

## THE SILVER BOOK

ACHIEVING VALUE THROUGH  
SOCIAL RESPONSIBILITY

THE SILVER BOOK | ACHIEVING VALUE THROUGH SOCIAL RESPONSIBILITY

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## The Silver Book: Achieving Value through Social Responsibility

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In July 2005, the Putrajaya Committee on GLC High Performance (PCG) launched 10 Initiatives to drive and enhance the performance of GLCs. One of the Initiatives is the Silver Book, which is a set of principles and guidelines to be implemented by GLCs so they can proactively contribute to society while still creating value for their shareholders. The Silver Book also guides GLCs on how they can clarify and manage any social obligations.

Contributions, as envisaged in the Silver Book, are not just about philanthropy or donating money to charitable causes or even meeting an external set of compliance criteria on corporate social responsibility. Rather, it is about creating benefits to society as an integral part of a company's business and operations, with the opportunity to derive a competitive or commercial advantage for the company itself.

The Silver Book is relevant to all parties involved in the PCG-led transformation efforts. This includes the Government, Government-Linked Investment Companies (GLICs), GLCs' BOD and their management and staff.

### **Definition of contributions to society in the Silver Book:**

*An activity undertaken by a business where the primary objective is to benefit the society in which it operates or groups of individuals or communities within that society. Such activities are generally voluntary, although some may be undertaken by the business to specifically respond to or to fulfill the demands of stakeholders.*

*Examples range from implementing good employment practices for the benefit of employees to participating in community development programmes and promoting good business practices and fair competition.*





## Why are Contributions to Society Important?

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Businesses are critical to the economic development of the society they operate in. This is especially true of GLCs, which account for approximately RM260 billion in market capitalisation or approximately 36% and 49% of the market capitalisation of Bursa Malaysia and the benchmark Kuala Lumpur Composite Index respectively<sup>1</sup>. As a number of GLCs selectively expand abroad, their ability to contribute and act in a socially responsible manner in markets outside Malaysia will also be an important factor to their success.

Leading global companies are embracing contributions to society as a core part of their business. In return, they benefit from:

- Increasing interest from socially responsible investors
- Facilitating access to global markets
- Justifying a price premium on products/services
- Strengthening market presence and goodwill
- Identifying new and innovative commercial opportunities
- Improving risk management practices
- Attracting and retaining a talented and diverse workforce

GLCs need to align the expectations of the Government, private investors, employees and consumers around the nature and extent of their contributions to society. It is critical that the GLCs clarify and manage these expectations to demonstrate the value they are creating from their contributions to society.

Therefore, the Silver Book's objectives are to:

- Clarify expectations on the GLCs' contributions to society
- Guide the GLCs in evaluating their starting position in contributing to society
- Provide the GLCs with a comprehensive set of tools, methodologies and processes to proactively contribute to society in a responsible manner while still creating value for their shareholders

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<sup>1</sup> As at July, 2006





## Guiding Principles

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The Silver Book sets three principles to guide the Government, GLICs and GLCs on how contributions should be managed.

**Principle 1:** The GLCs' primary objective should be to enhance shareholder returns and meet the needs of other key stakeholders (e.g., consumers and employees)

**Principle 2:** GLCs should proactively contribute to society in ways that create value for their shareholders and other key stakeholders

GLCs should aspire to lead corporate Malaysia as socially responsible corporate citizens

**Principle 3:** GLCs should actively manage their contributions to society in the most efficient and effective manner in line with industry norms and best practices as well as the relevant regulatory framework

The above principles are in line with the underlying principles of the GLC Transformation Manual.

## Evaluating Your Starting Position

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GLCs should evaluate the effectiveness of their current contributions to society programme. The Silver Book provides a two-step Contributions to Society Assessment (CSA) process for this purpose.

**Step 1:** GLCs should assess their starting position in contributions to society using a self-assessment scorecard

**Step 2:** GLCs should then assess the cost-benefit of their existing contributions to society by quantifying the Net Economic Impact (NEI) of the contributions as well as evaluating their qualitative benefits





## Building Blocks of a Contributions Programme

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There are six essential “building blocks” to an effective contributions to society programme:

### ***1. A comprehensive policy on contributions to society***

A comprehensive policy should have the following elements:

- Contribution themes that are aligned to the GLCs’ overall business strategy and their stakeholders’ expectations
- Explicit statements on the types or criteria of activities that the GLCs will or will not support
- Statement of commitment to the core themes

A well-developed and communicated policy will enable GLCs to manage and process requests for contributions.

### ***2. A clear financial spend target for the overall portfolio of contributions to society***

GLCs should establish a financial spend target based on the expected impact of each contribution, their overall financial position and the contribution levels of comparable local and global companies. The PCG expects all GLCs to set an annual financial spend target for their contributions to society.

### ***3. Regular review and enhancement of all existing contributions to society***

There are three levers GLCs can use to effectively manage their contributions, especially their social obligations:

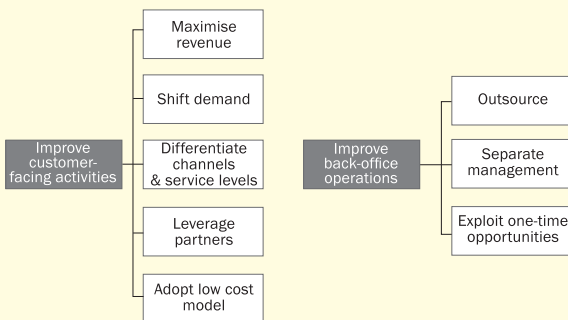
- Internal Optimisation Levers – to reduce the cost of a contribution while still fulfilling its intent
- Reshape or Exit Levers – these should be used when internal optimisation has not resulted in the desired financial impact or has not sufficiently alleviated the financial burden of the contribution
- Funding Levers – a set of funding options for GLCs to consider if efforts to internally optimise, and reshape or exit are either insufficient or inapplicable





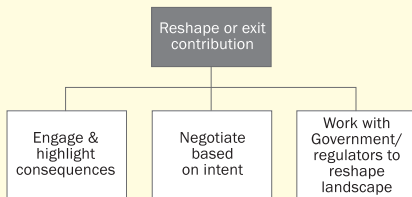
## EXHIBIT 1

### INTERNAL OPTIMISATION LEVERS



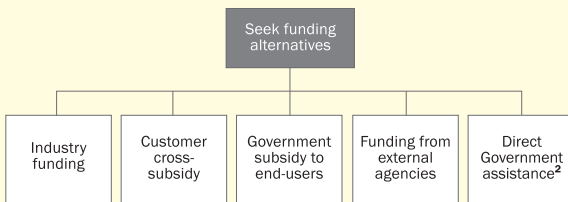
## EXHIBIT 2

### RESHAPE OR EXIT LEVERS



## EXHIBIT 3

### FUNDING LEVERS



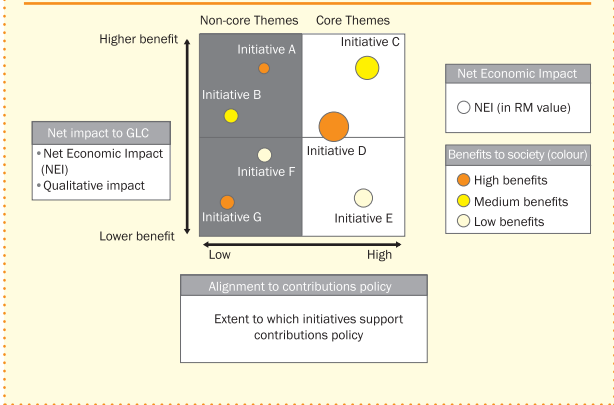
<sup>2</sup> Direct Government funding is only as a last resort

GLCs with a large number of contributions should periodically review their contributions as a portfolio to ensure the right mix. This should be done as part of the annual business planning cycle to help determine the financial spend target.

The contributions should be assessed relative to each other along the following dimensions:

- Net impact to the GLC – based on the net impact of a contribution on the company; both economic and qualitative
- Alignment of each contribution to the GLC’s contributions policy
- Impact of the contribution to society – qualitative assessment

#### EXHIBIT 4 PORTFOLIO OPTIMISATION USING A PRIORITISATION MATRIX



#### 4. A formal process to handle new requests

All GLCs should have a formal and systematic process to handle in-coming requests for new contributions. This will reduce the overall inflow of requests and reduce senior management time spent on these requests. This process should include:

- A mandatory formal application form
- A “safety valve” to handle requests that are not within the scope of the policy





## **5. *Positive reporting and communication of the contributions to society to all stakeholders to maximise goodwill***

GLCs should develop and implement a comprehensive communications and reporting programme to publicise their contributions to society on an annual basis. This will help gain public acknowledgement and recognition, attract the interest of socially responsible investment funds and more broadly address and manage any concerns or expectations of key stakeholders (i.e., consumers, employees, Non-Governmental Organisations).

## **6. *An effective governance and organisation structure***

The final building block is to integrate the policy into the day-to-day operations of the business and secure the support of the BOD and management.

It is important for GLCs to formalise and implement aspects of their contributions policy throughout the organisation. Going forward, it is the PCG's aspiration that executives of Malaysian GLCs will intrinsically embrace the notion of conducting business in a socially responsible manner.

This includes centrally coordinating specific functions related to the contributions to society and setting specific KPIs for these areas.

At a minimum, the BOD should:

- Annually review and approve the contributions policy
- Annually review and approve the overall financial spend target on the portfolio of contributions
- Vet any new request for contributions outside both the approved portfolio spend and the management's financial spend limit
- Regularly assess the effectiveness and impact of the entire portfolio of contributions



## Implementing the Silver Book

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### ***Immediate priority for the CEO***

GLC CEOs must complete the following four steps:

- Appoint a project champion and cross-functional taskforce to execute the action steps
- Assess the company's starting point based on the self-evaluation using the Contributions Index; and the Net Economic Impact methodology and qualitative scorecards
- Based on this assessment, develop a transformation plan outlining key areas of focus and implementation targets and milestones
- Submit the plan for BOD approval

### ***Immediate priority for the BOD***

The Board of Directors at the GLCs should adopt the Silver Book as the company's primary reference for all contributions to society and undertake the following:

- Review, challenge and endorse the CEO's transformation plan, set of targets and milestones
- Periodically review the progress of the transformation plan
- Help resolve any implementation issues as escalated by the CEO
- Review and endorse the GLC's comprehensive contributions policy

### ***Implementation progress reporting***

GLCs are expected to report the progress of their implementation of the Silver Book guidelines to the BOD.

The PCG will also require quarterly reporting from selected GLCs to track the status of their programmes and the impact achieved.

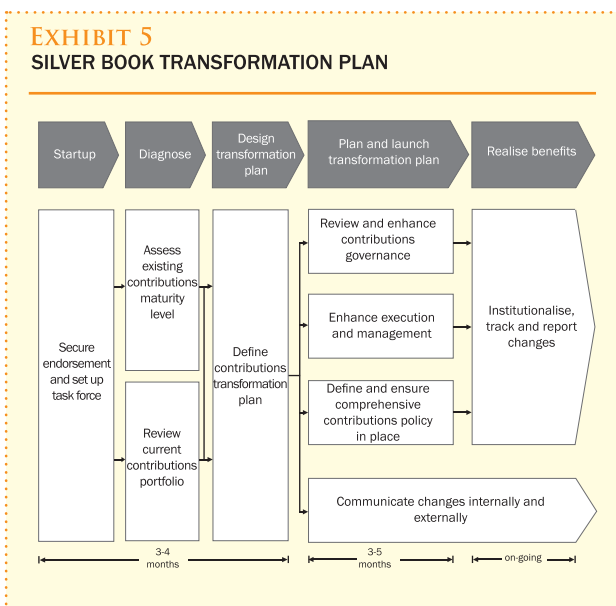




Minimum requirements for all GLCs by the end of Q2 2007:

- Establish and communicate to all internal and external stakeholders a comprehensive contributions to society policy
- Determine a clear internal financial spend target for the overall portfolio of contributions to society
- Institutionalise a process to handle all incoming requests for contributions
- Report to PCG, the GLICs and the regulators (where required) on the details of the GLCs' contributions portfolio

A sample transformation plan is provided below.





# THE SILVER BOOK APPENDIX

Achieving Value Through Social Responsibility

SEPTEMBER 2006

## CONTEXT OF THIS DOCUMENT

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- 1** This Appendix document is an extension to “The Silver Book – Achieving Value Through Social Responsibility” and should be read in conjunction with The Silver Book and the GLC Transformation Manual
- 2** The Silver Book objectives are
  - To clarify the expectations on the GLCs’ contributions to society
  - To guide the GLCs in evaluating their starting position in contributing to society
  - To provide the GLCs with a comprehensive set of tools, methodologies and processes to proactively contribute to society in a responsible manner while still creating value for their shareholders
- 3** The implementation of the Silver Book will vary by GLC, depending on its existing level of maturity in managing its’ contributions to society as well as the scope of its existing portfolio of contributions

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Individuals/organisations that have provided inputs in the development of the Silver Book  
Two-step process to identify types of contributions  
Rights of shareholders and that of other stakeholders: A discussion

### Appendix 1: Evaluate GLC starting position

- 1.1 Assess existing contributions “maturity” level
- 1.2 Examine existing contributions portfolio

### Appendix 2: Define a comprehensive contributions policy

### Appendix 3: Ensure superior execution and management

- 3.1 Determine financial spend
- 3.2 Regular enhancement of contribution to society
- 3.3 Formalise handling of new requests for contributions
- 3.4 Positive reporting and communication to maximise goodwill

### Appendix 4: Develop effective governance and organisation

### Appendix 5: Getting started

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# APPENDIX IS A “HOW TO” GUIDE WITH DETAILED DESCRIPTIONS, EXAMPLES AND TOOLS

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## Contents

## Description



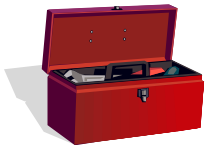
### Detailed descriptions

- Provides detailed descriptions of the key areas highlighted in The Silver Book



### Examples

- Illustrates examples that are often based on real-life experiences from companies
  - company names and numbers are masked for confidentiality purposes



### Tools/templates

- Provides relevant tools or templates to serve as a starting point for implementation
  - GLCs will need to customise the tool or template to suit their individual requirements



# APPENDIX IS STRUCTURED INTO SUBSECTIONS TO ALLOW GLCs TO MIX AND MATCH THE APPENDIX SUBSECTIONS THAT ARE RELEVANT

## Each Appendix Contains A Few Appendix Subsections

### Example: Appendix 1 contains two subsections

#### CONTENTS

Appendix to Preface: Two-step process to identify types of contributions

Appendix 1: Evaluate GLC starting position

- 1.1. Assess existing contributions “maturity” level
- 1.2. Examine existing contributions portfolio

Two Appendix subsections in Chapter 1

### What is an Appendix subsection?

An Appendix subsection is a stand-alone set of tasks or tools that a GLC can apply to achieve a specific objective in its contributions to society programme

## Each Appendix Subsection Includes A “How-To” Description Page

Description and objectives of the Appendix

Link to the Silver Book

How relevant the Appendix is to different GLCs

Description

Chapter Relevance

Suggested action steps

Reference

Description of action steps to implement the Appendix. GLCs should take these steps as the starting point and if necessary, adapt them to better meet their specific requirements

Link to specific exhibits in the Appendix or other relevant materials by action step

# ACRONYMS AND ABBREVIATIONS

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<b>9MP</b>	<b>Ninth Malaysia Plan</b>
<b>AAIBE</b>	<b>Akaun Amanah Industri Bekalan Elektrik, also known as the Electricity Supply Industry Trust Account</b>
<b>BOD</b>	<b>Board of Directors</b>
<b>BVDP</b>	<b>Bumiputera Vendor Development programme</b>
<b>CEO</b>	<b>Chief Executive Officer</b>
<b>CSA</b>	<b>Contributions to Society Assessment</b>
<b>Gatekeeper</b>	<b>A single point of contact for incoming requests for contribution</b>
<b>GLC</b>	<b>Government Linked Company</b>
<b>GLIC</b>	<b>Government-Linked Investment Company</b>
<b>KPI</b>	<b>Key Performance Indicator</b>
<b>NEI</b>	<b>Net Economic Impact - net economic impact of a social contribution that the company can avoid by not undertaking the contribution, taking into account the cost of financing and tax effect</b>
<b>NGO</b>	<b>Non-Government Organisation</b>
<b>NOI</b>	<b>Net Operating Impact - net operating impact of a social contribution that the company can avoid by not undertaking the contribution</b>
<b>PCG</b>	<b>Putrajaya Committee on GLC High Performance, comprising of YAB Minister of Finance II, representatives from the Prime Minister's office, CEOs/Managing Directors of LTAT, LTH, KNB and PNB and CEOs/Managing Directors of the G20 GLCs</b>
<b>USO</b>	<b>Universal Service Obligations</b>
<b>USP</b>	<b>Universal Service Provisions</b>

