



**Asia-Pacific
Economic Cooperation**

Corporate Social Responsibility in the APEC Region

Current Status and Implications

**Economy Paper:
Hong Kong, China**

COMMUNITY BUSINESS



The Hong Kong, China Report on Corporate Social Responsibility

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Table of Contents

METHODOLOGY	HK-1
INTRODUCTION.....	HK-1
ORIGINS OF CSR THINKING AND PRACTICE IN THE HONG KONG, CHINA ECONOMY	HK-1
CHINESE CULTURE	
HISTORY OF HONG KONG, CHINA	
Case Study: The Swire Group	
HONG KONG, CHINA: A HOME FOR MULTINATIONAL COMPANIES	
Case Study: The Walt Disney Company	
SCOPE OF CURRENT CSR PRACTICE AND ILLUSTRATIVE EXAMPLES	HK-4
NON-PROFIT ORGANISATIONS WORKING WITH COMPANIES	HK-4
• Community Business (CB)	
• Association for Sustainable and Responsible Investing in Asia (ASRIA)	
• Association of Chartered Certified Accountants (ACCA)	
• Business Environment Council Limited (BEC)	
OTHER ORGANISATIONS AND INITIATIVES.....	HK-5
• Corporate Social Responsibility Asia (CSR Asia)	
• Hong Kong, China Council of Social Service (HKCSS)	
• HSBC Living Business Programme	
• Hewitt Associates Best Employers in Hong Kong, China	
• The Council for Sustainable Development, HKSARG	
• Environmental Protection Department (EPD), HKSARG	
• Health Welfare and Food Bureau, HKSARG	
• Social Welfare Department, HKSARG	
• Equal Opportunities Commission (EOC)	
• Occupational Safety and Health Council (OSHC)	
• United Nations Global Compact	
EXTENT TO WHICH CSR HAS BEEN TAKEN UP AT THE STRATEGIC LEVEL BUSINESSES.....	HK-8
DIMENSIONS OF CSR.....	HK-8
WORKPLACE.....	HK-8
• Diversity and non-discrimination and inclusion in the workplace	
• Working hours and Work Life Balance	
• Health and Safety	
Case Study: The Hygiene Charter	
• Freedom of Association and Human Rights	
MARKETPLACE	HK-12
• Fair Trade	
• Bribery and Corruption	
• Supply Chain Management	
Case Study: McDonalds	
ACCOUNTABILITY.....	HK-14
• Reporting on CSR	
• Stakeholder Engagement Process	
Case Study: Mass Transit Railway Corporation (MTRC)	
Case Study: China Light & Power Holdings (CLP)	
Case Study: Adidas	
ENVIRONMENT	HK-16
• Carbon Dioxide Emissions	
• Waste Management	
• Environmental Management Systems	
Case Study: The Hong Kong, China Island Shangri La (ISL)	
• Packaging	
Case Study: Friends of the Earth (FOE)	
COMMUNITY.....	HK-18
• Community Investment (CI)	
Case Study: Credit Suisse First Boston (CSFB)	
• Educational Programmes and Campaigns to Promote CSR	
MOVING FORWARD ON CSR	HK-20
REFERENCES.....	HK-21

Methodology

Community Business was commissioned to produce an economy-based report on CSR in Hong Kong, China within a period of 5 weeks. No primary research has been conducted for the purposes of this paper. Information in this report is obtained from existing research, mainly internet based, and from our experience at Community Business. Community Business is extremely grateful to our summer intern from Cornell University, Sabrina Kwauk, who wrote this paper with guidance and supervision from Shalini Mahtani, CEO of Community Business.

Introduction

The definition for Corporate Social Responsibility (CSR) used for the purpose of this paper is¹:

“CSR is about companies achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment.”

CSR is beyond compliance with the law, and can be measured and defined at many different levels. For the purposes of this paper, CSR will be divided into five commonly discussed dimensions, and within each of these dimensions their individual components will be addressed:

- **Workplace**
This covers diversity, non-discrimination and inclusion, working hours and work life balance, health and safety, freedom of association and human rights.
- **Marketplace**
This covers fair trade, bribery and corruption and supply chain management.
- **Accountability**
This covers reporting on CSR and the stakeholder engagement process.
- **Environment**
This covers carbon dioxide emissions, waste management, environmental management systems and packaging.

- **Community**

This covers community investment and educational programmes and campaigns to promote CSR.

Origins of CSR Thinking and Practice in the Hong Kong, China Economy

To understand the origins of CSR thinking and practice in Hong Kong, China, one must first explore the role of Chinese culture and the history of Hong Kong, China.

Chinese Culture

Some believe that CSR is embedded in Chinese culture and therefore has been present in Hong Kong, China throughout history. Confucianism, one of the “Three Teachings” or three religions of China, has influenced Chinese and Hong Kong, China culture to some extent.

Confucianism places great emphasis on duties arising from social roles, used to support a patriarchal society, where the father is authoritative and holds power over his family². One of Confucius’ main principles, Chun-Tzu, translated as “superior man”, is the idea of a true gentleman. A true gentleman has a virtuous character and can create a peaceful society by setting a good example for the common folk³. A true gentleman must take care of the common folk, people who are less fortunate than himself, in order to drive society forward. Therefore, on an individual level there is a sense of altruism, which is demonstrated by the generosity of many Hong Kong, China individuals in their charitable donations. For example, the global fundraising drive for victims of the Tsunami, clearly demonstrated that Hong Kong, China people contributed more per capita of the population than any other county in Asia⁴.

Confucianism is also about enlightened living and is supposed to be a social ideal. Confucius’ interest was in man as made for society⁵. Unfortunately, this charitable nature of individuals does not always translate at the corporate level in Hong Kong, China, and moreover when it does, it is literally about the giving of cash to charities rather than being

socially responsible particularly in the workplace and marketplace

This will be further discussed in the section below entitled “Extent to which CSR has been taken up at a Strategic Business Level”.

History of Hong Kong, China

History has been vital in shaping Hong Kong, China companies’ approaches to CSR. Hong Kong, China was colonised by the British during the Opium War in 1842, and transformed from a small fishing village into a commercial trading centre, serving as a gateway between the East and the West⁶.

In 1949, when the Communist Party took control of Mainland China, hundreds of thousands of refugees crossed the borders and immigrated into Hong Kong, resulting in the emergence of the manufacturing and industrial sector. The majority of these immigrant workers

were poor, uneducated and unskilled, and determined to make a living for themselves and their families⁷. An influential immigrant mentality incorporated into society, whereby many parents worked long hours and under poor working conditions in order to create a “better life” for their children, ensuring their children would not return to wherever they came from. In addition, British colonial rule was paternalistic and patronising, and there was a lack of democracy and personal freedom, as political activity was discouraged and prohibited⁸. Under colonial rule, individual workers tended to focus on their economic well being in light of the lack of political freedom.

