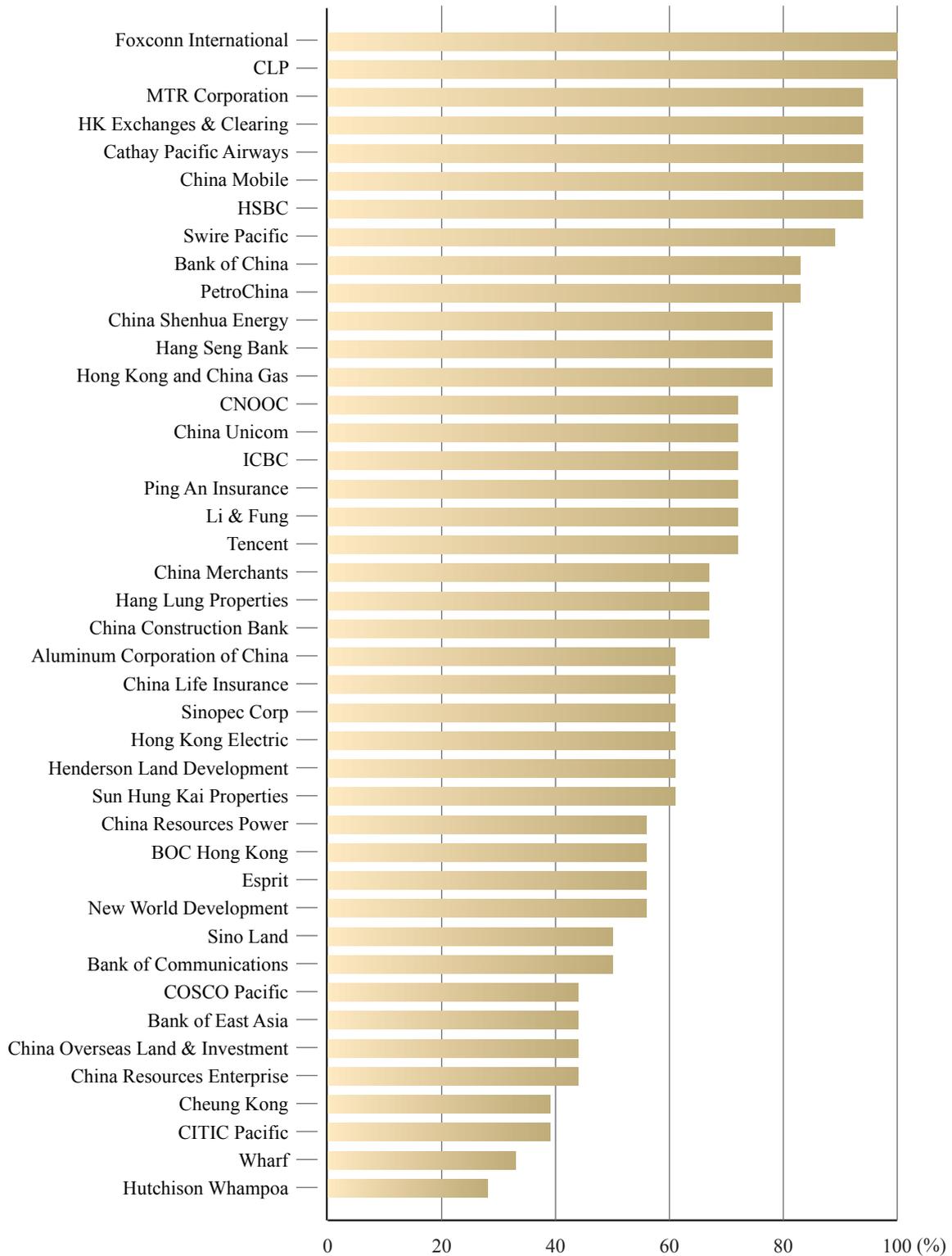
It is widely recognised that suppliers and trade unions are key stakeholders in any engagement seeking to enhance understanding of supply chain management and workplace quality. Interestingly, the findings here suggest that Hang Seng Index companies rank suppliers as a more important stakeholder than trade unions. Sixty-seven per cent of companies have an equal opportunities policy that covers all employees; but less show evidence of additional policies that indicate an understanding of work-life balance.

Although 69 per cent of companies have an ethical purchasing policy, only 45 per cent of companies are monitoring its effective implementation. The small percentage of companies that align their community investment with the UN Millennium Development Goals and measure the impact of their investments indicates that many companies have failed to adopt a strategic approach to community investment.

3.2 Score Analysis by Core Areas

3.2.1 CSR Strategy and Reporting

Chart 4: Company score percentage for CSR strategy and reporting



One of the key purposes of this survey was to highlight a company’s commitment to CSR initiatives through actual implementation of policies and adherence to codes of conduct. The difference between leading companies and mainstream companies was made apparent in the coverage and extent of their codes of conduct and whether there are mechanisms in place to monitor its effective compliance. A positive finding from the survey is that regardless of the scope of codes of conduct, over 75 per cent of companies have monitoring mechanisms in place to ensure its compliance.

Whilst few companies on the Hang Seng Index explicitly include clauses on human rights in their code of ethics (eight in total), whistle blowing and corporate governance policies are almost always mentioned. Although recognition of human rights may often seem implied, it is important for companies to demonstrate an explicit commitment, especially as many of them have signed the UN Global Compact. For example, Sinopec Corporation included a specific chapter in its code of conduct on human rights.

Table 5: Hong Kong and Mainland China companies’ involvement in CSR initiatives

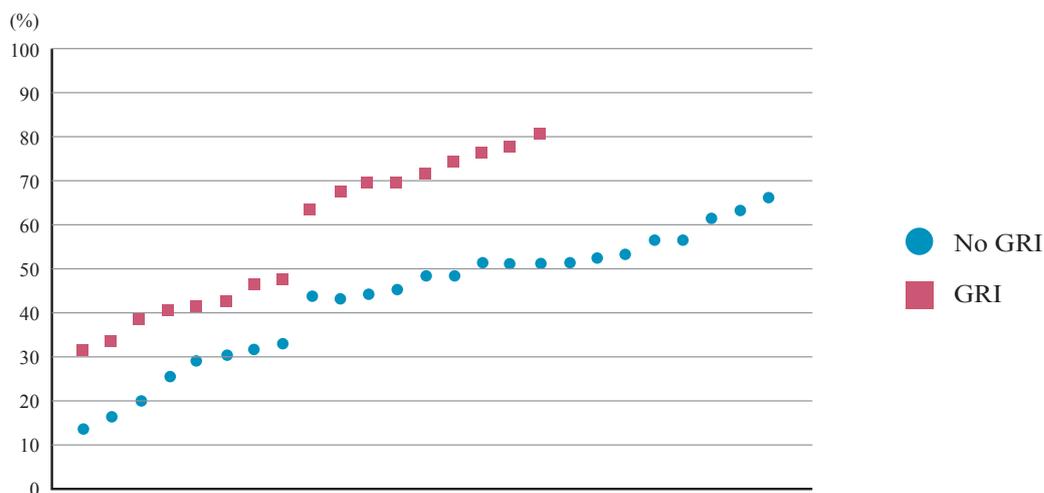
CSR Initiatives	Companies	
	Hong Kong	Mainland China
UN Global Compact	2	5
Carbon Disclosure Project	8	6
Climate Change Forum/Charter	12	2

As shown in **Table 5**, more Mainland China companies are signatories of the UN Global Compact; and their participation in the Carbon Disclosure Project was comparable to that of Hong Kong companies. However, the 2009 survey has seen an increase in membership in local climate change initiatives, coming mostly from Hong Kong companies. A few companies joined global initiatives such as the Copenhagen Communiqué, but many Hong Kong companies have signed local charters such as the Hong Kong Environmental Protection Department Carbon Reduction Charter and the Clean Air Charter.

Another notable way in which Hang Seng Index constituent companies have shown a concern for climate change was through their participation in the Carbon Disclosure Project. Thirty-three per cent of companies are making an attempt to ascertain the extent of their carbon footprint by measuring direct greenhouse gas emissions (resulting from business operations, indirect emissions generated from electricity consumed in business operations, and emissions caused as an indirect consequence of business activities) and making these figures public.

The strategy and reporting section of the survey proved to be very useful in predicting the future scope of the results. Companies that produced a standalone CSR report according to the GRI guidelines were more likely to score well in other sections of the survey. Forty per cent of companies are reporting according to the GRI guidelines; among them, over half emerge as leaders in this survey. Fifty-three per cent of companies using GRI guidelines for reporting had a total score of 63 per cent or higher, placing them in the leader category. Furthermore, 75 per cent of the leaders use GRI guidelines in their reporting. **Chart 5** illustrates these results.

Chart 5: Performance of Companies against GRI reporting



Companies that adhered to GRI guidelines in reporting had a more multi-faceted understanding of how to integrate CSR into their business. All companies that produced standalone CSR reports according to the GRI guidelines demonstrated board level responsibility for CSR. This indicated the importance of adopting CSR principles and implementing initiatives from the highest levels of

governance in order for these to be successfully integrated into the company’s business operations. This is illustrated in **Table 6**, which highlights the prevalence of GRI reporting among top-scoring companies for each CSR section. For every CSR section - except stakeholder engagement - high scoring companies were using GRI reporting guidelines.

Table 6: Breakdown of companies scoring 60 per cent or higher in each CSR section against GRI reporting

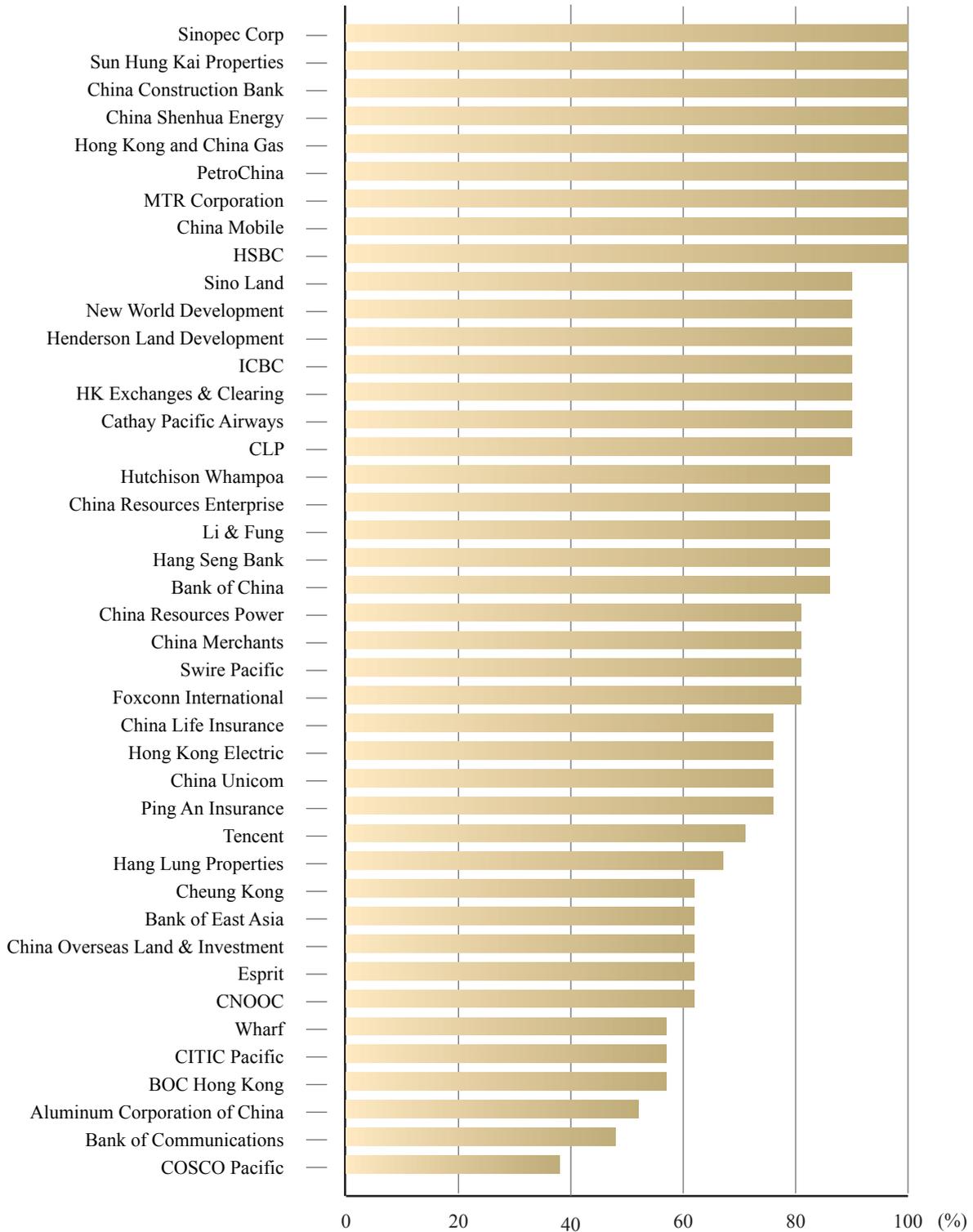
CSR Section	Number of Companies Scoring 60 per cent or higher	
	GRI Reporting	No use of GRI
CSR Strategy and Reporting	17	11
Stakeholder Engagement	17	19
Workplace Quality	8	3
Environmental Performance	4	1
Supply Chain	7	4
Community Investment	3	2

For those companies lagging in their overall CSR performance, recommendations to create board level responsibility for CSR, which can develop and implement CSR policies based on international standards and guidelines, offer a valuable starting point. For the mainstream companies, we recommend joining CSR roundtables and charters

with a commitment to mitigating business impacts on the environment and supply chain. All companies should extend their corporate code of conduct to include clauses on respect for human rights, because it serves as the founding principle for promoting sustainable development and permeates through all aspects of socially responsible behaviour.