# CONNECTION BETWEEN THE SILVER BOOK AND OTHER GLC TRANSFORMATION INITIATIVES

Other GLCT Initiatives	Connection
<b>THE BLUE BOOK</b> <b>Intensifying Performance Management</b>	<p>Successful implementation of contributions to society as well as other initiatives require effective performance management. The Silver Book acknowledges performance management as a key success factor towards profitability. GLCs should refer to the Blue Book for further information on essential aspects of performance management such as deriving KPIs from the strategy and the value drivers of the company and conducting rigorous and differentiating reviews of performance.</p>
<b>THE RED BOOK</b> <b>Procurement Guidelines and Best Practices</b>	<p>The Bumiputera Vendor Development programme (BVDP) is one of the most important contribution to society by the GLCs. While the Silver Book provides general guidelines for managing all contributions, the Red Book contains additional information that are specific to the procurement programme. GLCs that have significant procurement spend or sub-optimal procurement performance should refer to the Red Book.</p>
<b>THE GREEN BOOK</b> <b>Enhancing Board Effectiveness</b>	<p>Effective governance is clearly important in helping GLCs contribute to society in a value-enhancing way while the Silver Book describes how GLCs should consider integrating contributions to society into their governance structure. GLCs should refer to the Green Book for a more detailed information on achieving effective governance.</p>
<b>Improve Regulatory Environment</b>	<p>GLCs are encouraged to take the opportunity to shape the regulatory environment, to the extent that this is possible, and to achieve a mutually beneficial relationship with the regulators. This is especially important for the GLCs that are affected by social obligations, The Silver Book highlights regulatory management as one of the levers to help GLCs contribute to society in a value-enhancing way. However, GLCs should refer to another GLCT initiative “Improve Regulatory Environment” for additional details.</p>

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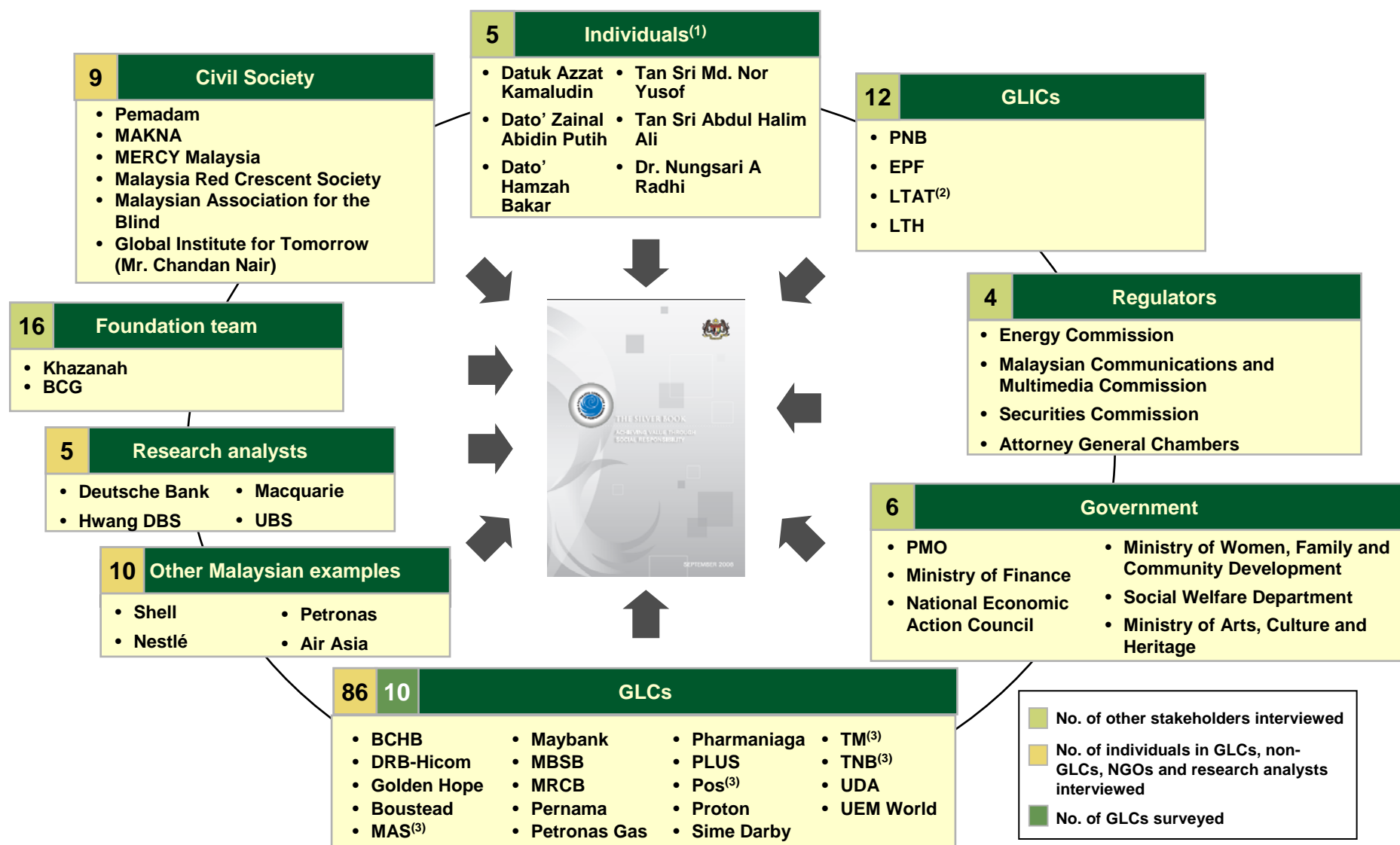
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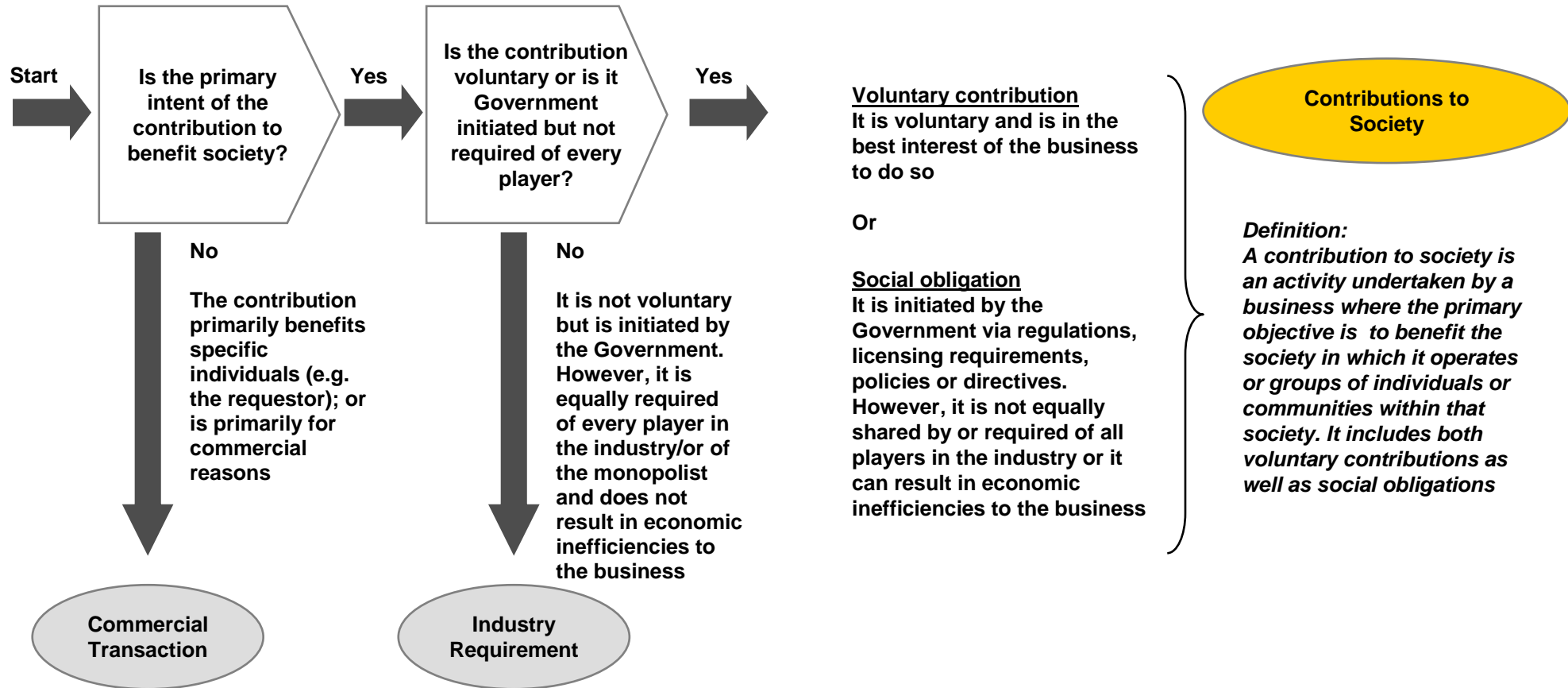
# IN TOTAL, 163 INDIVIDUALS HAVE PROVIDED THEIR INPUTS TO THE SILVER BOOK



- (1) Represent various interests in society and business  
 (2) Tan Sri Lodin represents interests of GLIC (LTAT) and GLC (Boustead)  
 (3) Also conducted a study on the relevance of the Silver Book through "deep-dives" with these four GLCs



# EXHIBIT TO PREFACE: SIMPLE PROCESS TO IDENTIFY ALL TYPES OF CONTRIBUTIONS



 Key focus of the Silver Book is on Contributions to Society and it is applicable to both voluntary contributions as well as social obligations

# DEBATE BETWEEN THE RIGHT OF SHAREHOLDERS VS. OTHER STAKEHOLDERS

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Critics of shareholder capitalism argue that ...

- Companies are not the exclusive properties of their shareholders – as shares today can easily change hands
- Shareholders take little risk – the real risk-takers are the employees as they cannot easily switch companies as shareholders can switch their investments
- Major corporations have become institutions with their own purposes, duties and loyalties beyond that of shareholder wealth maximisation
- Hence, shareholder value should not be placed over other stakeholders' interests (e.g., the interests of employees, customers and the wider community)

However, most prefer to reconcile the interests of shareholders and other stakeholders

- For example, the refusal by the management of the Chicago Cubs baseball club to install floodlights for night games was viewed by a US court to be aligned with shareholders' interests as the disturbance to the local neighbourhood will impact the overall business of the club (and hence, shareholder value)
- For example, Nike realises the need for responsible corporate behaviour to attract talents
- Some investor groups argue that companies should behave in a socially responsible way as their reputations could be damaged, and consequently damaging their shareholders' value

*Refer to the Financial Times, weekend addition, Saturday June 11/Sunday June 12, 2005 for more details on the debate*

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## APPENDIX 1.1

### EVALUATE EXISTING CONTRIBUTIONS “MATURITY” LEVEL

<b>Description</b>	As part of assessing its starting position, a GLC should examine its existing “maturity” level in managing contributions to society. This is the first step in the Contributions to Society Assessment (CSA) process which will allow the GLCs to diagnose their overall areas of strengths and weaknesses.
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<b>Chapter</b>	Chapter 2
<b>Relevance</b>	All GLCs

Suggested action steps	Reference
<b>1.1.1 Assess the GLC’s “maturity” level in managing its’ contributions to society using the tools and guidelines described in this Appendix</b> <ul style="list-style-type: none"> <li>• Sample assessments</li> </ul>	<b>Exhibit 1.1.1.A-B</b> <b>Exhibit 1.1.1.C</b>
<b>1.1.2 Discuss and validate the assessment with the GLC’s senior management (CEO + executive team) and/or the GLC’s Board of Directors</b>	-
<b>1.1.3 Evaluate the required action steps to reach the minimum level of “Effective” and over time to migrate to “High Performing”</b>	-

# EXHIBIT 1.1.1.A

## CONTRIBUTIONS INDEX ASSESSMENT TOOL

Key Dimensions	Assessment (Score from 3 to 0)	Strengths and weaknesses (Rationale for score)
Comprehensive policy on contributions to society		
Focused core themes with high level commitment		
Superior execution and management of contributions to society		
Standard cost-benefit assessment		
Regular enhancement of individual contribution to society		
Systematic portfolio optimisation		
Formalised handling of new requests		
Positive reporting and communication to maximise goodwill		
Effective governance and organisation		
Appropriate level of BOD governance		
Contribution integrated into daily management		

Scoring guideline	High Performing 3	Effective 2	Traditional 1	Lagging 0
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# EXHIBIT 1.1.1.B

## CONTRIBUTIONS INDEX ASSESSMENT GUIDELINE (I)

		High performing	Effective	Traditional	Lagging
Comprehensive policy on contributions to society	1. Does the company define core themes aligned to overall business strategy and stakeholders' expectations?	<p>Core themes to cover <u>all</u> contributions to society developed after considering <u>all</u> the following areas</p> <ul style="list-style-type: none"> <li>• Government's national economic and social development policies<sup>(1)</sup></li> <li>• Expectations of other key stakeholders (based on active solicitation and engagement with these stakeholders via discussions and surveys)</li> <li>• Generally accepted good corporate citizen values and standards<sup>(2)</sup></li> <li>• Alignment to overall business strategy</li> <li>• Leveraging on the company's core capabilities</li> </ul> <p>The core themes are proactively and regularly reviewed (at least on an annual basis)</p>	<p>Core themes to cover <u>selected</u> contributions to society areas developed after considering <u>some</u> of the following areas</p> <ul style="list-style-type: none"> <li>• Government's national economic and social development policies<sup>(1)</sup></li> <li>• Expectations of other key stakeholders (based on active solicitation and engagement with these stakeholders via discussions and surveys)</li> <li>• Generally accepted good corporate citizen values and standards<sup>(2)</sup></li> <li>• Alignment to overall business strategy</li> <li>• Leveraging on the company's core capabilities</li> </ul> <p>The core themes are periodically updated, on a per need basis</p>	<p>No core themes developed to cover <u>all</u> contributions to society</p> <p>Core themes developed for <u>selected</u> contribution but in an ad-hoc manner without formal review of the following areas</p> <ul style="list-style-type: none"> <li>• Government's national economic and social development policies<sup>(1)</sup></li> <li>• Expectations of other key stakeholders</li> <li>• Generally accepted good corporate citizen values and standards<sup>(2)</sup></li> <li>• Alignment to overall business strategy</li> <li>• Leveraging on the company's core capabilities</li> </ul> <p>No effort to update core themes once it is established</p>	<p>No core themes defined to cover contributions to society</p>

(1) As outlined in the Ninth Malaysia Plan and the 2007 Budget Speech

(2) As outlined in the seven core areas for contributions to society in the Preface and Chapter 3 of the Silver Book

