



公民教育委員會

Committee on the Promotion of Civic Education

Survey on Corporate Citizenship in Hong Kong

**Prepared for
The Committee on the Promotion of Civic Education**

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Executive Summary

Methodology

1. This study is commissioned by the Committee on the Promotion of Civic Education (CPCE) to obtain information on Hong Kong companies' corporate culture and values, their existing policies and practices as well as their understanding and awareness of corporate citizenship with a view to facilitating formulation of strategies and measures to promote corporate citizenship in Hong Kong. The study looks specifically into four dimensions of corporate social responsibility (CSR), namely (1) improvement of the well-being of employees and their families; (2) minimization of negative economic, social and environmental impacts on society; (3) ethical business operations; and (4) contributions to society.

2. Both quantitative and qualitative methodologies are adopted in the study, namely focus group discussions, case studies and territory-wide survey of companies. For the territory-wide survey, a total of 20 417 establishments were randomly selected from the sampling frame. After excluding 3 825 establishments found to be invalid, a total of 10 094 establishments were successfully enumerated, representing a response rate of 61%.

Improvement of well-being of employees and their families

3. More than half of the establishments paid attention to aspects like workplace safety (accounting for 64% of the establishments), hours of work (62%), salaries and other fringe benefits (58%), medical benefits (48%), education (48%) and training (40%). A lower proportion, on the other hand, covered family members, including organizing leisure and recreational activities for their staff and their family members (25%) and providing benefits for family members of staff (15%).

4. Most establishments considered that there was a business case for providing more benefits to staff. The views are as follows:

- 73% of the establishments believed that the cost of more fringe benefits provided to staff could be justified by improved efficiency;
- 77% of the establishments also believed that improving fringe benefits to staff would help reduce staff mobility;
- 61% of the establishments considered that it was part of their company's corporate culture or tradition to have equal opportunity.

5. The above 3 items can be regarded as the "internal" incentives for establishments to improve the well-being of employees and their families. Expressed in a Likert scale of 10, with "1" denoting strongly disagree with the statement related to "internal" incentives to improve the

well-being of employees and “10” denoting strongly agree, the overall index on “internal” incentives to improve the well-being of employees was quite high, at 7.0, which was well above the mid-point value of 5.5. Establishments that had at least one measure that was related to the welfare of employees and employees’ families, their index of “internal” incentives to improve the well-being of employees was higher, at 7.1, than that for establishments that had no measure related to the welfare of employees and employees’ families, at 6.1.

6. Establishments were law-abiding, as shown below:

- 53% indicated that they would implement anti-discrimination measures if such measures were required by the law;
- 56% indicated that they would provide fringe benefits to their staff only because it was required by the law.

7. The above 2 items can be regarded as the “external” incentives for establishments to improve the well-being of employees and implement anti-discrimination measures. The overall index on “external” incentives to improve the well-being of employees and implement anti-discrimination measures was 6.1, which was slightly above the mid-point of 5.5. It may also be of interest to note that for establishments that had at least one measure that was related to the welfare of employees and employees’ families, their index of “external” incentives to improve the well-being of employees and implement anti-discrimination measures, at 6.1, was the same as that for establishments that had no measure related to the welfare of employees and employees’ families.

Minimize negative economic, social and environmental impacts on society

Anti-discrimination in recruitment and employment

8. Only a small proportion of the establishments with employees had stated guidelines against discrimination in recruitment and employment. Only a small proportion of the establishments had stated guidelines against sex discrimination (14%), age discrimination (14%) and discrimination on grounds of disability (13%). About 10% had stated guidelines against family status discrimination and racial discrimination. About 9% had stated guidelines against discrimination on religious grounds.

9. About 19% of the establishments with employees had adopted measures to guard against discrimination in recruitment and employment. For these establishments, the more common measures adopted were conveying company policy on anti-discrimination to staff responsible for recruitment and employment (accounting for 78% of the establishments concerned) and explaining company policy on anti-discrimination to all employees (44%).

10. It may be of interest to note that only about 9% of the establishments had both stated guidelines and adopted measures. About 7% had only stated guidelines and did not have any

measure against discrimination in recruitment and employment. A further 10% had measures but not stated guidelines against discrimination in recruitment and employment.

