Corporate Social Responsibility (CSR)

Introduction to ISO 26000
and
HKQAA-HSBC CSR Index
Why needs CSR?
In recent years, there were far too many cases of unethical business behavior that had shown the worst side of the business world such as the Enron Scandal and the WorldCom Scandal, and also the latest finance tsunami, which exposed that the manipulation of the company executives were driven by greed and self-interest.

On the other hand, it is quite true that industrial development and exploitation will inevitably result in pollution, even disregarding the manmade catastrophes such as the nuclear plant accidents at Three Miles Island (1979) and at Chernobyl (1986), and the recent oil spill outside USA.

Some people even believe that business community is responsible for the extreme disparity between the rich and the poor. Hence creating some hostile emotion towards the business sector.

Why Needs CSR?
Financial innovators, seeking an edge in the marketplace, produced a variety of new and complex financial instruments. These products, such as hedge funds and sub-prime mortgages, were designed to spread risk but ended up concentrating it. Loans were sold to banks, banks packaged these loans into securities, and investors bought these securities often with little insight into the risks to which they were exposed. It was easy money for the seller but high risk for the buyer of these financial products. This finally led to the financial tsunami in 2008.
A milk scandal happened in China in 2008. In this food safety incident, Milk and infant formula, other food materials and components were adulterated with melamine.

The issue raised concerns about food safety and political corruption in China, and damaged the reputation of China's food exports with at least 11 countries stopping all imports of mainland Chinese dairy products.
Between January and May 2010, twelve Foxconn employees attempted suicide, with ten deaths. Some reporters criticized harsh management methods, low pay and the company's long working hours. Workers complained about inhumane working relationships and monotonous work schedule.
Environmental Crisis

- The largest oil spills in history with hundreds of millions of gallons spilled in Gulf of Mexico in June 2010. The spill stems from a sea-floor oil gusher that resulted from the April 2010 Deepwater Horizon drilling rig explosion. The explosion killed 11 platform workers and injured 17 others.
- The spill continues to cause extensive damage to marine and wildlife habitats as well as the Gulf's fishing and tourism industries.
Environmental Crisis

The Chernobyl disaster happened in April 1986, at the Chernobyl Nuclear Power Plant in Ukraine. It is considered the worst nuclear power plant accident in history and is the only level 7 event on the International Nuclear Event Scale.

A sudden rapid growth in power output took place, when an attempt was made for emergency shutdown, an unexpected and more extreme spike in power output occurred which led to a reactor vessel rupture and a series of explosions. This led to fire sending a plume of radioactive fallout over large parts of the western Soviet Union and Europe.

This accident produced major adverse effect on the environment, radioactive substance contaminated the nearby rivers, lakes, flora and fauna.
1.6 billion people are living on less than $1 per day

Source: Presentation of Dr. Jorge E. R. Cajazeira in HKQAA Symposium 2008
Corporate Social Responsibility (CSR) refers to the practice of conducting business in a manner which links to ethical values, compliance with legal requirements and most importantly, respect for people, communities and the environment.

Business needs to make good profit but in a way that does not make the poor even poorer and taking care of our planet. It is only good citizenship and common sense.

CSR ultimately minimize the pressure that creates social unrest or even civil unrest.
Ringing the Alarm

Companies are under the Magnifying Glass!
Rising Expectations of Stakeholders

- After 2008 economic crisis, organizations and their stakeholders are becoming more aware of the need for socially responsible behavior.

- An organization’s performance with interaction to the society in which it operates and its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively.

- Sustainable business relies on the sustainable development of the community and the future world.
Organizations are subject to greater scrutiny by their stakeholders. The perception of an organization’s social responsibility performance can influence its reputation, ability to attract and retain staff members, customers and investors, and also its relationship with business partners, media, and community in which it operates.
A new paradigm

Source: Presentation of Dr. Jorge E. R. Cajazeira in HKQAA Symposium 2008
CSR and Sustainability

Business, society and environment are becoming increasingly interrelated. CSR is considered as one of the obligations of corporate citizenship.

