

Corporate Social Responsibility (CSR) in Malaysian PLCs



The CSR 2007 Status Report An Executive Summary



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Bursa Malaysia is committed to CSR...

- CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders. It requires companies to take a holistic look at their operations and identify all possible impacts as well as positive contributions
- Strong advocator of good and holistic CSR practice
 - As a regulator, we have a multiplier effect
 - Drive the promotion of CSR practices amongst PLCs
 - Advocate that CSR and profit go hand in hand
 - Integration of CSR values into business operations and decision making

End Result = Sustainable Business Value



We need to know the status of CSR amongst our PLCs...

We need to know...

- To know the extent of CSR adoption... piece-meal or integrated
- Where we stand on international standards and practices
- What the follow up on the launch of the CSR framework in September 2006 should be



- A. MARKETPLACE
- B. WORKPLACE
- C. ENVIRONMENT
- D. COMMUNITY



Summary of Presentation



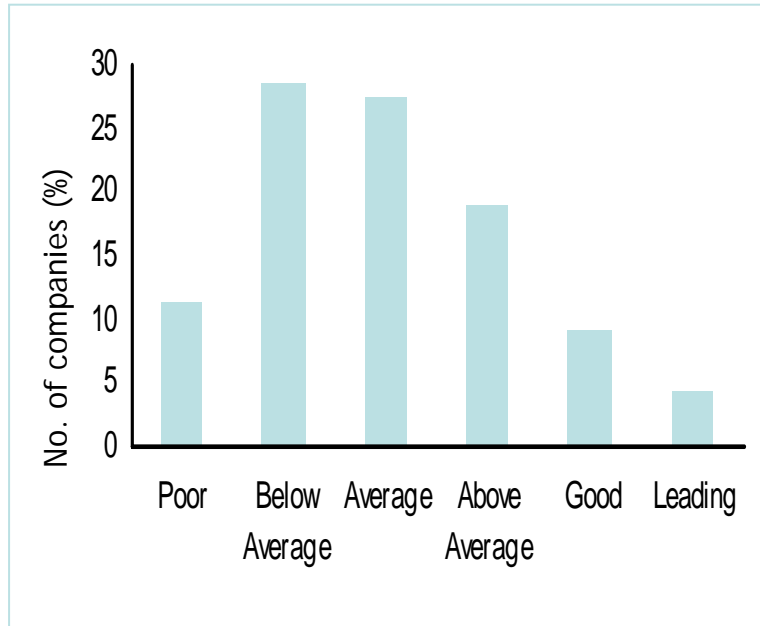
- A. MARKETPLACE
- B. WORKPLACE
- C. ENVIRONMENT
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- Findings
 - Overall PLC ratings
 - Performance of the CSR dimensions
- Recommendations
- Proposed action plans



Overall ratings

On average, our PLCs fall far behind international best practices & disclosures in CSR...



- **Poor** 11.5%
- **Below Average** 28.5%
- **Average** 27.5%
- **Above Average** 19.0%
- **Good** 9.0%
- **Leading** 4.5%

- Nearly 2/3s of PLCs are either average, below Average or Poor.
- Only 4.5% are in the leading category & 67% of these are MNCs.
- “High Risk” PLCs scored best. These included companies in industries that are more regulated because of the nature of the business & their inherent social & environmental impacts, such as businesses in tobacco, alcohol, and gambling.
- Overall, the construction sector exhibited little or no engagement in CSR.



The CSR dimensions

Focus was generally on compliance to regulations...



A

MARKETPLACE

- PLCs performed well on Corporate Governance (largely compliance to regulation)
- Few PLCs had CSR issues reach board level
- Disclosures were often subjective and seldom included quantitative targets, objectives and performance data.
- Stakeholder engagement in CSR practice poorly understood and practiced
- Very low supply chain CSR initiatives
- CSR issues on product and service responsibility poorly understood



B

WORKPLACE

- Focus was largely on health & safety issues and training.
- Compliance to law
- Lack of attention to gender and ethnic diversity:
 - Under representation of women in management and board levels
 - Employment trends per ethnicity and ethnic biases at management level
- Few PLCs practiced innovative workplace initiatives such as flexible working policies, childcare and diversity training.



