

## CORPORATE SOCIAL RESPONSIBILITY (CSR) FRAMEWORK FOR MALAYSIAN PUBLIC LISTED COMPANIES

The Bursa Malaysia CSR Framework is in fact a framework, and not a template. This framework does not tell you the whole story of CSR and neither does it have all answers. It is a bit like running shoes: One size does not fit all. The CSR Framework is basically a set of guidelines for Malaysian PLCs to help them in the practice of CSR. As the Prime Minister mentioned in the 2006 budget speech, from now on, all PLCs are required to disclose their CSR activities. You may think this is a new idea. That is not true. Many of us already practice CSR to some extent. Some PLCs may be doing it even without realising it. The directive from the PM is really an opportunity for logical thinking about CSR. It is meant to encourage Malaysian PLCs to become more engaged in being socially responsible, and to make the way they approach the process of CSR, part of the way they normally work and think.

First, let us take a look at what CSR means. It is not about how a firm spends money, but about how the firm makes money. CSR is defined as open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. It is designed to deliver sustainable value to society at large. CSR supports Triple Bottom Line reporting which emphasises the economic, social and environmental bottom-line wellness. CSR goes beyond compliance to laws. And we wish to emphasise this. It is important to avoid a legalistic way of thinking when considering CSR. There is no universal approach to CSR. Companies are free to adopt what suits them. However there are some basic concepts that cut across all definitions and these should be considered in crafting a company's CSR vision. CSR is not about compliance or philanthropy or public relations. It often involves cultural transformation in a company as it integrates CSR concepts into its operations and decision making. Vitality, CSR involves communicating the company's actions to its stakeholders and encouraging their feedback. Only in this way can a company have a dynamic and relevant CSR vision. The Bursa Malaysia CSR Framework looks at 4 main focal areas for CSR practice. They are: the Environment, the Workplace, the Community and the Marketplace, in no order of priority.

**The Environment:** When looking at the environment, CSR can focus on a variety of issues. We all of us worry about energy, how to use it more efficiently and how to reduce the way its emissions damage the climate. Here in Malaysia, bio fuels have become a topical issue. There are other aspects as well. We live amongst some of the richest biodiversity in the world. Protecting our flora and fauna is essential.

**The Community:** Companies live within the community. They depend on the community in many ways and the community depends on them. Supporting employee involvement in community issues enriches the community and the company. Supporting education, such as adopting a school, is another possible activity. Companies can be creative in looking at how they can contribute to children, youth development and the under-privileged. The opportunities for company interaction with the community are vast.

**The Marketplace:** The Marketplace is where we find important stakeholders – our shareholders, suppliers, and customers. Companies can interact responsibly with this group in a number of ways, such as supporting green products or engaging in only ethical procurement practices. Helping to develop suppliers and other vendors is



another way of contributing. Raising the standards of Corporate Governance within the company so that it meets shareholder expectations is a further consideration.

**The Workplace:** We draw our employees from society and so everything we do with our staff needs to be socially responsible, whether we are dealing with basic human rights or gender issues. A quality work environment and health & safety are obvious considerations, as is the way in which, if we believe in CSR, we inculcate in our employees, the values which the company holds dear. Ideally, companies should consider all 4 CSR dimensions when crafting their own visions. But that does not mean a company must do everything.

For some companies there will be focal areas or initiatives that do not apply. The important thing is that the company uses the framework to help it identify its choices and priorities. Individual CSR initiatives will depend on the nature of each company's business, its inclinations, and its resources. However, sometimes a company will adopt initiatives that may even have indirect impacts. There is the Barclays Bank, for example. Barclays Bank is a financial institution. At a first glance, we may think that, as a bank, it cannot have an impact on the environment. But let's take a step back and look at the business decisions that the bank makes. By signing on to the Equator Principles, Barclays is committed not to give loans for projects that adversely affect the environment and the community! Therefore Barclays is committed to making business decisions that can have a meaningful impact. Even though it is indirect. Like most PLCs, Bursa Malaysia is exploring the framework to see what suits us best as an exchange.

Bursa Malaysia will soon be producing a CSR Vision statement

Briefly however, we are focussing on all 4 dimensions as they are part and parcel of our core operations and decision making. As you can see, the agenda is comprehensive. On an immediate basis we are working on a CSR vision statement for Bursa Malaysia that we will publish on our website. We are also looking into crafting a CSR statement for our Annual Report. Employee involvement and volunteerism will be high on our priority list, and so will the management of our internal environment. On a longer term basis, we are looking at creating green products CSR such as carbon funds, carbon credit notes and the adoption of triple bottom-line reporting. We will also be considering how best to tap the potential of socially responsible investment (SRI) funds and socially responsible indices.

As you can see, Bursa Malaysia is taking the first steps on its CSR journey. We intend to make it an integral part of the way we function as a business, and of the process of planning and mapping out our future strategies. We encourage all Malaysian Companies to join us. We must have the wisdom and courage not to look at this framework as a set template, but as a guide. We will need to change and prioritize as we go along, see what works best for our business, for society and the environment, and to be committed to the path we take. Other companies may choose different paths but our destination is the same: we are aligning our business practices and decisions with what is beneficial to the society, the environment and ourselves. So let the journey begin!