Organizations are expected to voluntarily eliminate any practices that may harm the public, and proactively encourage community growth and environmental protection, even going beyond its legal obligations.

By adhering to CSR with the “Triple Bottom Line” – People, Planet and Profit – it will be possible for businesses to achieve sustainable success, hand-in-hand with the community.

These expectations also give rise to the birth of ISO 26000 Social Responsibility Standard.
Development of ISO 26000

Guidance on Social Responsibility

Guidance on social responsibility

Lignes directrices relatives à la responsabilité sociale

ISO 02-100:20
ISO 26000
To connect high level standards to daily operations
Evolution of Standards

1979 BS 5750 part 1,2 e 3
1987 ISO 9001 ISO 9002 e 9003 revision 1
1992 HS(G)65
1994 ISO 9001 ISO 9002 e 9003 revision 1
1999 OHSAS 18001
1996 BS 8800
2000 ISO 9001 revision 2
2003 ISO 14001 revision 2
2008 ISO 9001 revision 3
2008 SA 8000 Revision 2
2001 SA 8000 Revision 1
2006 GRI
1992 Rio
1996 BS 7750
1997 SA 8000
1998 AA 1000
1999 ISO 14001 revision 2
2003 ISO 14001
2008 ISO 9001 revision 3
2008 SA 8000 Revision 2
2001 SA 8000 Revision 1
2006 GRI

Need of Integration

Recursos ambientais
Recursos sociais
Recursos económicos e financeiros

Recursos ambientais
Recursos sociais
Recursos económicos e financeiros

Source: Presentation of Dr. Jorge E. R. Cajazeira in HKQAA Symposium 2008
About ISO 26000

ISO (International Organization for Standardization) is a worldwide federation of national standards bodies. The work of preparing International Standards is normally carried out through ISO technical committees.

ISO 26000 was prepared by the ISO Technical Management Board Working Group on Social Responsibility.

Experts from more than 90 countries and 40 international or broadly-based organizations.

Currently is a Draft International Standard (DIS) and expected to be released in 2010.
## Composition of the WG

400 experts (48 developing countries)