3.2.2 Stakeholder Engagement

Chart 6: Company score percentage for stakeholder engagement



Companies generally scored very high in this section. Seventy-one per cent of companies scored at least 70 per cent of total possible points for stakeholder engagement and nine companies scored the highest marks possible. Interestingly, those companies scoring full marks are not necessarily CSR leaders.

Both Mainland China and Hong Kong companies performed well in this section; in fact, slightly more Mainland China companies than those in Hong Kong scored 100 per cent. **Table 7** shows the frequency of companies represented in each score range. As shown, only two companies scored below 50 per cent; whereas, 29 companies scored 75 per cent or higher.

Table 7: Breakdown of companies according to stakeholder engagement score

Companies	0-24%	25-49%	50-74%	75-99%	100%
Hong Kong	0	1	8	13	4
Mainland China	0	1	3	7	5
Total	0	2	11	20	9

More than half (57 per cent) of companies engage with all five stakeholder groups: shareholders, customers, employees, suppliers, community groups/NGOs. The remaining 43 per cent were not engaging with either community groups/NGOs or suppliers. Sixty per cent of companies scored additional points for engaging with other key stakeholders such as the government, media, and regulators. These figures suggest an understanding among Hang Seng Index constituent companies about the importance of proactive stakeholder engagement as a basis for implementation of CSR strategy and policy. Yet, upon review of the individual company responses and limitations in the structure of the questions, it is not safe to assume the results are as overwhelmingly positive as they appear.

Overall, the majority of Hang Seng Index constituent companies used different methods to respond to stakeholder concerns, through external CSR reports, focus groups, briefings, public meetings, and internal reports. Some companies had additional methods of communication, including hotlines and suggestion boxes; yet this did not necessarily imply that these forms of communication

were being used with all stakeholder groups engaged. Companies would score well if they could provide evidence of various methods of responding to stakeholder concerns, whether this be for one group of stakeholders or all stakeholders. Annual meetings, reports, briefings, or internal meetings were commonly seen with only shareholders and employees, for example, rather than suppliers, community groups/NGOs, and customers. Moreover, companies did not necessarily engage all stakeholders on a variety of CSR issues, but could still gain points for engaging only with employees on workplace quality or only with community groups on environmental performance. This limitation might be addressed in future surveys.

The leading companies were those with a commitment to engage on a regular basis with a wide range of stakeholders on many CSR issues as a basis for their reporting. Companies such as MTR Corporation, HSBC, Hong Kong and China Gas Company and Sinopec Corporation included comprehensive details of which stakeholders they engaged with, the methods of engagement, and the content of their discussions. It was common to read that a company was talking with its employees to

make an assessment of workplace quality; however, the leading companies were talking to their employees about climate change and its relation to the workplace. The Hong Kong and China Gas Company Report included excerpts from representatives of stakeholder groups and their recommendations for the company.

Thirty-six per cent of companies do not show evidence of a stakeholder engagement relationship with suppliers, and consequently lag behind others in their supply chain section. **Table 8** shows the supply chain score for those companies who do not engage with suppliers as stakeholders. Ten out of 15 companies do not score over 24 per cent for the supply chain section.

Trade unions were often neglected as a key stakeholder. Fifty-seven per cent of companies do not engage with trade unions. **Table 9** demonstrates the distribution among leader, mainstream and laggard companies. All companies are encouraged to develop a dialogue with trade unions in recognition of employees' welfare and rights.

Table 8: Supply chain performance of companies not engaging with suppliers as a key stakeholder group

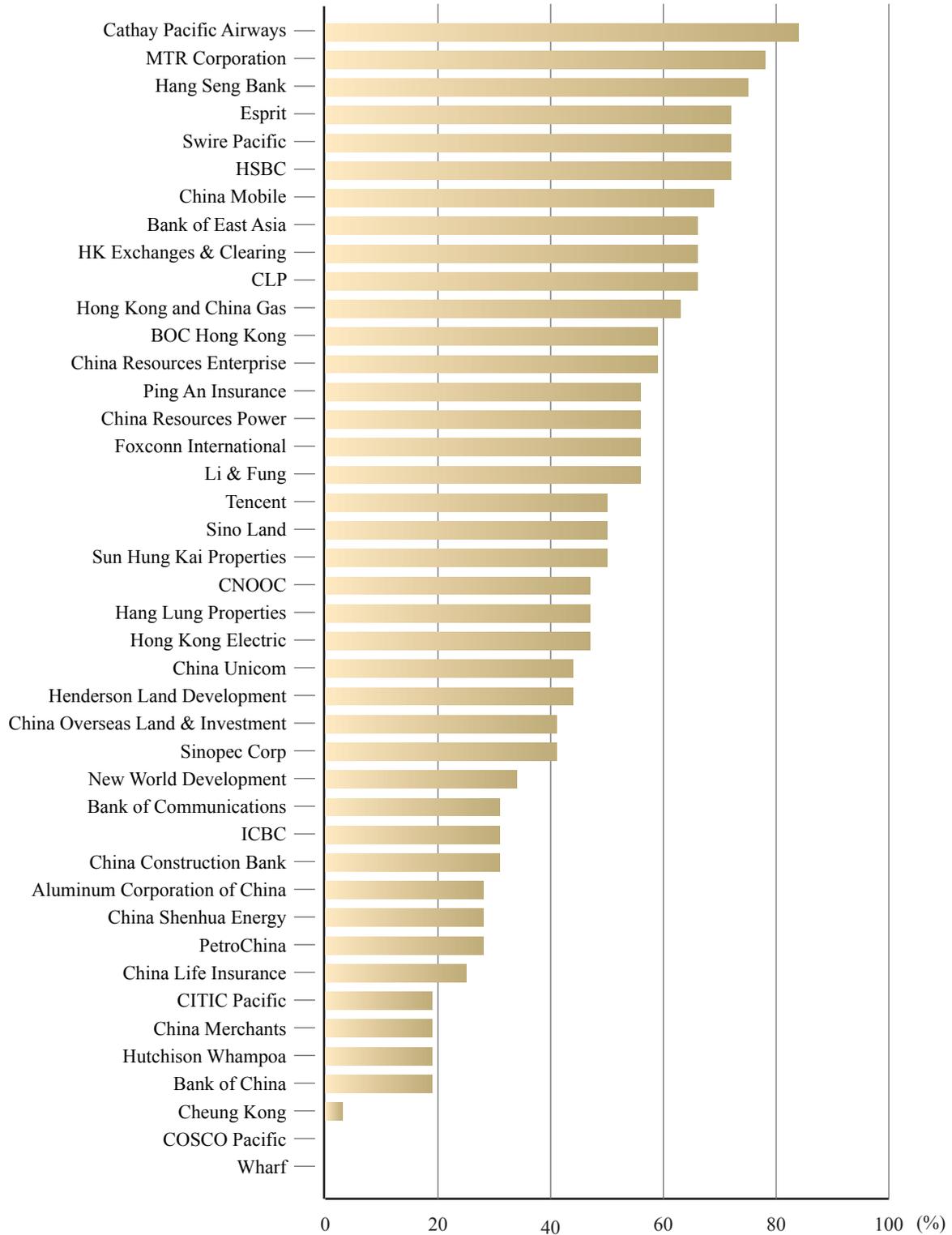
Companies	0%	1-24%	25-49%	50-60%	61% or above
Hong Kong	4	1	2	1	0
Mainland China	3	2	1	0	1
Total	7	3	3	1	1

Table 9: Breakdown of companies engaging with trade unions

	Engagement with Trade Unions	
	Number	Percentage
Mainland China companies	11	69%
Hong Kong companies	7	27%
Leader companies	6	50%
Mainstream companies	10	53%
Laggard companies	2	18%

3.2.3 Workplace Quality

Chart 7: Company score percentage for workplace quality



The questions in this section of the survey were designed so that public information from CSR reports or websites would have been insufficient for a high mark; and those companies that did not respond to the survey found themselves at the bottom of the ratings. Overall, workplace quality was not featured in great detail across company CSR reports.

Cathay Pacific Airways emerged as the leader for workplace quality, and generally leading companies, such as MTR Corporation, Hang Seng Bank, HSBC and Swire Pacific, had the high scores for this section. Nevertheless, a few mainstream companies such as Esprit and Bank of East Asia also scored well. Companies that neither answered the survey nor provided public information on employees consequently scored no marks. Even when company reports do contain a section on the workplace, the emphasis is usually on health and safety initiatives. In contrast, the questionnaire asked more in-depth impact-specific questions, requiring companies to publicly report on their injuries and fatalities. Responses appear to vary with industry or sector, with those in telecommunications and transportation showing more transparency than others.

As highlighted above, trade unions were not considered key stakeholders by many companies, which is also apparent by the fact that less than half of the companies have explicit policies with respect to trade union membership. Because the scoring was tougher for the 2009 survey, companies needed an explicit policy and therefore many companies that took for granted that trade union membership is legally allowed, did not in fact receive marks. However, Mainland China companies, such as China Merchants, PetroChina, and China Construction Bank that were lacking in other core CSR areas demonstrated their respect for employee involvement with trade unions. Hong Kong companies, such as Hong Kong and China Gas Company, Hang Seng Bank, MTR Corporation, Cathay Pacific Airways, and Li & Fung, had policies allowing for freedom of association; but HSBC is unique in having a policy that explicitly allows for a leave of absence to participate in union activities.

Table 10: Company implementation of workplace policies

Workplace Policy	Hong Kong Companies	Mainland China companies	Total
Stakeholder Engagement with Trade Unions	7	11	18
Explicit Policy for Trade Union Membership	7	13	20
Maximum / Standard Working Hours	14	3	17
System for Overtime Compensation	18	5	23
Paternity Leave	13	10	23

The survey also explored whether companies were developing employee policies such as maximum/standard working hours, overtime compensation and paternity leave. **Table 10** indicates that more Hong Kong companies gave information for maximum/standard working hours and also had systems for overtime compensation than their Mainland China counterparts. Attention should be paid to the paternity leave policy for these big companies, as only half of them have this entitlement for their employees. It is known that there is no national legislation for the provision of paternity leave in China. Paternity leave policy as a voluntary initiative is obviously not enough, as this neglects the caring duty of fathers. The situation is similar in Hong Kong. For many Hong Kong companies, “paternity leave is not a statutory requirement” was a common answer, leaving them with few possibilities of receiving marks.

Table 11: Companies offering flexible working hours

Flexible Working Hours	Number of Companies		
	Hong Kong	Mainland China	Total
Yes	9	1	10
No	17	15	32

Companies such as China Resources Enterprise and Li & Fung that operated in both places, did not have paternity leave in Hong Kong, but granted paternity leave to employees in China. It is recommended that companies develop their employee policies adhering to a higher standard across operations.

As illustrated in **Table 11**, Hong Kong-based companies have a greater understanding of flexible working hours than Mainland China companies, with some having an option for core and staggered working hours. In fact, Mainland China companies demonstrated little understanding of job flexibility, with only one company allowing flexible working hours.

Table 12: Company maximum/standard working hours per week

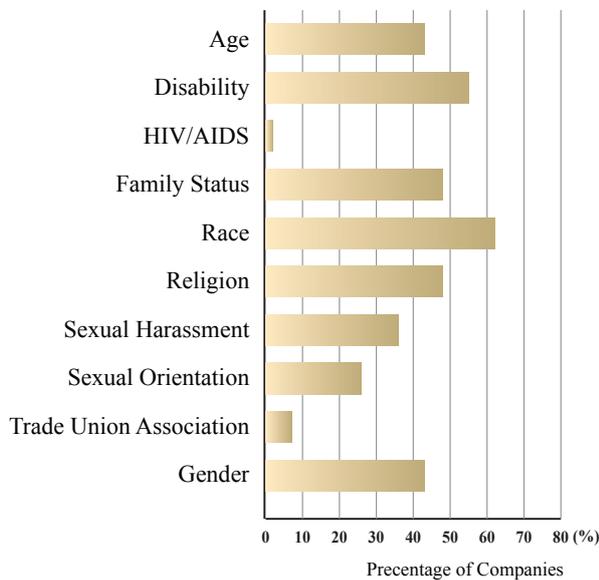
Number of maximum / standard working hours per week	Number of Companies		
	Hong Kong	Mainland China	Total
40 or less	7	3	10
41 - 44	7	0	7
45 - 48	0	0	0
more than 48	1	1	2
missing	11	12	23

Table 12 shows that only a few Mainland China companies provided information on their maximum or standard working hours; yet, scored well for lower maximum or standard working hours. Hong Kong companies provided information on standard working hours, with an average of about 42 hours a week.

