



SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA

CORPORATE RESPONSIBILITY AGENDA



“DRIVING **BUSINESS**
BEYOND **PROFITABILITY**”





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BEYOND **PROFITABILITY**”



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MINISTER'S FOREWORD



The formulation and preparation of the Companies Commission of Malaysia Corporate Responsibility Agenda (SSM CR Agenda) is indeed timely for prepping the corporate community in the country towards embracing a new business paradigm. Traditionally, the sole consideration for the formation of companies and businesses was for the pursuit of profit. With the various forms of economic crisis which had taken place throughout the 20th century coupled with the increased level of awareness on the rights of shareholders and responsibilities of board members, corporate and business maturity was propelled to the next level with deliberations on the subject of corporate governance. While the deliberation of good corporate governance is still very much relevant today and ongoing, the modern concept of carrying out business also gives emphasis on the notion of business sustainability and social responsibility. Such notions relate to what is known now as corporate responsibility (CR).



From the above descriptions, we can clearly see that a form of evolution has taken place in the paradigm of doing business. In a nutshell, what started as a simple question on *'how to generate profit'* has subsequently evolved into *'how to generate profit and simultaneously ensure the due administration of the company and compliance of the law'*. Finally, the question now is *'how to integrate social consideration into the quest of profitability while maintaining the due administration of the company and compliance of the law'*. The business environment of the 21st century has grown more complex with business considerations no longer being confined to the issue of profitability. They now extend to include matters such as environmental and social issues, drawing companies and businesses closer each day to being considered as part of the components of society.

Contrary to popular belief, CR should be practiced not only during economic prosperity. In fact, CR efforts should be stepped up during the economic adversity – and does not necessarily involve monetary contributions. The good deeds and contributions by the corporate and business sector can come in any form such as time, ideas, and effort. An engineering company for example may contribute its expertise by giving tuition in mathematics to rural schoolchildren, a sole proprietorship veterinary practice can spend one or two hours per month carrying out free checks on the health of animals in zoos, members of a legal firm can allocate a few hours per year to take up cases on *pro bono* basis, while a business consultant partnership may want to give ideas on cost optimization in the operation of an orphanage. The form of contributions as such is limited only by imagination. I consider all these a form of investment, perhaps not directly benefiting the business but for the betterment of the community which we live in.

During the challenging time of economic adversity, CR activities can contribute positively to domestic liquidity. CR activities can assist the Government towards sustaining the growth of the national economy through purchases, procurements, utilizations, as well as enhanced domestic consumptions. The economic value of CR in this regard is very apparent and extends well beyond merely alleviating the problems faced by the community and the environment. In the context of the recently announced Government economic stimulus package, the SSM CR Agenda serves to support the Government's objectives towards creating economic vibrancy within the domestic economy.

In the context of international trade, a well placed and structured pursuit of the CR agenda has the potential to attract FDIs, develop a talented workforce, enhance product and service penetration, as well as create good business reputation. CR may in the near future constitute one of the main elements which enable companies and businesses to remain competitive in the business environment. We have witnessed the creation of business premium through the practice of good corporate governance. The trend of creating such premium through good and well publicized CR practice is currently picking up momentum and it is just a matter of time before the conduct of business everywhere will revolve around the subject of CR.

Through the SSM CR Agenda, SSM has paved the way towards having a structured CR framework for the organization, the business community, and ultimately the country. This mammoth task of driving the business community to embrace a new paradigm, however, requires support from everyone. In doing so, SSM will be working with other Ministries, Government agencies, professional bodies, and the business community in general to ensure that all activities planned can be carried out smoothly. In addition, the CR Agenda represents a long term pursuit which more often than not manifests little or even no physical testimony of its success. While this may be so, I strongly believe that CR is also about honesty and sincerity. In fact, they represent the most valuable and noble part of any CR activities. The personal satisfaction derived from pursuing CR activities in itself is perhaps the best reward.

Let us work together towards a sustainable Malaysia.

Dato' Sri Ismail Sabri Bin Yaakob

Minister of Domestic Trade and Consumer Affairs

25 May 2009





CHAIRMAN'S MESSAGE



There is no single or exact word or phrase which can be used to describe the subject of corporate responsibility (CR). It is both easy and complex at the same time. The basic notion of CR which connotes voluntarism and morality has since its introduction evolved to include subjects such as sustainability, the environment, efficiency, and globalization. The implementation of CR involves a myriad of subjects – from sociology, history, business management, philosophy, economics, finance, regulations and policies, and even applied sciences. The complexity and significance of the subject of CR as such should not be underestimated for it represents human civilization. Most importantly, even as we speak, the subject of CR is continuously evolving and in the process, touches individuals, families, societies, and ultimately the Government.

In realizing the importance of the subject of CR in the contemporary economy, there is an impending need for the public sector to take an important and strategic role to promote and drive the culture of CR among the business community. The significance of the roles of CR in shaping the future business environment has prompted the Companies Commission of Malaysia (SSM) to undertake the formulation of the SSM Corporate Responsibility Agenda (SSM CR Agenda), which serves as a master plan towards pursuing and driving CR as a corporate and business agenda in the country. In doing so, it is worthy to note that SSM has benchmarked its approach against the four roles of the public sector outlined by the World Bank. SSM's adoption of internationally recognized roles will go a long way towards prescribing a structured approach towards CR by the public sector in Malaysia.

As a corporate regulator, SSM will be taking a significant step towards creating an “enabling environment” for CR to prosper and be embraced as a culture by the business community through the introduction and implementation of the SSM CR Agenda. I believe the SSM CR Agenda will be able to assist in the inculcation of CR within the business community towards enhancing the national CR framework. For such a form of awareness to take place, it is pertinent for the business community as well as members of the public to be well acquainted with the subject; something which I believe can also be achieved through reading the SSM CR Agenda document.

It is often thought that the embrace of CR requires a different set of business approach to be undertaken by companies and businesses. This notion however represents a misconception as CR can integrate easily with existing business objectives and practices. The business activities and objectives in this regard can be realigned with a more comprehensive goal by integrating economical, social, and environmental considerations. CR as such is not about reinventing a business approach but rather incorporating social, environmental, and economic considerations into the existing business practice. The main requirement towards this is the change of mindset. This, however, cannot be achieved overnight. With a specific strategy in place, due cooperation from the business community and proactive roles undertaken by SSM on behalf of the public sector, I believe such an objective can be realized in the near future.

I wish to congratulate SSM for coming up with the SSM CR Agenda and hope that such a move in promoting CR will also be taken by other agencies in the public sector through collaborations with SSM.

Dato’ Mohd Zain bin Mohd Dom,

Chairman

Companies Commission of Malaysia

26 May 2009



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



The Companies Commission of Malaysia (SSM) has identified corporate responsibility (CR) as one of the vital and strategic areas to be developed under SSM's Second Strategic Direction Plan 2009 - 2013 (Second SDP). The move to pursue the CR agenda was arrived at upon taking into consideration the prominence and relevance of the subject matter against the backdrop of the 21st century business environment together with the issue of good corporate governance.

The advent of globalization has made CR a prominent topic of discussion. New definitions are being assigned and fresh perspectives of the subject matter are explored on a daily basis. New boundaries are charted and new developments pertaining to the subject are continuously being shared by both the public and private sector. New theories are brought up, discussed, criticized, adopted, and discarded. In short, the subject of CR is enriched on a daily basis. Companies worldwide are being assessed and subsequently ranked by various researchers on their CR initiatives. Already there are initiatives being introduced to assess jurisdictional CR framework. It will just be a matter of time when CR is linked with the economic competitiveness of a country, just like factors such as the costs of doing business, the time taken to start a business, corporate governance structure, and labour policies have influenced jurisdictional rankings in relation to doing business. The fast development of CR has prompted SSM to decide that it must act fast, lest risking the country's competitive edge in the long run.

Closer scrutiny reveals that CR is a subset of corporate governance. In due time however, I believe that CR will possess a similar stature to corporate governance, especially where the discussion on the subject matter revolves around the issue of corporate sustainability. The subject of corporate governance has especially for the past few years evolved from mere regulatory adherence to best business practices

which encapsulate prudent management of businesses and companies through risk management, project management, and strategic planning. Likewise for CR where such a concept is currently becoming more prominent in the modern business environment. Such evolution is becoming more apparent in the business and corporate sector where companies and businesses alike position themselves in the competitive business environment through adopting CR as part of their business culture. For the time being, CR appears as a secondary objective to complement the primary objective of generating profit. Some companies have, however, managed to concurrently pursue profit making and CR. The ultimate form of evolution in CR is perhaps when a company or business is established by taking CR as the primary business agenda, from which the generation of profit would ensue.

In identifying CR as a strategic agenda relevant to the country's economy, SSM realizes that in the near future, CR will eventually dictate the sustainability and survival of many businesses and organizations especially during turbulent times. Hence the development of the SSM CR Agenda is timely towards addressing the current economic predicaments. Apart from generating internal liquidity, if properly leveraged and strategically pursued, CR has the potential of reducing the Government's financial commitment towards meeting the needs of the society. Just imagine if all the 843,000 companies and 3.5 million businesses registered with SSM nationwide are able to come up with their own respective CR initiatives, the positive implications to the country as a whole would be tremendous. They can range from charitable donations to simply investments in the form of time and effort. Such investments may not be significant to those who are fortunate enough but they could mean the world to those who are in need of them.

The journey towards CR is not only timely in light of the current economic adversities faced by the country as well as the world. With numerous contemporary issues being highlighted such as climate change, carbon footprint, clean energy, global hunger and poverty, water scarcity, natural disasters, and others warrant everyone's attention, which also include the corporate and business communities. The contributions and impact created through the address of these predicaments by responsible corporate players and business participants is beyond the measurement of financial performance. In truth, the initiatives towards addressing such problems will contribute to creating sustainability for people and businesses alike in the long run.

I have elaborated on the 'whats' of CR. Permit me now to briefly touch on the 'whens'. The initiatives towards making the world a better place starts now. It is a form of investment for the future – perhaps not ours but our succeeding generations. Some initial effort or initiative carried out now will possess positive implications in the future. Everyone in the corporate and business community can always contribute to a little something which will eventually grow to something significant. Imagine planting a fruit tree now, only to have it fully mature and bear fruits a few years later. One may not even be able to harvest the fruits of his labour in his lifetime but the future generations will certainly be thankful for such seemingly insignificant efforts. The tree will provide food and shelter and produce oxygen, and will continue to do so for as long as its lifespan permits. Taking the cue from this analogy, SSM encourages the members of the corporate and business community to start investing in the future in whatever forms which comes within the means of each respective company, sole proprietorship, or partnership.