<table>
<thead>
<tr>
<th>Country (ACRONYM)</th>
<th>Country (ACRONYM)</th>
<th>Country (ACRONYM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina (IRAM)</td>
<td>Ghana (GSB)</td>
<td>Philippines (BPS)</td>
</tr>
<tr>
<td>Armenia (SARM)</td>
<td>Greece (ELOT)</td>
<td>Poland (PKN)</td>
</tr>
<tr>
<td>Australia (SA)</td>
<td>India (BIS)</td>
<td>Portugal (IPQ)</td>
</tr>
<tr>
<td>Azerbaijan (AZSTAND)</td>
<td>Indonesia (BSN)</td>
<td>Romania (ASRO)</td>
</tr>
<tr>
<td>Austria (ON)</td>
<td>Iran (ISIRI)</td>
<td>Russian Federation (GOST R)</td>
</tr>
<tr>
<td>Barbados (BNSI)</td>
<td>Ireland (NSAI)</td>
<td>Saint Lucia (SLBS)</td>
</tr>
<tr>
<td>Belarus (BELST)</td>
<td>Israel (SII)</td>
<td>Serbia (ISS)</td>
</tr>
<tr>
<td>Belgium (NBN)</td>
<td>Italy (UNI)</td>
<td>Singapore (SPRING SG)</td>
</tr>
<tr>
<td>Brazil (ABNT)</td>
<td>Jamaica (JBS)</td>
<td>South Africa (SABS)</td>
</tr>
<tr>
<td>Canada (SCC)</td>
<td>Japan (JISC)</td>
<td>Spain (AENOR)</td>
</tr>
<tr>
<td>Chile (INN)</td>
<td>Kenya (KEBS)</td>
<td>Sweden (SIS)</td>
</tr>
<tr>
<td>China (SAC)</td>
<td>Kazakhstan (KAZMEMST)</td>
<td>Switzerland (SNV)</td>
</tr>
<tr>
<td>Colombia (ICONTEC)</td>
<td>Korea Republic of (KATS)</td>
<td>Thailand (TISI)</td>
</tr>
<tr>
<td>Côte d’Ivoire (CODINORM)</td>
<td>Malaysia (DSM)</td>
<td>Trinidad and Tobago (TTBS)</td>
</tr>
<tr>
<td>Czech Republic (CNI)</td>
<td>Mauritius (MSB)</td>
<td>Turkey (TSE)</td>
</tr>
<tr>
<td>Costa Rica (INTECO)</td>
<td>Mexico (DGN)</td>
<td>United Kingdom (BSI)</td>
</tr>
<tr>
<td>Cuba (NC)</td>
<td>Morocco/Maroc (SNIMA)</td>
<td>Uruguay (UNIT)</td>
</tr>
<tr>
<td>Denmark (DS)</td>
<td>Netherlands (NEN)</td>
<td>USA (ANSI)</td>
</tr>
<tr>
<td>Ecuador (INEM)</td>
<td>New Zealand (SNZ)</td>
<td>Venezuela (FONDONORMA)</td>
</tr>
<tr>
<td>Egypt (EOS)</td>
<td>Nigeria (SON)</td>
<td>Vietnam (TCVN)</td>
</tr>
<tr>
<td>Finland (SFS)</td>
<td>Norway (SN)</td>
<td>Zimbabwe (SAZ)</td>
</tr>
<tr>
<td>France (AFNOR)</td>
<td>Panama (COPANIT)</td>
<td></td>
</tr>
<tr>
<td>Germany (DIN)</td>
<td>Peru (INDECOPI)</td>
<td></td>
</tr>
</tbody>
</table>
Scope

This International Standard provides guidance to all types of organizations, regardless of their size or location, on:

— concepts, terms and definitions related to social responsibility;
— the background, trends and characteristics of social responsibility;
— principles and practices relating to social responsibility;
— core subjects relating to social responsibility;
— issues of social responsibility (issues)
— integrating, implementing and promoting socially responsible behaviour throughout the organization and through its policies and practices related to its sphere of influence;
— identifying and engaging with stakeholders; and
— communicating commitments and performance related to social responsibility.

This International Standard is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use. Any offer to certify, or claims to be certified, to ISO 26000 would be a misrepresentation of the intent and purpose of the International Standard.
Principles of Social Responsibility

1. Accountability
2. Transparency
3. Ethical Behaviour
4. Respect for Stakeholder interests
5. Respect for the Rule of Law
6. Respect for International Norms of Behaviour
7. Respect for Human Rights

Principles of Social Responsibility
The 7 Core Issues

- SR
- Environment
- Fair operating practices
- Consumer issues
- Social development
- Organizational governance
- Human rights
- Labour practices
The Development of HKQAA-HSBC CSR Index
Development of HKQAA-HSBC CSR Index

- HKQAA’s commitment towards sustainability
- Whistle blower
- Promoting the principles and application of ISO 26000
Objective

The aim of HKQAA-HSBC CSR Index is to provide an application tool for rating an organization’s system maturity in pursuing social responsibility with reference to ISO 26000, in order to facilitate the organization for enhancing its CSR performance.
HKQAA-HSBC CSR Index Series

2 Composite Indexes in the Series

- HKQAA-HSBC CSR Advocate Index
  - Measuring organizations’ CSR maturity to drive improvement.

- Hong Kong 100 CSR Index
  - Researching Hong Kong organizations’ disclosure of CSR issues.
Methodology

The criteria of CSR Index are developed based on the application of guidance and principles provided by ISO/DIS 26000.