On the question of equal opportunities, **Chart 8** demonstrates that companies are generally demonstrating a fairly limited understanding of the

issue and diversity in general. For instance, 64 per cent of companies do not have explicit policies that protect employees against sexual harassment. Seventy-four per cent of companies do not have equal opportunity policies that protect employees from discrimination based on their sexual orientation. Similarly, only one Hang Seng Index constituent company can state that their employees will not be discriminated against if they have HIV or AIDS.

Chart 8: Equal opportunity policy coverage



Nevertheless, companies *do* demonstrate commitment to uphold equal opportunity policies through extensive mechanisms for employee grievances related to equality or discrimination.

Chart 9 demonstrates that most companies have specific departments or an independent person in charge of dealing with equal opportunity grievances, and half have whistle-blowing policies. The top performers in this section offered internal counselling to employees who had grievances resulting from discriminatory practices. They usually had both extensive equal opportunity policies and various mechanisms for handling employee grievances, demonstrating better practice.

Chart 9: Mechanisms for grievances coverage

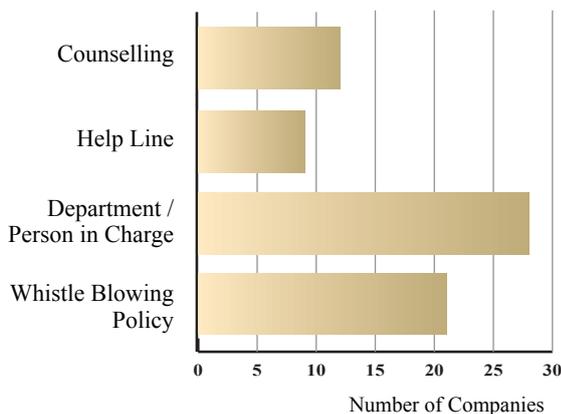
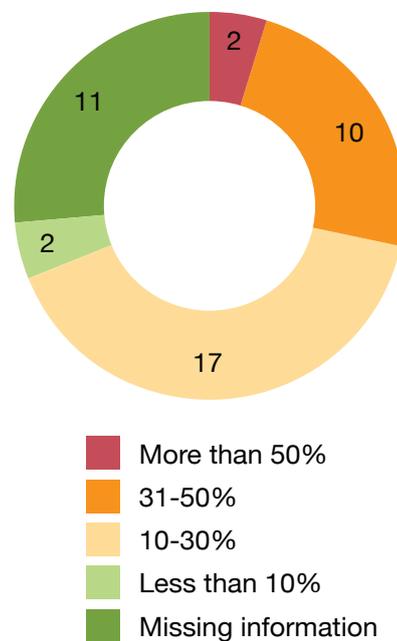


Chart 10 demonstrates that the majority of companies either did not provide information on their representation of women in middle and senior management or said that women made up less than 30 per cent. Esprit and Bank of East Asia were the only companies to score full marks in this question for having an over 50 per cent representation of women in their senior and middle management.

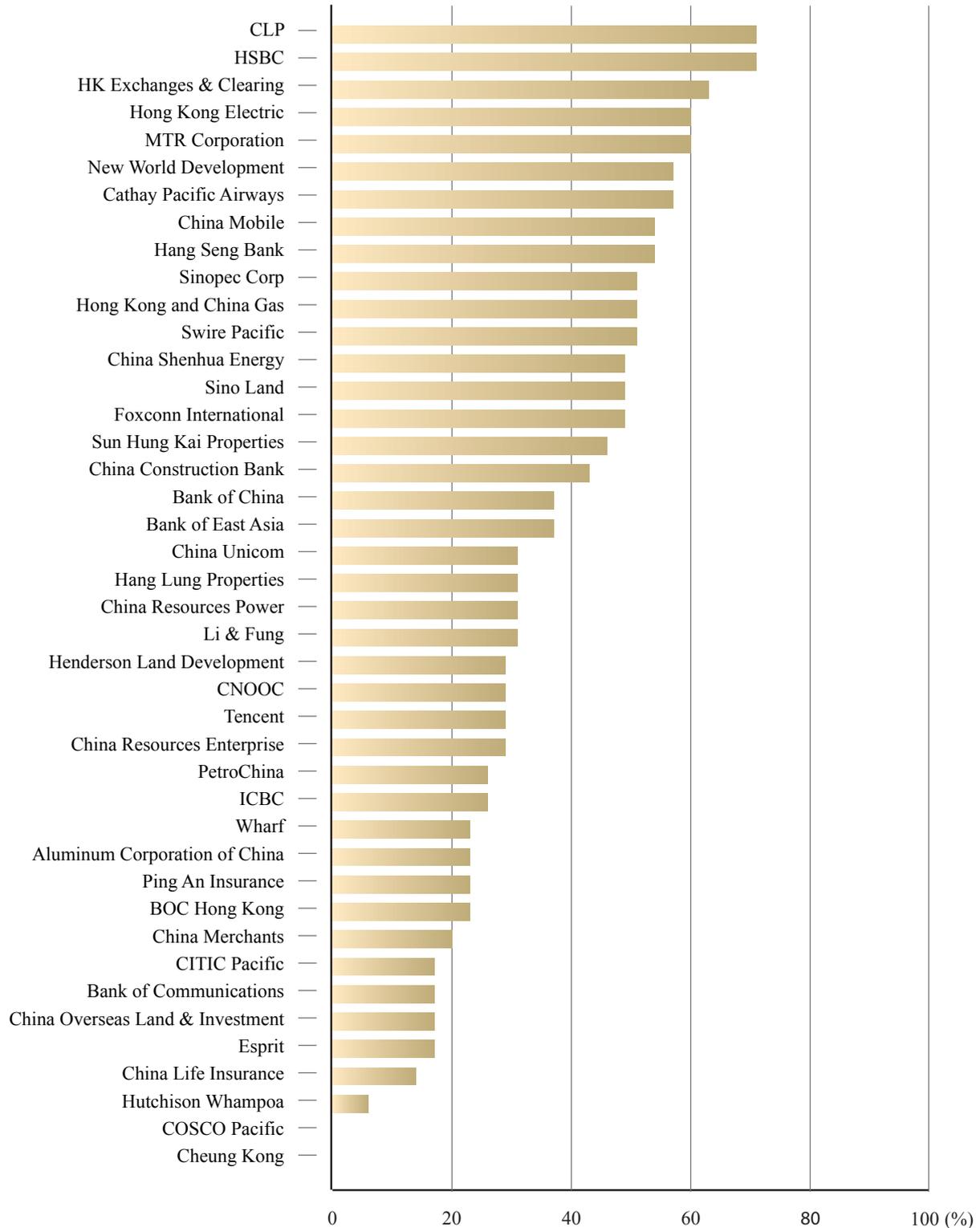
Chart 10: Number of companies based on representation of women in middle and senior management



We asked companies if they had laid off any staff as a result of the economic downturn. This question was not scored; however, the response is worth mentioning. Only three companies reported lay-offs: HSBC, Swire Pacific, and Li & Fung. Eleven companies did not answer the survey and consequently did not answer the question. For the companies that answered the survey, all stressed the importance of finding alternative solutions to lay offs during the recession, such as internal redeployment or unpaid leave. The response to the economic downturn was the area of workplace quality where the companies demonstrated the most similarity.

3.2.4 Environmental Performance

Chart 11: Company score percentage for environmental performance



For the 2009 survey, it was harder for companies to comply fully with environmental protection as they were scored on their consumption recording, waste management, improvement initiatives and reduction targets according to whether they covered some or all of the company’s operations. The leaders in this section were those who gave evidence for policies and initiatives that covered all operations. Hong Kong companies represented the highest environmental performers. HSBC and CLP Holdings remain the leading companies on environmental performance, with a score of 71 per cent. Following close behind are the Hong Kong Exchanges, MTR Corporation and Hong Kong Electric.

Leading companies scored well by recording greenhouse gas emissions and reporting on improvement plans to reduce consumption of resources. Some mainstream companies were making environmental improvement plans in some but not all operations. Laggard companies’

understanding of environmental protection was usually limited to double-sided printing and setting temperature controls for air-conditioning.

On environmental performance, Mainland China companies’ policies and practices were often a reflection of government regulation more than was the case for Hong Kong companies. For example, many Mainland China companies cited adherence to national environmental regulations in their environmental performance answers. Consequently, mainstream Mainland China companies scored marks for having specific reduction targets; whereas, a few leading Hong Kong companies did not. Mainstream Mainland China companies are also beginning to demonstrate a greater sense of environmental transparency by recording their levels of consumption. Nevertheless, the mainstream Mainland China companies were not as innovative with their improvement plans in terms of integrating them into the business plan.

Table 13: Number of companies measuring consumption levels by type, range of operation and performance category

Record Consumption	Operations	Number of Companies			
		Leader	Mainstream	Laggard	Total
Energy	All	7	5	2	14
	Some	5	12	2	19
Water	All	5	2	1	8
	Some	5	14	0	19
Paper	All	2	1	0	3
	Some	5	9	2	16
Greenhouse Gases	All	8	2	1	11
	Some	4	8	2	14

Table 13 shows that more companies are measuring resource consumption levels of some of their operations rather than all. Paper and water consumption especially seemed to have been harder for companies to measure across all their operations. Greater attention is paid to recording consumption of

energy and the emission of greenhouse gases. Leading companies such as CLP, HSBC, China Mobile, Swire Pacific, and MTR included measurements on energy consumption and greenhouse gas emissions from all their business operations in their CSR reports.

Table 14 demonstrates that laggard companies' improvement plans to reduce the consumption of water and paper, in particular, were limited to covering only a portion of their operations, namely office operations such as turning off taps and double-sided printing. A similar situation is found with energy and greenhouse gases consumption.

While mainstream companies had improvement plans to reduce energy consumption and greenhouse gas emissions for some of their business operations, the leaders in the Hang Seng Index showed evidence of different and specialised improvement plans to cover different business operations.

Table 14: Number of companies having environmental improvement plans by type, range of operation and performance category

Improvement Plans	Operations	Number of Companies			
		Leader	Mainstream	Laggard	Total
Energy	All	9	5	1	15
	Some	3	14	5	22
Water	All	1	4	0	5
	Some	9	10	3	22
Paper	All	4	3	0	7
	Some	6	10	2	18
Greenhouse Gases	All	6	4	0	10
	Some	6	8	4	18

The 2008 report recommended that companies should include specific reduction targets for energy, waste, and greenhouse gases in their policies to demonstrate genuine commitment to environmental protection. While more companies indicate improvement plans for some or all operations to reduce energy consumption, waste products and

greenhouse gas emissions; less have set group or division wide tangible reduction targets. Only leading companies have set reduction targets of all four items: energy, water, paper consumption and greenhouse gas emissions.