The development of the SSM CR Agenda represents a small but significant step by SSM towards encouraging the practice of CR among the business community. Traditionally seen as a Registrar of companies and businesses, provider of corporate and business information, as well as corporate regulator, the pursuit on CR is relatively new for the organization. While aspects of CR had subconsciously found their ways in the form of corporate reporting requirements and through the propagation of good corporate governance practices, they were somewhat limited in terms of their scope. Although not much emphasized, the elements of CR is inherent in legal provisions such as the requirement to lodge annual returns, holding of annual general meetings, and the establishment of mechanisms to ensure adequate levels of internal control in a company. These provisions were introduced to enable due administration and management of companies and towards ensuring that the interest of shareholders is protected. Taking this to the next level, these requirements were introduced to ensure that companies exist to carry out business on a long term basis, benefiting business owners and their successors as well as towards maintaining a conducive business atmosphere in the country.

Moving forward, SSM is repositioning itself as a corporate regulator towards creating business sustainability in addition to the ever relevant quest of strengthening the national corporate governance framework. The synergy pursuant to such concurrent pursuit is evident as they are intricately linked to one another with CR being a component of corporate governance. As a place where companies and businesses are born, SSM has a strategic role in advocating both corporate governance and CR – the former is nurtured while the latter is driven, all for the benefit of the business community and the country in general.

Upon the introduction of the SSM CR Agenda, SSM will cooperate with other stakeholders both from the public and private sectors in promoting and inculcating the culture of CR. SSM strongly believes that there can be strong synergy created through strategic collaborations with professional bodies, companies, business owners, the halls of academia, as well as Government agencies and other regulators in pursuing CR. Leveraging on each others' strengths as such is extremely important towards making the implementation of the SSM CR Agenda a success.

Dato' Azmi bin Ariffin

Chief Executive Officer,
Companies Commission of Malaysia
18 May 2009

COMMISSION OF MALAYSIA'S CORPORATE RESPONSIBILITY AGENDA



1. The Companies Commission of Malaysia (SSM) Corporate Responsibility Agenda [CR Agenda] is a strategic framework which outlines SSM's approach on the subject of corporate responsibility (CR).
2. The SSM CR Agenda sets out the organizational parameters of SSM's pursuit in relation to CR which includes SSM's definition of CR, the objectives of the organizational pursuit on CR, as well as descriptions on approaches, projects, and initiatives to be carried out by SSM towards enhancing the national CR framework. It is therefore a very relevant document for SSM as it provides a general roadmap for the organization in pursuing CR as part of its agenda.
3. The execution and implementation of the approaches, projects, and initiatives outlined will be done in stages with the view of establishing a structured and scientific approach on CR. In doing so, SSM will engage both the private and public sectors comprising of companies and businesses, organizations, professional bodies, Ministries, Government agencies, corporate regulators, and academic institutions.
4. The projects and initiatives described herein are by no means exhaustive. More projects and initiatives will be added progressively towards ensuring the SSM CR Agenda is relevant with the advent of time.

CHAPTER I:

A SNAPSHOT
ON CORPORATE
RESPONSIBILITY



A SNAPSHOT ON

CORPORATE RESPONSIBILITY



Background

5. CR (sometimes referred to as '*Corporate Social Responsibility*' or in short '*CSR*') is a concept which is as old as the conduct of business itself. This concept is also referred to as '*Business Responsibility*', '*Community Relations*', '*Corporate Citizenship*', and '*Social Responsibility*'. The phrase '*Corporate Social Responsibility*' or '*CSR*' gained prominence in the 1970s upon the rise of social awareness. The said phrase was later scaled down to CR as the latter connotes a wider spectrum of subject matters to include issues such as the economy and the environment.
6. The history of CR is a controversial subject as it is quite impossible to ascertain its point of origin. The conflicting interest between commercial logging activities and the need for forest preservation which dated almost 5,000 years ago in Mesopotamia had prompted for laws to be introduced to regulate negligence and inconvenience to citizens. Such laws contained elements of CR in them. The perhaps first multinational corporation, the Dutch East India Company saw shareholders' activism when shareholders highlighted the issues on management secrecy and self enrichment. This form of social enlightenment also contained notions of CR.
7. While it is impossible to identify its point of origin, the evolution of CR can to a certain extent be ascertained. In the United Kingdom, the idea that businesses should take into consideration social issues can be traced back to the Victorian industrialist era. In France and Germany, CR became popular during the 19th century. In Malaysia, the concept of CR began to obtain foothold in the late 19th century, almost contemporaneous with the discussion and awareness on the issue of corporate governance.

8. Jean-Jacques Rousseau (1712 – 1778) in his book *'The Social Contract'* foresaw the symbiotic relationship between corporations and the society in saying that the former, as citizens of the society, have a responsibility to give back to that society in fair measure of what they receive from such society. Andrew Carnegie (1835 - 1919) articulated that for capitalism to work, the charitable principles and the concept of stewardship by the business community and the wealthy must be in place towards assisting the members of the society in general.
9. In the 1920s, the discussions on contemporary CR started to take place on a more serious note with academicians deliberating on the correlation between business and society. The CR structures and elements were identified and analyzed. Such concept has become more relevant in the modern business environment, especially with the topic of CR gaining momentum not only among the business community, but also with Governments and members of the public in general.
10. In the mid 90s, the concept of the triple bottom line was introduced by John Elkington through his book, *'Cannibals with Forks: the Triple Bottom Line of 21st Century Business.'* The concept principally entails that apart from the quest to attain economic value, companies should also take into consideration environmental and social values. Triple bottom line is also known by the acronym TBL, 3BL or referred to as the *'People, Planet, Profit'* concept. Currently, the concept of the triple bottom line has gained global acceptance where it serves as a baseline towards measuring CR initiatives and success in reports by companies.
11. CR, which was developed from the notion of philanthropy, has since evolved and matured and for the past few years had embraced a wider spectrum and framework to include aspects of corporate citizenship, business sustainability, environmental responsibility, social responsibility, and human rights. In recent years, CR has been linked with sustainable development, a holistic and all-encompassing concept.
12. The interest taken by members of the public in CR has not only sparked many debates on its history, scope, components, applicability, forms, and even relevance. Regardless of such diverse opinions, what matters most is that CR has managed to position itself in modern business discussions. Naturally, there have been numerous definitions ascribed to CR by various organizations and individuals. They include the following:

"CSR is a concept whereby organizations consider the interest of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities & the environment in all aspects of their operations." - **Wikipedia**

"...a business approach that creates long term shareholders value by embracing opportunities & managing risks deriving from economic, environmental & social development." - **Dow Jones Sustainability Index**

"CSR is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community & society at large to improve their lives in ways that is good for business & for development." - **International Financial Corporation (World Bank)**

"...operating a business enterprise in a manner that consistently meets or exceeds the ethical, legal, commercial & public expectations society has on business." **Business for Social Responsibility**

"A concept whereby companies integrate social & environmental concerns in their business operations & in their interaction with their stakeholders on a voluntary basis." - **Commission of the European Union**

"The continuing commitment by businesses to behave ethically & contribute to economic development while improving the quality of life of the workforce & their families as well as of the local community & society at large." - **World Business Council for Sustainable Development**

13. From the aforesaid definitions, CR can be said to be linked closely to abstract elements such as contribution, responsibility, volunteerism, morality, and conscience. These are subjective but noble elements which have served as benchmarks towards judging the type and quality of individuals, families, components of societies, and civilizations.



14. Over the years and with the advent of the concept of companies being separate legal entities, these noble elements were extended to companies and corporations. This new concept which entails noble deeds being carried out by legal business entities had perhaps led to the famous term '*corporate social responsibility*' being added to the dictionary of human civilization in the 20th century. Today, the concept of CR is seen as a pursuit of nobility in furtherance to the businesses' and companies' quest for profitability.
15. The discussion on CR should not be confined only to its relationship with business. Rather, the topic of CR involves the blend of a variety of subjects – Government policies, laws and regulations, the economy, religion, social science, philosophy, and most recently globalization. These are topics related to human civilization. The approach to CR should ideally examine all these factors towards enabling a better understanding of the subject matter.

The Public Sector's Role in CR

16. CR is a concept closely linked with the business community. However, it is incorrect to simply conclude that it is driven purely by the private sector, detached from any involvement from the Government and the public sector. The World Bank has identified 4 principal roles of the public sector in relation to CR, namely:
 - (i) Mandating role - Introduction of laws and regulations pertaining to CR
 - (ii) Facilitating role - Development of policies and the provision of incentives to encourage CR initiatives
 - (iii) Partnering role - Formation of strategic partnership with the private sector
 - (iv) Endorsing role - Political support and endorsement on CR

The execution of these four roles by the public sector requires close coordination between the regulator and the industry players.

17. In its mandating role, the public sector may introduce laws and regulations in relation to CR. This represents the classical approach towards CR. The prescription of binding laws and regulations, complemented by elements of sanctions is a traditional route favoured by many jurisdictions. The imposition of the CR standard through obligations is particularly visible in areas such as the environment, health and safety, corporate governance, and consumer affairs. Companies and businesses are required to observe such mandatory impositions, often termed as '*hard rules*' in order to be acceptable by a prescribed social standard.