Against this backdrop of Confucianism, Colonialism, economic and political uncertainty, there were many bigger companies that took an interest in the well being of their people and the future of Hong Kong. The Swire Group is one case in point:

Case Study: The Swire Group⁹

Education and Corporate Involvement

Public education in Hong Kong was set up in the 1880s, however only those who could afford the expenses received schooling. It was not until 1971, that the Hong Kong government initiated free and compulsory primary education to all children¹⁰.

John Swire & Sons was set up in Hong Kong in 1881. With a large labour force situated in Quarry Bay, Swire established the Tai Koo Primary School in 1923 as a free school for the children of its workforce at the Tai Koo Sugar Refinery and Tai Koo Dockyard. Later, in 1947, the school became government subsidised.

From these beginnings, John Swire & Sons has continued to play a role in education in Hong Kong. Education initiatives since then have included contributing to the founding of the University of Hong Kong (HKU), as well as recruiting graduate students from the university itself. They have stuck to their underlying belief that “giving children the chance to build a better future for themselves is one of the best ways of giving something back to the communities that have helped our businesses to grow and prosper”¹¹. In line with this, the Swire group of companies established the Swire Education Trust, placing emphasis on education in the different countries that Swire operates in.

More recently in Hong Kong's history, two individual events have enshrined in the minds of the people in Hong Kong that economic well being is crucial for survival.

First, in June 4 1989, Hong Kong residents, like many in the global community, were affected by the deaths of students who protested for democracy in Tiananmen Square in Beijing. Many who had lived through the Cultural Revolution in Mainland China were frightened that history may be repeating itself.

Second, was the run up to the Handover of Hong Kong from Britain to the People's Republic of China, which took place on July 1 1997. Hong Kong transformed from a British colony into a Special Administrative Region (SAR) of China with a "One country, Two Systems" policy, whereby Hong Kong China's economy will remain independent from China for the next 50 years.

Since 1997 there have been a number of factors which have once again enforced the need for economic stability and material wealth amongst Hong Kong China workers including:

- **Competition from Mainland Chinese settling into Hong Kong China who provide cheaper labour than Hong Kong China workers.** Hong Kong, China allows 150 mainland Chinese a day to immigrate, to live and to work. 43% earn less than HK \$6,000 a month compared to 19% of all Hong Kong, China residents¹².
- **Movement of Hong Kong, China factories to Mainland China which have lower labour and other operating costs.** Hong Kong, China has lost a significant portion of its manufacturing base to the Mainland which provides a cheaper source of labour.

- **Hong Kong, China politics and "One Country, Two Systems"**. Post handover of sovereignty of Hong Kong, China to Mainland China, there have been times when the local government has been viewed by some as choosing to side with the views of the national government over those of the public. There have also been calls for a timetable for democracy.
- **Uncertainty with respect to job security and income, together with the lack of democracy has continued to enforce the mindset of the need for economic security at an individual level.** This translates into individuals working long hours which is encouraged and often imposed by employers¹³.

Hong Kong, China: A home for multinational companies

Hong Kong, China is a global financial centre, and is considered to be the Greater China and Asia Pacific headquarters for many multinational companies. A large proportion of CSR practices in Hong Kong, China are illustrated by multinational companies based in Hong Kong, China, who are increasingly pressured to address CSR by their Western headquarters.

The challenge for multinationals locally is that often local management has little understanding of CSR and is not given the resources to address CSR. Also, some multinational companies are very sensitive to local culture at the expense of global values which can be seen in the following case study:

Case Study: The Walt Disney Company¹⁴

Shark's Fin Soup on Hong Kong, China's Theme Park Menu

Disney decided to remove shark's fin soup from their wedding banquet menu following local and global protests by conservationists and concerned customers, which may have threatened the reputation of the Hong Kong, China theme park due to open in September 2005. The controversial dish, whose popularity is blamed for the endangerment of the shark population, is high priced, and its consumption is considered a symbol of wealth in Hong Kong, China. Shark's fin is common to serve at local weddings.

Disney had originally decided to serve the traditional shark's fin soup as part of its wedding banquet package and defended its plan to serve the dish, justifying that shark's fin soup was a traditional Chinese dish and would be served with respect to cultural sensitivities. This was despite Disney's Environmental mission "to balance environmental stewardship with our corporate goals throughout the world"¹⁵.

However, Disney decided to abandon Shark's fin on their menu plan after failing to find suppliers that harvested the fins in an ethical manner along with continued criticism from the public and environmental NGO's.

With both local and multinational companies, one of the greatest challenges in Hong Kong, China is the lack of understanding of CSR. Many view CSR as being concerned with philanthropy. This obviously makes engagement with Small and Medium Sized

Enterprises (SME's) very difficult as there is a belief that only large companies can afford to engage in CSR. SME's in Hong Kong, China employ 60% of all workers and represent 98% of all businesses¹⁶.

Scope of Current CSR Practice and Illustrative Examples

The CSR industry in Hong Kong, China has grown substantially over the past few years, and there are a number of key organisations that help encourage CSR practice.

Non-Profit Organisations working with Companies

- **Community Business (CB)¹⁷**

Objective: Assist corporate members to integrate CSR into their business, establish mutual beneficial and sustainable partnerships with non-profit organisations, and to incorporate diversity and work life balance in the workplace.

Members: Founded in 2003, registered charity, 29 corporate member companies.

Tasks: 3 specific areas of CSR: CSR strategy and policy, corporate community investment and diversity in the workplace. CB provides training and advice to its corporate members and through the Community Business Leadership Team advises leading CEO's in the corporate sector in CSR. CB conducts research and produces publications specific to Hong Kong, China in its three areas of focus.

Affiliations: Recognised as the centre for CSR in Hong Kong, China, partnership with the World Bank Institute, Hong Kong, China representative of Asia CSR Group, Asia secretariat for Business in the Community (UK), Partner of IBLF, supporting organisation of Hong Kong, China Caring Company Awards and ACCA Sustainability Reporting Awards.

Other Initiatives: Spearheading Hong Kong CSR Charter, Diversity and Inclusion in Asia Conference, 2005.

- **Association for Sustainable and Responsible Investing in Asia (ASRIA)**¹⁸

Objective: Promote policy issues and investment strategies to increase the standards of Sustainable and Responsible Investment (SRI) practice in the Asia Pacific region.

Members: Founded in 2001, over 100 members including financial services, business and civil society institutions.

Tasks: Build market capacity for SRI through conferences, workshops and research publications; create network of organisations and individuals, allowing different sectors to share ideas and knowledge on SRI practices; provide training and support services to create SRI products and services.