Table 15: Number of companies having environmental reduction targets by type, range of operation and performance category

Reduction Targets	Operations	Number of Companies			
		Leader	Mainstream	Laggard	Total
Energy	All	3	2	0	5
	Some	6	7	0	13
Water	All	0	1	0	1
	Some	3	4	0	7
Paper	All	0	1	0	1
	Some	3	3	0	6
Greenhouse Gases	All	2	2	0	4
	Some	5	2	0	7

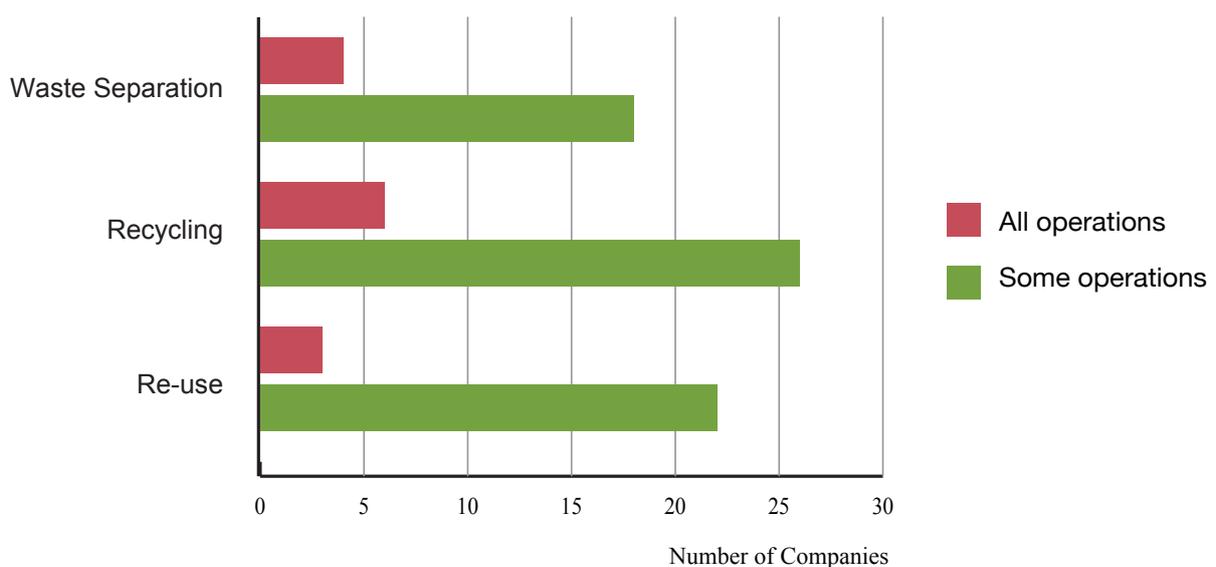
Mainstream companies are setting short-term reduction targets for some of their business operations. It is interesting to note that no leading companies have set any long-term, over-arching reduction target for water and paper, whereas they are setting five-year or longer company-wide energy and carbon reduction targets. Leading companies were also reporting their environmental performance based on achievement of these targets.

Generally, companies are aware of the need to manage their waste; but six companies had waste management measures in the form of waste separation, recycling, or reuse across all operations. The extent of these programmes varies across companies. **Chart 12** shows that only a few companies have programmes covering all operations while more companies managed their waste in some business operations. Only six companies had recycling initiatives to cover all their operations. Twenty-six companies' recycling efforts were limited to paper and double-sided printing in the office.

Companies from the electronics and telecommunications industry focused specifically on e-waste management and the creation of reusable products. Companies in property development and utilities paid special attention to treatment of organic waste and water waste. It is important for a company to understand how its industry specific practices contribute to waste management in order to engage in the right activities to mitigate waste production.

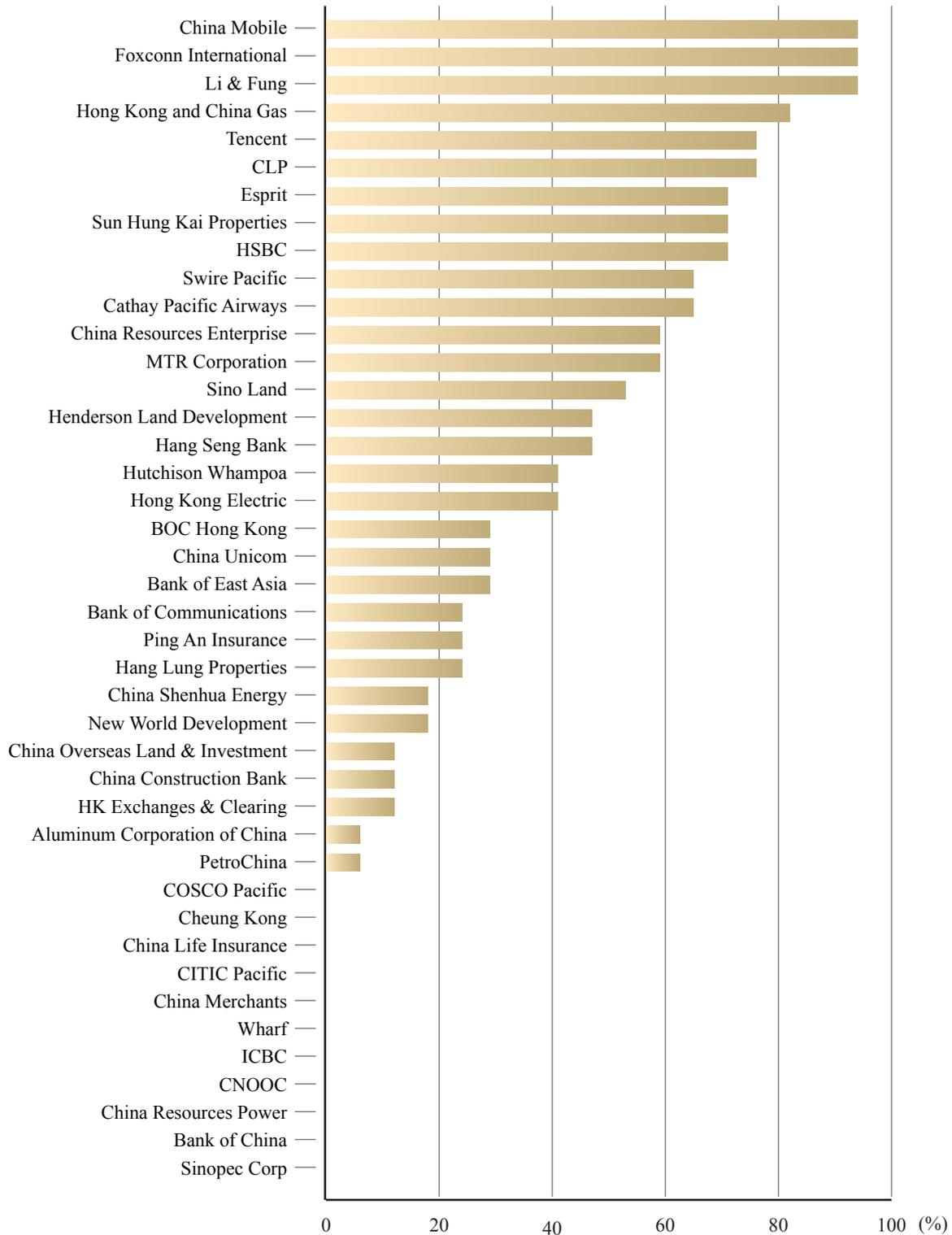
Few companies understand the effects of climate change on the communities in which they operate, in particular, in communities that are vulnerable. The last question in this section asked if the company supports initiatives to help vulnerable communities adapt to the effects of climate change. Company responses indicated that many misunderstood the question, providing evidence of employee volunteering in activities with environmental NGOs to promote awareness of climate change. Only HSBC has interpreted climate change adaptation to include managing the risk to buildings, people, and operations from natural hazards.

Chart 12: Waste management initiatives



3.2.5 Supply Chain

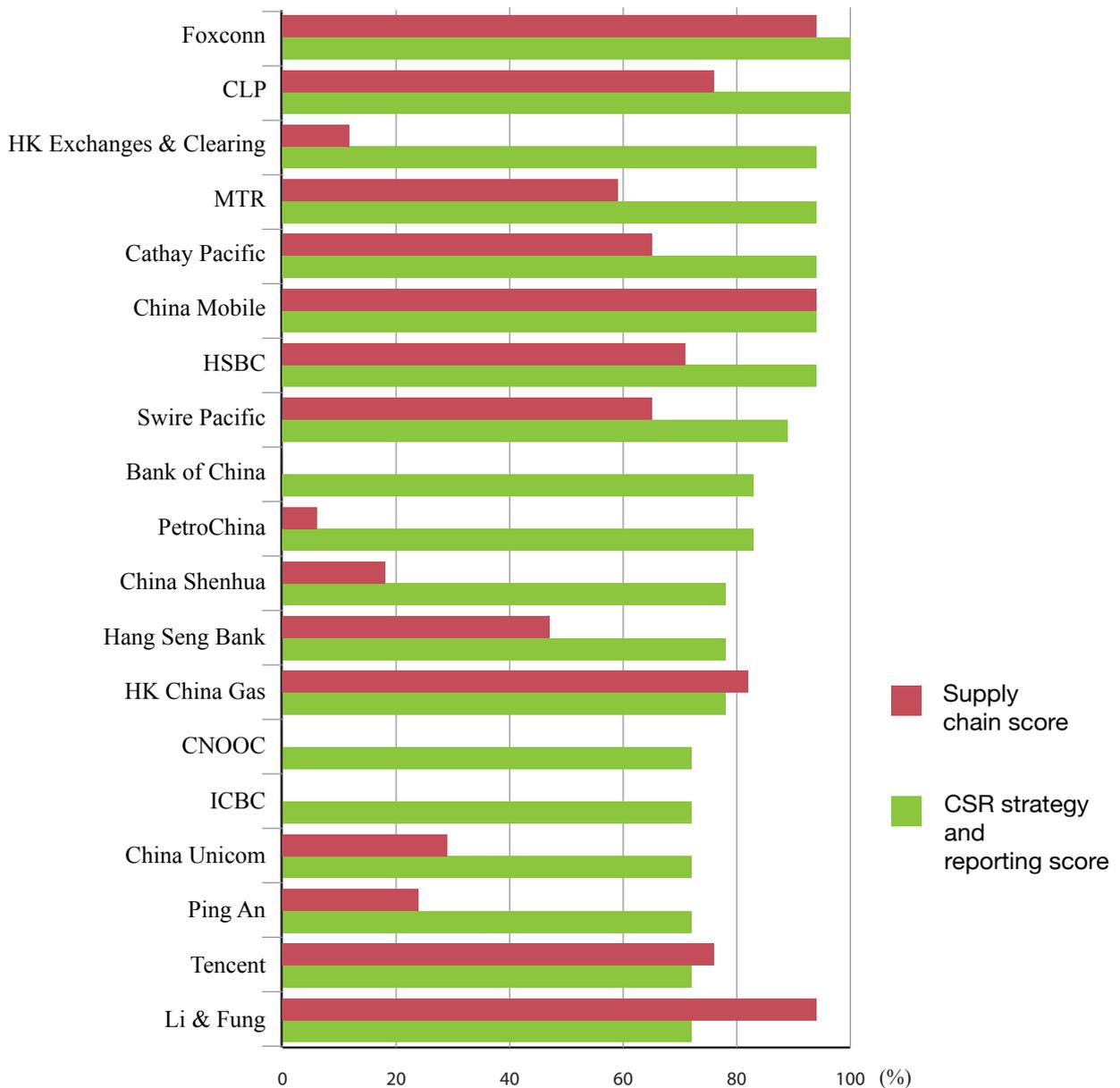
Chart 13: Company score percentage for supply chain



Supply chain management is an area that still remains neglected by many companies. It is the one section where most companies performed poorly in comparison to their scores in other sections. China Mobile, Foxconn International Holdings, and Li & Fung were the leading companies that scored a total 16 of 17 possible marks. The supply chain section is unusual, as 11 companies received no marks at all. This means that almost a third of the companies on the Hang Seng Index do not take responsibility for

their supply chain. Furthermore, those companies receiving no marks for supply chain are not only the laggards, but also include four mainstream companies. This shows that supply chain initiatives are lacking even among otherwise CSR-conscious companies. To illustrate this point, the supply chain performance of the 19 companies that scored 70 per cent or higher in the CSR strategy and reporting section is shown below.

Chart 14: Supply chain score percentage for top strategy and reporting performers



Sixty-nine per cent of companies have ethical purchasing policies; yet, only 36 per cent of companies implement the policy in all their operations. This differentiation has serious implications due to the extensive nature of the Hang Seng Index constituent companies' supply chains. Leading companies have established supplier codes of conduct that cover all operations and demand compliance with an extensive set of labour standards, health and safety standards, and environmental standards. It is interesting to note that environmental standards featured more heavily in

supplier codes of conduct or purchasing policies than health and safety or labour standards. Companies should assess the risks they face in their supply chain and develop a supplier code of conduct to minimise the impact and possibility of these risks. This also allows companies to include requirements with additional standards, which may be particularly pertinent in certain industries. For example, CLP Holdings, Foxconn International Holdings, China Mobile, Tencent, and China Resources Enterprise include clauses for human and intellectual property rights in their supplier code of conduct.

Table 16: Breakdown of supply chain performance

Supply Chain Performance Criteria		Number of Companies	Percentage of Companies
Supplier Code of Conduct	Covering All Operations	15	36%
	Covering Some Operations	14	33%
	Labour Standards	17	41%
	Environmental Standards	24	57%
	Health and Safety Standards	20	48%
Monitoring Mechanism	All Key Suppliers	9	21%
	Some Key Suppliers	10	24%
Greenhouse Gas Management in Supply Chain		4	10%
Engaged Suppliers in Programmes	Labour Rights / Education	3	7%
	Environmental Protection	11	26%
	CSR Reporting	0	0%
	Creation of New Sustainable Products	6	14%

Upon examination of **Table 16**, it is clear that 55 per cent of companies are not monitoring their key suppliers for compliance with standards and only 21 per cent of companies are monitoring all their key suppliers. Most companies use surveys or checklists as a monitoring mechanism; however, leading companies are dedicating human resources to pursue a variety of mechanisms, which include site inspections, audits, meetings, and document review. Suppliers are then categorised according to risk in order to make the monitoring process as efficient as possible. These measures show a commitment from companies to hold themselves accountable for their supply chain.