18. The imposition of these *'hard rules'* is meant to ensure that companies continuously behave as good corporate citizens. A good example of the public sector's mandating CR is the various legislations on corporate governance which include shareholders' protection, disclosure requirements through lodgement of information and reporting, as well as outlining the duties and responsibilities of the board of directors. Other CR-related impositions of *'hard rules'* relevant to the business community include the various environmental laws, consumer protection laws, as well as labour laws. These laws, though rarely attributed to corporate laws, are nonetheless laws and regulations introduced to ensure good corporate behaviour.
19. The imposition of *'hard rules'* through the exercise of mandating roles as such can be said to have been done in furtherance to the pursuit of CR. This may have gone unnoticed by Governments and regulatory agencies where they are already in a way playing a role in CR. SSM's enforcement of the laws on the lodgement of annual returns and audited accounts for example, is a pursuit undertaken to enhance disclosure by companies towards enabling scrutiny of the affairs of companies by interested parties and members of the public. They constitute initiatives linked intricately with CR. Through the lodgement of annual returns and audited accounts yearly, it will allow informed business judgment calls and verification exercises to be made, benefiting the interested parties' endeavours – these ultimately represent acts towards the safeguarding of public interest.
20. *'Soft rules'*, on the other hand, involves the introduction of non-binding best practices which are not backed by legal sanctions. Unlike *'hard rules'*, the adherence to *'soft rules'* is predominantly voluntary. Of course, the extent of "voluntary-ness" may be shaped and are often influenced by numerous external factors such as public perception, public expectation, and most recently also include stakeholders' perception and expectation. In the case of the latter, for example, more and more people are becoming environmentally conscious and would go to the extent of purchasing green products as part of their lifestyle. Some even scrutinize the operations of companies to ensure that not only green products are offered but the management and operations of companies are also environmentally friendly.
21. The *'soft rules'* approach also contains many advantages as it offers flexibility and speed of acceptability by the business community. In addition, since the acceptance of *'soft rules'* are voluntary, it is attractive to corporations as it represents an opportunity for them to leverage on CR in furtherance to subsequent business opportunities and making more profit.
22. In taking up the facilitating, partnering and endorsing roles, regulators may contribute in the promotion of CR by providing support and encouraging its development. These roles require close coordination between the regulator and the industry players on CR policies and activities.

23. In the facilitating role, the public sector enables the business community to embrace the CR agenda. In this regard, the public sector serves as a catalyst and takes up a supporting role. In the partnering role, a strategic partnership struck between the public sector and the private sector complements each other in terms of funding, skills, and roles in a given CR agenda. Endorsing connotes political support and is highly visible if manifested in the form of recognition. A clear demarcation between the facilitating, partnering and endorsing roles by the public sector is vague. This, however, does not represent a hindrance towards systematically developing the CR agenda as what matters at the end of the day is the result and impact instead of academic classification.
24. In strengthening the public sector's role in CR, the World Bank has identified 5 key themes:
- Building awareness on the CR agenda and implication;
 - Building capacity to shape the CR agenda;
 - Building a stable and transparent environment for pro-CR investment;
 - Engaging the private sector in public policy processes; and
 - Establishing framework for assessing priorities and developing strategies

Recent Developments of CR

25. The 21st century theme on CR centres on the quest to achieve sustainability. In doing so, CR proponents advocate for a form of equilibrium to be struck between the quests for profit and contributing to social and environmental wellbeing. Areas of CR were identified and clustered to facilitate its pursuit and to enable a more structured approach of the subject matter.
26. A company's social performance is evaluated based on the company's contribution to the society through the business or social activities carried out, whilst a company's environmental performance is evaluated based on how well the company assimilates environmental considerations into the company's business activities.

CR in Malaysia

27. In Malaysia, CR is a relatively new but prominent topic, thanks to the various initiatives by the Government and the private sector in advocating and promoting CR at the turn of the new century. Vision 2020, which is taken as the general roadmap for the nation, is embedded with numerous elements of CR. This is because the Government realizes that to achieve a dynamic and resilient economy, emphasis on other factors such as social and environmental wellbeing must also be given equal importance.

28. Four of the nine challenges outlined in Vision 2020 are directly linked with CR. They are:

- (i) **Fourth challenge** - establishing a fully moral and ethical society, whose citizens are strong in religious and spiritual values and imbued with the highest of ethical standards.
- (ii) **Seventh challenge** - establishing a fully caring society and a caring culture.
- (iii) **Eighth challenge** - ensuring an economically just society; a society in which there is a fair and equitable distribution of the wealth of the nation, in which there is full partnership in economic progress.
- (iv) **Ninth challenge** - establishing a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient.

The initiatives towards addressing and overcoming the abovementioned challenges by the private sector constitute CR. In relation to the same, by drawing such policies, the Government has played its role in endorsing CR to be pursued by the corporate citizens.

29. The Government's support for CR is also evident in many national agendas. They include:

- (a) The Ninth Malaysia Plan
 - The Ninth Malaysia Plan contains 5 main thrusts namely:
 - (i) To move the economy up the value chain;
 - (ii) To raise the capacity for knowledge and innovation and nurture first class mentality;
 - (iii) To address persistent socio-economic inequalities constructively and productively;

(iv) To improve the standard and sustainability of the quality of life; and

(v) To strengthen the institutional and implementation capacity.

- Many of the initiatives to be undertaken towards implementing the five main thrusts are related to CR. They include the promotion of ethical business practices and CR programs towards improving the state of national corporate governance.

(b) The National Integrity Plan

- One of the strategic objectives is to improve corporate governance and business ethics which are all linked with CR.

(c) Budget 2007


- Increase of the tax ceiling for tax deductions from 5% to 7% of aggregate income on contributions made by the private sector to charitable organizations.
- Imposing the requirement for public listed companies to report their CR initiatives in their annual financial reports.
- Introducing *'Anugerah CSR Perdana Menteri'* towards recognizing and appreciating the involvement of the private sector in CR

(d) Budget 2008

- The establishment of the CSR Fund with an initial sum of RM50 million to finance selected CR projects.
- Tax deductions for investments benefiting the local community, such as the construction of overhead bridges and playgrounds.
- Requirement for public listed companies to disclose their employment composition by race and gender, and programs to develop domestic and Bumiputera vendors.
- Establishment of a permanent secretariat for the PINTAR program, which involves the adoption of schools by Government linked companies.

The Future of CR

30. An effective CR agenda or approach should be one which is formed for the long term with the objective of achieving sustainability. As such, the formation should take into consideration possible CR-related issues that lay ahead. Based on a research conducted in the Asia Pacific region, CR Asia had identified several CR-related issues that possibly await companies in the coming years. They are:
- (i) Environment and climate change
 - (ii) Labour rights and human rights
 - (iii) Transparency and accountability
 - (iv) Institutionalization of CR
 - (v) Shareholders engagement
 - (vi) Talent management
 - (vii) Community investment
 - (viii) Supply chain and product safety
 - (ix) Social enterprises
 - (x) Poverty alleviation
31. The PricewaterhouseCoopers 12 Annual Global CEO Survey warned that whilst the financial crisis serves as a major consideration in 2009, the next crisis which may occur at a global proportion would be climate change. The survey had concluded that while the understanding of the business community of this potential global crisis is on the rise, there is still much to be done towards keeping global carbon emission in check. Such concern displayed indicates that CR initiatives towards addressing the issue of climate change will be part of the future agenda for businesses.
32. There are already companies and businesses taking initiatives towards integrating CR as an ancillary pursuit in their business undertakings. Some have taken up the next step by pursuing CR and profitability concurrently. In this regard, the aspects of business such as production, marketing, supply chain, human capital, and the overall management of such companies take into consideration the aspect of CR.



CHAPTER II:

THE SSM CR AGENDA PARAMETER

THE SSM CR

AGENDA PARAMETER



33. the SSM views CR as a subset of corporate governance though scope of CR can be said to be much wider and further reaching. One of SSM's statutory functions under subsection 17(d) of the Companies Commission Act 2001 (CCM Act 2001) is to promote proper conduct and good corporate governance. Subsection 17(d) of CCM Act 2001 states:

The functions of the Commission shall be-

(d) to encourage and promote proper conduct among directors, secretaries, managers, and other officers of a corporation, and self-regulation by corporations, companies, businesses, industry groups, and professional bodies in the corporate sector in order to ensure that all corporate and business activities are conducted in accordance with established norms of good corporate governance;

34. As the pursuit of CR is consistent with the provision of subsection 17(d) of the CCM Act 2001, SSM sees the need to develop an organizational parameter to allow a structured and scientific approach to be undertaken to promote CR as an agenda for adoption and internalization by SSM's "regulatees" comprising approximately 843,000 companies as well as 3.7 million businesses.

35. SSM also realizes that it is in the best position to drive the CR culture among companies and businesses in the country due to the following advantages:

(a) SSM is the Registrar of all companies and businesses in Malaysia.

The total of more than 843,000 companies as well as 3.7 million businesses provides a large pool of audience who are immediately related to the subject of CR. Regulations, policies and best practices pertaining to CR can as such be effectively introduced in the future in addition to the creation of awareness.

(b) SSM serves as the starting point to do business in Malaysia.

SSM is the perfect platform to nurture the culture of CR. One of the best approaches for new ideas and ideals to be effectively embraced is by inculcating them from the very start. SSM in this regard can play a strategic role in inculcating the ideas and concept of CR from the point of incorporation or registration of companies and businesses.

(c) SSM's organizational linkage and networking.

The fact that SSM is placed in the Ministry of Domestic Trade and Consumer Affairs will enable the organization to leverage on the linkage and networking capacity, the Ministry of Domestic Trade and Consumer Affairs being the ministry responsible for overall domestic trade activities. In addition, SSM can also effectively collaborate with other Ministries and corporate regulators in Malaysia pursuant to the cordial and long standing relationships enjoyed.

(d) Availability of a ready pool of auxiliary supportive elements.

Apart from companies and businesses, SSM's stakeholders also include company secretaries and auditors. The members of organizations such as The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), Malaysian Institute of Accountants (MIA), The Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Bar Council, Malaysian Association of Company Secretaries (MACS), Institute of Approved Company Secretaries (IACS), Advocates Association of Sarawak, Sabah Law Association, and Malaysia Corporate Counsel Association (MCCA) can assist SSM and play a significant role in disseminating the message of CR to companies. Existing stakeholders engagement platforms such as the SSM Annual Dialogue and Corporate Practice Consultative Forum (CPCF) can also be used for SSM to update the latest developments in CR.