- **Association of Chartered Certified Accountants (ACCA)**¹⁹

Objective: Recognize innovative practices of any organisation to disclose high quality environmental, social or full sustainable information, and promote transparency in reporting the impact of business activities on sustainable development.

Members: Set up in Hong Kong, China in 1988, largest international accountancy organisation.

Tasks: Manage environmental and sustainable award schemes, issue bimonthly electronic newsletters; set up a committee that is involved in emerging issues; work closely with organisations such as Global Reporting Initiatives.

Initiatives: ACCA Hong Kong, China Awards for Sustainable Reporting- 2 categories: environmental reporting and sustainable reporting, open to all sectors and organisations of all sizes.

- **Business Environment Council Limited (BEC)**²⁰

Objective: Work with businesses and the community to enhance corporate environmental responsibility, moving Hong Kong, China towards sustainable development and higher economic performance.

Members: Founded in 1989, over 70 large and small corporations, business associations and institutions representing over 1000 individual companies.

Tasks: Promote practices that lead to sustainable development; increase public awareness through research, information and education; give credit to the accomplishments of businesses through awards, benchmarking and case studies.

Initiatives: 1992- Hong Kong, China Award for Industry in Environmental Performance- awarded to company that shows excellence in practices involving pollution prevention, waste reduction, resource use, legal compliance, staff and community engagement.

Other Organisations and Initiatives

- **Corporate Social Responsibility Asia (CSR Asia)**²¹

Objective: Provide information and develop tools to promote CSR in the Asia Pacific Region.

Members: Founded in 2004, a private firm with no corporate members.
Tasks: Publish specialized reports particularly in supply chain issues; assist in stakeholder dialogues; provide consultancy services and online news database and services; production of the CSR Asian Weekly newsletter.

- **Hong Kong, China Council of Social Service (HKCSS)²²**

Objective: Build a welfare society that is highly responsible to social needs whilst maintaining long term sustainable development of society and the well being of citizens.

Members: A registered charity largely funded by government, with over 400 non-profit, social service organisations and individuals as members.

Tasks: Promote cooperation among NGO's in service planning and development; assist NGO's to reach high standards of governance; provide information and programmes to enhance public understanding of social development; serve as a platform for the government, NGO and business sectors to form partnerships.

Initiatives: 2002-03- Caring Company Scheme- companies awarded Caring Company Logo for establishing corporate volunteer groups, mutual support networking among employees, employing disabled/disadvantaged persons, supporting employees to be involved in social service organisations and providing staff training programmes.

- **HSBC Living Business Programme²³**

Objective: HSBC with the help of BEC (mentioned above), assists SME's to become more profitable and productive by implementing socially and environmentally responsible business practices.

Initiatives: SME Living Business Awards- recognizes and rewards cash prizes to socially and environmentally responsible businesses in Hong Kong, China; SME Living Business Seminars- provides training on building a sustainable, profitable and responsible business through case studies.

- **Hewitt Associates Best Employers in Hong Kong, China²⁴**

Objective: Hewitt Associates together with its local partner South China Morning Post, has a Best Employers in Hong Kong, China Award.

Initiatives: Best Employers in Hong Kong, China Award- awarded annually to companies selected by local independent judges, who conduct a Best Employers in Asia study to determine, assess and analyze Best Employer organisations and identify emerging workplace trends for the future.

- **The Council for Sustainable Development, HKSARG²⁵**

Objective: Enhance the public's understanding, discussion and implementation of Hong Kong, China's long term sustainable development.

Members: Senior government officials and experts in the environmental, social or business sectors.

Tasks: Advise the government on main areas and strategies to address in promoting sustainable development; encourage community participation through awards; increase public awareness. Focus so far has been on environmental issues.

Initiatives: Sustainable Development Fund- provides a source of financial support (HK \$10 million annually) to non government and community organisations for initiatives that will promote and encourage sustainable practices in Hong Kong, China.

- **Environmental Protection Department (EPD), HKSARG²⁶**

Objective: Educate organisations on the importance of environmental management and green practices, and honour businesses that have demonstrated a strong commitment to environmental protection.

Tasks: Provide organisations guidebooks, seminars and advice on how to make their business operations more environmentally friendly.

Initiatives: Hong Kong, China Eco-Business Award- launched in 1999, one Grand Award and three Gold Awards (Green Office Award, Green Property Management Award (private housing) and Best Environmental Reporting Award).

- **Health Welfare and Food Bureau, HKSARG²⁷**

Objective: Strengthen community networks by promoting community participation, support and social inclusion, and encourage and facilitate cooperation between organisations in social networking and community support projects.

Initiatives: Community Investment and Inclusion Fund (CIIF) - set up fund of HK \$300 million in 2001, to offer financial support for projects initiated by non-governmental and private organisations that build up social capital.

- **Social Welfare Department, HKSARG²⁸**

Objective: Encourage welfare sector to expand their network in seeking and securing corporate support, and motivate businesses to become more socially responsible.

Initiatives: Tripartite Partnership Fund (TPP) - set up fund of HK \$200 million in 2005, government will provide matching grants to donations made by business organisations to support NGO's to promote social welfare.

- **Equal Opportunities Commission (EOC)²⁹**

Objective: Statutory body established in 1996 to eliminate discrimination on the grounds of Sex, Family Status and Disability as per the three equal opportunity ordinances. EOC is an alternate dispute resolution body.

Tasks: Implement anti-discrimination ordinances and issue Codes of Practice and guidelines; investigate complaints and encourage conciliation between parties or provide assistance in taking cases to the District Court; improve public understanding of discrimination and inequality through research and public education.

- **Occupational Safety and Health Council (OSHC)³⁰**

Objective: Statutory body established in 1988; promote safe and healthy work environment and sustaining value of the workforce.

Tasks: Organise activities to promote OHS; provide consultancy services, education and training, research and strategies development, information dissemination; facilitate exchanges between the government, employers, employees and academics.

Initiatives: OSH Employees Participation Scheme- offers sponsorship for publicity functions promoting OSH organised by trade unions and staff organisations; Green Cross Group- established in 1998 to create network among organisations for continual improvement in OHS; Occupational Safety Charter, Workplace Hygiene Charter.

- **United Nations Global Compact**

Objective: There is no Global Compact movement amongst companies in Hong Kong, China.

Members: As of 2005, 2155 companies from over 70 countries have joined the UN Global Compact; however the uptake in Hong Kong, China has been non-existent, as there are currently no Hong Kong, China companies participating in the UN Global Compact initiative³¹.

Extent to which CSR has been taken up at the Strategic Level Businesses

With the help of organisations that promote and sustain CSR practice in Hong Kong, China, an increasing number of businesses are adopting and expanding their CSR practices at many different levels. This section briefly explores the extent to which CSR has been taken up at the Strategic Level by Businesses and will discuss this in relation to the various dimensions or components of CSR.