11. Only about 30% considered that it was their company's tradition to provide employment to disadvantaged groups and only about 35% considered that doing so would help promote the image of their company.

Environmental protection

12. Most establishments had policies or measures that were aimed at conservation, as shown below:

- 63% had policies or measures to reduce the use of plastic bags;
- 65% had policies or measures to conserve water consumption;
- 71% had policies or measures for conservation of gas and electricity;
- 61% were keeping air-conditioned premises at 25.5 degrees Celsius in order to save energy.

13. More than half of the establishments (56%) had policies or measures on waste management. Apart from establishments not facing relevant situations, the majority also had policies or measures that were aimed at reducing the emission of hazardous chemicals and controlling gas emission in order to avoid pollution.

14. About two-thirds of the establishments considered that it was part of their company's corporate culture to implement environmental protection measures (64%), or by doing so would help enhance the company's image (66%) and reduce costs (69%).

15. The overall index on attitude towards environment protection, or the "internal" incentives for environmental protection, was quite high, at 6.7, which was well above the mid-point value of 5.5. The index for establishments that had at least one measure on environmental protection and waste management, at 6.8, was higher than the index of establishments that did not have any measure on environmental protection and waste management, at 6.2.

16. Pressure from environmental groups was not a main consideration of the establishments in implementing environmental protection measures, with only 30% agreeing that this was a factor. A higher proportion of the establishments (51%) indicated that they implemented such measures because this was required by law and about 43% did so because this was required by their customers.

17. The index on the "external" incentives for environmental protection shows the impact of external pressure. Such pressure from environmental groups on company's attitude towards environmental protection was 5.1, which was below the mid-point of 5.5. It may be of interest to note that the index for establishments with at least one measure on environmental protection and waste management, at 5.9, was higher than the index of establishments that did not have any

measure on environmental protection and waste management, at 5.0.

Ethical business operations

Dealing with customers

18. The majority of the establishments indicated that they had policies or measures in place to protect their customers, as indicated below:

- 86% of the establishments had policies or measures to provide clear and precise price information to their customers;
- 80% had policies or measures to protect the personal data of their customers;
- 77% had policies or measures to provide quality after sale services to their customers; and
- 74% had policies or measures to provide full and accurate non-price information (e.g. quality and safety) on their products or services to their customers.

19. As regards treating their customers well, the majority of the establishments were of the view that they had an obligation to sell goods or services that are safe and of good quality (88%) to their customers. The majority of the establishments also considered that ensuring the quality of goods or services would benefit their company in the long run (87%) and that it was their company's corporate value to treat its customers fairly (84%).

20. The overall index on attitude towards treatment of customers, indicating the "internal" incentives for behaving ethically towards customers, was very high, at 8.2, which was well above the mid-point of 5.5.

21. 69% of the establishments opined that the prices of goods and services sold by them were solely determined by the market and that their company would only do what was required by law regarding the safety of their products and services (66%). About 61% were of the view that they had no obligation to disclose all the information on its products and services to the customers, unless it was required by law to do so.

22. Expressed in a Likert scale of 10, with "1" denoting strongly disagree with the statement related to "external" incentives for behaving ethically towards customers and "10" denoting strongly agree, the overall index on "external" incentives for behaving ethically towards customers was quite high, at 6.8, which was well above the mid-point value of 5.5.

Dealing with suppliers

23. Only a small proportion of the establishments indicated that they had policies or measures to ensure that suppliers complied with laws or regulations in their countries (accounting for 31% of

the establishments), that suppliers had taken steps to protect the environment (18%) and the suppliers had good employment practices (16%).

24. For establishments that had policies or measures to ensure that suppliers had good employment practices, the main reason for doing so was that this was their company's corporate values (accounting for 47% of the establishments concerned). About 42% did so because it was a requirement of their buyers and another 27% indicated that it was a requirement of their headquarters.

25. The reasons why establishments in general did not exert much pressure on their suppliers to ensure that the suppliers were behaving ethically could probably be attributed to the belief of most of the establishments (72%) that it was up to the market force to determine their dealings with suppliers. The majority of the establishments (68%) were also of the view that their dealings with suppliers already complied with the law, and hence there was no need to do anything extra for the suppliers.