There are 7 core elements identified in the CSR Index:

1. Organizational governance
2. Human rights
3. Labour practices
4. Environment
5. Fair Operating Practices
6. Consumer issues
7. Community Involvement
The Framework

HKQAA-HSBC CSR Index
Methodology

- The best practices and guidance of ISO/DIS 26000 were consolidated into 40 recommended practices.
- To facilitate benchmarking exercise, scoring approach is applied in rating the organization’s system maturity.
Methodology - Scoring Method

- A Scoring Handbook is prepared to define the scoring criteria for respective recommended practice in the HKQAA-HSBC CSR Advocate Index.

- To make sure that the scoring is conducted in an objective manner, the user should base on the available implementation evidence to determine system’s maturity level.

- A factual base scoring method will be adopted to validate the evidence of implementation practices and confirm the score for respective recommended practice.

- The auditor will not apply personal judgment for commenting the effectiveness of the implemented practice.
Methodology – Scoring Process

- Participated organization
  - Conduct self evaluation based on the Scoring Criteria for 40 recommended practices.
  - Submit self-assessment scoring sheet with supported evidence.
Methodology – Scoring Process

HKQAA

- On-site verification
  - Validate the objective evidence to support the proposed scores.
  - Identify further improvement areas.

- Verification Reporting
  - Confirm the score for 40 recommended practices.
  - Provide recommendations for possible enhancement of CSR practices.

- Benchmarking Reporting
  - Prepare report for benchmarking the organization’s CSR scores against the others participated organizations.
Methodology - The Database

- The CSR Scoring Database:
  - Continuously generate updated performance statistics by making use of the confirmed CSR scoring of participated organizations.
  - Provide objective performance data platform for benchmarking.
  - Treat performance data as strictly confidential.
  - Organization decide whether release their CSR score to any interested parties.
1 – Starting Phase
Organization doesn’t take steps to develop program or control measure to realize the recommended practice.
Scoring Criteria

2 – Forming Phase

The programs or control measures are under development OR,

The program or control measures have been established but without fully implementation OR,

The program or control measures are implemented on an ad-hoc basis that is lack of advanced planning.
Scoring Criteria

3 – Implementing Phase
Organization has established program or control measures to realize the recommended practice. The program or control measures have been fully implemented as planned.
Scoring Criteria

4 – Confirming Phase

Organization has established program or control measures to realize the recommended practice. The program or control measures have been fully implemented as planned. Information gathering or risk analysis is conducted to gather relevant information to confirm the effectiveness of the implemented practice. Stakeholders are invited to engage in the program.
5 – Improving Phase

Organization has established program or control measures to realize the recommended practice. The program or control measures have been fully implemented as planned.

Information gathering or risk analysis is conducted to gather relevant information to confirm the effectiveness of the implemented practice.

Stakeholders are invited to engage in the program.

There is a review of the implemented program for identifying any improvement areas.
The 40 Recommended Practices
(1) Organizational Governance

- Set its direction by making social responsibility an integral part of its policies, strategies and operations.
- Establish program for raising awareness for social responsibility at all levels of the organization.
- Aware of applicable laws and regulations, to inform those within the organization responsible for observing these laws and regulations and to see that they are observed.
- Disclose its policies, decisions and activities for which it is responsible, including the known and likely impacts on society and the environment.
- Define and communicate standards of ethical behaviors.
- Develop governance structures that help to promote ethical conduct within the organization and in its interactions with others.
- Establish a two-way communication process between the organizations and its stakeholders.
(2) Human Rights

- Consider the potential and actual human rights impacts of the organization’s own activities.
- Establish a transparent and independent process to handle grievances issue.
- Provide stakeholders with channels to freely express their views even in situations of disagreement with organizational decisions.
- Ensure no discrimination against employees, partners, customers and stakeholders.
- Should not engage with forced labor and child labor.
(3) Labor Practices