36. The objective towards driving companies and businesses to embrace CR as part of their culture requires SSM to formulate a specific parameter to ensure an effective and strategic approach on the subject. They include:
- (i) Developing the organizational definition of CR;
 - (ii) Establishing the organizational statements on CR;
 - (iii) Identifying the objectives of the pursuit of the CR Agenda;
 - (iv) Classifying the general CR initiatives; and
 - (v) Identifying and developing the organizational approach on CR.
37. The development of the abovementioned organizational parameter is important to ensure that SSM remains focused in its CR pursuit. It will also enable assessment of valuable data towards identifying CR trends as well as facilitating its future development.
38. SSM will pursue the CR agenda on a structured basis and will benchmark against the international standard as developed by the World Bank. Being part of the public sector, SSM will partake in the 4 main roles as identified by the World Bank namely the mandating, facilitating, partnering, and endorsing roles.
39. The 4 main roles played by SSM will be set against the backdrop of the triple bottom line which serves as the general parameter in the pursuit of CR. As such, SSM's consideration for the purpose of the CR Agenda will not be confined to the traditional pursuit of pure corporate and commercial regulatory aspects but also extends to the subjects of social wellbeing and the environment.

SSM's Definition of CR

40. Taking into consideration the concept of the triple bottom line and the applicability of CR to the business community in general, SSM defines CR as:

“Commitment by corporations and businesses towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability.”

41. Pursuant to the above, SSM's definition of CR comprises of four (4) main elements;

(a) Applicability of the concept to companies and businesses

CR is applicable to all types of companies regardless of their types (public or private companies), size of operations, nature of businesses carried out, and whether listed or otherwise. The concept of CR is also applicable to other forms of carrying out business in Malaysia such as sole proprietorship, partnership, or limited liability partnership (soon to be introduced by SSM). In this regard, SSM views the word 'corporate' in CR to not only connote companies and corporations. Rather, the term when fused with the word 'responsibility' possesses an organizational connotation rather than the form of doing business. It is as such a generic term to describe the business participants. In this regard, sole proprietorships and partnerships are all part of business institutions. In this regard, they can also play a prominent role in CR as the application of the phrase can be extended to include the forms of participation in business activities.

(b) The triple bottom line

The concept entails that the conduct of business by companies, sole proprietorships and partnerships should take into consideration the social condition, the environment, and the economy.

(c) Quest for sustainability and conduciveness

Companies and businesses can only exist where there are people to conduct trading and resources (whether in their natural form or converged form) from their surrounding to trade for. Only with the preservations of these elements can companies and businesses sustain themselves. The concept of sustainability also dictates that the pursuit of the triple bottom line is not only for the present generation but also in consideration of the benefits of future generations and beyond.

(d) Pursuit of profitability

SSM recognizes that the main reason behind the incorporation of companies and registration of businesses is to pursue profitability. Such pursuit, however, can be harmonized with the concept of sustainability and conduciveness in the triple bottom line.

SSM's Organizational Statement on CR

42. SSM's organizational statement on CR is as follows:

"CR is a noble pursuit by companies and businesses towards achieving sustainability and conduciveness in the country's state of social affairs, the environment, and the economy. The conduct of modern business can no longer be centred on the issue of profitability but must also be conscious towards the needs of future generations. CR is not confined to the notion of philanthropy and may include a wide array of initiatives towards creating long term sustainability vis-à-vis the triple bottom line concept. SSM believes that the concept of CR is applicable to everyone in the business community and that everyone can play an important role towards strengthening the national CR framework. A corporate and business environment that is CR-conscious and proactively pursuing the CR agenda as part of their business concern contributes towards nation building apart from enhancing the country's competitiveness as a business destination CR is a culture which must be nurtured through multi-party co-operations and initiatives"

SSM Objectives in the Pursuit of the CR Agenda

43. SSM's objectives in pursuing the CR Agenda are as follows:

(a) To nurture the culture of CR in the Malaysian business environment;

SSM will focus its initiatives in the CR Agenda towards making CR a part of the Malaysian corporate culture and business practice. CR is a going concern and will be integrated as part of the conduct of business. In doing so, SSM will undertake the four (4) main roles highlighted by the World Bank.

(b) To encourage all companies to strive in striking an equilibrium between the quest for profitability and creating a sustainable living environment;

SSM believes the pursuit of long term sustainability in the triple bottom line should not be divorced from the quest for profit. In fact, the concurrent pursuit of both will benefit companies and businesses in the long run.

(c) To inculcate a corporate culture among Malaysian corporate players that values and recognizes all CR initiatives pursued by corporations demonstrated as creating premium for companies and businesses; and

The concept of profitability in business undertakings has recently embraced CR towards creating premium in companies and businesses. Companies and businesses which embrace CR as part of its business operations stand to have a better opportunity of striking better deals, enjoying good reputation, as well as attracting talented workers. The value of companies and businesses is no longer measured in terms of physical assets, contract value, and financial liquidity, but has taken the trend of assimilating the practice of good corporate citizenship through the practice of CR.

- (d) To pursue and propagate good corporate governance in a more holistic basis.

Finally, SSM's pursuit of the CR Agenda is carried out on the basis that it represents a component of good corporate governance. The statutory mandate bestowed for the promotion of good corporate governance practice means that the pursuit in the promotion of CR is consistent with SSM's statutory obligation. Such approach connotes SSM's approach on corporate governance is more holistic and is not only confined to the traditional corporate regulatory framework.

SSM CR Agenda Tagline and Logo

44. SSM adopts the following tagline to better communicate its role in relation to CR to the general public:

"Driving business beyond profitability"

45. SSM will adopt the following logo and affix the logo to all documents produced and display it during activities which are consistent with the pursuit of the CR Agenda to symbolize SSM's CR undertakings:



46. SSM's CR logo symbolizes the triple bottom line approach which encapsulates the three major dimensions of sustainability – economic, social, and environmental. The explanation pertaining to the abstract icons appearing therein is as follows:

- The human icon appearing at the extreme left represents the human society.
- The avian icon appearing at the extreme right symbolizes the environment.
- The green colour also connotes the environment.
- The PETRONAS twin tower icon in the middle symbolizes the pinnacle of economic success.
- The circular shape of the icons connotes sustainability and universal outlook.

The logo will be affixed on all publications or initiatives involving CR carried out or driven by SSM.

Organizational Classification of CR Initiatives

47. SSM broadly categorizes CR initiatives into two main categories:

- (a) **Extrinsic initiatives** – all programs, activities and initiatives carried out by companies and businesses which carry a positive impact externally within the parameter of the social, economic, and environmental wellbeing of the country. In short, extrinsic initiatives are internally driven by a business institution towards creating external social, economic, and environmental sustainability. Examples of extrinsic initiatives include charity drives and donations for orphanages, public awareness campaigns on the preservation of the environment, energy conservation drives, and others.
- (b) **Intrinsic initiatives** – all programs, activities and initiatives carried out by companies and businesses which carry positive impact to the internal institutional environment within the parameter of social, economic, and environmental wellbeing. In a nutshell, intrinsic initiatives are internally driven towards creating benefits internally or within the business organization concerned. Examples of intrinsic initiatives include initiatives to create a balanced work-life environment in the office, internal recycling initiatives, management-workers engagements, and others.

48. The classification of CR activities above represents a primary classification. Further classification and clusters can be pegged against the concept of triple bottom line. The diagram denoting this concept is represented as follows:



CHAPTER III:

EXECUTING THE
PUBLIC SECTOR'S
VARIOUS ROLES
IN CR



EXECUTING THE PUBLIC SECTOR'S VARIOUS ROLES IN CR



EXECUTING THE MANDATING ROLE

49. A good example of mandating CR by the public sector is the introduction of various legislations and policies on corporate governance, which include shareholders' protection, disclosure requirements, and outlining of directors' duties and responsibilities.
50. The introduction of other laws such as environmental laws, consumer protection laws, and labour laws would also be a form of mandating CR as these laws are introduced to ensure good corporate behaviour and are in line with the core areas in the triple bottom line concept i.e. social and environmental.
51. These types of laws are mandatory impositions, often termed as '*hard rules*', which companies and businesses are required to observe in adhering to the prescribed social standard.
52. There are also non-binding best practices which are not backed by legal sanctions known as '*soft rules*' and unlike '*hard rules*', the adherence to '*soft rules*' is predominantly voluntary, though the extent of "voluntary-ness" is often influenced by numerous factors such as public and stakeholders' perception and expectations.

53. The *'soft rules'* approach has many advantages as it offers flexibility and is easily accepted by the business community due to its non-imposing nature. In addition, since the acceptance of *'soft rules'* is voluntary, it is attractive to corporations as it represents an opportunity for them to leverage on CR in furtherance to subsequent business opportunities and making more profit.
54. SSM proposes to execute the mandating role through the imposition of *'hard rules'* as well as the introduction of *'soft rules'*. The introduction of *'hard rules'* and *'soft rules'* will take into consideration the prevailing issues from which SSM will thereafter introduce the relevant regulations, policies, and best practices in response to such issues.
55. One of the potential pursuits of the *'hard rules'* approach is the introduction of compulsory intellectual property compliance reporting. Intellectual property is one of the contemporary issues where the problem of business software piracy has been widely discussed nowadays. SSM views the usage of illegal and unregistered business software as not in line with the principles of good corporate governance. Business software piracy should not be viewed in isolation as just simply another *'intellectual property problem'* but must also be viewed more holistically as it relates to corporate and business practices.
56. By virtue of being a corporate regulator, SSM can assist the Ministry of Domestic Trade and Consumer Affairs through the imposition of a yearly mandatory disclosure through the lodgement of annual returns by companies. By mandating such an obligation, SSM hopes to reduce business software piracy in the country, thus ensuring clean business operations by companies carrying out business in Malaysia.
57. Such a move would also enhance confidence among foreign investors as they would be assured that the operations and conduct of business of local companies do not only adhere to the traditional company laws but also embrace a wider spectrum of corporate compliance. The introduction of such a requirement also constitutes a form of disclosure which is in line with the principles of good corporate governance.
58. Apart from *'hard rules'*, SSM will also introduce various forms of *'soft rules'* to complement the imposition of the *'hard rules'* described earlier. Some of the proposed *'soft rules'* which can be introduced by SSM include:
- Non-compulsory disclosure of CR activities undertaken by companies and businesses. This can be achieved by allocating the necessary columns in the Form of Annual Return (for companies) and Form A1 (for businesses) lodged with SSM. The disclosure should be undertaken voluntarily; and

- The introduction of Best Business Practice Circulars (BBPC) for companies and businesses which are non-binding. The BBPC will be issued periodically for companies and businesses to be used as guidelines towards enhancing and improving their business practices, as well as the management and operations of companies and businesses. Apart from the corporate legal and regulatory aspects, the BPPC will also touch on subjects relevant to the triple bottom line concept. Among the areas which can be covered include:
 - The holding of Annual General Meeting (AGM) for companies;
 - Formulation of the CR framework for companies and businesses; and
 - Formulation of best practices and sharing of tips for companies and businesses for the conservation of energy and natural resources.