# EXHIBIT 1.1.1.B

## CONTRIBUTIONS INDEX ASSESSMENT GUIDELINE (II)

		High performing	Effective	Traditional	Lagging
Superior execution and management of contributions to society	1. What is the company's process for assessing the costs and benefits of its' contributions to society?	A standardised approach to assess both quantifiable and qualitative costs and benefits, used to analyse all contributions to society	A standardised approach to assess quantifiable costs for the major contributions to society. A case by case approach is used to analyse the qualitative costs and the benefits	No standardised approach but employ a case by case approach to generate the business case for some of the major contributions to society	Costs and benefits of major contributions to society typically not analysed resulting in no clear picture of the costs and benefits of these contributions
	2. What is the company's process for managing its' existing contributions to society?	Major effort is spent on actively managing the large contributions to society, and considered utilising all the following levers <ul style="list-style-type: none"> <li>Optimise the implementation and execution using an alternative operating model and business innovation</li> <li>Consider re-shaping or exiting a contribution to alleviate the financial burden</li> <li>Seek funding from external sources</li> </ul>	Effort is spent on actively managing the large contributions to society, but only considered utilising <u>two</u> of the following levers <ul style="list-style-type: none"> <li>Optimise the implementation and execution using an alternative operating model and business innovation</li> <li>Consider re-shaping or exiting a contribution to alleviate the financial burden</li> <li>Seek funding from external sources</li> </ul>	Effort is spent on actively managing the large contributions to society, but only considered utilising <u>one</u> of the following levers <ul style="list-style-type: none"> <li>Optimise the implementation and execution using an alternative operating model and business innovation</li> <li>Consider re-shaping or exiting a contribution to alleviate the financial burden</li> <li>Seek funding from external sources</li> </ul>	Companies are just complying with contributions to society imposed on them with no active effort to manage them
	3. What is the company's process for prioritising its' contributions to society?	Individual contributions to society is prioritised in a portfolio manner based on a pre-defined set of criteria that accounts for <ul style="list-style-type: none"> <li>Impact to the company</li> <li>Impact to society</li> <li>Alignment to the company's contributions to society policy (especially on core themes and explicit targets)</li> </ul> <p>The prioritisation and planning effort for the entire contributions to society programme is linked with the company's annual strategy and budget planning process</p>	Individual contributions to society is prioritised on a case by case basis based on a pre-defined set of criteria that accounts for <ul style="list-style-type: none"> <li>Impact to the company</li> <li>Impact to society</li> <li>Alignment to the company's contributions to society policy (especially on core themes and explicit targets)</li> </ul> <p>The prioritisation is performed on an as per need basis</p>	Individual contributions to society is prioritised on a case by case basis, may be driven by personal preferences of the senior management/leadership team  The prioritisation is performed on an as per need basis	No portfolio prioritisation done for all contributions to society

# EXHIBIT 1.1.1.B

## CONTRIBUTIONS INDEX ASSESSMENT GUIDELINE (III)

		High performing	Effective	Traditional	Lagging
Superior execution and management of contributions to society	4. What is the company's process for handling new requests?	<p>A formal and institutionalised approach is used to handle new requests with <u>all</u> the following features</p> <ul style="list-style-type: none"> <li>Actively manage the inflow of requests</li> <li>A single point of contact</li> <li>Right level of resources mobilised to analyse request</li> <li>Request reviewed using a standard set of criteria, including comparing request to the company's policy on contributions to society</li> <li>Assign decision making level based on request category (e.g. major and minor)</li> </ul>	<p>A formal and institutionalised approach is used to handle new requests with <u>at least three</u> of the following features</p> <ul style="list-style-type: none"> <li>Actively manage the inflow of requests</li> <li>A single point of contact</li> <li>Right level of resources mobilised to analyse request</li> <li>Request reviewed using a standard set of criteria, including comparing request to the company's policy on contributions to society</li> <li>Assign decision making level based on request category (e.g. major and minor)</li> </ul>	<p>A formal and institutionalised approach is used to handle new requests with <u>at least two</u> of the following features</p> <ul style="list-style-type: none"> <li>Actively manage the inflow of requests</li> <li>A single point of contact</li> <li>Right level of resources mobilised to analyse request</li> <li>Request reviewed using a standard set of criteria, including comparing request to the company's policy on contributions to society</li> <li>Assign decision making level based on request category (e.g. major and minor)</li> </ul>	<p>Minor requests are mostly handled by one department (e.g. Corporate Affairs, Corporate Communications)</p> <p>Major requests are handled through different departments and need to be approved by the CEO or Board of Directors</p> <p>These requests are handled on a case by case basis with no formal guidelines</p>
	5. Does the company proactively communicate its' contributions to society achievements to external and internal parties?	<p>Contributions to society are reported using globally accepted reporting framework through a dedicated section on the company's website and with a comprehensive published report on the company's contributions to society</p> <p>Formulate a communication plan that utilises multiple channels to broadcast contributions to society achievements and to maximise goodwill to different key stakeholders and employees. This plan is formulated in close cooperation with all relevant departments</p> <p>Communication effectiveness is measured through dialogues or surveys with a sample group of audiences</p>	<p>Contributions to society are reported on a dedicated social reporting section in the company's Annual Report and its' website</p> <p>Formulate a communication plan that utilises multiple channels to broadcast contributions to society achievements and to maximise goodwill to different key stakeholders and employees. This plan is formulated in close cooperation with all relevant departments</p> <p>Some measurement of communication effectiveness</p>	<p>Contributions to society are reported only on either a dedicated social reporting section in the company's Annual Report or its' website</p> <p>Formulate a communication plan that utilises multiple channels but is crafted by one department only (typically Corporate Affairs, Corporate Communications or Investor Relations)</p> <p>No measurement of communication effectiveness</p>	<p>Contributions to society are not reported in the annual report or company website</p> <p>Ad-hoc communication plan that is limited to certain channels only and is crafted by one department only (typically Investor Relations or Marketing). No dedicated effort to inform internal employees of the company positive achievement in contributions to society. Contributions to society are often covered in a piecemeal manner</p> <p>No measurement of communication effectiveness</p>

# EXHIBIT 1.1.1.B

## CONTRIBUTIONS INDEX ASSESSMENT GUIDELINE (IV)

		High performing	Effective	Traditional	Lagging
Effective governance and organisation	1. What is the role of the company's Board of Directors in supervising the contributions to society programme?	<p>There is formal Board supervision that sets the overall direction of the contribution programme and regularly monitors the management of the contributions to society</p> <p>There is a formal Board committee or sub-committee or there has been an explicit review on whether to formalise such a committee</p>	No formal Board supervision but issues arising out of major contributions to society are discussed at Board meetings	<p>No formal Board supervision</p> <p>Critical issues arising out of contributions to society are only discussed reactively</p>	<p>No formal Board supervision</p> <p>Issues arising out of contributions to society are generally left to be resolved by the senior management or working team</p>
	2. How is the company's contributions to society programme managed at the senior management and working level?	<p>Strong oversight from most key senior management members, including the CEO, to actively manage contributions to society execution and monitor working team performance</p> <p>There is a formal management committee or there has been an explicit review on whether to formalise such a committee</p> <p>Contributions to society programme is treated as an integral part of the business and actively discussed in senior management meetings</p> <p>Contributions to society KPIs integrated across senior management and working team performance evaluations</p>	<p>Responsibility is largely borne by the CEO. Some contributions to society management is delegated to several departments, ranging from human resources, regulatory management, marketing to corporate communications</p> <p>Contributions to society programme is seen as important but not viewed as a strategic competitive lever. Major issues are regularly discussed at senior management meetings</p> <p>Contributions to society KPIs partially integrated across senior management and working team performance evaluations</p>	<p>Some senior management responsibility for the contributions to society programme and is dispersed among several departments, ranging from human resources, regulatory management, marketing to corporate communications</p> <p>Contributions to society programme is seen as important but often lower in priority compared to other business agenda. Major issues are discussed on an as per need basis at senior management meetings</p> <p>Some KPIs are defined for some contributions to society initiatives but they are not incorporated into senior management and working team performance evaluations</p>	<p>No senior management supervision and contributions to society issues are generally handled at the working team</p> <p>No performance indicators identified for contributions to society</p>

# EXHIBIT 1.1.1.C

## EXAMPLE OF AN ASSESSMENT USING THE CONTRIBUTIONS TOOL (I)

Key Dimensions	Assessment	Strengths and weaknesses (Rationale for score)
<b>Comprehensive policy on contributions to society</b>		
Focused core themes with high level commitment	2	The company is in the process of crafting a new contributions policy covering key contribution platform, objectives, “will not sponsor” list and evaluation criteria. This policy is formulated with active solicitation of key stakeholders’ views with some leveraging on the company’s core skills.
<b>Superior execution and management of contributions to society</b>		
Standard cost-benefit assessment	1	No standardised methodology to quantify all costs for contributions to society but does standardise for corporate sponsorships. Employs a case by case assessment for large contributions.
Regular enhancement of individual contributions to society	2	Efforts are in place to reduce the cost of one large contribution. Also, placing focus on optimising benefits from selected contributions e.g., corporate sponsorships.
Systematic portfolio optimisation	1	Prioritisation is done on a case by case basis. No overall assessment of contributions on a portfolio basis.
Formalised handling of new requests	2	New requests are handled via assigned gatekeepers with appropriate level of resources deployed. Appropriate decision making structure is in place.
Positive reporting and communication to maximise goodwill	2	Contributions to society reported on the company’s website and Annual Report. In the process of formulating a contributions communication plan. However, need to consider increasing the transparency of spend on contributions to society to external stakeholders e.g., investors, Government and NGO.
<b>Effective governance and organisation</b>		
Appropriate level of BOD governance	1	The company’s BOD is involved in approving contributions to society during the annual planning process and for any critical/ad-hoc contribution that crops up during the year. Beyond this, no clear sign of active Board role in managing contributions.
Contribution integrated into daily management	2	Contributions are managed by different business units. There are some effort being put in place to measure performance of contributions to society by Group Marketing and Corporate Communications. More KPIs could be used to measure the performance of other contribution initiatives.

Scoring guideline

**High Performing**  
3

**Effective**  
2

**Traditional**  
1

**Lagging**  
0



# EXHIBIT 1.1.1.C

## EXAMPLE OF AN ASSESSMENT USING THE CONTRIBUTIONS TOOL (II)

Key Dimensions	Assessment	Strengths and weaknesses (Rationale for score)
<b>Comprehensive policy on contributions to society</b>		
Focused core themes with high level commitment	2	The company has a clear policy on donations and sponsorships which includes the objectives of the sponsorships, categories of contributions supported, and eligible organisations to be considered. Key area for improvement is to actively solicit views of key stakeholders.
<b>Superior execution and management of contributions to society</b>		
Standard cost-benefit assessment	1	Requests are evaluated based on certain criteria e.g. tax donations, type and form of donation, but mostly based on subjective assessment without a standardised methodology to quantify the costs and benefits of the contributions.
Regular enhancement of individual contributions to society	1	Some efforts are underway to optimise large business-related contributions. However, there is no conscious effort to review the overall contributions portfolio.
Systematic portfolio optimisation	2	Each contribution is assessed on case-by-case basis (relevance to core themes are generally supported), but no systematic prioritisation of contributions.
Formalised handling of new requests	3	New requests are handled via assigned gatekeepers with appropriate level of resources deployed. Monthly reports are made to Corporate Communications department and the Board.
Positive reporting and communication to maximise goodwill	1	Minimal effort to capitalise on contributions to increase mileage. More advertising and publicity should be placed on contributions. The company is in the process of formulating a CSR communication plan.
<b>Effective governance and organisation</b>		
Appropriate level of BOD governance	2	BOD approves annual donations budget, closely monitors critical contributions and has approval authority for amounts exceeding a threshold. Potential area for improvement is to have more formal Board supervision on the entire portfolio.
Contribution integrated into daily management	2	Contributions are managed by different business units. Corporate sponsorships events are managed by the Corporate Communications department, which gives KPIs to measure performance of these events. However, more KPIs could be considered for other contributions managed by other business units.

Scoring guideline

**High Performing**  
3

**Effective**  
2

**Traditional**  
1

**Lagging**  
0





# EXHIBIT 1.1.1.C

## EXAMPLE OF AN ASSESSMENT USING THE CONTRIBUTIONS TOOL (III)

Key Dimensions	Assessment	Strengths and weaknesses (Rationale for score)
<b>Comprehensive policy on contributions to society</b>		
Focused core themes with high level commitment	1	The company has no formal policy nor specific themes to support. However, a general communications policy has been approved by the Board.
<b>Superior execution and management of contributions to society</b>		
Standard cost-benefit assessment	1	No standardised approach, sometimes lacking data to conduct full analysis. Business case, however, done for major contributions.
Regular enhancement of individual contributions to society	1	Effort is spent on actively managing the large social contributions, but have not explored all potential enhancement levers.
Systematic portfolio optimisation	1	Prioritisation is performed on an as per need basis.
Formalised handling of new requests	2	New requests are handled via assigned gatekeepers but no standard set of review criteria. Appropriate decision making structure is in place.
Positive reporting and communication to maximise goodwill	1	Minimal reporting currently but a general communications policy on actively engaging the media is in place.
<b>Effective governance and organisation</b>		
Appropriate level of BOD governance	1	Large contributions are discussed at the BOD level on an as per need basis.
Contribution integrated into daily management	1	Major issues are discussed at the senior management meetings on an as per need basis.

Scoring guideline

**High Performing**  
3

**Effective**  
2

**Traditional**  
1

**Lagging**  
0



# EXHIBIT 1.1.1.C

## EXAMPLE OF AN ASSESSMENT USING THE CONTRIBUTIONS TOOL (IV)

Key Dimensions	Assessment	Strengths and weaknesses (Rationale for score)
<b>Comprehensive policy on contributions to society</b>		
Focused core themes with high level commitment	1	No core themes developed as contributions mainly Government-initiated. Some specific themes were developed in line with branding.
<b>Superior execution and management of contributions to society</b>		
Standard cost-benefit assessment	1	A standardised approach is used in some cases when determining the benefits of the contribution. However, there are instances where benefits are qualitative and cannot be quantified. This applies to non-cash donations.
Regular enhancement of individual contributions to society	2	Effort is spent on managing large contributions, however, with the current turnaround situation, effort to seek alternatives (e.g. for non-profitable international routes) are being assessed. External funding is also another alternative being explored.
Systematic portfolio optimisation	1	Individual contributions initiatives are prioritised on a case by case basis, driven by personal preferences of leadership. No prioritisation is performed on consistent basis across entire portfolio of contributions.
Formalised handling of new requests	0	Only minor requests are handled by Corporate Communications department based on guidelines and the approved budget. Major requests are handled through different departments and need to be approved by the CEO or the Board.
Positive reporting and communication to maximise goodwill	2	Contributions achievements are communicated internally through e-mail/ company website, and externally through Corporate Communications department. Communication is typically crafted by Corporate Communications only. No measurement of communication effectiveness.
<b>Effective governance and organisation</b>		
Appropriate level of BOD governance	1	No Board level supervision and contributions issues are discussed reactively and on a piecemeal basis e.g. when critical contribution issues crop up.
Contribution integrated into daily management	2	Management of contributions is largely by the functional area in which the contribution impacts. No overall contributions management programme.