26. On the other hand, 69% of the establishments indicated that they would try to ensure that their suppliers could have reasonable profits. About 79% also indicated that they were keen to ensure that products supplied by their suppliers were safe.

Dealing with competitors

27. More than half (59%) of the establishments disagreed that it was alright to drive their competitors out of business. The majority of the establishments (77%) were also of the view that acting morally towards their competitors was more important than making higher profits.

Contributions to society

28. Only about 18% of the establishments had made donations to charitable organizations in the name of the company in the past 12 months prior to enumeration, and 14% had made donations though not in the past 12 months. More than half (64%) did not make any donation and had no plan to do so in the near future.

29. Only about 14% of the establishments had provided non-monetary support to charitable organizations in the name of the company in the past 12 months prior to enumeration, and 6% had provided non-monetary support though not in the past 12 months. The majority (75%) did not provide any non-monetary support to charitable organizations and had no plan to do so in the near future.

30. Only about 15% of the establishments had measures to encourage employees to donate to charitable organizations or participate in volunteer work in the past 12 months prior to enumeration, and 4% had done so though not in the past 12 months. 71% of the establishments did not have such

measures and had no plan to do so in the near future.

31. On the other hand, more than half of the establishments recognized that contributions to community would promote the image of the company (accounting for 67% of the establishments), participation in volunteer work by employees together would help enhance employees' sense of belonging to the company (66%) and participation in volunteer work by employees together will help build up team spirit (69%).

32. The three items above may be regarded as representing the "internal" incentives for contributions to the community. Expressed in a Likert scale of 10, with "1" denoting strongly disagree with the statement related to "internal" incentives for contributions to the community and "10" denoting strongly agree, the overall index on "internal" incentives for contributions to the community was quite high, at 6.9, which was well above the mid-point value of 5.5.

33. The index on "internal" incentives for contributions to the community for establishments that had made any contribution to the community, by making monetary donations, or non-monetary contribution or encouraging staff to donate or participate in volunteer work, at 7.3, was higher than the index of establishments that had never made any contribution to the community, (i.e. they did not make any monetary or non-monetary donation, or encourage their staff to take part in volunteer work in the past 12 months), at 6.4.

Perception and implementation of CSR

34. Only about 23% of the establishments indicated that they were aware of CSR. Among these establishments, more than half (62%) did not have any specific programme implementing CSR.

35. Most establishments, on the other hand, considered that it was important to follow various principles of CSR. For example:

- 83% of the establishments considered it was important from their company's perspective to have continuing commitment to behave ethically in business operation;
- 81% considered it important to have continuing commitment to minimize any negative economic, social and environmental impacts on society;
- 68% considered it important to have continuing commitment to contribute internally to improving the well-being of its employees and their families, through appropriate values education, staff development and learning programmes, measures to raise the quality of life, etc.; and
- 62% considered it important to have continuing commitment to contribute to society, through its philanthropic acts, volunteering, charitable donations, etc.

36. In addition, views expressed by most establishments seemed to indicate that they were supportive of CSR. Their views were as follows:

- 74% of the establishments agreed that implementing CSR should be the responsibility of every company;
- 76% agreed that apart from their responsibilities to external parties, companies should also emphasize on fostering values and developing corporate culture within the company; and
- 76% agreed that implementing CSR would benefit company in the long run.

37. However, more than half of the establishments (63%) were also of the view that a company has already discharged its social responsibility by paying tax. Furthermore, as high as 81% considered that there should be different CSR requirements for different companies, depending on the company's resources. About half (49%) of the establishments considered that CSR was not only for large corporations, while the other half (48%) considered that CSR was only relevant for large corporations.

38. Despite the enthusiasm expressed by most establishments towards CSR, only a small proportion of them had put in place a mechanism to oversee the implementation of CSR practices. Furthermore, only about 8% of the establishments had stated guidelines or company mission statements concerning CSR and a further 20% indicated that it was already their company's tradition or practice though they did not have stated guidelines or company mission statements on CSR.