EXECUTING THE FACILITATING, PARTNERING, AND ENDORSING ROLES

59. In relation to carrying out the facilitating, partnering, and endorsing roles, all three (3) roles will be executed simultaneously as it is difficult to draw a clear demarcation between them. This is because projects and initiatives carried out by the public sector will most of the time possess the nature of two (2) or more roles outlined above. Among the projects identified to be carried out under these roles include:

- The establishment of a CR-Business Matching Centre;
- The establishment of a SSM CR Advisory Council;
- The establishment of joint research initiatives on CR; and
- The promotion and creation of public awareness on CR through strategic partnerships and collaborations.

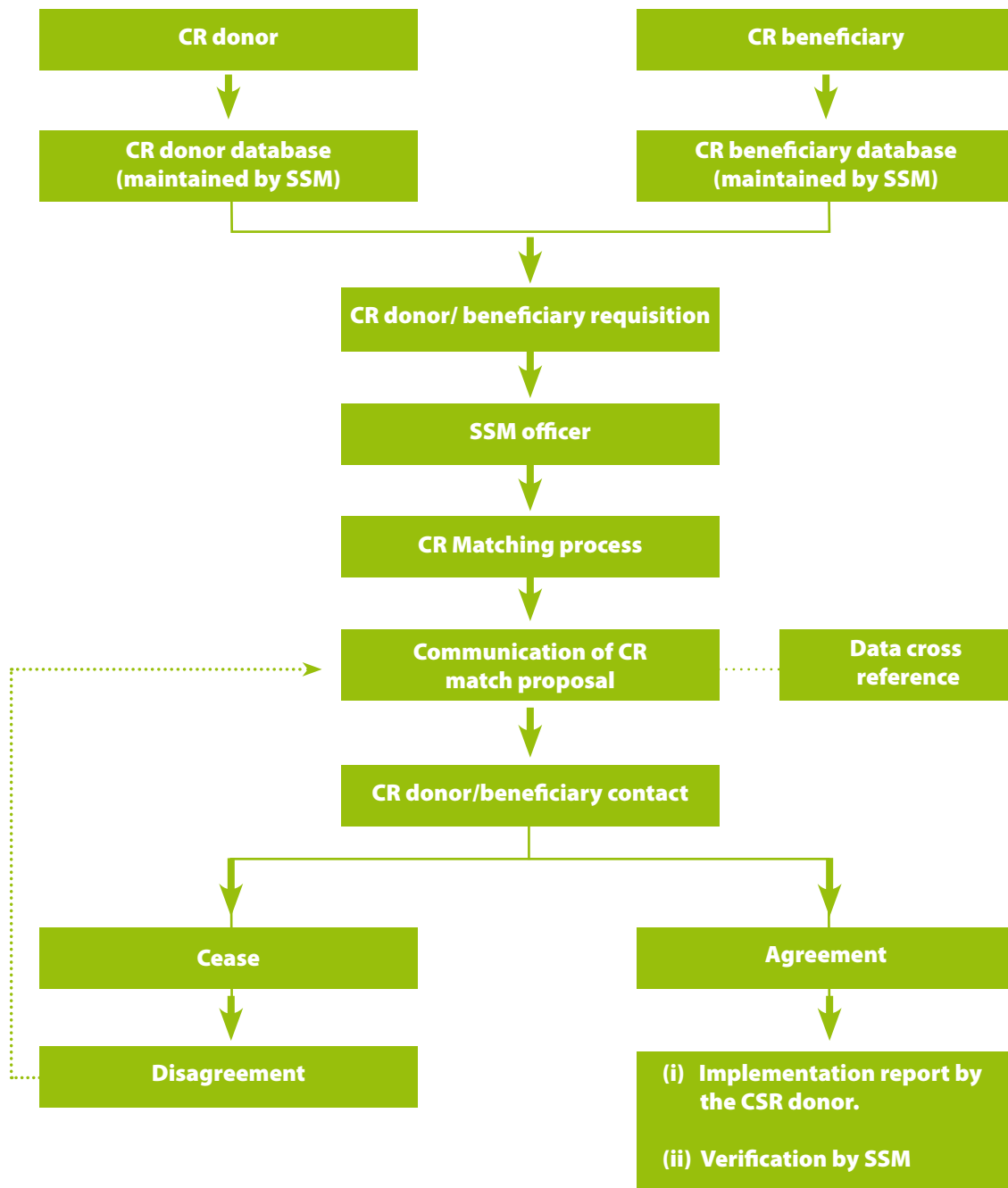
Establishment of a CR-Business Matching Centre

60. In line with the Government's recent call to promote CR among business entities in Malaysia, SSM will set up a CR-Business Matching Centre (CBMC) with the aim to facilitate CR initiatives and drive towards a more structured approach in CR. CBMC is a free service to be offered by SSM to enable interested companies' and business owners' participation in CR activities.

61. The objectives of the establishment of the CBMC are as follows:
- (a) To enable CR practice in Malaysia to be carried out on a more structured basis;
 - (b) To enable fairer distribution of CR benefits and incentives; and
 - (c) To encourage the business community to embrace CR as part of their business agenda.
62. The CBMC program will comprise of companies or businesses (CR Donors) who will state the type of CR activities that may or can be undertaken by them. The counterparties will comprise of those who wish to benefit from CR activities (CR Beneficiaries). The participants of the CBMC program will make available their details of their CR capabilities, capacity, location, activities, and needs to SSM. SSM will store the data in its system where they will be utilized later for the purpose of the CBMC. The typical information required from both the CR Donors and CR Beneficiaries include the following:

CR Donors	CR Beneficiaries
(i) Particulars of company/ business	(i) Identity of beneficiary
(ii) CR activities/ initiatives offered	(ii) Type of CR benefits sought
(iii) Description of the capacity and capability of executing the CR activity proposed.	
(iv) Location(s) preferred for the CR activity to be carried out	

63. SSM will keep the above in its database and will match the profile of the CR Donors and the CR Beneficiaries. Upon a match of a CR Donor and a CR Beneficiary, SSM will inform both parties. The CR Donor and CR Beneficiary will thereafter initiate contact and finalize their terms of engagement. Once an agreement between the CR Donor and CR Beneficiary is finalized, both parties will be required to inform SSM. Likewise, when the CR Donor and CR Beneficiary fail to reach to any agreement, they are also required to inform SSM. The CBMC process is perhaps best described in the form of a diagram and flowchart:



The potential and benefits of the CBMC is virtually endless. The potential scenarios on the workings of the CBMC can be illustrated as follows:

- X Sdn. Bhd. is a shipping company that possesses a fleet of ocean liners and tankers. X Sdn. Bhd. deposits the information to SSM that it has the capacity and capability to impart seafaring experience to aspiring children. A is a young boy who is terminally stricken with cancer and dreams of the experience to sail the ocean on a mighty LPG tanker. A's information is later sent to SSM. SSM, through its dedicated CR officer with the assistance of its computer system, matches X Sdn. Bhd. and A as potential a CR Donor and CR Beneficiary, respectively. X Sdn. Bhd. later engages A and both agree for A to be accorded with a one-day experience of sailing on board one of X Sdn. Bhd.'s tankers. X Sdn. Bhd. and A will later verify with SSM via a simple and facilitative reporting system that such an activity had taken place.
- Y Enterprise is a small partnership carrying out architectural consultancy. Y Enterprise does not possess the financial capability to donate any part of its revenue to charity. However, by virtue of carrying out an architectural consultancy business, Y Enterprise is manned by engineers and architects who are well versed in mathematics. The management in Y Enterprise wishes to contribute to the CR initiative by offering the skills and expertise of its staff available. Yayasan B is an orphanage that operates on a very strict financial cash flow to fund its activities. It is currently looking for volunteer tuition teachers to teach the subject of mathematics to several secondary school-going children. Both parties supply their information to SSM and the system matches the parties.
- Z Bhd. wants to donate RM1 million to an orphanage in a remote area in Sarawak but does not possess the information of orphanages located there. Rumah C is an orphanage remotely located in Sarawak. Both parties' information is submitted to SSM where a match is later achieved.

Matching the profile of the CR Donors and the CR Beneficiaries. The matching process is done via a computer application which scans only CBMC information based on several sets of criteria. Once found, the application will show a list of matching CR Donors and Beneficiaries, together with all the necessary information like the addresses, donation category, donation amount, etc.

64. The next process is where SSM proceeds to inform both parties that a data match has been achieved and thereafter they may decide to either accept or reject the proposed match. At this stage, SSM's role as the 'match-maker' ends. The next step shall be taken by the two parties, i.e. the CR Donor and the CR Beneficiary, where they will discuss the details of the execution of the CR initiative. Finally, SSM will be informed of the status of the CR activity. The information shall be retained by SSM to enable the analysis of CR trends and activities in Malaysia.

Establishment of a SSM CR Advisory Council

65. SSM will establish a CR Advisory Council to advise the organization on matters pertaining to CR. The members of the CR Advisory Council shall be drawn from the various components of the society and will include academicians, representatives from professional bodies, corporate practitioners, and representatives from the public sector as well as subject matter experts.
66. The members of the CR Advisory Council will convene periodically to discuss issues pertaining to CR as well as provide SSM with advice on pursuing its CR Agenda.
67. The CR Advisory Council will be primarily responsible for rendering advice and proposing directions to SSM in relation to CR. In addition, the CR Advisory Council will monitor the various CR projects and activities undertaken by SSM. Specific responsibilities of the CR Advisory Committee will include:
- Reviewing and recommending CR strategies to the SSM;
 - Advising on SSM's CR policies, controls and system;
 - Advising SSM on the latest issues and trends in relation to CR; and
 - Providing independent reviews of SSM's CR infrastructure, capabilities, environment, and processes, where necessary.
68. The CR Advisory Council will operate by specific terms of reference and shall be appointed by SSM's Commission Members.