Scoring guideline

**High Performing**  
3

**Effective**  
2

**Traditional**  
1

**Lagging**  
0

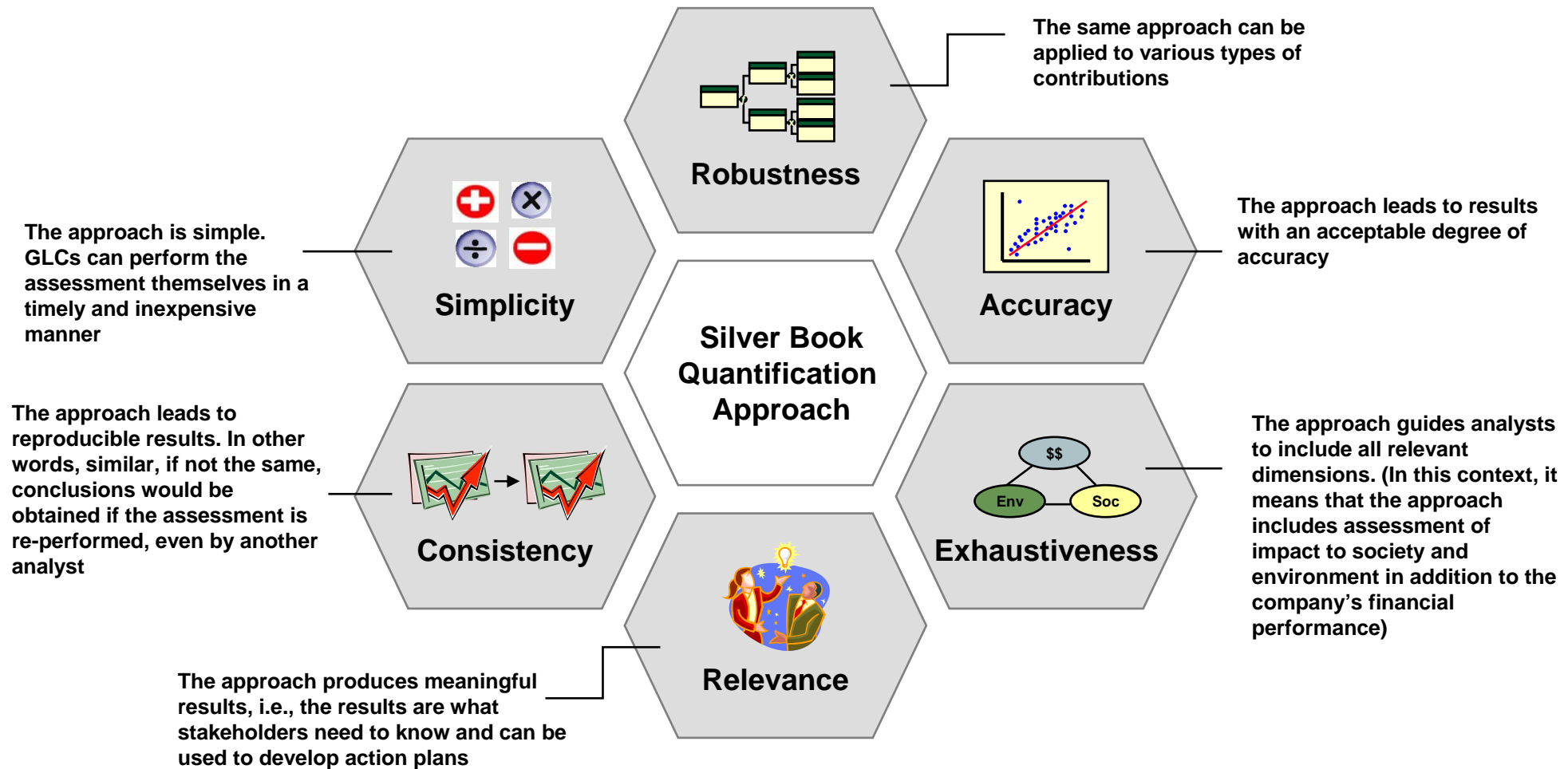


## APPENDIX 1.2

### EXAMINE EXISTING CONTRIBUTIONS PORTFOLIO

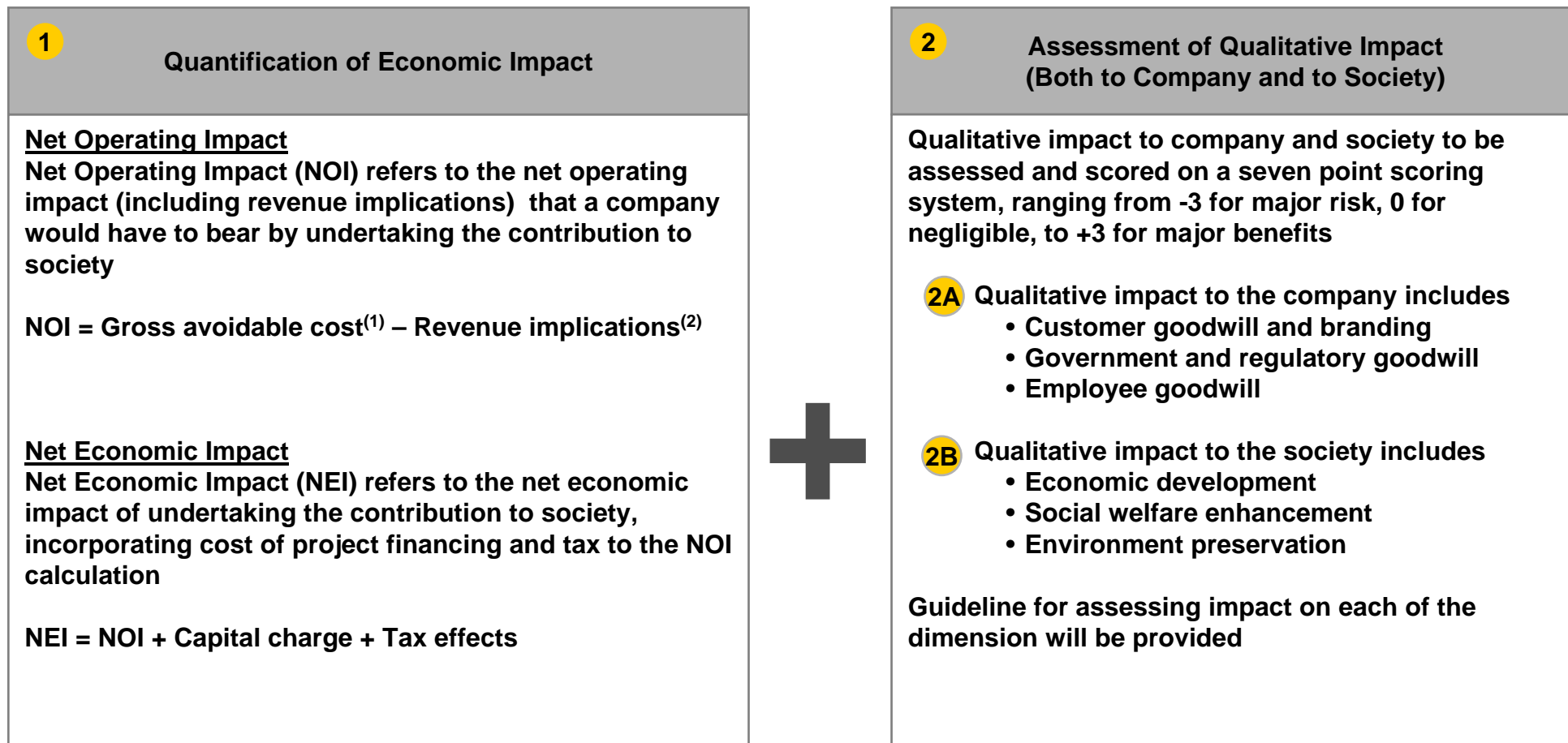
Description	In addition to assessing its “maturity” level, a GLC should also examine its existing portfolio of contributions to society. This forms the second step in the Contributions to Society Assessment (CSA) process and is especially pertinent if the management of contributions are dispersed and there is no integrated view on the contributions portfolio within the GLC	Chapter	Chapter 2
		Relevance	All GLCs; especially those with a substantial portfolio of existing contributions
Suggested action steps		Reference	
<b>1.2.1 Assess the cost benefit of all existing contributions to society</b> <ul style="list-style-type: none"> <li>• Quantify avoidable cost using the Net Economic Impact (NEI) calculation</li> <li>• Assess qualitative impact to company</li> <li>• Assess qualitative impact to society</li> </ul>		<b>Exhibit 1.2.1.A-B</b> <b>Exhibit 1.2.1.1.A-G</b> <b>Exhibit 1.2.1.2.A-H</b> <b>Exhibit 1.2.1.3.A-J</b>	

# EXHIBIT 1.2.1.A SIX KEY PRINCIPLES EMPLOYED IN DEVELOPING THE SILVER BOOK COST-BENEFIT ASSESSMENT TOOL



# EXHIBIT 1.2.1.B

## OVERVIEW OF PROPOSED EVALUATION APPROACH



(1) Allocated costs directly attributable to the contribution to society should be included in Gross Avoidable Cost. Other allocated costs should be excluded

(2) Revenue implications include all tangible revenues that will be lost if the contribution to society is not taken

## EXHIBIT 1.2.1.1.A

### FEATURES OF ECONOMIC IMPACT: NOI AND NEI

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**NOI and NEI aims to reveal real, net costs borne by the company for providing the contributions to society**

**Real**

**Focus on real cost that is incurred  
Opportunity cost, besides cost of capital<sup>(1)</sup>, is excluded**

**Net**

**Focus on the additional revenues from the contributions which is then subtracted from the costs of undertaking the contributions<sup>(2)</sup> to obtain the net impact**

**Borne by  
Company**

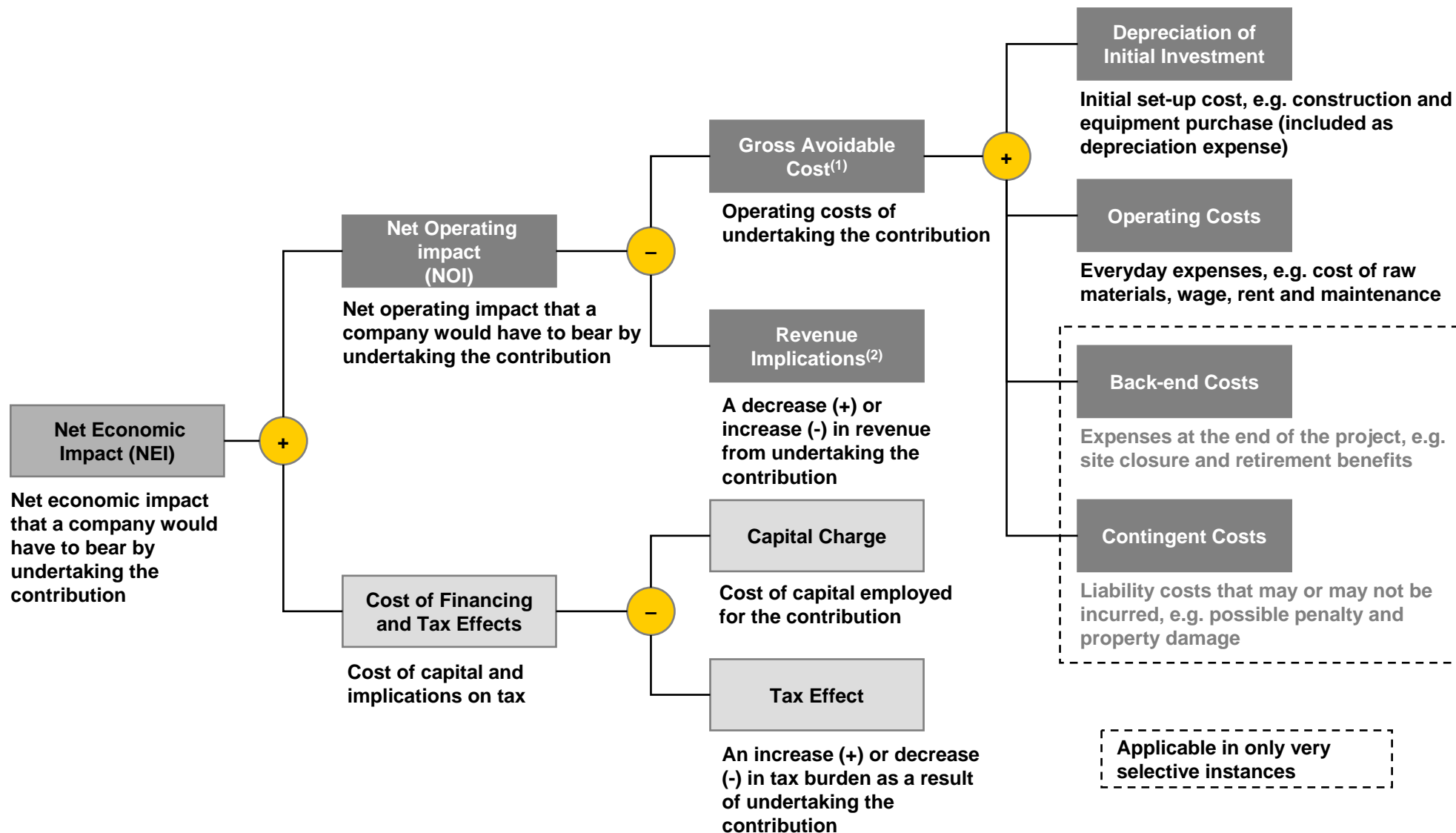
**Focus on the real contributions provided by the company, given the company's current structure, operations, performance, etc.**

(1) Cost of capital is included in NEI calculation

(2) Revenue implications include all tangible revenues that the company enjoys from undertaking the contributions to society

## EXHIBIT 1.2.1.1.B

# COMPONENTS OF NEI FOR AN INDIVIDUAL CONTRIBUTION TO SOCIETY



(1) Allocated costs directly attributable to the contribution to society should be included in Gross Avoidable Cost. Other allocated costs should be excluded

(2) Revenue implications include all tangible revenues that will be lost if the contribution to society is not taken

#### When to apply what?

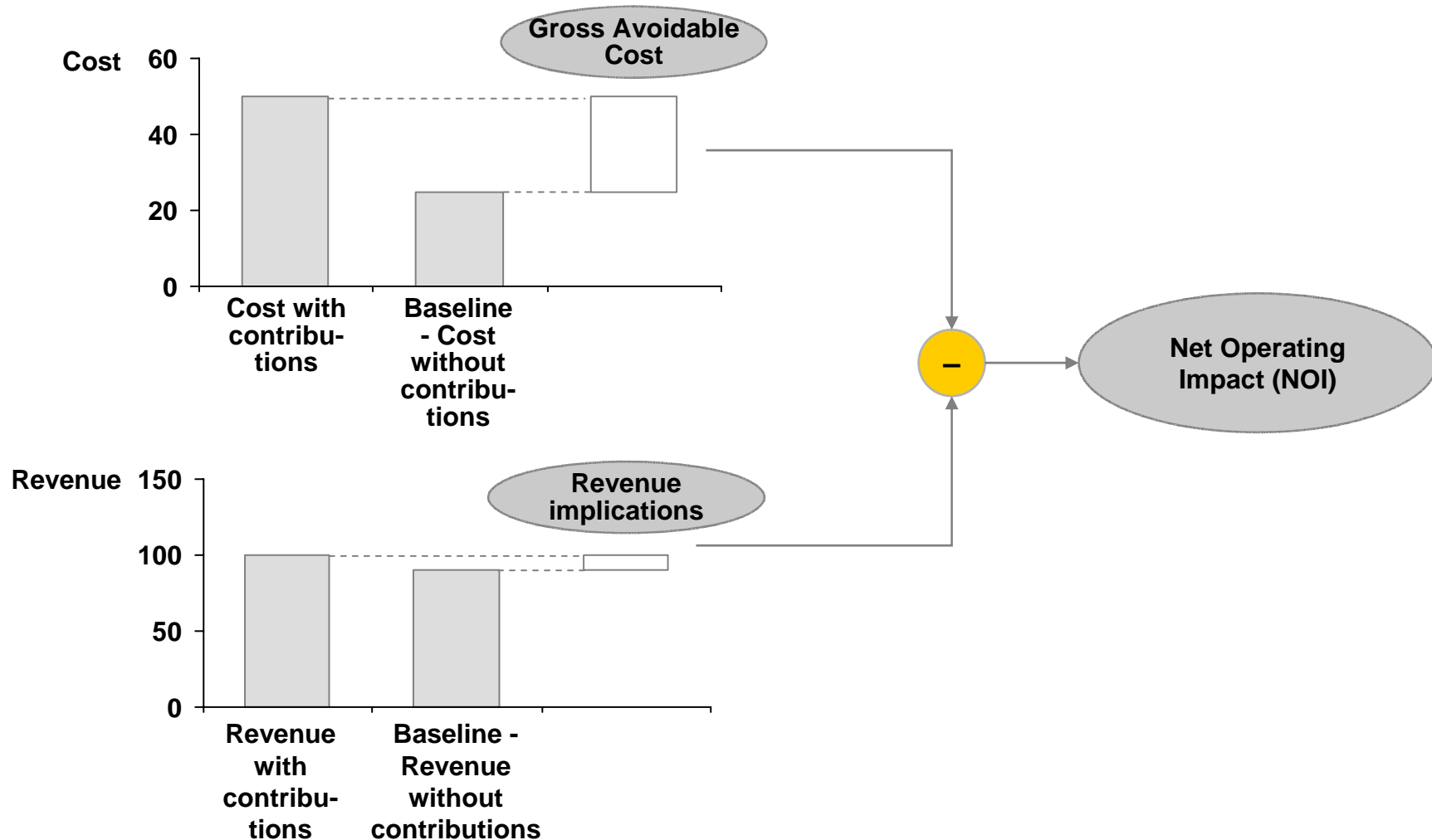
- 1 Net Present Value (NPV) Versus Annualised Costs and Revenues
- 2 Baseline Cost and Revenue
- 3 Historical Cost Versus Projected Cost
- 4 Overhead Cost