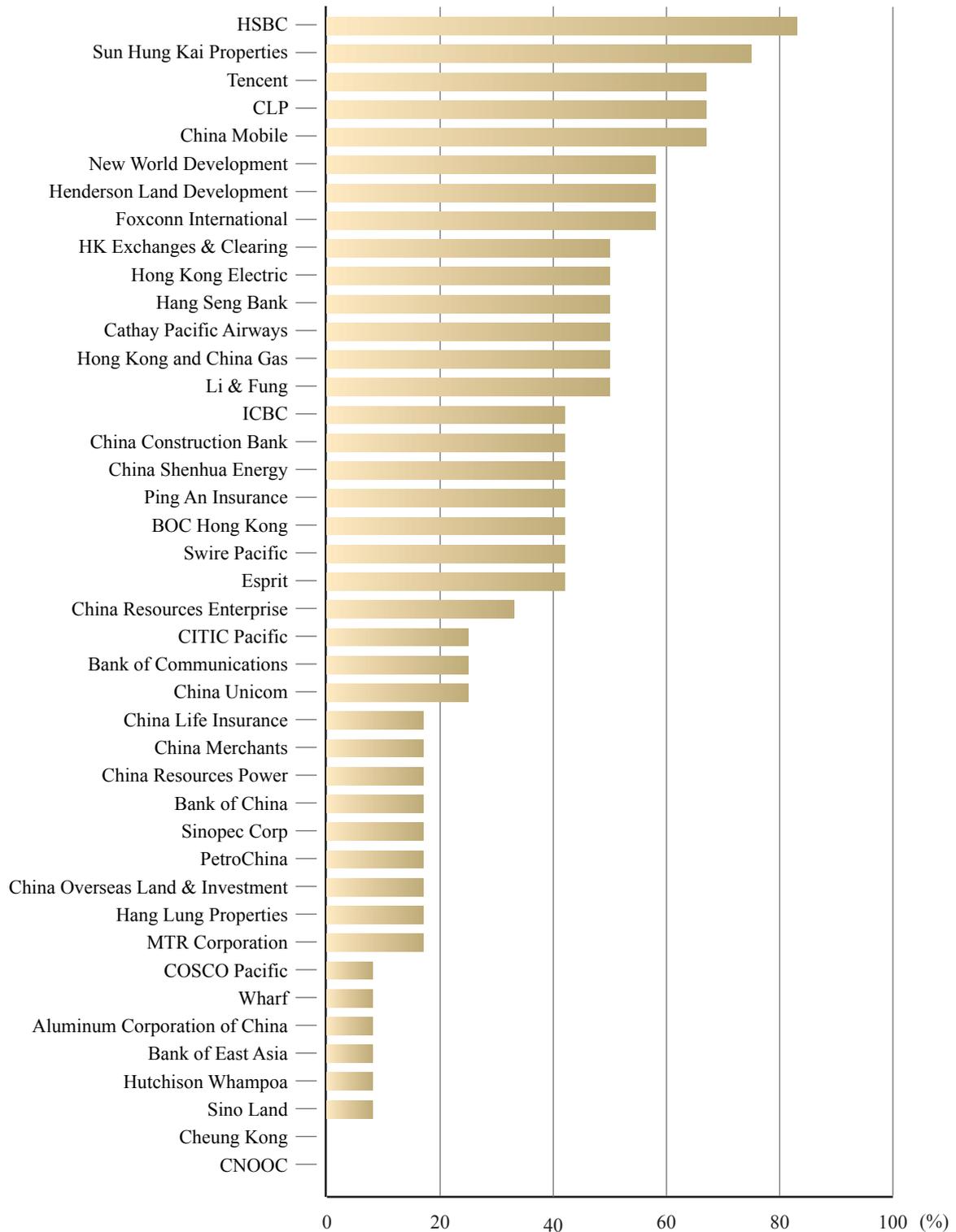
Only four companies had greenhouse gas management programmes in place for their suppliers, but there was a greater demonstration of engagement with suppliers to promote environmental protection and develop more sustainable products. Companies that engaged with suppliers to develop sustainable products were also promoting environmental protection in conjunction with these efforts. For example, China Mobile works with suppliers to create more sustainable electronics but also ensures the supplier is recycling them properly. Some Hong Kong companies were

involved in environmental protection efforts which came in the form of working guidelines or forums for suppliers. Three companies were involved in labour rights/education programmes while no company engaged with suppliers in CSR reporting.

Managing supply chains ethically was the weakest area across the Hang Seng Index constituent companies; yet, comparisons between Mainland China and Hong Kong companies can be made. Many Hong Kong-based leading companies have supplier codes of conducts and monitor key suppliers for compliance. Hong Kong companies are starting to manage risks with their Hong Kong operations; but many have yet to reach a significant proportion of their suppliers in China. Industries such as oil and gas, metals, utility, and energy have extensive supply chains with great risks that must be managed. Mainland China companies such as CNOOC, Sinopec Corporation, PetroChina, China Shenhua Energy Company and Aluminum Corporation of China have not made much effort to manage these risks in their supply chain. The telecommunications industry in China seems to be an exception, with China Mobile and Tencent managing their supply chains extensively.

3.2.6 Community Investment

Chart 15: Company score percentage for community investment



In the 2009 survey, the community investment section sought to distinguish those companies that are treating community investment as a long-term strategy from those which are simply signing checks for charity donations. The questions were designed to gain understanding of whether companies were aligning their community investment towards development goals or had particular causes and initiatives they valued. The Corporate Giving Standard was used as a measuring tool for determining the value of total corporate giving. Companies were asked for the monetary value of their total corporate giving, which included direct cash, non-cash at fair market value, foundation cash, and pro-bono service. Companies had to be measuring the non-cash elements of their contribution in order to achieve a higher score. Total corporate giving was then scored based on the percentage it represented of company profit before tax, with HSBC, Sun Hung Kai Properties, Tencent, China Unicom, Foxconn International and Ping An Insurance and Bank of East Asia giving at least one per cent of their profits to charitable causes.

The 2008 Corporate Giving Standard Survey benchmarks the performance of 137 companies, including 55 of the Fortune 100 largest American public companies. The median value of total cash giving as a percentage of profit before tax was 0.81 per cent. Hang Seng Index constituent companies perform much worse, with a median value of total cash giving at 0.16 per cent of profit before tax. Only seven companies gave over one per cent of their profit before tax to charitable causes, differentiating themselves from the rest of the companies. One of the main findings of their survey was that financial results are not statistically linked to corporate giving. Similar findings came about through this survey of the Hang Seng Index, as companies which experienced negative profits were still involved in corporate giving. These were CITIC Pacific and Cathay Pacific.

Nineteen per cent of companies were awarded marks for justifying their alignment to the UN Millennium Development Goals (MDGs) in their community investment. It is important to note that no company publicly stated that they align their community investment initiatives with the UN MDGs. Therefore, a response to the questionnaire was necessary to explain how the investment contributes to poverty and development issues in order to score points. Interestingly, Mainland China companies such as China Shenhua Energy Company, PetroChina, China Merchants Holdings, Sinopec Corporation and the Aluminium Corporation of China responded positively to this question by demonstrating commitment to the People's Republic of China (PRC) national goals for development.

Among the Hang Seng Index constituent companies, there is a strong theme of investment in education. For the Mainland China companies, many of them have focused on investment in education at the primary level and combined it with the desire to promote rural development. For example, Ping An Insurance has donated money to build 52 Project Hope primary schools in remote areas of China which they plan to extend to 100 by the end of 2009. A majority of the Hang Seng Index companies dedicated sections of their CSR reports to highlight how they showed support for the affected people of the 12 May China Earthquake. Despite donations representing a relatively low percentage of companies' profit before tax, it was an established norm for Hang Seng Index constituent companies to donate generously to the relief effort.

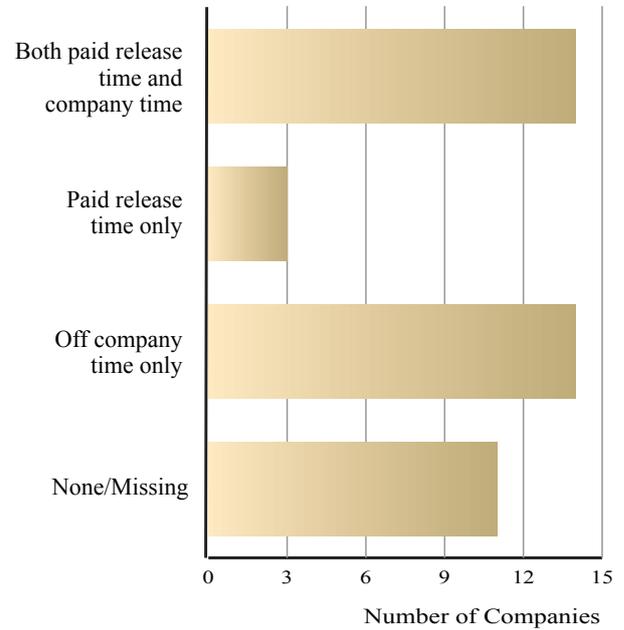
Hong Kong companies showed a distinct theme of combining community investment with volunteering and promoting environmental awareness. Many companies in Hong Kong such as Hong Kong Electric, Sino Land and Henderson Land Development provided evidence of engagement with environmental NGOs to help their employees understand more about climate change. Hong Kong

companies in the property and real estate sector gave evidence of raising environmental awareness through promoting recycling activities.

In order to demonstrate commitment to community investment as a long-term strategy, companies should have systems in place to measure the effectiveness of their investment as a benchmark for future improvement. Only 29 per cent of companies gave evidence of a system to measure their impact on communities. Common ways of measuring impact involved surveys or engagement with the community group for feedback as opposed to a more formalised measurement methodology. HSBC was the only company to say it used the London Benchmarking Group methodology;⁶ however, there is no evidence to show it is being used to measure community investment impacts in Asia. It is observed that companies like HSBC, Sun Hung Kai Properties, Tencent and Foxconn International not only invested at least one per cent of their profits before tax into the community but also monitored their impact to ensure their contributions were effective.

As illustrated in **Chart 16**, 74 per cent of Hang Seng Index constituent companies believe that employee volunteering is an important way to invest in the community, with the majority of companies reporting publicly on employee volunteer activities. A third of companies had volunteer programmes, which were available for employee participation during their free time and also during their work time.

Chart 16: Volunteering programmes



It was difficult for the companies that did not respond to the survey to score well in the community investment section. Although companies report heavily on community investment initiatives, they do not necessarily include information which shows that they are measuring the impact of their community investment.



4.1 Global Legislative Trends

Global CSR voluntary initiatives are gaining prominence; however, we must not neglect the impact that national governments and stock exchanges can have through legislations and compliance requirements with certain standards. The global trend on CSR is progressing on both the voluntary and legislative fronts. Historically, this has been far more established in the United Kingdom (UK), Europe, Australia, North America and South Africa, yet we are increasingly seeing Asian governments moving towards regulating CSR.

The UK Companies Act of 2006 revision is a forerunner in this aspect. It aims to bring the regulatory framework up to date to reflect modern business environments. The relevant part for CSR

is Section 172 on directors' duties, which enshrines in statute the concept of enlightened shareholder value. This recognises that directors will be more likely to achieve long-term sustainable success for the benefit of their shareholders if their companies pay sufficient regard to wider matters such as community, the environment and their employees. The Act includes the first ever statement of directors' duties in respect of the environmental and social impacts of their companies' business. Section 417 of the Act contains detailed provisions as to which Directors must report on social, environmental, employee, community, contractual relationships with suppliers and others and as to information required to be given. Recent developments in the UK will see revisions to the Companies Act for tighter measures. The UK government has launched the world's first legally

binding carbon budget, which aims at achieving an 80 per cent reduction of carbon emissions by 2050.⁷ The Carbon Reduction Commitment law will affect about 5,000 large companies, and will come into force in 2010. In that case, the Companies Act will be revised to require Directors to report on greenhouse gas emissions or explain why they are not doing so.⁸ This is an admirable ambition that will require the cooperation of the government, the business sector, and regulators in order to become a solidified commitment.

The recent CSR statement of the Presidency of the European Union highlights that its Member States should take a global lead and serve as a good example on CSR when building markets, combating corruption, safeguarding the environment and ensuring human dignity and human rights in the workplace. European countries such as Denmark and Sweden have brought in CSR disclosure requirements on listed companies. The Swedish Government introduced a requirement in 2008 on state-owned companies to report using the GRI framework, with third party assurance. Denmark has passed a new law on CSR reporting which will come into force in 2010. It requires the 1,100 largest companies, including private and state-owned companies and institutional investors, to include CSR information in annual financial reports. Organisations are expected to describe their CSR or socially responsible investment policies, highlight how they have been implemented and the results they have produced.