Establishment of Joint Research Initiatives on CR

69. SSM will enter a Memorandum of Understanding (MOU) with Universiti Kebangsaan Malaysia (UKM) for strategic collaboration and research on CR. The findings from such research and collaborations will be used to further enhance the national CR framework. The collaboration between SSM and UKM will contain *inter alia* the following salient features:
- The provision of corporate information, data, and statistics by SSM to UKM for their research and analysis;
 - Joint research and development activities on CR;

- The formulation of a CR framework for small and medium companies;
 - The promotion of CR to the business community and the public at large towards strengthening the national CR framework; and
 - Joint publications on CR.
70. The MOU entered between SSM and UKM will represent a milestone as it marks the beginning of more MOUs and agreements to be undertaken by SSM towards enabling more research and development-oriented activities to be undertaken. It symbolizes the mutual cooperation undertaken by SSM as a corporate regulator and the halls of academia in pursuit of nation building and enhancing good corporate governance.

Promotion and Creation of Public Awareness on CR through Strategic Partnerships and Collaborations

71. SSM will pursue the creation of awareness together with the Ministry of Domestic Trade and Consumer Affairs through various publicity drives and activities. Being the Ministry tasked with the conduct of domestic trade activities, SSM is of the view that the Ministry of Domestic Trade and Consumer Affairs can play a strategic role in enhancing the national CR Agenda by promoting CR among the business community locally.
72. Further collaborations with other Ministries and relevant Government agencies will also be carried out depending on the types of awareness programs to be carried out.
73. In addition, SSM will also create awareness on CR among members of the public through its Business Registration Mobile Counters programs, Business Registration Circuit Counters, as well as other public and stakeholders engagement. Other forms of engagement can be through awareness campaigns in schools and universities nationwide towards inculcating the culture of CR to future businessmen, corporate leaders, directors and employees in the private sector.
74. The SSM Training Academy (COMTRACT), established in 2007 can play an important role in enhancing the public's and business community's knowledge and awareness on CR. In addition to the existing training modules on the provisions of CA 1965, corporate governance, and accounting, COMTRAC can also add new modules pertaining to CR. The creation of such modules may be undertaken together with subject matter experts or through engagement of external speakers.

75. SSM will also leverage on existing stakeholders engagement platforms like the Annual Dialogue or CPCF to disseminate information pertaining to the concept and practices of CR among company secretarial practitioners. The company secretaries are a vital component within a company, serving as corporate advisors as well as bridging the shareholders and the board of directors in companies. As such, they can play an important role in CR by advising the board members as well as the shareholders pertaining to the subject matter.
76. Being a registrar of companies and businesses as well as a corporate regulator, SSM will closely align the promotion of CR with the following three (3) core areas, namely:
- (a) Advocating the positive link between CR and profitability;
 - (b) Nurturing the culture of CR together with corporate governance; and
 - (c) CR as part of nation building
77. As a company and business registrar, SSM views that there is positive correlation between CR initiatives and profitability. Such correlation however is rarely direct. Companies and businesses possessing good CR policies, practices and reputation will likely attract a talented workforce, apart from retaining the loyalty of the existing workforce. This is due to the feeling of self-fulfilment of being part of a business entity which is properly integrated with the society and issues pertaining to it. In the modern context of doing business, CR practices can also serve as a competitive edge which distinguishes one product, service, company, or business from the other. The element of premium can be injected into the value of the shares of a company as well through good reputation enjoyed among customers, suppliers, and the public in general.
78. SSM will also concentrate in making the practice of CR a part of the Malaysian business culture. This can be achieved if the right values are injected during the *'tender years'* upon incorporation as well as getting the message of CR communicated effectively to the various components of a company like the board of directors, auditors, company secretaries, and shareholders – all of them regulated by SSM in one way or another.
79. In promoting CR among its stakeholders, various forms of outreach programs can also be carried out by SSM branches located nationwide. In this regard, the various SSM state branches shall serve as satellite offices where they in turn may engage the stakeholders within their locality. By doing so, SSM hopes that the knowledge and message pertaining to CR will be able to penetrate the country.

80. Finally, SSM will also impress among the stakeholders that CR is not confined to the notion of charity but their participation also possesses significant nation building benefits. In view of the current global economic crisis, a helping hand from the corporate and business sector can contribute towards achieving internal liquidity through the various activities undertaken. In addition, CR activities possess many positive social implications.

CHAPTER IV:

SSM'S EMBRACE
OF THE NOTION
OF CR



SSM'S EMBRACE OF THE NOTION OF CR



81. SSM is of the view that CR is a concept directly relevant to the corporate and business community. For public sectors such as SSM, their role is more towards mandating, facilitating, partnering, and endorsing the CR activities and initiatives undertaken by the private sector. However, the substance and notion of CR can still be applicable to SSM. This is especially after taking into consideration the definition of CR by Wikipedia (refer to paragraph 12 as set out earlier in this document).
82. The definition of CR by Wikipedia represents a rarity because according to its definition, CR is associated with organizations rather than companies or businesses *per se*. This definition is significant as it connotes that the concept of CSR transcends beyond business entities. While it may be counter argued that the concept of CR is applicable to companies and businesses, SSM is of the opinion that it can also participate in various CR-related activities, hence subscribing to the noble notions of CR.
83. Throughout the years, SSM has always carried out initiatives which are consistent with the principles of CR through extrinsic and intrinsic initiatives. SSM's extrinsic CR initiatives include organizing free talks and seminars towards strengthening the national corporate governance agenda, and carrying out various donations and charitable drives. For intrinsic initiatives, SSM has carried out various employee-centric activities such as the organization of annual dinners, sports activities, and family days as well as other initiatives such as salary and benefits reviews towards making SSM a sustainable and conducive workplace.

84. As a corporate regulator, SSM is looking forward to embed the CR culture into its daily operations. Some of the CR-related activities that may be undertaken by SSM include:

(a) Recycling promotion and initiatives

SSM will introduce its internal recycling policy to be adopted by the organization as it perceives it can positively contribute towards better management of resources internally. Unwanted by-products such as papers, plastics, batteries, and toners can be recycled to minimize the future consumption of resources.

Among the intrinsic activities identified to be carried out include:

- Selling of all old newspapers and shredded papers to the nearest second hand paper dealers. The collected funds can be used for staff welfare and activities.
- Setting up dedicated recycle bins to be placed at SSM's offices nationwide. The recycle bins will be in accordance with the international colour code to enable the deposit of recyclable items such as paper, plastic, glass, and aluminium cans.
- Minimizing daily paper consumption by utilizing both sides of paper by SSM staff in carrying out their daily functions.
- Embarking on recycle drives to encourage SSM staff to recycle recyclable items such as newspapers, paper products, aluminium cans, and plastic.
- SSM will have a recycling community within SSM's Sports Club. The recycling community will educate, encourage, and promote recycling-related activities in SSM.

The extrinsic activities to be carried out by SSM include:

- Embarking on the promotion of recycling as a way of life among SSM stakeholders.
- Formulating BBPC on recycling initiatives to serve as general guidelines to companies and businesses who wish to introduce recycling policies within their organizations.

(b) SSM's Organizational Energy Management

SSM will establish its efficient energy management policies to ensure the efficiency of energy consumption. Pending SSM's move to its new headquarters next year, SSM has already drawn a comprehensive plan towards ensuring minimal and efficient energy consumption involving building design and architecture, and hardware to be used.

The intrinsic activities to be carried out by SSM in relation to efficient energy management include:

- Utilization of energy saving devices in the new SSM headquarters. The new SSM building is to be fully equipped with electrical and electronic energy saving devices such as computers, notebooks, LCD projectors, lights, and air conditioning units. These energy saving devices will lead to lower electricity costs and leave behind less environmental foot prints. SSM's interior design for the new building will also incorporate the efficient energy approach. There will be minimal light usage with maximum light provided and usage of electricity is only for work-related purposes.
- Practicing efficient energy conservation and disseminating the message of energy conservation to SSM staff.

The extrinsic activities to be carried out by SSM include:

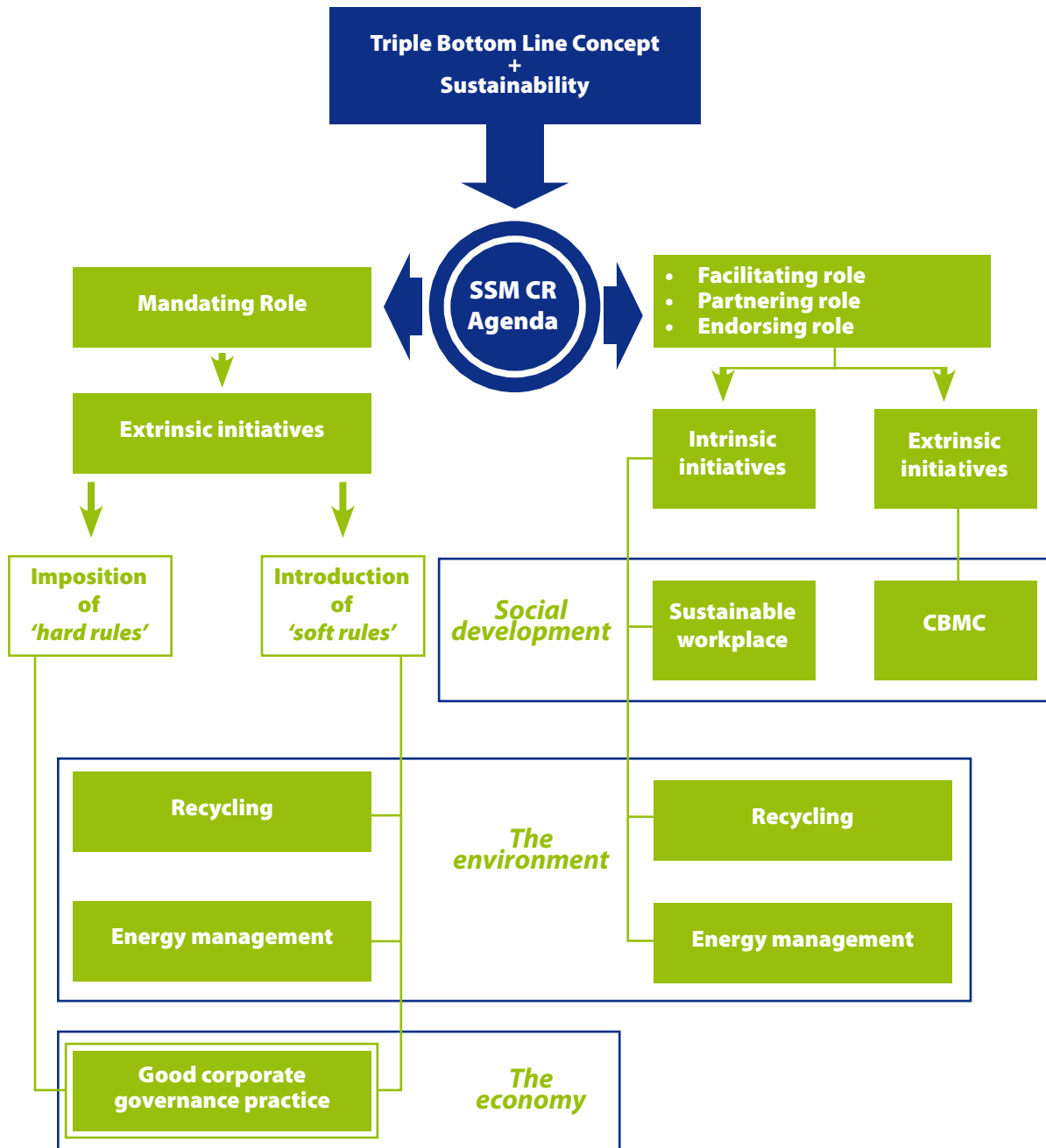
- Formulating BBPC on energy conservation and efficient energy consumption to serve as general guidelines to companies and businesses.