Dimensions of CSR

Workplace

- Diversity and non-discrimination and inclusion in the workplace

The Laws

Hong Kong, China currently has three Equal Opportunity Ordinances implemented by the

EOC: the Sex Discrimination Ordinance, which covers issues on gender, pregnancy and marital status; Disability Discrimination Ordinance, and Family Status Discrimination Ordinance.

The Hong Kong, China law states that companies are liable for the actions of their employees unless the company has taken “reasonable and practicable” measures to prevent discrimination and harassment from occurring. The EOC recommends that companies have an equal opportunities policy, a person responsible for equal opportunity (EO), and a complaints mechanism to handle EO conflicts and staff training programmes.

Realities of the Workplace

It would appear that there is a fairly weak take up of equal opportunities in the Hong Kong, China workplace:

- Between 73.3% and 83.3% of companies with best practice in CSR have clear

antidiscrimination policies on pregnancy, marital and family status, and sexual harassment; and protection of people with disabilities and disability harassment³². Two thirds of 30 best practice companies have a complaint mechanism, a third have an action plan, a person responsible for EO, and/or a staff training programme³³. Out of these best practice companies, 25 have at least one mechanism in effect, and 17 have flexible work practices that allow employees to maintain other commitments³⁴. However, there is little take up of EO at leadership level as even amongst best practice companies, very few internal EO committees are led by senior management³⁵. In addition, although most best practice companies offer staff training and development, there is relatively little targeted specifically to the needs of women and minority groups³⁶.

- Both Medium and Large Sized Enterprise (MLE) and SME employees and employers have a high awareness of EO and the EOC; however, MLE employers show a better understanding of existing EO legislation than MLE employees, SME employers and employees³⁷. Less than 5% of MLE and SME employees reported experiencing discrimination or sexual harassment, although it must be noted that very few of those who had personal experiences reported their cases³⁸. Low employer received cases support the belief that underreporting exists in both MLE and SME sectors, with a higher ratio of underreporting among SME's³⁹. Pregnancy and sex discrimination are among the top five main complaints from both MLE employee reported cases and employer received cases, in contrast to age, race and unequal work postings in the SME sector⁴⁰.
- 70% of MLE employers have set up a formal internal channel to redress grievances and complaints; however, only 1% of SME employers took passive measures to prevent discrimination or sexual harassment, as most are unaware of what steps to take⁴¹. 91% of SME employers have not taken any preventive measures to comply with EO legislation because they claim no such discrimination has taken place, that such

measured are unnecessary, and that there is no need for such measures for a small-scale company⁴². Only 25% of MLE employees and 11% of SME employees reported receiving any information or training on EO, however nearly half of them (45% of MLE and 55% of SME) were willing to receive EO related training or information⁴³. More than half of MLE employers (59%) and the majority of SME employers (83%) are not willing to sponsor EO related training⁴⁴.

Beyond the Laws

- There are currently no anti-discrimination laws for private sectors on the basis of race, sexual orientation and age. However, much advocacy by human rights groups in Hong Kong, China has led to Legislative Council, the governing body in Hong Kong, China, recently announcing the enactment of anti-race discrimination legislation in 2005/6.

Many best practice companies have anti-discrimination policies that go beyond what is required of the Hong Kong, China law. Amongst these best practice companies, policies are focused to a slightly lower extent on race and age discrimination than on sex, disability and family status discrimination. There is an even lower emphasis placed on sexual orientation discrimination. This may be influenced by the nature of Chinese culture in Hong Kong, China whereby homosexuality is generally not yet accepted.

- Working hours and Work Life Balance

The Laws

There are no laws regulating maximum working hours in Hong Kong, China; however there is currently a lobbying effort by a number of legislators and community groups. Under the Employment Ordinance, there are laws on employee's statutory benefits including rest days, holidays and leaves, sickness allowance and maternity protection.

Realities of the Workplace

Hong Kong, China employees have on average much longer working hours per week than other countries. This is partly influenced by local work culture- most managers wrongly believe that the longer hours employees work, the more productive they will be⁴⁵. As a result, long working hours offset the work life balance of employees, and this has adverse effects on the health of employees.

The average working week among Hong Kong, China employees surveyed is 55.2 hours per

week, with the range spanning from 47.2 hours in the government sector to 59.6 hours in the financial sector, all significantly higher than the 40 hours recommended by the International Labour Office⁴⁶ (figure 1). 79.6% of employees regularly work unpaid over time, while 74.2% of employees regularly work late into the evening⁴⁷ (figure 2, 3). In both cases, the employees in government sector have the lowest percentage whilst employees in the financial services have the highest percentage.

Figure 1: Average working hours per week

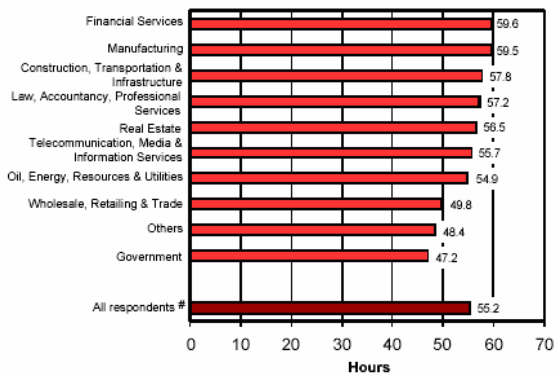


Figure 2: Regularly working unpaid overtime

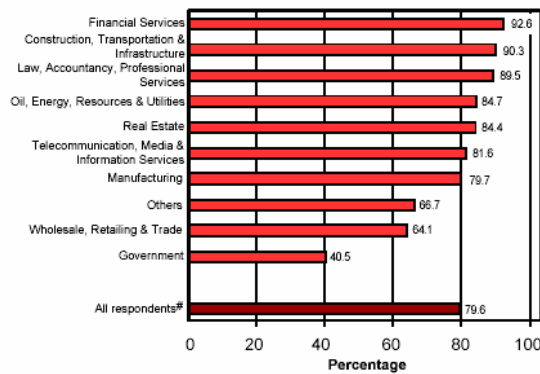


Figure 3: Regularly working late into the evening

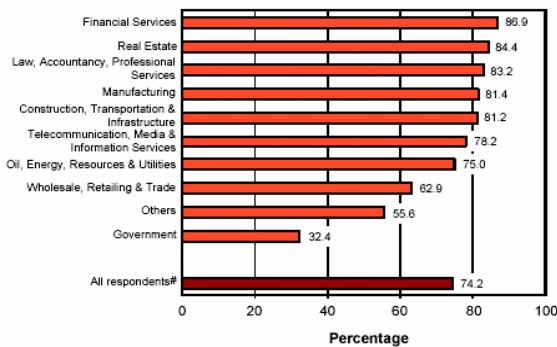


Figure 1: Average working hours per week⁴⁸

Figure 2: Regularly working unpaid overtime⁴⁹

Figure 3: Regularly working late into the evening⁵⁰

those surveyed is 18.7 days; where in all sectors, employees receive less leave than the leave that they consider was fair⁵⁴.