The CSR dimensions

PLCs are ignorant of environmental impacts as a business concern...



ENVIRONMENT

- 25% had no initiatives on the environment dimension
- Few PLCs had understood business concern over issues on climate change & green house gas emissions
- Very low initiatives on conservation and promotion of biodiversity
- Manufacturing & plantations industries scored best



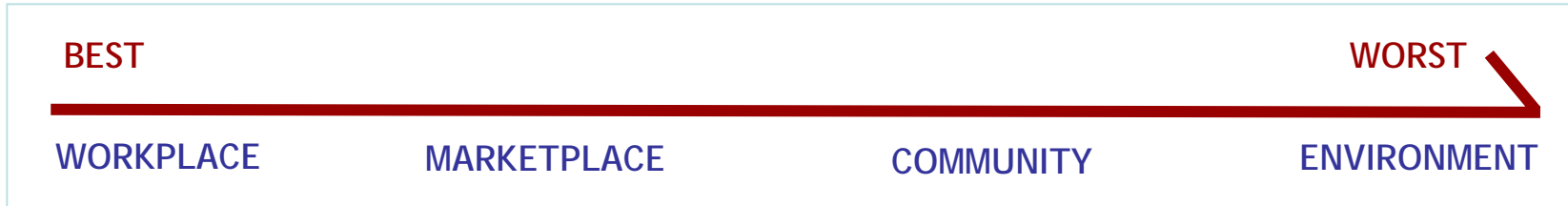
COMMUNITY

- Non strategic community involvement. Often philanthropy: donations in cash or kind
- Lack of disclosure on how community projects are selected, on involvement, monitoring and measurement of impacts
- Focus on education and charities.



Overall across the dimensions...

PLCs lacked understanding of key CSR concepts & how CSR provides business value...



- PLCs lack knowledge & awareness of CSR
- There is an overall need for more disclosure, improved understanding of CSR concepts and how CSR relates to business operations & provides business value
- Environment and Diversity require special mention and need more attention
 - Environment is the lowest scoring dimension.
 - There is insufficient diversity in gender and ethnicity.

ENVIRONMENT

Environment needs to be recognized as a business concern. Need for awareness and knowledge on potential environmental impacts. PLCs have important role to play in addressing issues such as Climate change & GHG emission reductions, and biodiversity.

DIVERSITY

PLCs need to understand the benefits of a diverse workforce & risks of an overly homogenous situation of both gender & ethnicity.

PLCs need to internalize the spirit of CSR

and not just limit it to form...

- CSR practice must be integrated in business operations
- PLCs must give higher priority & assign appropriate resources to CSR practices and disclosures
- PLCs need to understand key CSR concepts such as “supply chain management”, “product & services responsibility”.
- Need for increased awareness of CSR business benefits and its role in sustainability
- Gender and ethnic diversity need to be encouraged
- Need for industry guidance to improve CSR
- Need for feedback to PLCs on their CSR practices





Industry players must come together to act

to improve understanding, disclosure and practice...

RECOMMENDATIONS

1
Understanding Key
CSR Concepts

2
Awareness

3
Role of Industry
players

4
Government
Initiatives

5
CSR Surveys

PROPOSED ACTION PLANS

- Educational Programs on CSR concepts
- CSR Websites: Bursa Malaysia; ICR: SC etc.
- Useful CSR links: e.g. CSR Asia

- Show casing PLC best practices
- Media coverage
- Industry roundtable discussions

- Practical guidelines on CSR for PLCs
- Training

- Tax Incentives
- CSR secretariat

- Annual surveys for benchmarking





Thank You



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