## EXHIBIT 1.2.1.1.D USE ANNUALISED COST TO ASSESS IMPACT OF EXISTING CONTRIBUTIONS; USE NPV TO DECIDE ON NEW CONTRIBUTIONS

	Annualised Costs and Revenues	Net Present Value (NPV)
Description	Costs and revenues from a contribution are shown on a yearly basis (similar to what is reported on a company's income statement)	The present value of all future net cash flows from the contribution minus the initial investment made on the contribution
Advantage	<ul style="list-style-type: none"><li>• Directly shows impact of contributions on the company's income statement (what the investors are interested to know)</li><li>• Can leverage on well-developed accounting rule and readily available data (e.g., depreciation of assets)</li><li>• Easy to interpret</li></ul>	<ul style="list-style-type: none"><li>• Better reflects lifetime economic value of contributions</li></ul>
Disadvantage	<ul style="list-style-type: none"><li>• Does not show lifetime economic impact (therefore is inferior to NPV when analysing real economic value of the contribution)</li></ul>	<ul style="list-style-type: none"><li>• NPV could depend significantly on assumptions (e.g., discount rate)</li><li>• Does not provide a clear link to the company's income statement</li></ul>
Usage	Use for assessing existing contributions	Use for deciding new contributions

## EXHIBIT 1.2.1.1.E CALCULATION OF NOI REQUIRES COMPARISON OF CURRENT STATE TO BASELINE COST AND REVENUE (I)

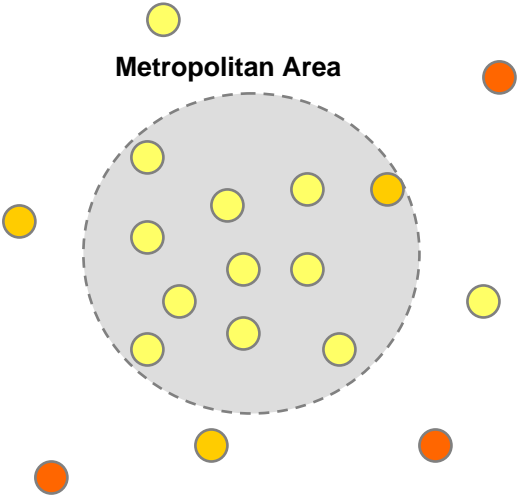





The very first calculation step is to identify what to use as the baseline

# EXHIBIT 1.2.1.1.E CALCULATION OF NOI REQUIRES COMPARISON OF CURRENT STATE TO BASELINE COST AND REVENUE (II)

## Example: Calculation of Cost of Universal Electrification Borne by an Electricity Provider

Universal electrification obligation forces the company to supply electricity to all areas, including those that are not profitable



-  Profit making city
-  Loss making city  
But even if given a choice, the company would still serve these cities for various reasons (e.g., future potential, growth strategy)
-  Loss making city  
Given a choice, a company would not supply electricity to this city

The Net Operating Impact (NOI) framework can be used to calculate cost of such obligation

### Gross Avoidable Cost

How much additional cost the company has to bear as a result of the obligation. In this situation, the gross avoidable cost should include not only cost of electricity supplied to loss making cities (●), but also cost of additional personnel, capacity, and supporting infrastructure.



### Revenue Implications

How much revenue the company would lose if it no longer supplies electricity to the loss making cities (●). In this situation, a revenue generated in the loss making cities (●) should be the main component of the revenue implications.



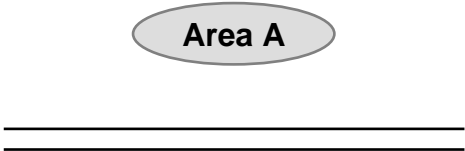
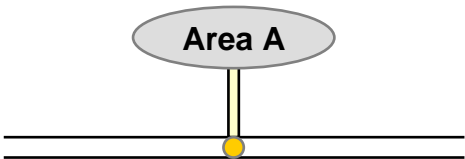
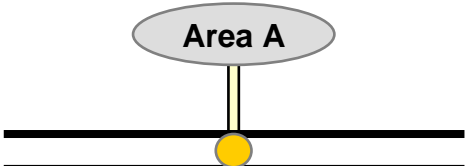
NOI of universal electrification

## EXHIBIT 1.2.1.1.F USE ACTUAL COST, NOT EXPECTED COST, FOR EXISTING CONTRIBUTIONS TO SOCIETY

	Historical Costs	Projected Costs
Description	For example, use actual historical cost of purchasing assets	For example, use hypothetical replacement cost – how much it would cost to purchase <i>functionally equivalent</i> assets today
Advantage	<ul style="list-style-type: none"><li>• Better reflect real cost borne by the company</li><li>• Analysis is based on objective and readily available data</li></ul>	<ul style="list-style-type: none"><li>• Provide more accurate measure of long term marginal cost when the replacement value of asset decreases rapidly over time (e.g., due to technological advance)</li></ul>
Disadvantage	<ul style="list-style-type: none"><li>• Might not accurately reflect long term marginal cost, especially when price of asset changes significantly over time</li></ul>	<ul style="list-style-type: none"><li>• Assessment of projected cost is normally difficult and subjective</li><li>• Does not fully and fairly capture the cost of assets especially for existing contributions with substantial invested capital</li></ul>
Usage	Use for assessing existing contributions	Use for deciding new contributions

# EXHIBIT 1.2.1.1.G GROSS AVOIDABLE COST SHOULD INCLUDE ONLY ALLOCATED COSTS DIRECTLY ATTRIBUTABLE TO THE CONTRIBUTIONS (I)

## Gross Avoidable Cost Treatment of Shared and Allocated Costs- Example from Universal Service Obligation (USO) in Telecommunication Industry

	Scenario	Quantification approach
Without USO		Without USO, the company would not provide fixed line service to area A
		<p>Scenario 1: the company only needs to build an extension from the main infrastructure</p> <ul style="list-style-type: none"> <li>• Cost of building an extension is included in NOI</li> <li>• Cost of main infrastructure should not be included in NOI</li> </ul>
With USO		<p>Scenario 2: the company needs to build an extension from the main infrastructure as well as to increase the capacity of the main infrastructure</p> <ul style="list-style-type: none"> <li>• Cost of building an extension and that of upgrading main infrastructure to accommodate USO are included in NOI</li> </ul>

# EXHIBIT 1.2.1.1.G GROSS AVOIDABLE COST SHOULD INCLUDE ONLY ALLOCATED COSTS DIRECTLY ATTRIBUTABLE TO THE CONTRIBUTIONS (II)

## Careful Analysis of Cost-Benefit Required – Especially for Networked Businesses

	Direct	Indirect/Allocated	Treatment of Revenue/Cost items
Revenue	All revenue directly generated from contribution	Additional network-related revenue generated from serving particular segment	Included in NEI analysis
Variable cost	All variable costs directly associated with serving segment/group	N.A.	
Direct fixed costs	Costs that have to be incurred when undertaking contribution regardless of size or quantity supplied (i.e. do not increase with quantity)	N.A.	
Other fixed costs	N.A.	Costs that are not directly related to the contribution (i.e. the company would still need to incur these costs even if it did not take on contribution) Example: HQ costs	Typically excluded from NEI calculations, but may become relevant for larger-scale optimisation efforts <sup>(1)</sup>

(1) Especially where HQ can be further scaled down with network rationalisation

## EXHIBIT 1.2.1.2.A SCORE QUALITATIVE IMPACT TO COMPANY BASED ON SUGGESTED GUIDELINES

Items	Impact (Score from -3 to 3)	Comments (Please provide rationale for score)
Customer goodwill and branding		
Government <sup>(1)</sup> & regulatory goodwill		
Employee goodwill		
Labor union relationship		
Internal capability building		
Vendor and partners goodwill		
Investor community goodwill		
Others		
Overall impact to company		

Scoring guideline	Major risks -3	Moderate risks -2	Minor risks -1	N/A or negligible 0	Minor benefits 1	Moderate benefits 2	Major benefits 3
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(1) Only toward specific Government agencies regulating or monitoring a specific GLC



## EXHIBIT 1.2.1.2.B

### SCORING GUIDELINE: CUSTOMER GOODWILL AND BRANDING

#### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• This contribution has major negative impact on our company's brand. It will definitely result in us losing a pool of current/potential customers who are important to us</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• This contribution has some negative impact on our company's brand. It will probably result in us losing a pool of current/potential customers who are important to us</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• This contribution has a minor negative impact on our company's brand. It may result in us losing a pool of current/potential customers who are important to us</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to customer goodwill and branding</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• This contribution has a minor positive impact on our company's brand. It may assist in retaining our existing customers and/or in attracting a new pool of customers who are important to us</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• This contribution has some positive impact on our company's brand. It is important in retaining our existing customers and/or in attracting a new pool of customers who are important to us</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• This contribution has significant positive impact on our company's brand. It is critical/necessary in retaining our existing and/or in attracting a new pool of customers who are important to us</li></ul>



## EXHIBIT 1.2.1.2.C

### SCORING GUIDELINE: GOVERNMENT AND REGULATORY GOODWILL

Note that Government in this context refers to specific Government agencies that regulate or supervise a company or an industry. It does not refer to the Government in general

	Criteria
Major risks -3	Not Applicable
Moderate risks -2	
Minor risks -1	
Not applicable or negligible 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to Government and regulatory goodwill</li></ul>
Minor benefits 1	<ul style="list-style-type: none"><li>• This contribution has a minor positive impact on Government and regulatory goodwill. It may assist in ensuring smooth relations with the relevant Government agencies and/or regulators</li></ul>
Moderate benefits 2	<ul style="list-style-type: none"><li>• This contribution has some positive impact on Government and regulatory goodwill. It is important in ensuring smooth relations with the relevant Government agencies and/or regulators</li></ul>
Major benefits 3	<ul style="list-style-type: none"><li>• This contribution has major positive impact on Government and regulatory goodwill. It is critical/necessary in ensuring smooth relations with the relevant Government agencies and/or regulators</li></ul>

# EXHIBIT 1.2.1.2.D

## SCORING GUIDELINE: EMPLOYEE GOODWILL

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"> <li>• This contribution has major negative impact on employee goodwill. It will definitely result in losing and/or alienating our existing or potential new employees</li> </ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"> <li>• This contribution has some negative impact on employee goodwill. It will probably result in losing and/or alienating our existing or potential new employees</li> </ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"> <li>• This contribution has minor negative impact on employee goodwill. It may result in losing and/or alienating our existing or potential new employees</li> </ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"> <li>• This contribution has no impact on or is not relevant to employee goodwill</li> </ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"> <li>• This contribution has minor positive impact on employee goodwill. It may assist in retaining our existing employees and/or in attracting new employees</li> </ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"> <li>• This contribution has some positive impact on employee goodwill. It is important in retaining our existing employees and/or in attracting new employees</li> </ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"> <li>• This contribution has significant positive impact on employee goodwill. It is critical/necessary in retaining our existing employees and/or in attracting new employees</li> </ul>

# EXHIBIT 1.2.1.2.E

## SCORING GUIDELINE: LABOUR UNION RELATIONSHIP

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• This contribution has major negative impact on labour union relationship. It will definitely worsen our company's relationship with the labour union and could potentially lead to major protests, which will interrupt our business and operations</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• This contribution has some negative impact on labour union relationship. It will probably worsen our company's relationship with the labour union and might lead to some minor protests, although those protests will probably not have significant impact on our business and operations</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• This contribution has minor negative impact on labour union relationship. It may worsen our company's relationship with the labour union however, it is not a critical area of concern for the labour union</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to our company's relationship with the labour union</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• This contribution has minor positive impact on labour union relationship. It may assist in ensuring smooth relations with the labour union</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• This contribution has some positive impact on labour union relationship. It is important in ensuring smooth relations with the labour union</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• This contribution has major positive impact on labour union relationship. It is critical/necessary in ensuring smooth relations with the labour union</li></ul>

# EXHIBIT 1.2.1.2.F

## SCORING GUIDELINE: INTERNAL CAPABILITY BUILDING

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• This contribution has major negative impact on our company's internal capability building. It will definitely prevent us from building and developing core capabilities in specific areas or in developing our human resource</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• This contribution has some negative impact on our company's internal capability building. It will probably prevent us from building and developing core capabilities in specific areas or in developing our human resource</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• This contribution has minor negative impact on our company's internal capability building. It may prevent us from building and developing core capabilities in specific areas or in developing our human resource</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to our company's ability to build and develop core capabilities</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• This contribution has minor positive impact on our company's internal capability building. It may assist in building core capabilities in specific and areas or in developing our human resources</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• This contribution has some positive impact on our company's internal capability building. It is important in building core capabilities in specific areas or in developing our human resource</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• This contribution has major positive impact on our company's internal capability building. It is critical/necessary in building core capabilities in specific areas or in developing our human resource</li></ul>

## EXHIBIT 1.2.1.2.G

### SCORING GUIDELINE: VENDOR AND PARTNERS GOODWILL

#### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• This contribution has major negative impact on vendor and partner goodwill. It will definitely result in worsening relationships with our company's key vendors/partners, causing us to lose our competitive advantage in the long term</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• This contribution has some negative impact on vendor and partner goodwill. It will probably result in worsening relationships with our company's key vendors/partners, causing us to lose some potential benefits in the long term</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• This contribution has minor negative impact on vendor and partner goodwill. It may result in worsening relationships with our company's key vendors/partners. However, it will not create any disadvantage in the long term</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to vendors/partners goodwill</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• This contribution has minor positive impact on vendors and partners goodwill. It may assist in strengthening relationships with our company's preferred vendors/ partners, which can lead to minor cost savings or performance improvements</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• This contribution has some positive impact on vendors and partners goodwill. It is important in strengthening relationships with our company's preferred vendors/ partners, which would lead to major cost savings or performance improvements</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• This contribution has major positive impact on vendors and partners goodwill. It is critical/necessary in strengthening relationships with our company's preferred vendors/ partners, which would lead to substantial cost savings or performance improvements</li></ul>

## EXHIBIT 1.2.1.2.H

### SCORING GUIDELINE: INVESTOR COMMUNITY GOODWILL

	Criteria
<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• This contribution has major negative impact on goodwill with the investor community. It will definitely cause our company's funding cost to increase significantly</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• This contribution has some negative impact on goodwill with the investor community. It will probably cause our company's funding cost to increase moderately</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• This contribution has minor negative impact on goodwill with the investor community. It may cause our company's funding cost to increase slightly</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• This contribution has no impact on or is not relevant to goodwill with the investor community</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• This contribution has minor positive goodwill with the investor community. It may cause our company's funding cost to decrease slightly</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• This contribution has some positive goodwill with the investor community. It may cause our company's funding cost to decrease moderately</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• This contribution has major positive goodwill with the investor community. It may cause our company's funding cost to decrease significantly</li></ul>

## EXHIBIT 1.2.1.3.A SCORE QUALITATIVE IMPACT TO SOCIETY BASED ON SUGGESTED GUIDELINES

Items	Impact (Score from -3 to 3)	Comments (Please provide rationale for score)
<b>Economic development</b>		
Specific industry or sector		
Specific state or area		
Specific segment of population		
<b>Social welfare enhancement</b>		
Unemployment		
Education & capability development		
Health and safety		
Human rights		
<b>Others</b>		
Environment preservation		
National pride		
Overall impact to society		

Scoring guideline	Major risks -3	Moderate risks -2	Minor risks -1	N/A or negligible 0	Minor benefits 1	Moderate benefits 2	Major benefits 3
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# EXHIBIT 1.2.1.3.B SCORING GUIDELINE: ECONOMIC DEVELOPMENT – SPECIFIC INDUSTRY OR SECTOR