In Germany, listed companies have been required to report within annual reports on key non-financial indicators that materially affect their performance. In France, companies with more than 300 employees have been required to file a *bilan social*, i.e. a social audit, reporting on 134 labour-related indicators. The 2001 New Economic Regulations Act further requires listed companies to disclose data on 40 social and environmental criteria in their annual reports. The Grenelle Acts currently being examined by the French Parliament will require

both listed and non-listed companies to implement standardised reporting on environmental, social and governance (ESG) related issues at board meetings, annual general meetings and in their annual financial reports. In 2008, Buenos Aires mandated annual sustainability reporting by companies with more than 300 employees.

In Asia, the Chinese Government is perhaps the most proactive in CSR. In January 2008, the State-Owned Assets Supervision and Administration Commission (SASAC) of the State Council released guiding principles for state-owned enterprises to implement CSR measures.⁹ Furthermore, state-owned enterprises directly under the central government are encouraged to enhance their awareness of CSR by setting an example. They are urged to disclose their information in an open manner, enhance communications with their stakeholders, strengthen their responsibilities in transnational operations, and be a role model of CSR practice for other businesses as well as being pillars of China's economy. SASAC officials also emphasised the need for central government-owned enterprises to fulfil CSR requirements in their operations in foreign countries.¹⁰

In addition to the SASAC guidelines, the Ministry of Commerce has issued draft Guidelines on Corporate Social Responsibility Compliance for Foreign Investment Enterprises. The Guidelines are a long-term plan to encourage foreign companies in China to integrate into their businesses best practice standards that advance China's social fabric. It applies to all sizes of foreign investment enterprises, irrespective of their geographical location in China and covers their economic, social and environmental responsibilities. In August 2007, China Export and Import Bank issued Guidelines for Environmental and Social Impact Assessments of the Bank's loan projects. The guidelines specify that social and environmental impact assessment is required for overseas projects, and that borrowers must follow laws and regulations of the host country.

In Taiwan, regulators require all listed companies to include CSR reporting in the corporate governance statement of the annual report and prospectus, including the information on the company's CSR system, measures adopted and related performance. The Japanese Government has been requiring environmental reporting with the "Law Concerning Promotion of Environmental Consideration in Business Activities". In 2006, Japan further introduced the Mandatory Greenhouse Gas (GHG) Accounting and Reporting System. This system requires specified entities, which emit considerably large amount of GHGs, to calculate and report their emissions. Furthermore, there are various public support measures such as special tax reductions and subsidies for research and developments of climate change mitigation technologies¹¹.

Indonesia is unique in the region (and perhaps globally) in its mandatory approach to sustainability and its disclosure. It has both the government directly mandating sustainability disclosure through the Limited Liability Company Law Number 40/2007 and the Capital Market Supervisor Agency requiring sustainability disclosure through the Bapepam-LK rule X.K.6. Article 74 of the Law requires "natural resources companies" to enact CSR programmes, stating that they will be liable to sanctions if they fail to do so.¹² In the Philippines, a bill requiring companies to observe CSR through community projects has been filed in the House of Representatives. The Corporate Social Responsibility Act 2009 mandates corporations to "consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations."¹³

In early 2009, the Special Representative of the United Nations' Secretary-General (SRSG) on Business and Human Rights Professor John Ruggie announced his Corporate Law Tools (CLT) Project. The project involves 19 leading corporate law firms from around the world helping him to identify whether and how corporate and securities law in

over 40 jurisdictions currently fosters corporate cultures respectful of human rights. The firms were asked to follow a research template exploring subjects such as incorporation and listing; directors' duties; reporting; and stakeholder engagement. As at March 2010, there were 12 completed reports in the series, including a report on China (including Hong Kong) and a summary report of a multi-stakeholder experts meeting in November 2009 to discuss legal and policy reform options in the area of corporate and securities law as it relates to human rights, including the role that regulators and stock exchanges can play.¹⁴

The SRSG's CLT project forms just one part of his work. More broadly, he has been asked by the UN Human Rights Council to operationalise the UN Protect, Respect and Remedy Framework for dealing with business and human rights challenges, which the SRSG proposed and the Council endorsed in 2008. The Framework rests on three distinct yet complementary pillars: the State duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication; the corporate responsibility to respect human rights, which means to act with due diligence to avoid infringing on the rights of others; and greater access by victims to effective remedy, judicial and non-judicial. Accordingly, while the SRSG is exploring what companies can do to improve their own human rights records, he is also looking at the role played by states and their agencies in preventing and addressing corporate-related abuse.

4.2 New Sustainability Initiatives of Stock Exchanges

Whether or not governments are issuing legislation or elaborating on existing legislation, stock exchanges can play a significant role in encouraging CSR reporting and other initiatives. Many stock exchanges are now adopting proactive commercial strategies in response to growing investor interest in environmental, social and

governance (ESG) issues. A key driver behind these trends is the growing political and economic prominence of climate change, together with market-based incentives for the transition to a lower-carbon future. Labour standards, human rights, product safety, human capital and poverty reduction are also major issues.¹⁵

In developed markets such as Australia, regulation from the stock exchange is more established. The Corporate Governance Council of the Australian Securities Exchange took an important step by referencing sustainability-related issues in the August 2007 revision to its Corporate Governance Principles and Recommendations (Revised Principles). Australian Securities Exchange Listing Rule 4.10.3 requires entities to disclose in the corporate governance statement of the annual report the extent to which the company has followed the Recommendations and, when necessary, explains the reasons for not doing so. Principle 7 in the Revised Principles states that companies should establish policies for the oversight and management of material business risks and disclose a summary of these policies. These risks may include but are not limited to operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks.¹⁶

China's stock exchanges have followed a similar path of CSR awareness raising and encouraging companies to publish annual CSR reports. The Shenzhen Stock Exchange issued CSR guidelines for listed companies in early 2006 and has followed this through with training programmes, whilst the Shanghai Stock Exchange (SSE) introduced equivalent measures in mid-2008 in the form of the "Shanghai CSR Notice" and the "Shanghai Environmental Disclosure Guidelines".¹⁷ In 2009, the SSE launched a social responsibility index. The constituents of the index are composed of 100 SSE-listed companies with good performance in fulfilment of social responsibility. Furthermore, China is developing a Green Security Index that requires heavy polluting companies to undergo an

environmental assessment before they seek listing on Chinese stock exchanges.¹⁸

Both Johannesburg and Malaysia stock exchanges require that all companies listed on them do a sustainability report at least annually. Malaysian companies are now required to include in their Annual Reports a description of their CSR activities and practices or, if there are none, a statement to this effect. This requirement is also incorporated into Bursa Malaysia's listing rules. At the same time Bursa Malaysia launched a CSR Framework as a guide for publicly listed companies in implementing and reporting on CSR. The Bursa Malaysia CSR Framework looks at four main focal areas for CSR practice, including the environment, the workplace, the community and the marketplace, in no order of priority".¹⁹

In Korea, the stock exchange launched the Korean Social Responsible Investment (SRI) Index in 2009. The index was designed to measure companies' policies, performance and reporting in relation to the three pillars: environmental, social and governance. A company must effectively address each of the three pillars to be said to have integrated sustainability into its business practices. The stock exchange is planning to develop a green related stock index in 2010 to promote green finance.

As at the end of 2009, 50 sustainability-related investment indices were offered by the World Federation of Exchanges members, either directly or through subsidiaries.²⁰ Though an increasing number of exchanges have taken new initiatives to raise issuing companies' awareness on CSR and promote better corporate disclosure on ESG-related performance, both the Hong Kong Stock Exchange and the Government have not yet taken any comprehensive actions to introduce mandatory non-financial reporting measures, SRI Index and CSR legislations to Hong Kong. In view of the above developments, it would be an opportune moment for both organisations to review the good practices of other countries and play an active role in promoting CSR in Hong Kong.

5.1 Conclusions

The 2009 survey response rate indicates a greater commitment to transparency and CSR from the Hang Seng Index constituent companies. Based on our experience with companies after the launch of the 2008 report, it was observed that companies understand the value of the survey as a benchmarking tool for the public, investors, and other valuable stakeholders. Many companies were also responsive in attending the survey briefing session and were engaged in the early phase of the research. Overall, the Hang Seng Index constituent companies have shown a marked improvement from the previous survey.

While this survey is a general analysis of Hang Seng Index constituent companies, the results provide a clear picture of how CSR policies and practices measure up in Hong Kong today. Leading companies display a commitment to all six CSR areas outlined in the survey by integrating comprehensive policies and practices into their business strategies. Dialogue with a diverse group of stakeholders, progressive supplier codes of conduct, and specific emissions reduction initiatives represent a few of the ways these companies take CSR to a higher level. The 2009 survey again saw Hong Kong companies remain leaders in the overall standings; yet, it is encouraging that there was an increase in performance from many companies that moved from laggard to mainstream performance.

Companies that responded well to the CSR strategy and reporting section generally performed well throughout the survey. This is because they secured a higher level of CSR governance and implement sustainable and responsible business practices over a wide range of business operations. The majority of companies demonstrated engagement with a wide range of stakeholders over the past financial

year, although the extent of engagement varied among companies. The area where many companies struggled was on supply chain issues. This resulted mainly from not setting specific supply chain standards or goals and/or not having supply chain monitoring initiatives. Oxfam Hong Kong is particularly concerned about supply chain issues, which is likely to have strong impacts on livelihoods and rights of people in the developing countries. The supply chain is clearly an area of weakness that needs to be addressed among Hang Seng Index constituent companies.

It was positive to see that the majority of companies have taken the first step to measure their consumption levels of at least one item of environmental performance, suggesting a growing awareness of a company's environmental footprint. In addition, mainstream companies all have improvement plans to reduce consumption and emission levels in some of their business operations. Leading companies are setting long-term reduction targets and setting improvement plans in all business operations to achieve them. More companies have joined local and global industry initiatives, particularly in the area of climate change. It is foreseen that this area will continue to get increased company attentions both locally and internationally.

Although Hong Kong companies tend to do better overall and are overrepresented as leaders, Mainland China companies are catching up fast. One of the interesting findings to emerge from the survey is how quickly Mainland companies are learning about CSR. China Mobile ranked a close third to Hong Kong's CLP in the composite score, with Foxconn the other Mainland company making it into the top ten. The key issue, however, is that Mainland companies are now predominantly in the mainstream category and improving fast. It is worth

noting, for instance, that seven Mainland companies improved their year-on-year overall ranking from laggard to mainstream category. One of the most impressive examples of this move upwards is by Tencent, which leapt from 41 to 14. Moreover, Mainland companies have been enthusiastic supporters of the UN Global Compact. More than double the Mainland companies are signatories than Hong Kong companies, with more Mainland companies producing CSR reports based on the Global Reporting Initiative standard. Their participation in the Carbon Disclosure Project was comparable to that of Hong Kong companies. They are also strong performers in areas like stakeholder engagement (with more Mainland companies scoring at the top end than Hong Kong), engagement with trade unions (with 69 per cent of Mainland companies engaged with trade unions), and supply chain management (with Mainland companies taking the top two positions).

In addition to evaluating CSR practices, the scoring system was a measure of transparency. We appreciate the efforts made by the companies that responded to the survey. For those companies that responded, evidence often included references to publicly available information. Leading companies referenced these kinds of public sources frequently, displaying not only the breadth of their practices but also their commitment to CSR reporting. Many companies, however, were unable to include information beyond a general level. In this second survey, there is again a strong correlation between having the most comprehensive CSR policies and having the best public reporting.

Oxfam Hong Kong believes improvements in CSR must begin with the largest and most important companies in the region. Areas of weakness for all companies must be addressed in order for Hong Kong and Mainland China companies to adhere to higher standards. Supply chains and setting environmental improvement plans go on to require more efforts from companies to reach some decent standards. Corporate systems should be set up to measure the effectiveness and impacts of community

investment initiatives, in addition to corporate donation. New areas such as climate change adaptation provide opportunities for companies to evaluate the risks of climate change not only on their business, but on the wider poorer communities in which they operate. This is an area where environmental performance and community investment initiatives can overlap and we hope to see more investigation into this area in future surveys.

5.2 Recommendations

Oxfam Hong Kong is keen to promote CSR within the business community of Hong Kong. There is a strong call for the top listed companies to take the lead in the CSR movement. We therefore put forward the following recommendations to companies, the Stock Exchange, HKSAR Government, as well as the other key stakeholders. We hope that this would set an initial stage for continuous dialogue and collaboration with a variety of stakeholders to reduce poverty and bring CSR to a higher level.