Beyond the Laws

Only 36.4% of the respondents' companies allow for flexible hours to compensate for working late⁵⁵.

- Health and Safety

The Laws

The Occupational Safety and Health Ordinance imposes a general duty of care on employers, occupiers of premises and employees, and sets down basic requirements in accident prevention, fire prevention, working environment, workplace hygiene, first aid, manual handling

The main reason for working late and unpaid over time is an overload of work⁵¹. Cultural reasons are also influential, as many respondents feel that this behaviour is expected of them, and they should not be the first to leave the office or leave before their boss⁵².

Long and inflexible working hours have an adverse effect on work life balance. On average, employees surveyed feel that they have too much work and this detracts them from their work life balance⁵³. They are also dissatisfied with the amount of time spent with family and friends. The average annual leave amongst

operation and use of display screen equipment⁵⁶. Other laws that regulate health and safety in the workplace include: the Factories and Industrial Undertakings Ordinance, Gas Safety Ordinance, Electricity Ordinance and Builder's Lifts and Tower Working Platforms (Safety) Ordinance. The health and safety of working environments are inspected by the Labour Department, and fines and possible imprisonment are issued to employers for failing to meet minimum standards.

Employers must report any injuries sustained by their employees in work-related accidents under the Employment Ordinance, however workers are not legally allowed to refuse to work in dangerous conditions without risking dismissal⁵⁷.

Realities of the Workplace

Research shows that long and inflexible working hours in Hong Kong, China have an adverse effect on the health of employees. Among employees that work long hours on a regular basis, a large percentage of these workers suffer from stress, a lack of exercise, exhaustion, a poor diet, depression, and insomnia⁵⁸. As a result, 28% of respondents take on average 4 days per year of sick leave to recover from working long hours⁵⁹.

Working conditions have improved over the past ten years, although serious problems still remain in the construction industry. According to the Labour Department statistics, in 2003

there were 42,022 occupational injuries, 10.6% lower than in 2002, 24.8% lower than in 1994, and 26.2% lower than the average of the past decade⁶⁰ (figure 4). The injury rate per 1,000 workers in 2003 was 17.7, lower than in 2002 by 8.1%, lower by 30.7% than 1994, and lower by 23.4% than over the average of the past decade⁶¹.

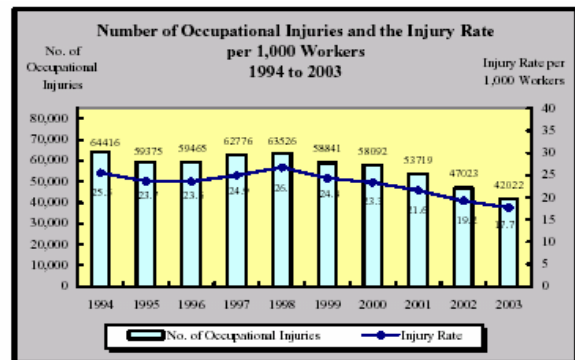


Figure 4: Number of Occupational Injuries and the Injury Rate per 1,000 Workers 1994-2003⁶²

In 2003, the main three occupational injuries in all workplaces were reported from wholesale & retail trades, restaurants and hotels (31.1%), community, social and personal services (27.5%), and construction (10.8%) industries⁶³. Although there was a drop in the accident rate from 2002 in the construction industry, the number of fatal cases increased⁶⁴. The main three occupational diseases in all workplaces confirmed in 2003 were occupational deafness (28.7%), silicosis (28.7%) and tenosynovitis of hand or forearm (13.2%)⁶⁵.

Case Study: The Hygiene Charter⁶⁶ Operation Unite

During the outbreak of SARS (Severe Acute Respiratory Syndrome) in Hong Kong, China in 2003, 300 volunteers formed “Operation Unite”, an action orientated campaign that cleaned elderly people’s homes and educated the public on SARS⁶⁷. Operation Unite initiated the Hygiene Charter- a set of guidelines on hygiene practice, encouraging individual and businesses from different sectors to pledge their commitment to take hygiene to new levels.

The Hygiene Charter is a community initiative that demonstrates the contribution of Hong Kong, China individuals and businesses to unite and take positive action in increasing the awareness of hygiene.

Beyond the Laws

- Freedom of Association and Human Rights

The Laws

The Employment Ordinance provides protection against anti-union discrimination, and gives employees the right to participate in trade unions. There are no minimum wage laws that apply to the private sector. Under the Employment Ordinance, the Employment of Children Regulations prohibits children aged under 13 to be employed, and children aged under 15 to be employed in industrial settings. Children under the age of 18 cannot work more than 48 hours per week.

Realities of the Workplace

At the end of 2002, 22% of salaried employees and wage earners belonged to a labour organisation, and there were 689 registered trade unions⁶⁸. However, trade unions have many restrictions to organise and bargain collectively, and although work stoppage and strikes are permitted, most workers must sign a contract acknowledging that walking off the job is a breach of contract and can lead to dismissal⁶⁹.

Few best practice companies have policies that explicitly allow trade union membership, however this does not mean that trade union membership is banned. Less than a third of best practice companies in CSR are responding to Global Compact initiatives and have written policies on the protection of human rights⁷⁰.

Human rights is still considered a taboo subject for many companies in Hong Kong, China.

Research results of a select group of companies across the globe show that among the Hong Kong, China companies surveyed, 62.5% have written policies on freedom of association, collective bargaining and complaints procedures, 18.8% on protection of human rights within the company’s own operations, 25% on protection of human rights within the company’s sphere of influence, 6.3% on protecting indigenous employees and their rights, and 31.3% on fair wages⁷¹. This survey shows that compared to its Asian counterparts, Hong Kong, China companies recognise far fewer rights for their workers, suggesting that they treat their labour force as a factor of production rather than as human capital⁷².

Marketplace

- Fair Trade

The Laws

Hong Kong, China does not have a clear and structured fair trade policy⁷³.

Realities of the Marketplace

The Hong Kong, China government has favoured free investment and is reluctant to intervene and introduce laws to govern business practices⁷⁴. Instead, the government has taken on the general approach of reviewing evidence on the state of competition and unfair trade

practices in individual industries and if necessary, considering alternative options including new legislation and institutions⁷⁵. Research results of a select group of companies across the globe show that among the Hong Kong, China companies surveyed, only 6.3% of companies have policies on fair trade, equitable trade and end price auditing⁷⁶.