## Criteria

Major risks -3	<ul style="list-style-type: none"> <li>The contribution can potentially deteriorate the economic development of a specific industry or sector, at least in the short and medium term. Removal of the contribution is required before the industry or sector can be further developed</li> </ul>
Moderate risks -2	<ul style="list-style-type: none"> <li>The contribution can slow down economic development of a specific industry or sector, at least in the short and medium term. Removal of the contribution will greatly help to promote development in such industry or sector</li> </ul>
Minor risks -1	<ul style="list-style-type: none"> <li>The contribution has some negative impact on economic development of a specific industry or sector. The impact is generally too small to be observed in the short and medium term, but will be more noticeable in the longer term</li> </ul>
Not applicable or negligible 0	<ul style="list-style-type: none"> <li>Not applicable, or the contribution creates at maximum very minor impact on the economic development of any industry or sector</li> </ul>
Minor benefits 1	<ul style="list-style-type: none"> <li>The contribution helps to support economic development of a specific industry or sector. Removal of the contribution does not impact short and medium term development plans but can create noticeable impact in the longer term</li> </ul>
Moderate benefits 2	<ul style="list-style-type: none"> <li>The contribution helps to drive economic development of a specific industry or sector. Removal of the contribution does not stop the development, but can create public concerns or is expected to create substantial impact in the longer term</li> </ul>
Major benefits 3	<ul style="list-style-type: none"> <li>The contribution is critical for economic development of a specific industry or sector. Removal of the contribution will create a substantial change on the short to medium term economic situation in the specific industry or sector</li> </ul>



## EXHIBIT 1.2.1.3.C

### SCORING GUIDELINE: ECONOMIC DEVELOPMENT – SPECIFIC STATE OR AREA

#### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• The contribution can potentially deteriorate the economic development of a specific state or area, at least in the short and medium term. Removal of the contribution is required before the industry/ sector can be further developed</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• The contribution can slow down economic development of a specific state or area, at least in the short and medium term. Removal of the contribution will greatly help to promote development in such industry/ sector</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• The contribution has some negative impact on economic development of a specific state or area. The impact is generally too small to be observed in the short and medium term, but will be more noticeable in the longer term</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• Not applicable, or the contribution creates at maximum very minor impact on the economic development of any state or area</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• The contribution helps to support economic development of a specific state/area. Removal of the contribution does not impact short and medium term development plans but can create noticeable impact in the longer term</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• The contribution helps to drive economic development of a specific state or area. Removal of the contribution can slow down the development and create public concerns or is expected to create substantial impact in the longer term</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• The contribution is critical for economic development of a specific state or area. Removal of the contribution will create a substantial change on the short to medium term economic situation in the specific state or area</li></ul>

# EXHIBIT 1.2.1.3.D SCORING GUIDELINE: ECONOMIC DEVELOPMENT – SPECIFIC SEGMENT OF POPULATION

## Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"> <li>The contribution can potentially deteriorate the economic development of a specific segments of population, at least in the short and medium term. Removal of the contribution is required before that segment of population can be further developed</li> </ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"> <li>The contribution hinders economic development of a specific segment of population, at least in the short and medium term. Removal of the contribution will greatly help to promote development in such segment</li> </ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"> <li>The contribution has some negative impact on economic development of a specific segment of population. Its impact might be too small to be observed in the short and medium term, but will be more noticeable in the longer term</li> </ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"> <li>Not applicable, or the contribution creates at maximum very minor impact on the economic development of any segment of population</li> </ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"> <li>The contribution helps to support economic development of a specific segment of population. Removal of the contribution does not impact short and medium term development plans but can create noticeable impact in the longer term</li> </ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"> <li>The contribution helps to drive economic development of a specific segment of population. Removal of the contribution can slow down the development and create public concerns or is expected to create substantial impact in the longer term</li> </ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"> <li>The contribution is critical for economic development of a specific segment of population. Removal of the contribution will create a substantial change on the short to medium term economic situation in the specific population segment</li> </ul>

# EXHIBIT 1.2.1.3.E

## SCORING GUIDELINE: SOCIAL WELFARE– UNEMPLOYMENT

### Criteria

**Major risks**  
**-3**

- The contribution can potentially deteriorate the unemployment issue nationwide. Continuation of the contribution will create serious problem both in the short and long term

**Moderate risks**  
**-2**

- The contribution can probably deteriorate the unemployment issue in a specific state, city, or industry. Continuation of the contribution can lead to public outcry in the short term, and a more serious social problem in the longer term

**Minor risks**  
**-1**

- The contribution can increase unemployment. However, the impact is likely to be small and might not be observable in the short and medium term (or)
- The contribution might create temporary unemployment issue in the short term, but the impact will disappear in the medium and long term

**Not applicable or negligible**  
**0**

- Not applicable, or the contribution creates at maximum very minor impact on the unemployment issue

**Minor benefits**  
**1**

- The contribution can reduce unemployment issues. However, the benefits from the contribution might not be observable in the medium term, but will be more noticeable in the longer term (or)
- The contribution might help to temporary mitigate unemployment issue, but the result might not be sustainable in the longer term

**Moderate benefits**  
**2**

- The contribution can help to solve unemployment issue in a specific state, city, or industry. Its satisfactory performance can be observable in the medium term and will be more substantial in the longer term

**Major benefits**  
**3**

- The contribution is critical for solving unemployment issue nationwide. It can substantially mitigate unemployment problem in the short term, and significantly reduce national unemployment rate in the longer term

# EXHIBIT 1.2.1.3.F SCORING GUIDELINE: SOCIAL WELFARE – EDUCATION AND CAPABILITY DEVELOPMENT

## Criteria

Major risks -3	<ul style="list-style-type: none"> <li>The contribution can significantly hinder human resource development nationwide. Because of the contribution, a large number of people may miss an opportunity to obtain education or proper training, which will significantly limit their career opportunity and income</li> </ul>
Moderate risks -2	<ul style="list-style-type: none"> <li>The contribution can hinder human resource development in a specific state, city, or industry. Because of the contribution, many people may miss an opportunity to obtain education or proper training, which will significantly limit their career opportunity and income</li> </ul>
Minor risks -1	<ul style="list-style-type: none"> <li>The contribution can create some issues on education and capability development in a certain area, but is unlikely to create long term damage</li> </ul>
Not applicable or negligible 0	<ul style="list-style-type: none"> <li>Not applicable, or the contribution creates at maximum very minor impact on human resource development</li> </ul>
Minor benefits 1	<ul style="list-style-type: none"> <li>The contribution can help to support education and capability development in a certain area, but the result might not be sustainable and last in the longer term</li> </ul>
Moderate benefits 2	<ul style="list-style-type: none"> <li>The contribution plays an important role in human resource development in a specific state, city, or industry. Without the contribution, many people may miss an opportunity to obtain education or proper training, which will significantly limit their career opportunity and income</li> </ul>
Major benefits 3	<ul style="list-style-type: none"> <li>The contribution is critical in human resource development nationwide. Without the contribution, a large number of people may miss an opportunity to obtain education or proper training, which will significantly limit their career opportunity and income</li> </ul>

# EXHIBIT 1.2.1.3.G

## SCORING GUIDELINE: SOCIAL WELFARE – HEALTH AND SAFETY

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• The contribution can result in a major negative impact on health or safety of a specific segment of the population. The contribution puts this segment in a high risk situation which could lead to a serious long term health issue</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• The contribution can result in a negative impact on health or safety of a specific segment of the population. It could moderately increase the probability this segment will be placed in a high risk situation</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• The contribution can result in a negative impact on health or safety of a specific segment of the population. It could slightly increase the probability that this segment will be placed in a high risk situation</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• Not applicable, or the contribution creates at maximum very minor impact on health and safety of any segment of the population</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• The contribution can improve the health or safety of a specific segment of the population. Without the contribution, this segment will have a slightly higher probability of being placed in a high risk situation</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• The contribution can improve the health or safety of a specific segment of the population. It could moderately reduce the probability of this segment being placed in a high risk situation</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• The contribution significantly improves the health or safety of a specific segment of the population. Without the contribution, this segment is at a major risk of facing a serious long term health issue</li></ul>

# EXHIBIT 1.2.1.3.H

## SCORING GUIDELINE: SOCIAL WELFARE – HUMAN RIGHTS

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• The contribution blatantly violates internationally accepted principles of human rights and can be a nationwide issue. Continuation of the contribution will create serious problem both in the short and the long term</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• The contribution can be seen as a violation of human rights principles and can be a state-wide issue. Continuation of the contribution can lead to public outcry, or even a more serious social problem in the longer term</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• The contribution might be seen as being not fully compliant with human rights principles. The impact is also too small to be observed in the short and medium term</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• Not applicable, or the contribution creates at maximum very minor impact on human rights</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• The contribution can help to support human rights principles. However, the benefits from the contribution might be too small and unnoticeable in the short and medium term</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• The contribution helps to promote principles of human rights in a specific state. It satisfactory performance can be observable in the medium term and will be more substantial in the longer term</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• The contribution is critical for supporting and promoting internationally accepted principles of human rights nationwide. It can substantially reduce human rights violation in the medium term and move the nation toward a state where human rights are honored in the longer term</li></ul>

# EXHIBIT 1.2.1.3.I

## SCORING GUIDELINE: OTHERS – ENVIRONMENT PRESERVATION

### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• The contribution can create an environmental problem at a national level. It could create a long term, serious, and irreversible damage to the environment, which could significantly change people's health and lifestyle or cause damage to the eco-system</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• The contribution can create an environmental problem at a state or city level. It could create a long term, serious, and irreversible damage to the environment, which could significantly change people's health and lifestyle or cause damage to the eco-system</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• The contribution might have some negative impact on the environment. However, the impact is generally too small to be observed in the short and medium term, but might be more noticeable in the longer term (or)</li><li>• The contribution has minor negative impact on the environment, and the impact is temporary and not recurring</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• Not applicable, or the contribution creates at maximum very minor impact on the environment</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• The contribution can help to enhance the environment. However, the impact might be very small and unnoticeable in the short and medium term</li><li>• The contribution has a minor positive impact on the environment, and the impact is temporary and not recurring</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• The contribution makes significant contribution to the environment at a state or city level. Without the contribution, there will be a long term, serious and irreversible damage to the environment, which could significantly change people's health and lifestyle or bring some prominent species to extinction</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• The contribution makes significant contribution to environment at a national level. Without the contribution, there will be a long-term, serious and irreversible damage to the environment, which could significantly change people's health and lifestyle or bring some prominent species to extinction</li></ul>

## EXHIBIT 1.2.1.3.J

### SCORING GUIDELINE: OTHERS – NATIONAL PRIDE

#### Criteria

<b>Major risks</b> -3	<ul style="list-style-type: none"><li>• The contribution can significantly decrease national pride. Public outcry might result from the contribution</li></ul>
<b>Moderate risks</b> -2	<ul style="list-style-type: none"><li>• The contribution causes some people to have poor sentiment about their own country. Due to its negative impact, the contribution receives might get unwanted attention from Government and other stakeholders</li></ul>
<b>Minor risks</b> -1	<ul style="list-style-type: none"><li>• The contribution might cause some people to have poor sentiment about their own country, but the impact is likely to be temporary and unlikely to lead to any significant public outcry</li></ul>
<b>Not applicable or negligible</b> 0	<ul style="list-style-type: none"><li>• Not applicable, or the contribution creates at maximum a very minor impact on enhancing national pride</li></ul>
<b>Minor benefits</b> 1	<ul style="list-style-type: none"><li>• The contribution can help to enhance national pride, but the impact is likely to be only temporary and might not lead to noticeable changes in society</li></ul>
<b>Moderate benefits</b> 2	<ul style="list-style-type: none"><li>• The contribution can help to promote national pride. Due to its positive impact, the contribution is well supported by various organisations and receives positive acceptance from the general public</li></ul>
<b>Major benefits</b> 3	<ul style="list-style-type: none"><li>• The contribution is critical for developing or sustaining national pride. Without the contribution, there could be a significant decrease in national pride</li></ul>



# CONTENTS

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## About the Appendix

### Appendix to Preface:

Individuals/organisations that have provided inputs in the development of the Silver Book  
Two-step process to identify types of contributions  
Rights of shareholders and that of other stakeholders: A discussion

### Appendix 1: Evaluate GLC starting position

- 1.1 Assess existing contributions “maturity” level
- 1.2 Examine existing contributions portfolio

### Appendix 2: Define a comprehensive contributions policy

### Appendix 3: Ensure superior execution and management

- 3.1 Determine financial spend
- 3.2 Regular enhancement of contribution to society
- 3.3 Formalise handling of new requests for contributions
- 3.4 Positive reporting and communication to maximise goodwill

### Appendix 4: Develop effective governance and organisation

### Appendix 5: Getting started

## APPENDIX 2

### DEFINE A COMPREHENSIVE CONTRIBUTIONS POLICY

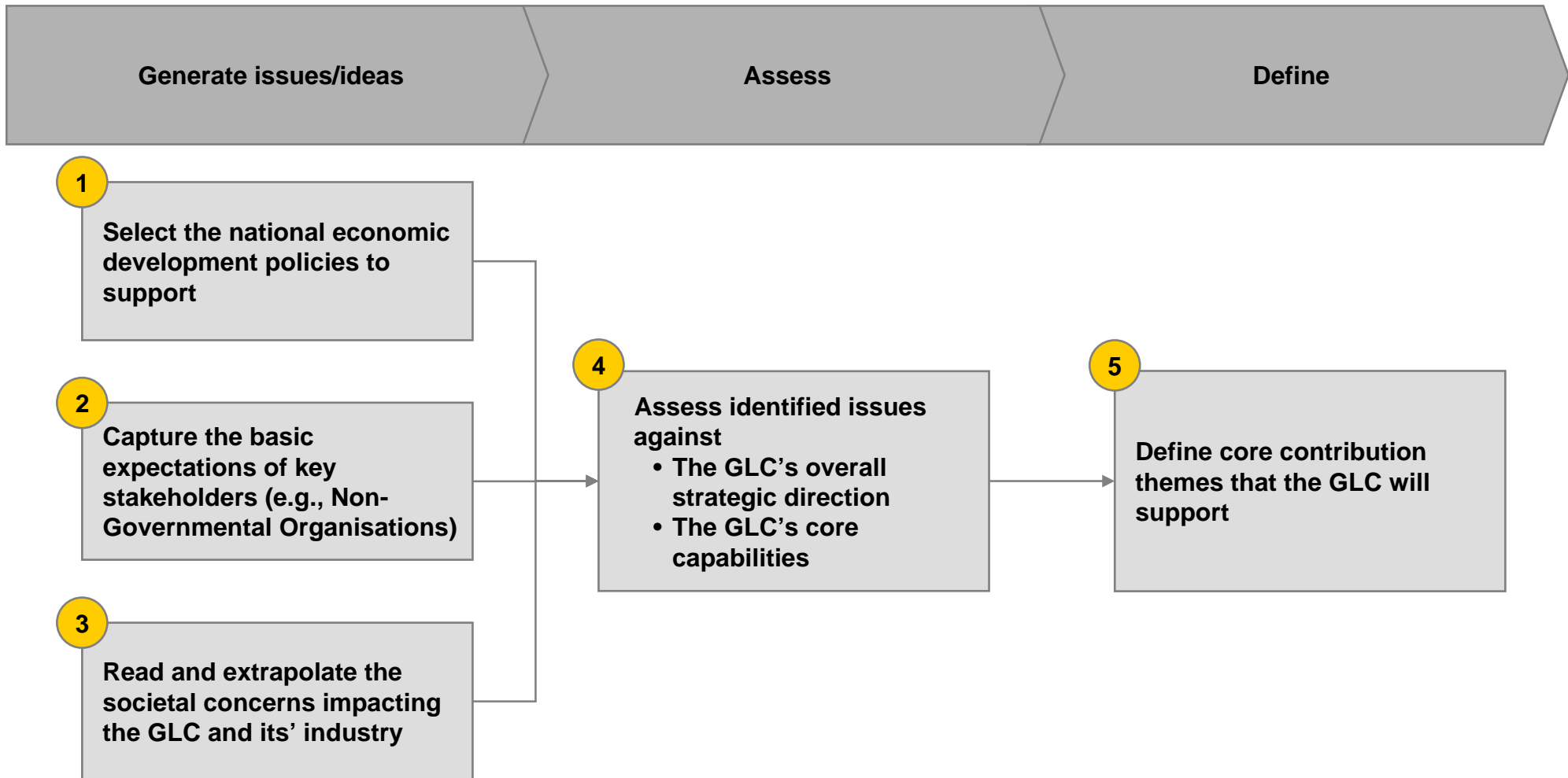
<b>Description</b>	A high performing contributions to society programme needs a comprehensive policy on contributions that specifies the core themes that a GLC will support. This policy should be formulated based on a strong understanding of the Government policies that a GLC should support, likely societal concerns that may impact its' business and the overall alignment to the GLC's business strategy
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<b>Chapter</b>	Chapter 3
<b>Relevance</b>	All GLCs