(c) Striving towards achieving a sustainable work environment

Through various intrinsic initiatives, SSM will strive to provide a sustainable work environment for its entire staff. Various initiatives introduced earlier like the organization of SSM Family Day, Annual Dinner, Annual Sports Day, Treasure Hunts, and others will be continued and enhanced. SSM also rewards academic achievements by its staff's children and organizes staff-oriented events such as breaking fast and Hari Raya gatherings. The organization of such events not only benefits SSM employees, but also extends to their immediate family members. Other initiatives to be carried out in the future include enhancing SSM's employees' remuneration packages, rewarding work performance, and others. It is hoped that these intrinsic initiatives will make SSM a conducive and sustainable workplace.

85. SSM's pursuit of CR coupled with the parameter established would require SSM to restructure its CR-related activities and approaches. It entails *inter alia* the setting up of a dedicated unit to handle the CR portfolio, realignment of daily activities undertaken, re-branding of activities, and others. In this regard, gradual enhancement on human capital capacity and capability will be done. This is especially taking into consideration the complexity and diversity of the subject of CR, its rapid development, and the challenges faced by SSM in enhancing the level of awareness on CR.
86. The realignment of activities includes:
- (a) Disseminating the concept of CR to all SSM employees towards achieving a shared vision of the subject matter. As an organization which promotes CR as part of its organizational agenda, it is paramount that all SSM staff be well informed and equipped with the adequate level of knowledge.
 - (b) Leveraging on existing daily activities carried out by SSM to promote the CR Agenda. Such a promotion can be realized through the following programs:
 - (i) Mobile Business Registration Counters;
 - (ii) Circuit counters;
 - (iii) Donations and charity runs; and
 - (iv) Awareness and education programs carried out by SSM especially through the Public Affairs Section and COMTRAC.
87. The general overall structure of SSM's CR initiatives is depicted in the next page:

SSM's CR Agenda Implementation Module



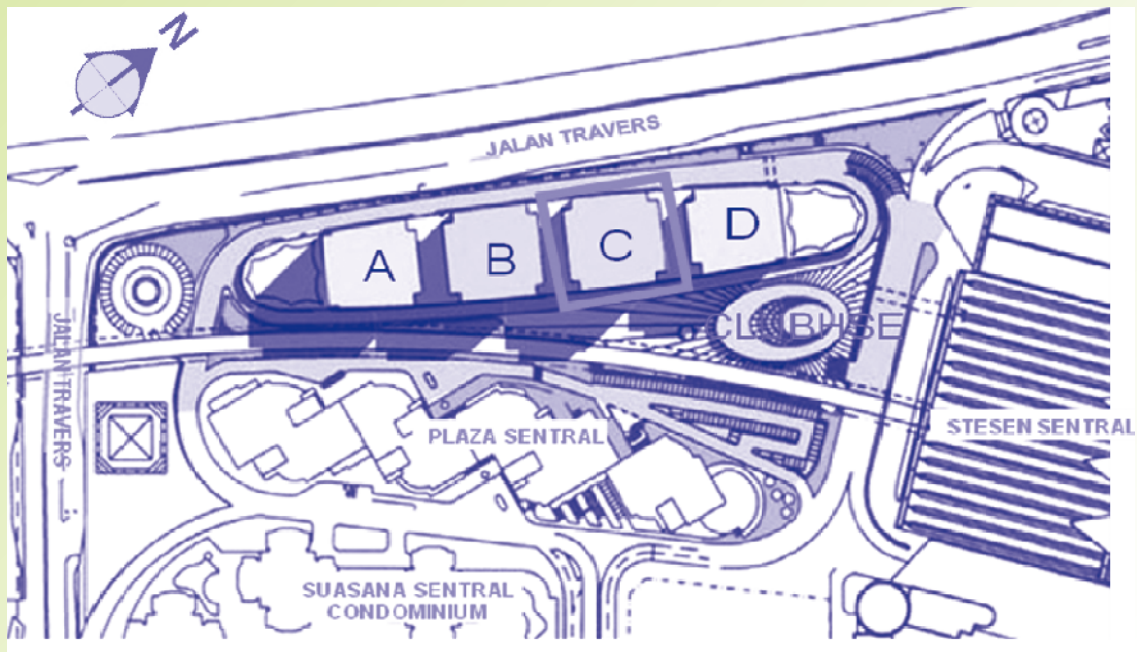
WALKING THE TALK: THE GREEN FEATURES OF SSM's NEW CORPORATE HEADQUARTERS

SSM's new corporate headquarters at KL Sentral was designed to incorporate various green and energy efficiency features towards ensuring environmental sustainability. The green and energy efficiency aspects can be broadly described as follows:

Building orientation

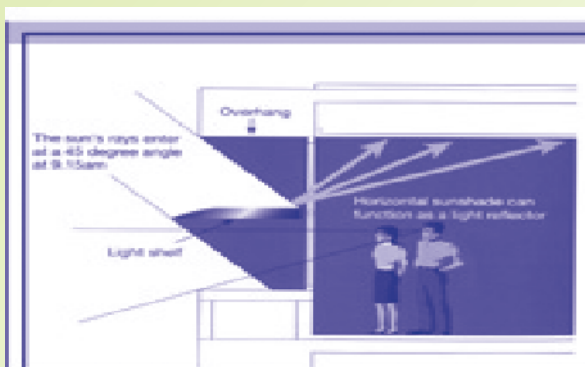
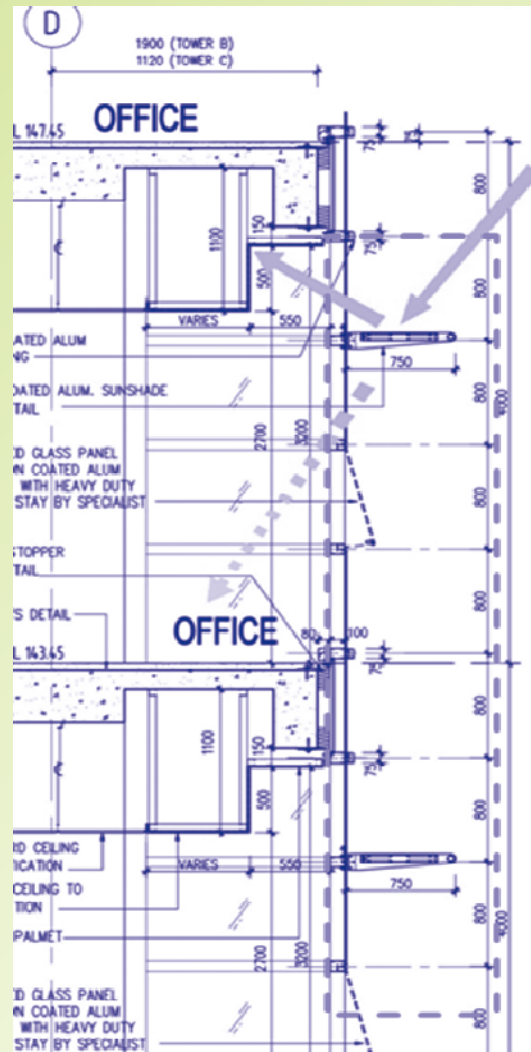
The physical orientation of a building has a significant impact on its energy consumption. Where the windows of a building face east, they will trap the morning sun whereas windows facing the west will let in the afternoon heat. Both these attributes will make the building warmer and consume more energy for cooling down. To avoid direct absorption of heat from the sun, it is best for the main facades of the building to avoid facing a direct east-west direction. This concept has been adopted for the new SSM building where the main building facades are slightly angled facing the north-west and south-east directions.