- Bribery and Corruption

The Laws

Hong Kong, China provides a relatively clean and modern business legal environment. The Prevention of Bribery Ordinance inflicts punishments on corruption, which covers offering and accepting a bribe, and private sector employees using false documents with the intent to deceive or mislead. Offences are treated from 3 perspectives: employees in the private sector, government sector and public bodies. In 1974, the Independent Commission against Corruption (ICAC) was set up, independent of the civil service and police, to prevent, investigate and educate against corruption and enforce the Prevention of Bribery Ordinance.

Realities of the Marketplace

Between January and April of 2005, 1,111 corruption cases were reported, where over half of the cases were from the private sector, a third from government sectors, and a small fraction from public bodies⁷⁷. Overall, the number of

cases reported decreased by 3% from 2004, however the number of cases coming from private sectors increased by 2%⁷⁸.

80% of best practice companies surveyed have a code of conduct on receiving gifts, bribery and corruption⁷⁹. However, the extent to which they are followed is difficult to assess.

- Supply Chain Management

The Laws

There are no clear and structured laws in Hong Kong, China regarding supply chain management. Research shows that two thirds of best practice companies in CSR insist that suppliers have good employment practices, and over two thirds have policies to ensure procurement is conducted in an ethical and environmentally friendly manner⁸⁰. In another study amongst selected companies in Hong Kong, China 43.8% of Hong Kong, China companies had at least one written policy on labour standards adopted by suppliers in developing countries, 37.5% on restrictions on the use of child labour by suppliers, and 62.5% on inspection of suppliers' facilities on health, safety and environmental aspects⁸¹. The following case study demonstrates that there remains much potential for businesses to develop and make further improvements in their supply chain management:

Case Study: McDonalds⁸² Child Labour along the Supply Chain

In 2000, a reporter from the Sunday Morning Post- the Sunday version of the most popular English newspaper in Hong Kong, China, South China Morning Post, discovered that Snoopy, Winnie the Pooh and Hello Kitty toys sold with McDonald meals in Hong Kong, China were produced by a Mainland Chinese sweatshop factory that illegally employed children to package the toys. Children as young as 14 years of age worked 16 hour days under poor working conditions, and were paid about US \$3- barely the cost of one McDonalds Meal in Hong Kong, China. The children lied about their age and used false identification documents to obtain jobs from the company, City Toys Ltd, a subsidiary of Hong Kong, China based Pleasure Tech Holdings Ltd, which works under a contract for a McDonald's supplier, Simon Marketing Ltd.

McDonalds stated they had no reason to believe its Hong Kong, China toy suppliers were in violation of their company's standards as McDonalds has a strict code on labour rights that prohibits child labour. For more than a year, an independent auditing firm Societe Generale de Surveillance (SGS)

has carried out periodic, unannounced inspections of City Toys Ltd and found it to be in compliance with corporate guidelines. City Toys director, Hong Kong, China businessman Jack Lau Kim-Hung claimed he was unaware of any child labour but would investigate the situation. A spokeswoman for Simon Marketing Ltd, Vivian Woo denied employment of child labourers as inspections were carried out regularly in the factories.

Despite the promise by McDonalds to investigate the situation, activists accusing McDonalds of child exploitation demonstrated outside one of the McDonalds stores in Hong Kong, China shortly after Sunday Morning Post's reporting. In the wake of publicity⁸³, activists claimed that some young workers were fired to prevent them from talking to investigators⁸³.

Accountability

- Reporting on CSR

The Laws

The disclosure of specific environmental information is required by several statutory requirements such as the Environmental Impact Assessment Ordinance, however this is very limited. Only HKSAR government departments, bureaux and government-owned organisations are required to produce annual stand-alone environmental reports disclosing their environmental performance from 1998 onwards. There are no direct mandatory CSR or sustainability reporting requirements for the private sector.

Realities of Accountability

In 1997, CLP Holdings was the first company in Hong Kong, China to publish a report on its environmental, health and safety performance. Large corporations from higher environmentally sensitive industries, most notably the transport, property management and electronics sector soon followed and published their own environmental reports. However, Hong Kong, China has been relatively slow in the uptake of publishing environmental reports in the private sector: in July 2002, only 17 private sector companies had published environmental reports⁸⁴.

An analysis conducted by ACCA found that among the companies that disclosed environmental information, 98% of public and 80% of private companies identified key environmental impact areas, however, only 16%

and 35% respectively provided explanations, causes and severity of these areas⁸⁵. 84% and 71% of public and private sectors provided information on the use of Environmental Performance Indicators (EPI) to measure performance, however only a small fraction of reports explained the reason behind the choice of each EPI⁸⁶. Very few of the reports contained environmental accounting policies or sustainability, and environmental and sustainability issues were not linked. Most of the reports were not verified by an independent third party.

Social reporting is even more limited in Hong Kong, China, with only 13 companies disclosing limited information on performance in areas of community service, employee health and benefits, internal training and educational programmes for the community⁸⁷. One of the few companies to engage in both environmental and social reporting is the Mass Transit Railway Corporation (MTRC), which began to publish annual sustainability reports with reference to Global Reporting Initiative, covering economic, social and environmental performance issues in April 2002.

A second analysis conducted by the ACCA found that among the companies that disclose social information, nearly 70% of reports provided limited information on key social issues and information related to the main issues of the company's operations⁸⁸. 62% of reports revealed selected information on the organisation's social commitments, but only 15% provided objectives and targets for future improvement in social performance⁸⁹. Only 23% of companies provided limited information on health, safety and community impact considerations arising from the design,

manufacture, use and disposal of their products⁹⁰. About half of the reports provided limited evidence of social accounting of community investment in the form of charitable donations or contribution of skills and time of employees⁹¹. Reporting is still at an early stage in Hong Kong, China.

- Stakeholder Engagement Process

The Laws

There are no laws in Hong Kong, China regarding the stakeholder engagement process.

Realities of Accountability

According to research conducted amongst companies who claim to have best practice in CSR, over half of them report having a mechanism for stakeholder dialogue⁹². Some examples of stakeholder dialogue which has recently taken place in Hong Kong, China include:

Case Study: Mass Transit Railway Corporation (MTRC)⁹³ Engagement with the Wider Community

In 2004, MTRC engaged their customers at preliminary stages of a rail project that proposed new Western and Southern Island lines. MTRC set up an exhibition of virtual stations and trains that toured the districts, and invited feedback and suggestions from the public on local rail services. There was large public support and input with respect to design and services that will contribute to the final product. When the projects are underway, a sustainability advisory committee will be established to keep the community involved with the development of these lines.