Suggested action steps		Reference
2	<p><b>Formulate core themes that are most relevant to the GLC's overall business strategy</b></p> <ul style="list-style-type: none"> <li>• <b>Generate the issues/ideas most relevant</b> <ul style="list-style-type: none"> <li>- select national development policies to support</li> <li>- capture the basic expectations of stakeholders</li> <li>- read and extrapolate the societal concerns impacting the GLC and its industry</li> </ul> </li> <li>• <b>Assess societal concerns against</b> <ul style="list-style-type: none"> <li>- the GLC's overall strategic direction</li> <li>- the GLC's core capabilities</li> </ul> </li> <li>• <b>Define the GLC's core contributions themes</b></li> </ul>	<p>Exhibit 2.A</p> <p>Exhibit 2.B Exhibit 2.C-D Exhibit 2.E-F</p> <p>Exhibit 2.G</p> <p>Exhibit 2.H</p>

# EXHIBIT 2.A FORMULATE CORE THEMES THAT ARE MOST RELEVANT TO THE GLC's BUSINESS STRATEGY

## Sample Formulation Process



## EXHIBIT 2.B

# SELECT THE NATIONAL ECONOMIC DEVELOPMENT POLICIES TO SUPPORT

### Illustrative Example

National Economic Development Policy as described in Ninth Malaysia Plan	Priority for support by GLC? High, Medium or Low	Rationale
Address development gaps between rural and urban areas	High	Regulators have repeatedly highlighted this as a priority area
Ensure Bumiputera's equity share in the nation's economic growth	Low	Bumiputera vendors and suppliers are already a major part of the company's supply chain
Provide accommodation to the low-income group	Low	Not related to the core business
Ensure more effective participation of women in national development	High	Ability to tap this talent pool will improve the company's human capital
Enhance tourism's contribution to the national economy	Low	Not related to the core business
Strengthening agriculture and the agro-based industry	Low	Not related to the core business
Raise the national capacity for knowledge and innovation	High	Ability to help relieve specific skill shortages
Attain balanced regional development	Medium	State authorities have highlighted this as an area of concern
Improve general public's standard and quality of life	High	Continue to provide goods and services to consumers in an efficient and cost-effective way

## EXHIBIT 2.C

### CAPTURE THE BASIC EXPECTATIONS OF OTHER STAKEHOLDERS

#### Sample Stakeholder Analysis

Stakeholders	Interaction medium	Societal concerns identified
Government/regulator	<ul style="list-style-type: none"> <li>• 1 on 1 discussions</li> <li>• Formal meetings/forums</li> </ul>	<ul style="list-style-type: none"> <li>• Ability of the company to contribute to further industry development and improve product/service standards to consumers</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Survey</li> <li>• Website</li> <li>• Focus group discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Reasonable pricing and access to products and services</li> <li>• Concerns on the long term effect of product usage</li> </ul>
Local community	<ul style="list-style-type: none"> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of the company's manufacturing activities on the environment</li> <li>• Capability of the company to handle a crisis and emergency to ensure a safe living environment</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>• 1 on 1 discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of the company's manufacturing activities on the environment</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Townhall meetings</li> <li>• Intranet</li> </ul>	<ul style="list-style-type: none"> <li>• Safety standards and procedures at the company's plants</li> </ul>
Investor community	<ul style="list-style-type: none"> <li>• Conference calls</li> </ul>	<ul style="list-style-type: none"> <li>• Capability of the company to handle a crisis and emergency, which is critical in minimising litigation and business disruption</li> </ul>

# EXHIBIT 2.D

## SAMPLE STAKEHOLDER PRIORITISATION ANALYSIS

		Company owners Shareholders Investors	Employees	Customers	Business partners	Suppliers	Competitors	Government regulators	NGOs Pressure groups influencers	Communities
Core themes	Values and governance									
	Regulation and controls									
	Business operations									
	Accountability and disclosure									
	Human rights									
	Employee rights/working conditions									
	Business context									
	Product impact									
	Social impact/ investment									
	Impact on flora and fauna									
	Impact on environment									

Weak interest
  Some interest
  Strong interest

Source: Making Good Business Sense, World Business Council on Sustainable Development, January 2000

## EXHIBIT 2.E READ AND EXTRAPOLATE THE SOCIETAL CONCERNS IMPACTING THE GLC OR ITS INDUSTRY

### Example Of Societal Concerns By Industry



#### *Pharma*

- Affordability
- Excessive profits
- Lifestyle products
- Developing world disease



#### *Financial Services*

- Consumer debt
- Retirement vacuum
- Sub-prime lending
- Conflicts of interest



#### *Food Industry*

- Obesity
- Marketing to children
- Food safety
- Fair trade



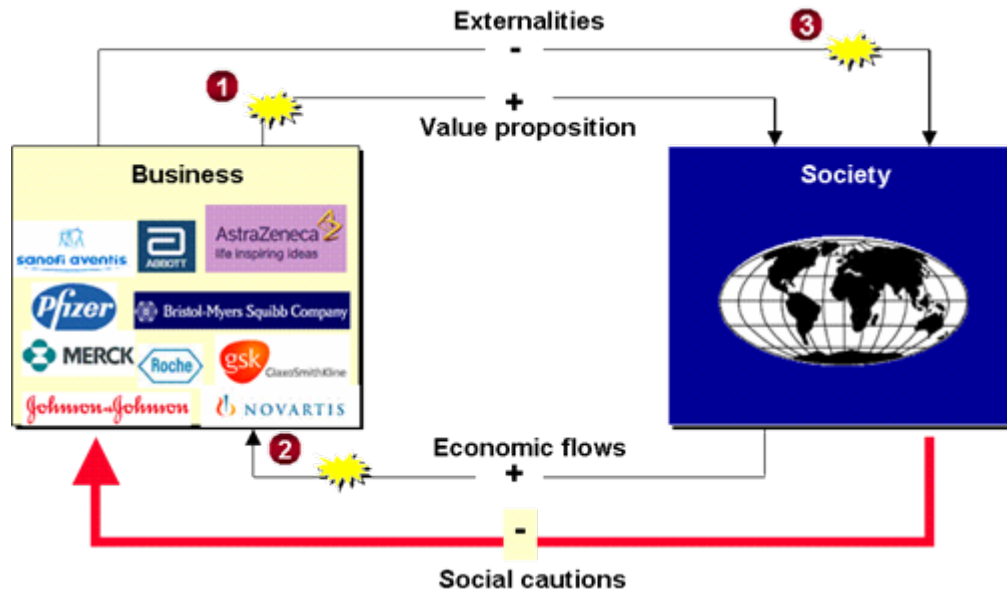
#### *Oil and Gas Industry*

- Environmental damage
- Pollution
- Impeding alternative energy development
- Reserve transparency

**Societal Concerns** refer to the concerns of various stakeholder groups (e.g. investors, customers, etc) caused by the services or products of a specific industry or company. These concerns might be widely expressed or still in its infancy. These are issues that, if not proactively addressed, can lead to potential disruption to the sustainable development of a company or industry.

## EXHIBIT 2.F INDUSTRY EFFECTS AND RESPONSES CAN RESULT IN INCREASED SOCIETAL CONCERNS

### Example: U.S. Pharmaceutical Industry



### Key Societal Concerns:

- 1 Declining R&D productivity
- 2 Limit in society's ability to pay
- 3 Limits of acceptable inequalities

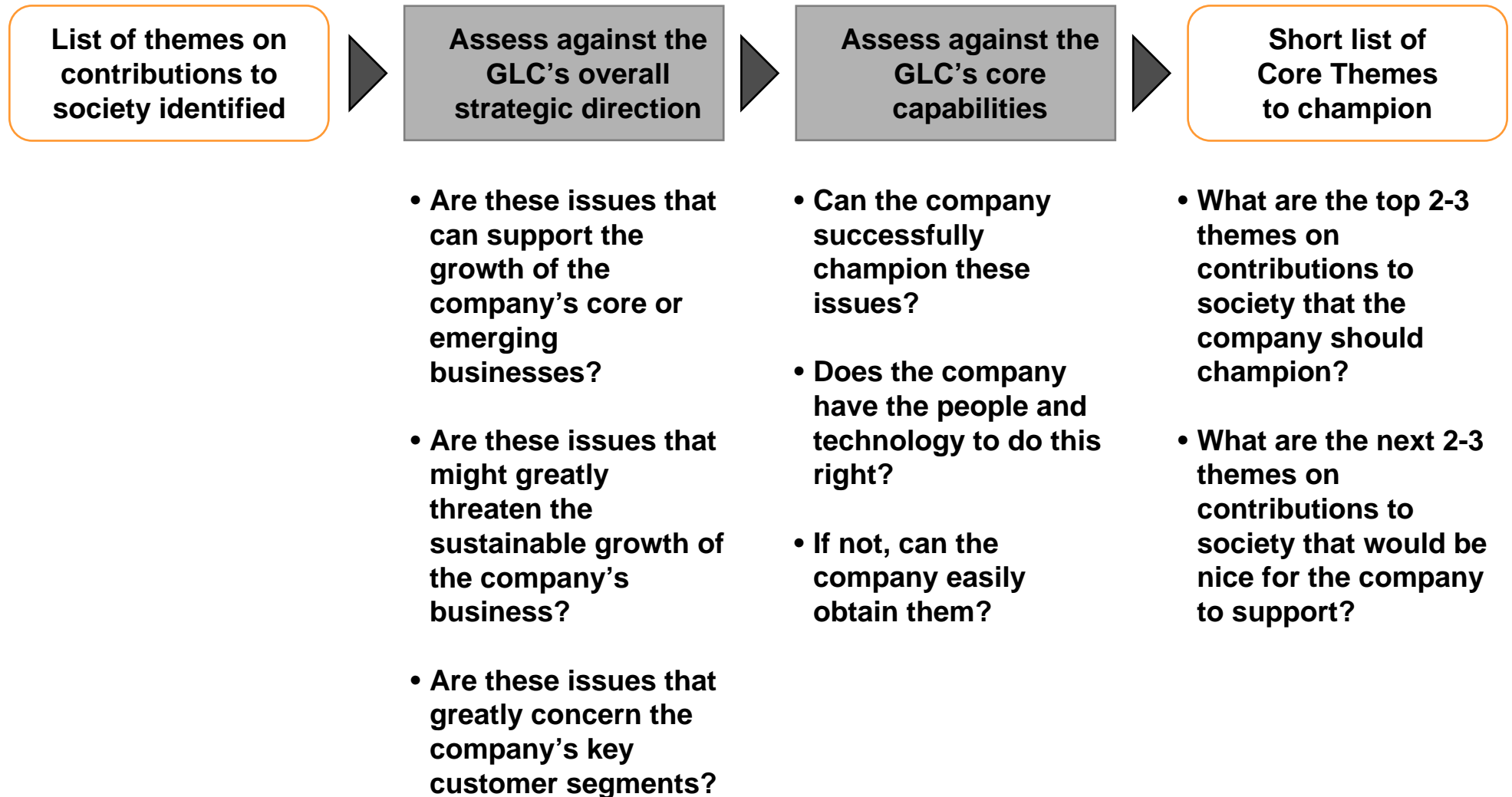
**The U.S. pharmaceutical industry is facing growing threat of societal concerns, that might severely impact the industry players ability to grow, due to a number of factors**

Firstly, the value proposition of pharmaceutical companies are diminishing in view of declining R&D productivity, as demonstrated by ever escalating new product development cost and time. Secondly, there are strong societal concerns that healthcare cost is skyrocketing and increasingly unaffordable at home. Thirdly, this concern has even been extended abroad and is deemed as having exacerbated the inequalities between the developed and developing countries

The pharmaceutical industry responses are not addressing these concerns. Despite attempt to increase its value proposition by focusing on lifestyle drugs, incremental drug development and direct to consumer marketing, society has instead interpreted these attempts as greedy money making schemes. The image of the industry is further tarnished with increasing aggressiveness in patent enforcement and Government lobbying