5.2.1 Recommendations to Hong Kong and Mainland China Companies

For those companies lagging in their overall CSR performance, commitment to create board level responsibility for CSR and develop CSR policies based on international standards offer a valuable starting point. For the mainstream companies, we recommend them joining global CSR initiatives and roundtables, and taking new steps to adopt the GRI guidelines and related sector supplements in CSR reporting and management. All companies should improve transparency by releasing key non-financial information on company websites and annual CSR report.

Companies could make improvements by expanding stakeholder dialogue to include groups other than those financially invested in the company. We urge

companies to actively engage with trade unions as an extension of valuing their employees. It is also important to engage with suppliers, the area where companies should make more effort. Accepting accountability for their supply chain by creating a dialogue with suppliers is one of the tasks necessary for lagging and mainstream companies to improve their CSR performance.

Companies should recognise employee policies and practices as an integral part of overall CSR strategy and reporting. More inclusive equal opportunity employment policies, greater job flexibility, appropriate working hours, options for paternity leave and leave entitlement for better work-life balance, to name a few, are areas where companies should strive to improve.

On environmental aspects, all companies should be setting energy, water, greenhouse gas emissions, paper consumption and waste reduction targets across all operations. Leading companies are those which reported their environmental performance based on achievement of these targets across all operations. We urge the Hang Seng Index constituent companies to take the lead in mitigating climate change impacts and advocate progressive policy change for the benefit of poor communities.

Accepting accountability for supply chains by creating a dialogue with suppliers, putting in place ethical sourcing policies or codes of conduct, effective monitoring systems and developing capacity building initiatives are necessary for lagging and mainstream companies to improve their CSR performance. Leading companies must be more transparent in their supply chain management by making key monitoring and verification information available for public scrutiny. Climate change and supply chain management are new areas that are worthwhile for companies to look into.

In order to demonstrate commitment to community investment as a long-term strategy, companies should have systems in place to measure the effectiveness and impacts of their investment as a

benchmark for future improvement. Companies are advised to work with non-governmental organisations to create strategic relationships that will ultimately be mutually beneficial and move beyond philanthropic cheque writing.

5.2.2 Recommendations to the Stock Exchange and HK Government

We strongly believe that Hong Kong Stock Exchange should take the lead, as a recognised securities regulator, in developing Hong Kong into a sustainable financial market and promoting Hong Kong's excellence in corporate transparency issues. Requiring companies to publicly disclose their CSR performance as a mandatory listing principle based on the GRI standard would be a very positive starting point. The Exchange could also explore the potential of introducing SRI indexes to the Hong Kong financial market. Companies would thus need to be transparent about their environmental, social and governance risk management, which can serve as a useful benchmark for the public and stimulate wider company reaction to improve CSR performance.

We urge the Government and the Legislative Council to impose stronger regulations on companies. Taking the opportunity of the ongoing Companies Ordinance Rewrite, Oxfam Hong Kong is calling on the Government to strengthen the disclosure of non-financial corporate data based on the GRI standards and make CSR reporting mandatory to include the impacts of the company operations on employees or workplace, environment, supply chain, community and various stakeholders. Also, financial institutions could be obliged to make public their investment policy to show the extent to which CSR is part of the company's investment consideration.

Apart from legislation, we have high expectations for the Government to take the lead to promote CSR in Hong Kong with key stakeholders and among the business community. The Government should adopt

a long-term strategy on CSR and create incentives for companies to strengthen CSR, such as through organising promotional campaigns, reviewing government internal and external policies in favour of CSR, prioritising companies with good CSR in public projects, as well as providing funding and other support for CSR awareness-raising programmes, research and training for small and medium-sized companies.

As in China, recent developments show that the Central Government has taken responsibility for its state-owned enterprises (SOEs). The Government created a detailed set of guidelines that SOEs are required to follow to serve as role models for other companies to follow suit. Other national governments are also developing specific requirements in regard to high-risk issues that have an impact on communities (such as resource extraction and climate change). We believe that the HKSAR government can similarly highlight key issues that companies must be required to address and create a comprehensive set of guiding principles or suggestions of good practices, in conjunction with relevant experts and civil society organisations.

5.2.3 Recommendations to Investors

Corporate governance has become a major concern for investors in the Asia-Pacific region. Investors should be looking for companies with good governance and transparency practices to ensure they can make more informed decisions. Investors can demand both financial and non-financial disclosure from companies in order to minimise the associated social and environmental as well as financial risks. Socially responsible investors can initiate related dialogues with companies' senior management in shareholder meetings.

Benchmarking indexes that promote socially responsible investment (SRI) are useful tools for investors. As SRI is gaining prominence in the region, investors can make use of these resources that benchmark Asian companies based on

responsible principles. In addition to making use of Asia specific indexes, global indexes are useful as a way of benchmarking Asian companies against international best practice.

5.2.4 Recommendations to the Hong Kong Public

The public can have an influential role on CSR performance, as companies are engaging with a wider range of stakeholders. As consumers, we must demand more ethical products and services from companies. If we begin to think about the lifecycle of products and services we are consuming and the potential for sustainability, companies will face the pressure to respond with environmental and social initiatives.

The media should continue to engage with companies in a meaningful way, whereby they can help companies report their initiatives and activities to the public. Analysts, academics and civil society groups should continue to conduct research and evaluate company performance for the sake of public interest and transparency. Publicly available and evidence-based information on CSR performance will encourage companies to be held accountable for their behaviour.

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- ¹⁰ See this news report, “China ask Central Enterprises to be CSR Role Models,” <http://www.chinacsr.com/en/2009/11/05/6503-china-asks-central-enterprises-to-be-csr-role-models/>
- ¹¹ A paper presented by Kenko Sone, Director, OECD Division, Economic Affairs Bureau, Ministry of Foreign Affairs, Japan, to the OECD/ESCAP Regional Conference on Corporate Responsibility, http://www.unescap.org/tid/projects/csr_tuepb1_sone.pdf.
- ¹² See Haswidi, Andi. "CSR becomes mandatory for most companies." *The Jakarta Post*, July 21, 2007 <http://www.thejakartapost.com/news/2007/07/21/csr-becomes-mandatory-most-companies.html> and Ministry of Finance of the Republic of Indonesia. *The Capital Market and Financial Institution Supervisory Agency. Obligation to Submit Annual Report for Issuers or Public Companies*. Jakarta: n.p., 2006. *Bapepam-LK Rules - English Version* http://www.bapepam.go.id/pasar_modal/regulasi_pm/peraturan_pm/ENG/X/XK6.pdf
- ¹³ Welford, Richard. “A new CSR law for the Philippines?” <http://www.csr-asia.com/index.php?id=13406>
- ¹⁴ Available at <http://www.businesshumanrights.org/SpecialRepPortal/Home/CorporateLawTools>.
- ¹⁵ Siddy, Dan, Exchanges and Sustainable Investment, a report prepared for the World Federation of Exchanges, August 2009, <http://www.world-exchanges.org/sustainability/WFE-ESG.pdf>
- ¹⁶ Australian Securities Exchange. *Corporate Governance Principles and Recommendations Second Edition* August 2007, p.32-33 <http://asx.ice4.interactiveinvestor.com.au/ASX0701/Corporate%20Governance%20Principles/EN/body.aspx?z=3&p=0&v=1&uid>
- ¹⁷ Welford, Richard. "Do businesses really care about human rights?" *CSR Asia Weekly* 5.40 (2009): n. pag. Web. 12 Nov. 2009. http://www.csr-asia.com/weekly_detail.php?id=1184
- ¹⁸ “China Securities Regulatory Commission is developing a Green Security Index (in Chinese),” *Securities Times*, May 26 2009, <http://business.sohu.com/20090526/n264186633.shtml>
- ¹⁹ See this CSR charter of Bursa Malaysia, http://www.klse.com.my/website/bm/about_us/the_organisation/csr/approach.html
- ²⁰ Siddy, Op.cit.

Corporate Social Responsibility Survey of Hang Seng Index Constituent Companies 2009

Welcome to the Oxfam CSR Survey 2009. This is the second year that the questionnaire has been sent to companies and the aim of this survey is to get a clear picture of how each company listed on the Hang Seng Index is performing on CSR.

The findings will help us understand the state of CSR amongst publicly listed companies in Hong Kong and to rate each company listed on the Hang Seng Index. Each company will receive a score on the basis of the information provided for their current CSR efforts.

Please note that your company will be ranked according to the information you provide us. If we do not receive your reply then we will rank your company based on publicly available information. The findings of this survey will be published and made publicly available.

We suggest that you first read the Frequently Asked Questions document to provide the overview to the survey.

Instructions

- The questionnaire must be submitted within four working weeks, by **31 August 2009**.
- The questionnaire has six sections, with both multiple choice and open-ended questions. Where possible please provide supporting information in these questions. You may reference or attach relevant sections of documents if applicable.
- This questionnaire is for the attention of Company Secretaries, HR Managers, Communications Managers, CSR Managers or other CSR related departments, but it will require input from different departments where relevant. Please allow time to coordinate their involvement.
- Please email completed questionnaire to the attention of Anita Wong, cswong@csr-asia.com or post it to CSR Asia, Office A, 15/F, Wing Cheong Commercial Building, 19-25 Jervois Street, Sheung Wan, Hong Kong
- A confirmation email will be sent to you on receipt of the survey.

Please carefully review the FAQ section. If you have any further questions or technical difficulties in completing the questionnaire please contact:

Jacqui Dixon at CSR Asia, +852 3579 8079 or jdixon@csr-asia.com

How we will score your company:

Performance in relation to each question will be measured numerically by using a scoring system of 0, 1, 2 and 3. The overall score for each question will be based on the extent to which the company adopts/ implements the indicated policy or practice as follows:

Level of adoption / implementation
None <i>Nothing in place and only sporadic or ad hoc activity takes place, if any. Or company does not know about their activities.</i>
Partial or efforts <i>Objectives / systems are in place, but do not meet the level of generally acceptable CSR practices; or</i> <i>Evidence exists that regular / systematic efforts are being made to set objectives / implement a system.</i>
Full / Complete <i>Objectives / systems are in place and are reported on, fully meeting the level of generally acceptable CSR practices.</i>
Exceeding <i>Objectives / systems are in place exceeding the level of generally acceptable CSR practices.</i>

Each dimension (CSR strategy and reporting, stakeholder engagement, workplace quality, environmental performance, supply chain, and community investment) will have a total allowable score, which will be translated into a total mark out of 100.

In order to achieve the company's highest potential score, it is important to include the information which is available. Throughout the questionnaire, respondents are requested to provide supporting evidence, details and examples of relevant policies and practices. Respondents are welcome to add any related comments or examples throughout the survey. For further space there are additional comments sections at the end of each section.

Scope of the Survey:

The scope of the survey covers all company operations and it is expected that Hang Seng index constituent companies answer the questions with this in mind. For survey purposes, 'All operations' should be expected to include all 'in Hong Kong' and 'international' operations including wholly owned entities and managed or controlled entities.

'Wholly owned entities' should be expected to include all 'in Hong Kong' and 'international' operations, regardless of whether or not the company actively manages the operations of said entities.

'Managed or controlled entities' should be expected to include all 'in Hong Kong' and 'international' operations, regardless of share of ownership, where the company acts as the managing partner (e.g. within a joint venture).

Company details:

Stock code:

Company name:

Industry/Sector type:

Industry

Sector

- | | | |
|---------------------------|--|---|
| Energy | <input type="checkbox"/> Oil & Gas | <input type="checkbox"/> Coal |
| Materials | <input type="checkbox"/> Mining | <input type="checkbox"/> Basic Materials |
| | <input type="checkbox"/> Metals | |
| Industrial Goods | <input type="checkbox"/> Industrial Goods | |
| Consumer Goods | <input type="checkbox"/> Automobiles | <input type="checkbox"/> Food & Beverages |
| | <input type="checkbox"/> Household Goods & Electronics | <input type="checkbox"/> Health & Personal Care |
| | <input type="checkbox"/> Textiles & Clothing | <input type="checkbox"/> Agricultural Products |
| Services | <input type="checkbox"/> Retailers | <input type="checkbox"/> Transportation |
| | <input type="checkbox"/> Hotel & Entertainment | <input type="checkbox"/> Support Services |
| | <input type="checkbox"/> Media & Publishing | |
| Telecommunications | <input type="checkbox"/> Telecommunications | |
| Utilities | <input type="checkbox"/> Utilities | |
| Financials | <input type="checkbox"/> Banks | <input type="checkbox"/> Other Financials |
| | <input type="checkbox"/> Insurance | |
| Properties & Construction | <input type="checkbox"/> Properties | <input type="checkbox"/> Construction |
| Information Technology | <input type="checkbox"/> IT Hardware | <input type="checkbox"/> Semiconductors |
| | <input type="checkbox"/> Software & Services | |
| Conglomerates | <input type="checkbox"/> Conglomerates | |

Core business activities:

Years in business:

Ownership structure:
(e.g. privately owned)

Last financial year
(please specify the period:)

Revenue: HK\$

Profits: HK\$

Profit before tax: HK\$

Total no. of employees (in full time equivalents):

Country of company headquarters:

Respondent's name:

(Person to be contacted in case of questions)

Function/position:

Department:

Address:

Phone:

E-mail:

Corporate website:

Approval Form

Company name:

Confirmation of Truthful Company Statements and Documentation

Name: **Function/Position:**

By checking this box, I confirm that all statements made in the Oxfam Hong Kong's Corporate Social Responsibility Survey as well as additional information/documentation provided are true to the best of my knowledge. I confirm that I have read and accepted Oxfam Hong Kong's Policy and Disclaimer concerning the use of the provided information indicated below:

Use of Information Policy and Disclaimer

Your true and accurate feedback is highly appreciated in helping Oxfam Hong Kong and CSR Asia assess the status of CSR in Hang Seng Index constituent companies. We will give you feedback on the ratings of your company on CSR and publish reports of the status of the CSR findings to the public based on this survey response, specifying names of the public listed companies where relevant. In cases where no response is received from a company we will make our rating based on publicly available information only and rank the company accordingly.