Case Study: China Light & Power Holdings (CLP) Engagement with Group Management and CSR Experts

In June 2005, CLP brought together a group of their senior management and external CSR experts in Hong Kong, China including Community Business, ASRIA, CSR Asia, and HKCSS. The aim was for the group as a whole to identify strengths and weaknesses in their current values framework and propose changes. This engagement meeting is one of a two step programme- the second meeting is scheduled to take place in August 2005.

Case Study: Adidas⁹⁴ Stakeholder Dialogue Meetings

In 2001, Adidas began conducting stakeholder dialogue meetings between representatives from the Adidas Standards of Engagement team, NGO's, universities and the media in Hong Kong, China. Stakeholder dialogues are a means for Adidas to build on previous social and environmental reports. Adidas aims to modify their reports to be less reactive and more specific, in order to create reports that capture the views of workers more accurately.

Environment

- Carbon Dioxide Emissions

The Laws

The Air Pollution Control Ordinance empowers the EPD to control air pollution from industry, commercial operations and construction work. However, there are no laws directly controlling carbon dioxide emissions.

Realities of the Environment

Carbon Dioxide (CO₂) is the main source of greenhouse gas emission in Hong Kong, China, accounting for 86% of total emissions in 2003⁹⁵. In 2000, the largest CO₂ emitters were from energy industries, mostly power companies, accounting for 63% of total CO₂ emissions,

followed by 24% from the transport sector⁹⁶. Despite a 50% increase in power demand between 1990 and 2000, Hong Kong, China managed to keep emission levels at 6 tons of CO₂ per capita constant by importing electricity from nuclear power plants in Mainland China, and introducing the use of natural gas, which has lower carbon per unit energy content than coal⁹⁷.

Some Hong Kong, China companies are becoming increasingly active in participating in environmentally friendly schemes. The New World First Bus Company aims to lower greenhouse gas emissions generated by their buses, and was the first bus company in Hong Kong, China to order environmentally friendly buses in 2001⁹⁸. This has encouraged other bus companies to upgrade their buses to make them more environmentally friendly.

CLP has been heavily criticised for causing massive damage to the global climate, environment and human health through their coal powered electricity generation. However, CLP reported taking up measures to become more environmentally friendly. In 2004, CLP imported liquefied natural gas to assure the accessibility of natural gas in Hong Kong, China as an alternative source of energy⁹⁹. As a result of using more gas and less coal, total carbon dioxide emissions decreased by 3% in 2004 compared to 2003, and 5% below 1990 emissions¹⁰⁰.

- Waste Management

The Laws

The Waste Disposal Ordinance prohibits the dumping of waste in public places, government land or private property without the consent of the owner of the land. Other major provisions include the Chemical Waste Regulation-chemical waste producers must register and keep records for inspection; the Livestock Waste Regulation-farmers must dispose livestock without causing pollution; and the Import and Export of Waste Control- a permit system to control the import and export of waste.

Realities of the Environment

In 2003, 38% of solid waste disposal at landfills came from construction and demolition waste, and 11% from commercial and industrial waste¹⁰¹. Putrescibles constitute the majority of 23.4% of total solid waste, followed by paper and plastics, contributing 22.2% and 18.7% respectively¹⁰².

Two waste reduction programmes have been set up by the EPD: the Waste Wise Scheme and the Demonstration Scheme (DEMOS). The Waste Wise Scheme assists all businesses in Hong Kong in developing practices to reduce and manage the waste produced directly by the company, or indirectly through the goods and services the company produces. Over a period of 12 months, companies must set targets and adopt measures to minimise waste, collect and recycle recyclable materials, and buy or manufacture recyclable materials. Companies are awarded a Waste Wise Logo for implementing effective waste reduction strategies. As of March 31, 2004, 673 companies from different sectors have joined the Waste Wise Scheme, and 202 companies have been awarded with the Waste Wise Logo¹⁰³. The DEMOS encourages private sector and research bodies to develop new technologies on waste reduction and recycling, which can be adopted by other companies in different sectors.

- Environmental Management Systems

The Laws

The Environmental Impact Assessment Ordinance requires projects or proposals that may have an adverse effect on the environment to follow the statutory environmental impact assessment process and require environmental permits for construction and operation.

Realities of the Environment

The EPD assists Hong Kong, China organisations to develop their own environmental management system (EMS) to achieve high standards of environmental performance. Organisations setting up their own EMS must refer to and be certified according to the International Organisation for Standardization- ISO 14001. As of July 2005, there are 383 ISO 14001 certified companies in Hong Kong, China¹⁰⁴.

Case Study: The Hong Kong Island Shangri La (ISL)¹⁰⁵

Environmental Protection Practices

One ISO 14001 certified company is the Hong Kong Island Shangri La (ISL), the first hotel in the Asia Pacific Region to be certified. ISL follow the motto “Reduce, Reuse, Recycle and Rethink”, maintaining environmental protection policies as well as generating financial savings of HK \$1.5 million in its first two years as a certified company.

Environmental protection practices implemented by ISL include the usage of energy saving light bulbs in corridors, bathrooms and bedside table lamps, biodegradable soaps which are sent back to a chemical company to be recycled after its use, and installations of water restrictors in guest room showers. Guests are also encouraged to be environmentally friendly, and are given the option to reuse their towels by hanging their towels onto a rack after use. As a result, 70 to 90 kilos of washing and laundry are saved per year, and there was a reduction in water and energy consumption by 15.2% and 10.7% respectively from 1994 to 1996.

ISL uses environmentally friendly suppliers such as Mobil Oil, the first oil company in Hong Kong, China to be ISO 14001 certified, for their limousine fleet and boiler. ISL provides environmental training to its staff, organising Green activities outside the hotel for staff, such as a beach clean up and tree planting on Lantau Island. ISL reports value added benefits of being a certified EMS, including improved staff morale and a positive brand image.

- Packaging

regulating the usage of packaging materials and waste.

The Laws

There are no laws in Hong Kong, China

Realities of the Environment

Case Study: Friends of the Earth (FOE)

Moon Kick Action

In 2003, the Hong Kong, China based environmentally friendly group FOE launched the programme 'Moon Kick Action', encouraging manufacturers to reduce the amount of material, and use recyclable materials for moon cake packaging during Mid-Autumn Festival. FOE found that consumers dispose 750 tons of tin cake boxes every year, and during Mid-Autumn Festival, 3 million tin boxes go straight into the landfill, generating disposal costs for waste tins to approximately HK \$622,500 per year¹⁰⁶. In 2003, the EPD collected 25,000 moon cake boxes during its first recovery initiative, less than 1% of total boxes¹⁰⁷. FOE has promoted the idea that an industry that can generate HK \$420 million per year in moon cake sales should be responsible for adopting practices to reduce and recycle their waste production¹⁰⁸.