- Encourage organizations in its supply chain to meet labour legal requirement.
- Ensure the conditions of work comply with applicable legal and statutory requirements.
- Establish dialogue with staff member for establishing healthy labor-management relations.
- Implement measure to control and minimize the health and safety risks involved in its activities.
- Promote the occupational health and safety culture to employees and subcontractors.
- Implement program to increase the capacity and employability of employee.
(4) Environment

- Implement measures to prevent pollution and waste, and ensuring proper management of unavoidable pollution and waste.
- Promote the environmental caring culture to employees and subcontractors.
- Implement resource efficiency measures to reduce its use of energy, water and other materials.
- Implement measures to reduce the GHG emissions associated with its activities, products and services.
- Organization should identify potential adverse impacts on ecosystem and take measures to eliminate or minimize these impacts.
(5) Fair Operating Practices

- Implement programs to prevent corruption.
- Prevent engaging in anti-competitive behavior.
- Include social, ethical and environmental criteria in the selection of subcontractor and purchasing requirements.
- Implement programs to protect the property rights.
(6) Consumer Issues

- Ensure no unfair or misleading marketing and information is delivered to consumer.
- Ensure that consumers are aware of their rights and responsibilities when products and services are delivered.
- Ensure that its products and services will not inherently harmful to consumers' health and the environment.
- Develop and provide socially and environmentally beneficial products and services to customer that is able to reduce respective adverse impacts throughout their life cycle.
- Review complaints and take action to prevent recurrence.
- Implement measures to resolve dispute and enhance customer satisfaction.
- Implement measures to protect consumer data and privacy.
- Educate consumers in order to enhance their understanding of product knowledge and awareness of sustainable consumption.
Help to conserve and protect *heritage*.

Provide *assistant or other essential products for vulnerable groups and low income people*.

Participate in *skill development* for organizations in the supply chain of community in which they operate.

Promote good health in the communities by *encouraging healthy lifestyle*.

Contribute to the *development of community* in which they operate.
HKQAA-HSBC CSR Index 2009 – Results
CSR Advocate Index 2009 – Results

- Index of 2009 is 4.53 (out of 5)
- Participated organizations:
  - 13 private companies,
  - 9 public listed companies, and
  - 3 government departments
The Hong Kong CSR Advocate Index in 2009 is **4.53**, it represents:

- Organizations have generally implemented system to manage CSR related issues.
- Labor Practices scored highest amongst the 7 core subjects.
- The scores of Fair Operating Practices and The Environment are relatively lower.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Involvement and Development</td>
<td>4.40</td>
</tr>
<tr>
<td>Consumer Issues</td>
<td>4.61</td>
</tr>
<tr>
<td>Fair Operating Practices</td>
<td>4.29</td>
</tr>
<tr>
<td>The Environment</td>
<td>4.35</td>
</tr>
<tr>
<td>Labour Practices</td>
<td>4.70</td>
</tr>
<tr>
<td>Human Rights</td>
<td>4.65</td>
</tr>
<tr>
<td>Organizational Governance</td>
<td>4.52</td>
</tr>
</tbody>
</table>
Hong Kong 100 CSR Index
2009 Results
Hong Kong 100 CSR Index - Results

- Research project based on organizations’ disclosure of CSR issues.
- 100 hundred organizations from fourteen sectors selected.
- To determine the CSR contour of HK organizations.
- Facilitate foreign investors and buyers for their decision making.
- With reference to ISO/DIS 26000, a set of 16 indicators were developed.
Hong Kong 100 CSR Index

- Index of 2009 is 63 (out of 100)
- Companies are selected from 14 Industrial Sectors:
There is limited disclosure of complaint handling program, human rights issues, consumer education, and promotion of CSR in the sphere of influence.

Organizations tend to disclose more information about social performance, corporate governance program, and programs relating to community development.
High degree of transparency is identified in education and public services sector.

Low degree of transparency is identified in manufacturing, construction and engineering sector.
Thank You