Development Site Plan

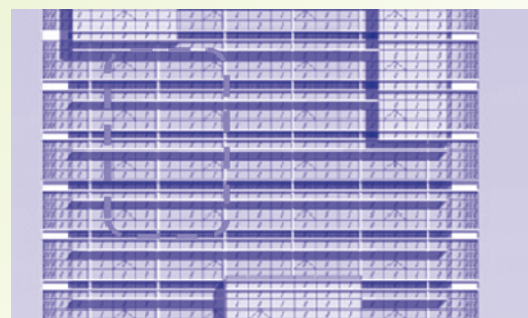


Façade treatment - glass curtain walls

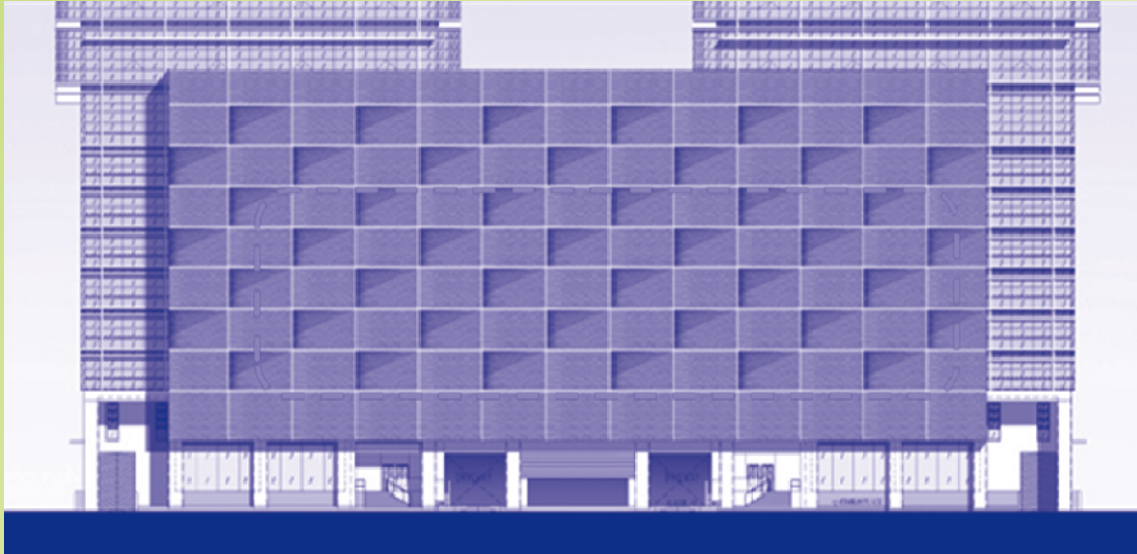
The windows and external walls of the new SSM building are protected by appropriate shading mechanisms to allow for maximum light penetration whilst minimizing the transfer of heat. This feature will enable the building to have natural light coming in during the day to minimize electrical lighting usage and at the same time deflect the heat to maintain the interior coolness of the office. The aluminium fin screens and sun shades prevent the direct penetration of sunlight and at the same time reflect the sun rays into the room. This diffusing action takes away much of the heat while allowing sufficient light to enter, thereby improving energy saving and user comfort as illustrated in the diagrams below:



SUN heat is bounced onto floor ceiling for absorption



installed at office floors windows



The added protection against heat is afforded by the 8 - 10mm thick light-green-tempered glazing on the panes which allows 65% of the available daylight in while keeping 49% of the heat out thereby reducing the usage of air-conditioning. Car park louvers are arranged to allow daylight to penetrate while at the same time becomes an external visual screen as shown in the diagrams that follow.

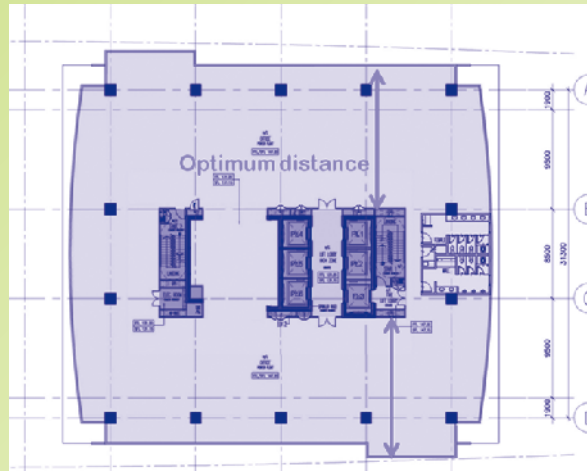
Building Deck

The SSM office building was constructed on a platform above the existing Keretapi Tanah Melayu (KTM) and Express Rail Link (ERL) railway tracks. This has the advantage of maximising the development with limited usage of land. As such, forest and vegetation were not cleared to make way for the development of SSM's new building. The advantages of this elevated design concept are:

- Minimal earthworks were required as compared to the construction of underground basement parking where huge earthworks excavation is required;
- The elevated car park acts as a buffer against vibration and sound to the building occupants;
- Car parks aboveground allow natural cross-ventilation thus omitting the need for mechanical ventilation as shown in the diagram on the following page; and
- Allows natural daylight into the car parks thus reducing energy usage during the day.

Optimization in floor layout

The floor plan layout was designed to allow maximum natural daylight. The depth from the curtain wall to the building core permits more light thus reducing usage of electrical lighting as shown in the diagram below.



Building materials

The building materials and finishes selection are predominantly non-toxic, and most are from natural products. The formworks used during the concrete construction are the MIVAN formwork system where it has the advantage of being reused repeatedly as opposed to the plywood-type formwork which has limited usage before it will be discarded as shown in the diagrams in the following page:

Variable Refrigerant Volume (VRV) Air Conditioning System

The air-conditioning system used for the new SSM building is the VRV system. This air-conditioning system is purpose-built for energy saving where its function and operation is based on the actual usage demand. This system incorporates a device called the inverter – an intelligent control unit which can control the system's working capacity to the demand load. Other advantages of the VRV are:

- Lower operating cost as compared to a chilled-water system;



- Flexibility in operation where every zone is controlled individually, thus enabling energy saving;
- Energy efficient especially during part-load conditions (weekends and after-hours);
- Individual thermostat provides precision control of every zone;
- Self diagnosis system which identifies problems quickly and accurately, ensuring efficient service and maintenance;
- “Intelligent Manager” system that provides effective centralized monitoring and control of the whole VRF system; and
- Refrigerant used is R410A which is environment-friendly and is chlorine-free, replacing the R22 refrigerant which is chlorine-based and to be phased out by 2010.

Building Automation System (BAS)

The new building is installed with the BAS which provides the following functions for the purpose of energy conservation:

- All common lightings such as lobbies, car parks, toilets, and staircases are time-schedule controlled by the BAS, thus ensuring energy saving;
- All compound and facade lightings are also time-schedule controlled by the BAS, ensuring energy saving; and
- Mechanical equipment such as toilet exhaust fans, plant room exhaust fans, pre-cooled AHUs are all time-schedule controlled by the BAS, to conserve energy.

Escalator

The escalator installed for this building will have an in-built sensor, a device which will allow the escalator to automatically stop by itself when left idle and start automatically when use is required, as shown below.

Information & Communication Technology (ICT) Equipment and Design

The ICT equipments and design chosen for SSM's new building are generally energy efficient products and use electricity only when required or in use. The ICT equipments used are generally energy star products and products that are based on recycled sources. The equipments chosen for SSM's data centre will be able to save electrical power consumption by approximately 40% on a monthly basis as compared to the normal data centres operated by other organizations. The equipments chosen to maintain the cool temperature in the data centre and server rooms use chilled-water technology instead of direct cooling using the air-conditioning. In addition, all the above specifications and equipments generally consume less electricity and save energy.

ENGAGEMENT AT INTERNATIONAL LEVEL ON CR

88. CR has become an international agenda pursued by corporate regulators and companies around the world. As such, SSM will not only confine the pursuit of CR at the domestic level but will broaden its horizon by engaging corporate regulators nationwide to exchange views, knowledge, and experience on the subject matter. SSM is one of the founding members of the Corporate Registers Forum (CRF). The membership of the CRF comprises of corporate and business registers from the United Kingdom, Australia, Bermuda, Botswana, British Virgin Islands, Canada, Cook Islands, Hong Kong, Mauritius, New Zealand, Nigeria, Pakistan, Samoa, Singapore, South Africa, Sri Lanka, United Arab Emirates, Vanuatu and Zambia.
89. The CRF provides a ready international platform where discussions pertaining to CR can be initiated at the international level. In fact, during the 2007 CRF in Vancouver, SSM was invited to present a paper on CR entitled *"Corporate Social Responsibility: A Regulator's Approach"*. A discussion on the subject also ensued after the presentation.
90. SSM is planning to engage the United Nation's (UN) Global Compact with the objective of expanding its CR horizon beyond the domestic context and tap into the knowledge and experience of subject matter experts in the UN. The UN Global Compact which was launched in 2000 currently boasts a membership of approximately 4,000 participating companies and 1,300 non-business participants from 120 countries.

91. The UN Global Compact has outlined ten (10) principles which are clustered into four (4) main areas as follows:

Human Rights : 1. Businesses should support and respect the protection of internationally proclaimed human rights.

2. Businesses should make sure that they are not complicit in human rights abuses

Labour Standards : 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. Businesses should support elimination of all forms of forced and compulsory labour.

5. Businesses should support effective abolition of child labour.

6. Businesses should support the elimination of discrimination in respect to employment and occupation.

Environment : 7. Businesses should support a precautionary approach to environmental challenges.

8. Businesses should undertake initiatives to promote greater environmental responsibility.

9. Businesses should encourage the development and diffusion of environment-friendly technology.

Anti-Corruption : 10. Businesses should work against corruption in all its forms, including extortion and bribery.

The 10 principles are in alignment with the notion of achieving sustainability and are substantially relevant with SSM's pursuit of driving CR among the business community.

CONCLUSION

92. The Dow Jones Sustainability World Index (DJSWI) is a global index which assesses 2,500 leading companies around the world in relation to sustainability. The index identifies sustainable leaders based on a certain set of criteria, including corporate governance, corporate philanthropy, risk management, human capital development, and environmental performance.

Two (2) Malaysian companies were initially in the top 300 companies in the 2003/04 survey. The figure was reduced to one (1) in 2004 and the latest survey carried out in 2008 revealed that no Malaysian companies were listed in the top 300 list.

93. While the assessment and findings of the DJSWI may not reflect the true state of CR initiatives in Malaysia, it can to a certain extent be used as an indicator of the country's standing in relation to CR. The World Bank's Doing Business series for example has come under detailed scrutiny and even criticized on its assessment methodology. Regardless, the fact remains that the publication is widely read by businessmen, Government servants, and members of the public worldwide, and this warrants serious attention be given. Its wide readership has given the publication a degree of influence on the business community and investors worldwide. This is especially due to the fast pace of globalization currently taking place.
94. The SSM CR Agenda is an initiative by SSM to elevate the standard of CR practices and initiatives in the country to that of a global level. The activities and initiatives outlined in this document shall serve as a general roadmap towards SSM CR initiatives. More CR activities, projects, and initiatives will be introduced to enable the strengthening of the national CR framework. In implementing the various initiatives identified, SSM will work together with its stakeholders, Government agencies, the business community, and the members of the general public.



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