Community

- Community Investment (CI)

Hong Kong, China's best practice companies in CSR do not engage in CI solely to raise the public profile of their company. Based on research, 36.7% of best practice companies participate in CI to meet business objectives and develop the community at the same time, while another 36.7% do so to give back to the local community.¹⁰⁹ Only 3.3% of best practice companies take part in CI to boost their reputation¹¹⁰.

Although business objectives for CI are diverse, 80% of companies aim to build a good reputation, while 58% and 56% aim to complement to marketing activities and motivate and build team spirit among staff respectively¹¹¹. Among the social issues that companies prefer to support, education/scholarships, environment and poverty/disabled/aged/children are the top three preferred issues in the business sector¹¹².

Traditionally, Hong Kong, China companies are very reactive, and approach CI in an ad-hoc fashion. The main form of community involvement for best practice companies is focused on cash donations. 73.3% of actual CI practices are cash donations,

while 56.7% are contributions in kind and 56.7% are contribution of skills¹¹³. 40% of companies have policies regarding cash donations, a third with policies on contributions in kind and just under a third with contributions of skills and time of employees¹¹⁴.

During the outbreak of SARS in 2003, companies had a vested interest to boost Hong Kong, China's economic status via financial, in-kind and volunteer means and to give back to a suffering community. ParknShop (PNS) supermarket established the "We Care Education Fund", in support of the children who had lost one or both parents to SARS. PNS donated 1% of its Hong Kong, China sales on two shopping days to the fund, and encouraged customers and staff to make donations through collection boxes in PNS stores¹¹⁵. Cathay Pacific supported Project Shield, providing free transportation of 10,000 Barrier Man suits flown from Japan for health care workers in Hong Kong, China¹¹⁶. CLP Power provided 50 volunteers to assist the local charity Community Chest in handling telephone donations from the public¹¹⁷.

Some companies have begun to realise the beneficial effects of CI. In recent years, an increasing number of firms have shifted their resources to more structured investments, as illustrated in the following case study:

Case Study: Credit Suisse First Boston (CSFB)¹¹⁸

Race for Mentors

Race for Mentors is a unique, 6 month employee volunteering programme in Hong Kong, China launched for the first time in the Academic Year 2003-4 by CSFB together with Community Business. CSFB employees volunteered to mentor ethnic minority students. Ethnic minority youth face higher rates of unemployment than the norm in Hong Kong, China and have less access to public services than others.

The programme was highly structured and mentors and mentees met during scheduled times. Mentors were encouraged to discuss concerns and questions raised by their mentees. Mentoring sessions were supplemented with workshops which provided skills and information on life and work issues such as CV Writing and Job Interviewing Skills, requested by the students. Mentors and mentees jointly participated in community activities including visiting and caring for the elderly, a beach clean up and painting of a mural.

Evaluation at the end of the project demonstrated that Race for Mentors had positive impacts on the employees, the business and the students (figure 5). Race for Mentors supports the business case for employee volunteering. Employee volunteering not only enhances the personal and professional skills of employees, their perception and sense of pride in their firm and their understanding of the ways different people think and operate, but is also an effective way to make a positive impact in the community.

Race for Mentors shows that tripartite relationships between a company, a government school and a non-profit organisation can work effectively and benefit all parties involved. Due to the success of the project, CSFB continued to support Race for Mentors in the Academic Year 2004-5.

Impact on CSFB: Improvement	%	Impact on Mentors: Improvement	%	Impact on Mentees: Improvement	%
Pride in CSFB as a firm	95	Understanding of ethnic minority Groups in Hong Kong	95	Self-confidence	100
Perception of firm as an employer of choice	68	Feel-good factor	84	Confidence in communication with adults	100
		Insight into local community	79	Knowledge about the world of work	95
		Relationship with colleagues	58	Interviewing and CV writing	89
		Development of skills:		Personal and Social Skills	79
		-Listening	53		
		-Communication	47		

Figure 5: Race for Mentors- Impact on CSFB, Mentors and Mentees, % Improvement¹¹⁹

Another example of structured CI is China Aircraft Services Limited (CASL), which in conjunction with the non-profit organisation Hong Kong Sheng Kung Hui Tung Chung Integrated Services, provides training in a mock-up cabin to low skilled residents in Tung Chung to be cabin cleaners¹²⁰. After the trainees have completed their training programme, they are eligible to apply for a job with CASL.

- Educational Programmes and Campaigns to Promote CSR

Over two thirds of best practice companies surveyed support educational programmes for the promotion of CSR, while half of the companies pursue partnerships with other organisations to actively campaign for a social issue¹²¹. This demonstrates the potential for

future expansion of CSR practices and policies within and across other sectors of businesses in Hong Kong, China. However, it should be noted that less than a third of companies have senior management staff leading CI, suggesting that leadership has not fully accepted the business benefits of engagement with the community¹²². Only a few companies in Hong Kong, China have created a special role for the CI practitioner. Most notably, the MTR Corporation has a “Sustainability Manager”, and Manpower Services has a “Corporate Social Responsibility Manager”¹²³.

Moving Forward on CSR

CSR in Hong Kong, China is still at its early stages, and the path towards embedding CSR into the values of businesses in Hong Kong, China remains far reaching. The current Hong Kong, China mentality that CSR is a company’s charitable contribution to the community must be refuted. Western Multinationals in Hong Kong, China need to adopt CSR practices that comply with global standards, as many of them already do in other countries where there is greater external and internal stakeholder pressure. Local companies need to begin to understand they are global players in the international world where CSR is becoming the new license to operate. Fundamentally businesses in Hong Kong, China need to understand that CSR can have significant business benefits if approached strategically and integrated into business. The onus is on large companies to set an example to smaller businesses by implementing sound CSR practices in the workplace, marketplace, community and environment.

A common practice of businesses in Hong Kong, China is to delegate the responsibility of implementing CSR practices to their Human Resources or Corporate Communications department. This clearly demonstrates that CSR is still viewed as adjacent to rather than integrated into mainstream business.

What is needed in Hong Kong, China is a process of educating existing and future business leaders. Leadership is crucial to drive CSR and only when this leadership buy in has

taken place can CSR be filtered down throughout their businesses and amongst employees. For large companies we recommend that CSR is taken up at the highest levels and reports directly to the Board.

Businesses committed to CSR should demonstrate their commitment to transparency and accountability by producing yearly Sustainability or CSR reports. In these, companies should define their main objectives, set clear targets, and report the progress and development of these targets at the end of each year.

Encouragingly there are a number of initiatives and organisations in Hong Kong, China that continue to work with businesses committed to the various dimensions of CSR. The challenge remains engaging with the many businesses not on the CSR radar and SME’s, who are understandably preoccupied with survival.

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