39. As regards support from the government, most establishments were of the view that the government should take a more active role in promoting CSR. Their views are as follows:

- 75% of the establishments agreed that the government should promote CSR to all employers in Hong Kong;
- 84% agreed that the government should set a good example by implementing CSR in government departments;
- 78% agreed that the government should develop a CSR charter for reference by companies; and
- 76% agreed that the government should provide training to companies to help them implement CSR.

40. The majority of the establishments were also of the view that the government should provide more incentives to employers. Their views are as follows:

- 78% of the establishments agreed that there should be more public recognition given to companies doing well in the area of CSR;
- 71% agreed that the government should accord preferential treatment to companies doing well in the area of CSR;
- 69% agreed that the government should provide tax incentives to companies doing well in the area of CSR.

Observations

CSR incentive structures

41. An analysis of the incentive structure of CSR revealed two types which could be seen as internal or external to the company. Internal incentive structure refers to the internal source of CSR motivation, be it regarded as bringing benefit to the company, facilitating a harmonious working environment, or being a tradition of the company. External incentive structure refers to the adoption of CSR practices as a result of factors external to the company, such as abiding by the law, following market demands, or submitting to pressure groups. In general, internal incentive structure appeared to be more effective than external incentive structure in the provision of CSR procedures.

Summary observations

42. In a nutshell, the survey findings indicate:

- CSR awareness:
 - Very low
- CSR practices:
 - Ethical business operations:
 - Customers—very good
 - Suppliers—unsatisfactory
 - Minimization of negative impact:
 - Environment protection practices/policies—rather good
 - Anti-discrimination guidelines—poor
 - Employee welfare: moderate
 - Social contributions: unsatisfactory
- Priority of CSR duties in descending order:
 - Ethical business operation
 - Minimization of negative impact
 - Employee welfare
 - Social contributions
- CSR incentive structure:
 - Internal incentive more important than external incentive
- CSR support:
 - High
- Role of the government:
 - Take the lead
 - Provide help and training

- Raise CSR incentive

Recommendations

Recommendation 1: Raise CSR awareness

43. In view of the findings that CSR awareness was somewhat low (23%) and the rather prevalent view (49%) that CSR was relevant only to large companies, there is much room to raise CSR awareness. To do so, a well orchestrated campaign is called for. This should be accompanied by information dissemination through the printed and electronic media including the setting up of a website that caters specifically to the local context.

Recommendation 2: Raise CSR incentive

Internal incentives

44. The establishment of both tangible and intangible reward systems is recommended. Highly publicized awards can be given to companies that have good CSR practices. These awards should take into account company size and nature to encourage participation. As far as tangible award is concerned, good CSR companies can be given priority in public projects.

External incentives

45. Since companies are mostly duty-based, the government could require companies to institute certain key CSR measures that may very well left undone if not required. For example, if the government and community believe that anti-discrimination is so important to a fair and just society to warrant regulation, then the government could make it a requirement for all companies to have written anti-discrimination guidelines with regard to their hiring policy and personnel matters.

46. Moreover, the government could require all listed companies to publish their CSR practices in their annual report. 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.

Recommendation 3: Provide help and training

47. It will be useful to provide training and make resources easily available to companies intending to set up CSR measures. This is especially the case with small and medium-sized companies in which resources are usually in short supply. Written guidelines or suggestions of good CSR practices can be made readily available through booklets or the web.

Recommendation 4: Cooperate closely with civil society organizations

48. Civil society organizations such as professional bodies, business organizations, labour unions, and pressure groups can all play a part in promoting CSR. CSR procedures may vary according to the size of the company and the nature of the business. To establish sensible CSR guidelines and to promote adoption of these guidelines call for the cooperation between the government and different civil society organizations.

Recommendation 5: The role of the government

49. There is high expectation for the government to take the lead in the implementation of CSR. In doing so, the government should set an example by consciously practising CSR. In addition, the government could, as suggested above, increase internal and external incentives to entice companies to carry out CSR, and to help provide resources to make CSR an achievable mission.

50. The government could set up a committee or assign a “CSR official” to overlook CSR practices within the government structure and to promote CSR in society. This would not only send a strong signal to society about the determination of the government to implement CSR, but will also make coordination easier among different government departments.