CSR Strategy and Reporting

1. Is there any board-level responsibility for CSR in your company?

- Yes No

If yes, please provide details (*Include name of specialized board committee or directors dedicated to CSR and their responsibilities*):

2. Does the company have a code of ethics /code of conduct in relation to the following issues?

- | | |
|---|--|
| <input type="checkbox"/> Confidentiality of information | <input type="checkbox"/> Money-laundering and/or insider trading/dealing |
| <input type="checkbox"/> Corporate governance | <input type="checkbox"/> Responsibility of your products or services |
| <input type="checkbox"/> Corruption and bribery | <input type="checkbox"/> Whistle-blowing |
| <input type="checkbox"/> Human rights | <input type="checkbox"/> None / Don't know |

If yes, please provide evidence (*Include relevant stipulations in the code/policy*):

3. Does your company have a monitoring mechanism for implementation of a code of ethics / code of conduct?

- Yes No n/a (no such code or policy exists)

If yes, please provide evidence (*Include issues the monitoring mechanism covers*):

4. Has your company joined or publicly supported CSR voluntary initiatives and/or groups such as the Global Compact, Global Reporting Initiative, Equator Principles, Ethical Trading Initiative or other national/international agreements related to environmental or social responsibility?

- Yes No

If yes, please specify the standard(s) and/or group(s):

5. Does your company PUBLICLY report on CSR/sustainability performance?

- Yes No

If yes, please provide evidence:

6. Which of the following matters are included in your CSR reporting?

- | | |
|---|--|
| <input type="checkbox"/> Community investment | <input type="checkbox"/> Ethical supply chain |
| <input type="checkbox"/> CSR strategy | <input type="checkbox"/> Workplace quality |
| <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Other (please specify): |

7. Has your company produced a STANDALONE public report on CSR/sustainability?

- | | |
|---|---|
| <input type="checkbox"/> Yes, we produce a global/ regional/ national CSR/sustainability report which includes HK-specific operations/initiatives | <input type="checkbox"/> Yes, we produce a global/ regional/ national CSR/sustainability report which DOES NOT include HK-specific operations/initiatives |
| <input type="checkbox"/> Yes, we produce a standalone HK-specific CSR/sustainability report | <input type="checkbox"/> No, we DO NOT produce a standalone report on CSR/sustainability |

If yes, please provide the FULL report of the most recent reporting period (*either as hyperlink to soft copy or hard copy attached*):

8. Has your company adopted a specific reporting guideline in the most recent CSR/sustainability report? (For example: Global Reporting Initiative)

- Yes, please specify which guideline(s):
- No

If applicable, add any further comments on CSR strategy and reporting of your company:

Stakeholder Engagement¹

9. Does your company have a policy or stated commitment for stakeholder engagement?

- Yes, already in effect
- Yes, likely to come into effect in the next financial year
- No

If yes, please provide evidence:

10. Has your company initiated stakeholder dialogue with the following groups?

- | | |
|---|--|
| <input type="checkbox"/> a. Shareholders or investors | <input type="checkbox"/> e. Suppliers |
| <input type="checkbox"/> b. Customers | <input type="checkbox"/> f. NGOs or community groups |
| <input type="checkbox"/> c. Employees | <input type="checkbox"/> g. Other (please specify): |
| <input type="checkbox"/> d. Trade unions | |

If yes, please provide evidence:

11. Has your company engaged stakeholders in relation to the following CSR/sustainability issues in the last financial year?

- | | |
|---|---|
| <input type="checkbox"/> Community investment | <input type="checkbox"/> Ethical supply chain |
| <input type="checkbox"/> CSR strategy and reporting | <input type="checkbox"/> Workplace quality |
| <input type="checkbox"/> Environmental protection | |

If yes, please provide evidence:

12. How has your company responded to key issues/concerns raised in stakeholder engagement in the last financial year?

- | | |
|---|--|
| <input type="checkbox"/> Formal response to stakeholder group | <input type="checkbox"/> Public report |
| <input type="checkbox"/> Internal report to relevant department | <input type="checkbox"/> Public meeting |
| <input type="checkbox"/> Others (please specify): | <input type="checkbox"/> No / Don't know |

If yes, please provide as much evidence as possible to support this:

If applicable, add any further comments on stakeholder engagement policy or practices in your company:

¹ Stakeholder engagement involves meaningful and structured dialogue to facilitate the exchange of views, feedback and information between a company and its stakeholders.

Workplace Quality

13. How many days of staff training did your employees receive on average over the last financial year? days

14. Do you have a policy that explicitly allows trade union membership?

Yes No

If yes, please provide details of the policy:

15. Does your company have a formal written policy on equal opportunities or managing diversity?

Yes No

If yes, please provide details (*Include whether it covers all employees or not*):

16. Does the policy specifically address equality of treatment or discrimination on any of the grounds listed below?

<input type="checkbox"/> Age	<input type="checkbox"/> Religion
<input type="checkbox"/> Disability	<input type="checkbox"/> Sexual harassment
<input type="checkbox"/> HIV/AIDS	<input type="checkbox"/> Sexual orientation
<input type="checkbox"/> Family status	<input type="checkbox"/> Trade union association
<input type="checkbox"/> Race	<input type="checkbox"/> Other, please specify:

17. What mechanisms are in place to deal with grievances in relation to equality of treatment or discrimination?

<input type="checkbox"/> Counselling	<input type="checkbox"/> Whistle-blowing policy
<input type="checkbox"/> Help Line	<input type="checkbox"/> Other mechanisms (please specify):
<input type="checkbox"/> Independent person or department in charge of solving complaints	

If yes, please briefly provide details of mechanisms:

18. How many work-related injuries and fatalities did your company record in the following period?

Work-related injuries Work-related fatalities

Last financial year:

The year before last financial year:

19. Does your company have a policy on maximum/standard working hours for full time employees?

Yes No

If yes, please briefly provide details (*Include number of maximum/standard working hours per week, but not lunchtime hours*):

20. Does your company have a system in place in relation to overtime compensation?

Yes No

If yes, please provide details (*Include whether it covers all employees or not*):

21. Are there options for staff whose job nature allows it to have the opportunity of enjoying flexible working hours?

Yes No

If yes, please provide details:

22. What percentage of your senior and middle management comprises women, as a share of total senior and middle employment? %

23. How many days of paid leave would fathers of new babies be allowed to take off?
day(s)

24. Has your company laid off any employees in the last financial year due to the economic downturn?

Yes No

If yes, please specify any consultations, negotiations or other measures with employees that have been made:

24a. Has your company looked to alternative solutions to lay offs during the economic downturn?

Yes No

If yes, please specify the solutions taken:

If applicable, add any further comments on workplace policies or practices in your company:

Environmental Performance

25. Does your company have a policy on environmental protection?

Yes, cover all operations
 Yes, cover some operations
 No

If yes, please provide evidence:

26. Does your company record the emission/consumption level of the following items?

	All operations	Some operations
a. Energy consumption	<input type="checkbox"/>	<input type="checkbox"/>
b. Water consumption	<input type="checkbox"/>	<input type="checkbox"/>
c. Paper consumption	<input type="checkbox"/>	<input type="checkbox"/>
d. Greenhouse gases	<input type="checkbox"/>	<input type="checkbox"/>

If yes, please specify the type of measurement technique used for each of the above and the operations being covered:

27. Has your company set improvement plans for any of the following items?

- | | All operations | Some operations |
|-----------------------|--------------------------|--------------------------|
| a. Energy consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Water consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Paper consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Greenhouse gases | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please specify the improvement plans set for each item and the operations being covered:

28. Has your company set reduction targets for any of the following items?

- | | All operations | Some operations |
|-----------------------|--------------------------|--------------------------|
| a. Energy consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Water consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Paper consumption | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Greenhouse gases | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please specify the reduction targets and the operations being covered:

29. Has your company taken any measures on waste management in relation to the following?

- | | All operations | Some operations |
|---------------------------|--------------------------|--------------------------|
| a. Waste separation | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Recycling measures | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Reuse measures | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Other, please specify: | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please provide details of the measures taken and the operations being covered:

30. Has your company made any plans to adapt to the effects of climate change including support any adaptation initiatives that benefit vulnerable communities?

- Yes No

If yes, please provide details of the plans or programmes in place and whether these have a positive impact on vulnerable communities in which your company operates:

If applicable, add any further comments on environmental policies or practices in your company:

Supply Chains²

31. Does your company have an ethical sourcing/purchasing policy or suppliers' code of conduct?

- Yes, cover all operations
 Yes, cover some operations
 No → skip to No.34

If yes, please provide evidence (*Include the operations being covered*):

² Supply chains: The linked set of resources and processes that begins with the sourcing of raw material and extends through the delivery of end items to the final customer. It includes vendors, manufacturing facilities, logistics providers, internal distribution centres, distributors, wholesalers and all other entities that lead up to final customer acceptance.

32. Does your company's ethical sourcing/purchasing policy or suppliers' code of conduct cover the criteria below?

- a. Labour standards
b. Environmental protection
c. Health and safety standards
d. Other (please specify):

If yes, please state the standard(s) that your company adhere(s) to:

33. Does your company have a monitoring mechanism for compliance on the ethical sourcing/purchasing policy or suppliers' code of conduct?

- Yes: monitor all key suppliers
 Yes: monitor some key suppliers
 No

If yes, please provide evidence (*Include details of the monitoring mechanism*):

34. Has your company initiated any greenhouse gases management programmes in your supply chain?

- Yes No

If yes, please provide evidence:

35. Has your company engaged suppliers to implement any of the below programmes in the past financial year?

- Labour rights or education
 Environmental protection
 CSR reporting
 Creation of new sustainable products
 Others, please specify:

If yes, please specify the programme(s):

If applicable, add any further comments on supply chain management in your company:

Community Investment³

36. Does your company align any of its community investment initiatives to UN Millennium Development Goals and/or national development goals?

- Yes No

If yes, please provide evidence:

³ Community investment refers to business providing resources, expertise and opportunities to provide positive impacts within communities to help them solve or improve their needs or challenges.

37. In the last financial year, what was the monetary value of total corporate giving⁴?

Direct cash: HK\$

Non-cash at fair market value:

Foundation cash: HK\$

- Product donations: HK\$

- Pro Bono Service: HK\$

Total corporate giving: HK\$

38. In the last financial year, what was the total value of direct cash and foundation cash by programme areas? (This question is optional, and is not intended for scoring.)

Education: HK\$

Labour: HK\$

Environment: HK\$

Rural Development: HK\$

Health: HK\$

Culture, Sport & Arts: HK\$

Human Rights: HK\$

Other: HK\$

Humanitarian & Disaster Relief:

(please specify the programme area(s):

HK\$

)

39. Does your company have a system to measure the impact of the company's community investment on communities?

Yes No N/A (No community investment or corporate giving)

If yes, please provide details on who manages this and the system used:

40. Does your company manufacture or sell or purchase any products which were awarded a fair trade label (e.g. Fairtrade Labeling Organizations International)?

Yes No

If yes, please provide details:

41. In the last financial year, did your company have any volunteering programmes in place?

(You can choose more than one option)

Yes, organized during workday for which an employee was being paid

Yes, organized during an employee's personal time for which there was no staff cost incurred by your company

No

If yes, please provide details of the programme(s):

If applicable, add any further comments on community investment policies or practices in your company:

-- Thank you for completing the questionnaire --

⁴ Total corporate giving includes corporate grants, corporate foundation grants, and non-cash giving. It excludes the value of volunteer hours, administration costs, or contributions from employees, vendors, or customers.