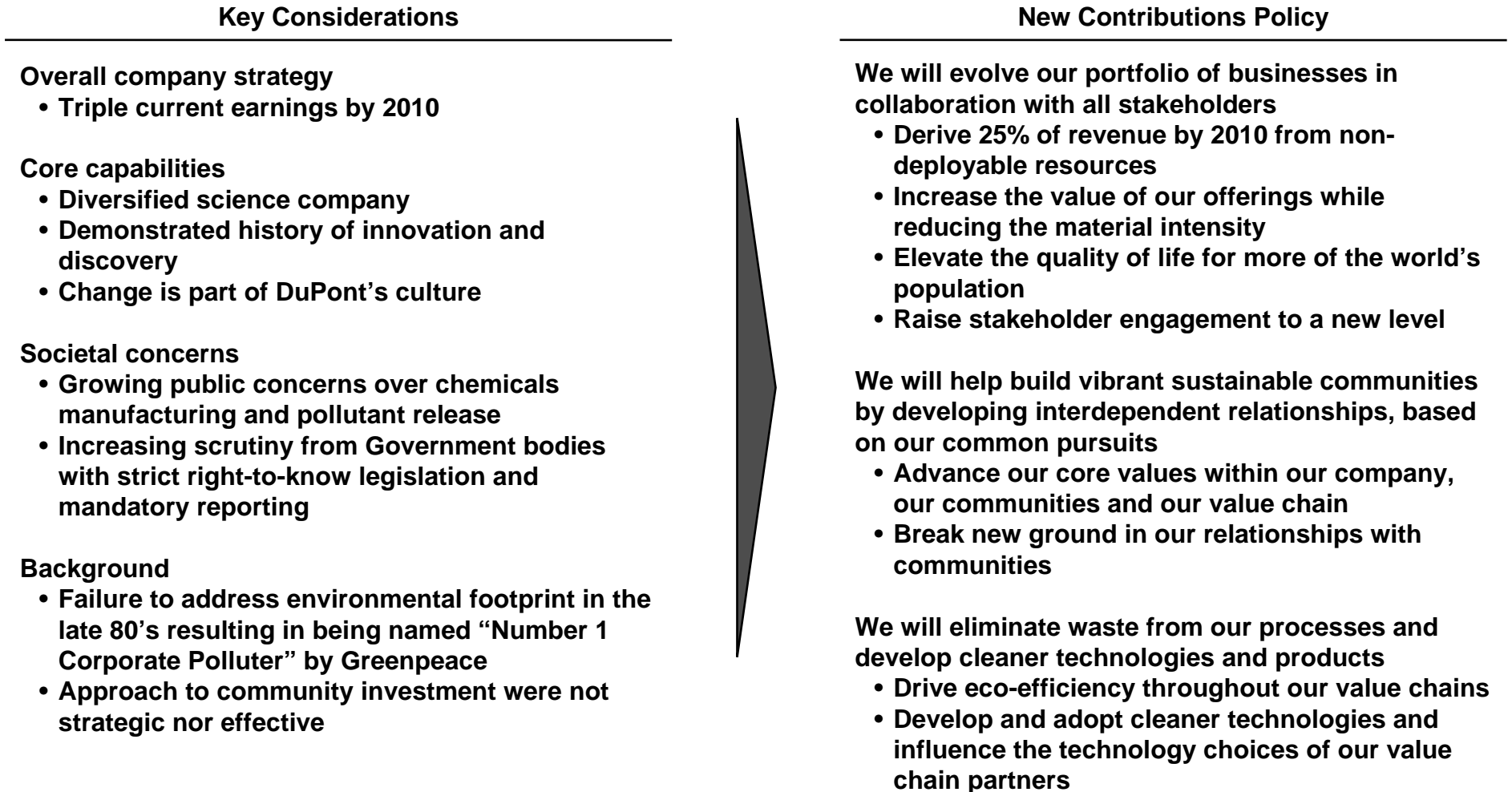


## EXHIBIT 2.G      ASSESS IDENTIFIED SOCIETAL ISSUES AGAINST OVERALL STRATEGIC DIRECTION AND CORE CAPABILITIES



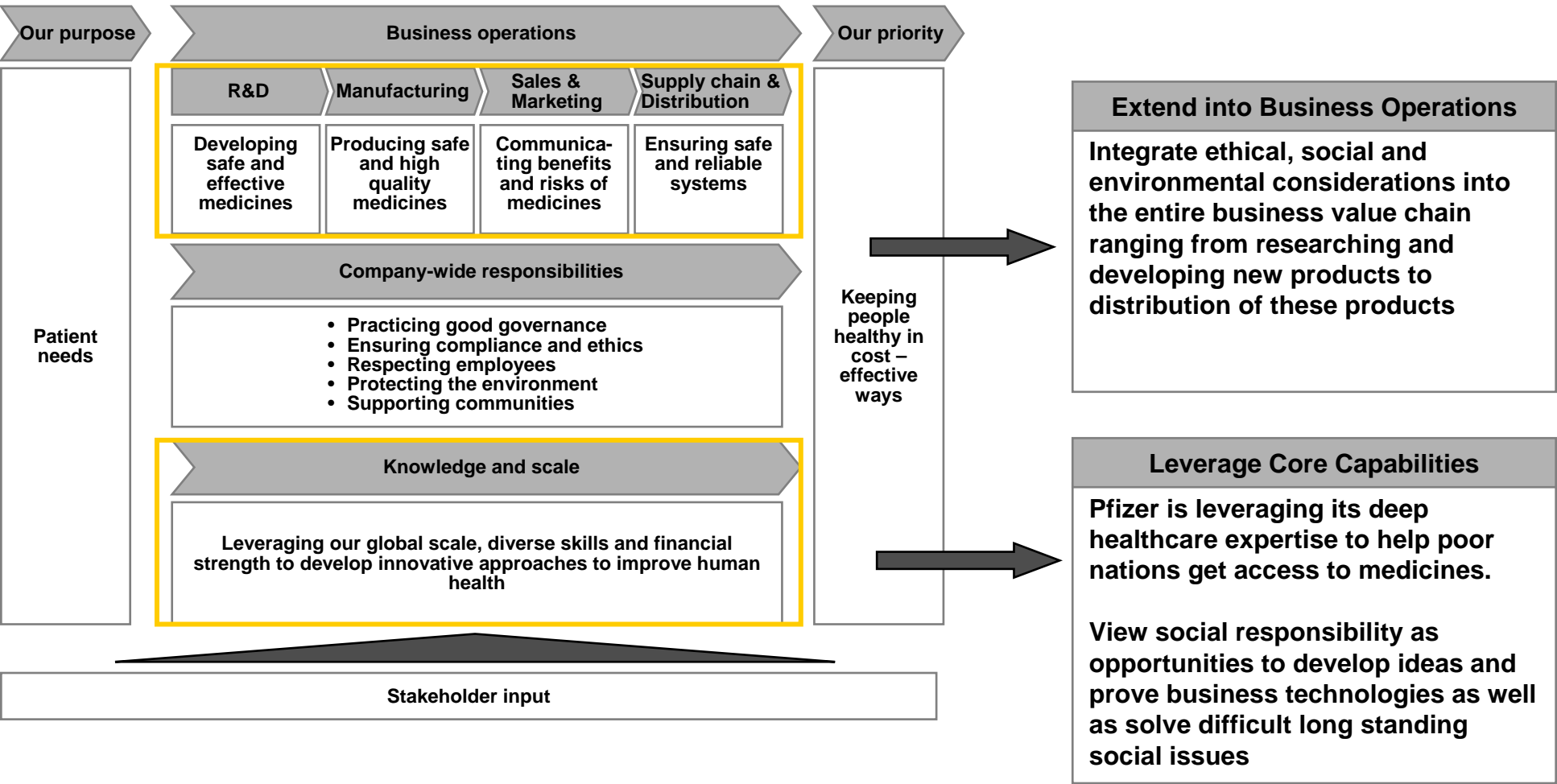
# EXHIBIT 2.H      EXAMPLE OF CONTRIBUTIONS POLICY RELEVANT TO BUSINESS SUSTAINABILITY (I)

## Example: Dupont Canada Sustainable Growth Model



# EXHIBIT 2.H      EXAMPLE OF CONTRIBUTIONS POLICY RELEVANT TO BUSINESS SUSTAINABILITY (II)

## Example: Pfizer Integrated Themes On Contributions To Society



Source: Business for Social Responsibility Leading Perspective Fall 2005; Team analysis

## EXHIBIT 2.H      EXAMPLE OF CONTRIBUTIONS POLICY RELEVANT TO BUSINESS SUSTAINABILITY (III)

### Example: Home Depot's Certified Wood Story



<b>Impulse for action</b>	<ul style="list-style-type: none"><li>• Underlying issue: deforestation and use of wood</li><li>• Between 1997 and 1999 environmentalists clashed with Home Depot, using tactics including picketing stores, protesting at corporate headquarters, and demonstrating at shareholder meetings</li><li>• Home Depot feared actions might lead to a consumer backlash and contribute to sliding sales</li></ul>
<b>Contributions Policy and Strategic Actions</b>	<ul style="list-style-type: none"><li>• Issued a wood purchasing policy in 1999, giving preference to wood from “responsibly managed” forests and setting targets to stop purchasing wood from endangered forests</li><li>• Completed a full value chain assessment to determine source of wood in every product they sell</li><li>• Branded all “certified wood” products, of which it now sells more than any retailer</li><li>• Lobbied Governments and loggers to stop over-cutting forests in Asia, Africa and the Americas</li><li>• Facilitated dialogue between suppliers in Chile and environmental activists</li></ul>
<b>Results of actions</b>	<ul style="list-style-type: none"><li>• All protests against Home Depot have ceased</li><li>• Home Depot reports a “modest impact in sales” from customers who are aware of its environmental standards</li><li>• According to the Forest Stewardship Council, certified wood sales in Home Depot grew from \$15M in 1999 to \$250M in 2002, and is still growing</li></ul>
<b>Implications for other industries</b>	<ul style="list-style-type: none"><li>• Consumers are increasingly willing to purchase certified products which charge ethical premiums</li><li>• It is possible to transform upstream business practices with relatively little cost (i.e., leveraging leadership position in value chain)</li><li>• A corporate entity can facilitate dialogue between the key stakeholders revolving around its business (as Home Depot did for Chilean suppliers and environmentalists)</li></ul>

# EXHIBIT 2.H      EXAMPLE OF CONTRIBUTIONS POLICY RELEVANT TO BUSINESS SUSTAINABILITY (IV)

## Example: Chiquita's Path To Transparency



<p><b>Impulse for action</b></p>	<ul style="list-style-type: none"> <li>• Internal crisis in 1998 when Cincinnati Enquirer reporter uncovered corruption at Chiquita, including a series of bribery and tax schemes</li> <li>• Established in 1899, was referred to as “the Octopus” for its broad reach and powerful influence over employees, competitors and politicians in South America and U.S.</li> <li>• Economic crisis at Chiquita hit in the 1990s due to restrictive EU trade restrictions, strategic mis-management, and pressure from activists</li> </ul>
<p><b>Contributions Policy and Strategic Actions</b></p>	<ul style="list-style-type: none"> <li>• Chiquita pursues radically transparent stance starting in 2000</li> <li>• Publishes articles about its mixed history, including accounts of corruption, environmental abuse, and contribution to political coups</li> <li>• Deploys stringent social and environmental standards to govern its operations (including SA8000 and full compliance with Rainforest Alliance standards)</li> <li>• Partners with local environmental NGOs to monitor every farm in Chiquita portfolio</li> </ul>
<p><b>Results of actions</b></p>	<ul style="list-style-type: none"> <li>• Stock price has recovered steadily from its all-time low in 2001</li> <li>• Successful introduction in Oct 2005 of a Rainforest Alliance labeled Chiquita Banana in Europe</li> <li>• “Sustainable Business” includes Chiquita in world’s top 20 sustainable stocks</li> <li>• Heralded as a “new model for corporate social responsibility” by Yale authors</li> <li>• William D'Alessandro of Business and the Environment refers to Chiquita story as “a certified miracle – the social and environmental redemption of a corporate sinner”</li> </ul>
<p><b>Implications for other industries</b></p>	<ul style="list-style-type: none"> <li>• A corporation can admit <i>mea culpa</i> and disassociate itself from its own past                         <ul style="list-style-type: none"> <li>- society willing to forgive corporation’s past when there is clear commitment to a new course of action</li> </ul> </li> <li>• Can realise a financial upside during a crisis, as Chiquita did with Rainforest Alliance banana in EU</li> </ul>

# EXHIBIT 2.H      EXAMPLE OF CONTRIBUTIONS POLICY RELEVANT TO BUSINESS SUSTAINABILITY (V)

## Example: BP Focus On Renewable Energy Technology



<b>Impulse for action</b>	<ul style="list-style-type: none"><li>• The oil industry has become the lightning rod of the climate change debate</li><li>• Climate change demand-driven (87% of CO2 emissions from consumption of oil, 13% from oil production(1))</li><li>• Oil being held accountable for actions and behaviours downstream from its value chain</li><li>• Can no longer ignore externalities – system now too “crowded”</li><li>• The oil industry is acting as though there is a problem and taking steps to do something about it</li></ul>
<b>Contributions Policy and Strategic Actions</b>	<ul style="list-style-type: none"><li>• BP CEO John Browne break ranks with industry by saying global warming is a reality</li><li>• Taking responsibility for a demand-driven problem, committing to being a central agent for a solution</li><li>• Investments in alternative energy including solar and natural gas with commitment to keep growing these businesses</li><li>• Significant data transparency on key environmental and health and safety metrics</li></ul>
<b>Results of actions</b>	<ul style="list-style-type: none"><li>• Ranked #1 global corporation on AccountAbility rating</li><li>• John Browne considered a PR “pioneer” in WSJ editorial</li><li>• Received leniency from NGOs on the one hand, yet criticism for “investment tokenism” by some</li><li>• EU Governments considering special emission tax credits for BP</li></ul>
<b>Implications for other industries</b>	<ul style="list-style-type: none"><li>• Small investments which demonstrate some level of commitment (in alternative energy) can make a big impact with stakeholders</li><li>• A company can begin to transform part of its business to prepare for potential futures without sacrificing its core business in the near-term</li><li>• Transparency – into operations as well as strategy – appear to be a key driver of stakeholder trust</li></ul>

# CONTENTS

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## About the Appendix

### Appendix to Preface:

Individuals/organisations that have provided inputs in the development of the Silver Book  
Two-step process to identify types of contributions  
Rights of shareholders and that of other stakeholders: A discussion

### Appendix 1: Evaluate GLC starting position

- 1.1 Assess existing contributions “maturity” level
- 1.2 Examine existing contributions portfolio

### Appendix 2: Define a comprehensive contributions policy

### Appendix 3: Ensure superior execution and management

- 3.1 Determine financial spend
- 3.2 Regular enhancement of contribution to society
- 3.3 Formalise handling of new requests for contributions
- 3.4 Positive reporting and communication to maximise goodwill

### Appendix 4: Develop effective governance and organisation

### Appendix 5: Getting started

## APPENDIX 3.1

### DETERMINE FINANCIAL SPEND

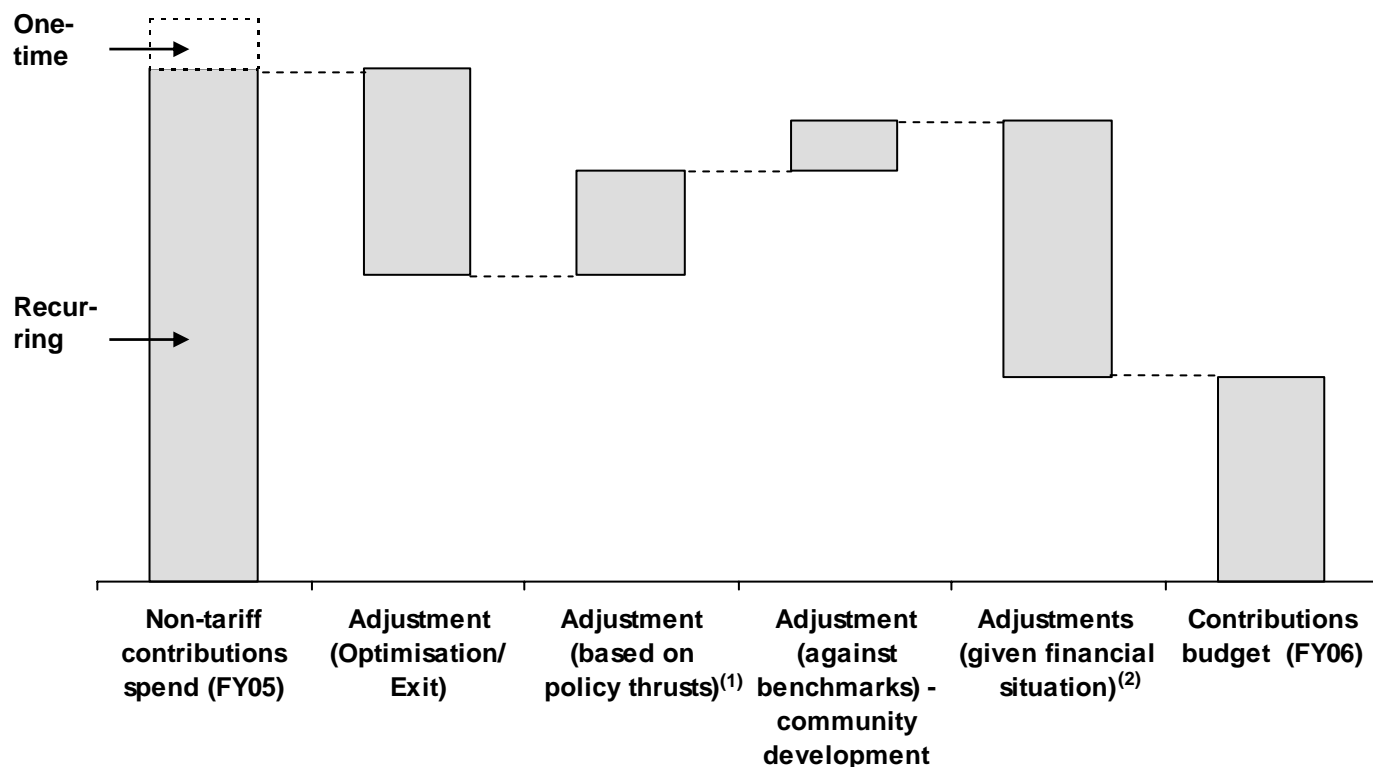
<b>Description</b>	Each GLC should set a financial spend target which is consistent with their financial position and historical spend as well as comparable to the contribution level of their local and global industry benchmarks. GLCs should focus not only on the level of spend of the benchmarks but also the impact that these benchmarks have been able to achieve with their contributions.	<b>Chapter</b>	Chapter 4
		<b>Relevance</b>	All GLCs; especially GLCs that spend a large amount on contributions to society
Suggested action steps		Reference	
<b>3.1 Set explicit financial spend to support core themes</b> <ul style="list-style-type: none"> <li>• Illustrative examples of setting financial spend for contributions</li> <li>• Examples of financial spend of companies on contributions to society</li> </ul>		<b>Exhibit 3.1.A</b> <b>Exhibit 3.1.B-C</b>	



# EXHIBIT 3.1.A

## DETERMINE FINANCIAL SPEND

**Illustrative Example of Setting Financial Spend for Community Development programme for a Utility Provider**



**Spend of industry benchmarks on community development**

	RM	% of sales
Company A	13.6	0.08%
Company B	50	0.08%
Company C	14	0.04%
Utility provider (assuming range of ratios)	7-14	0.04%-0.08%

However, key in comparing to benchmarks is to measure impact achieved (and not just the % of spend)

(1) Additional priority contributions that the company would like to support

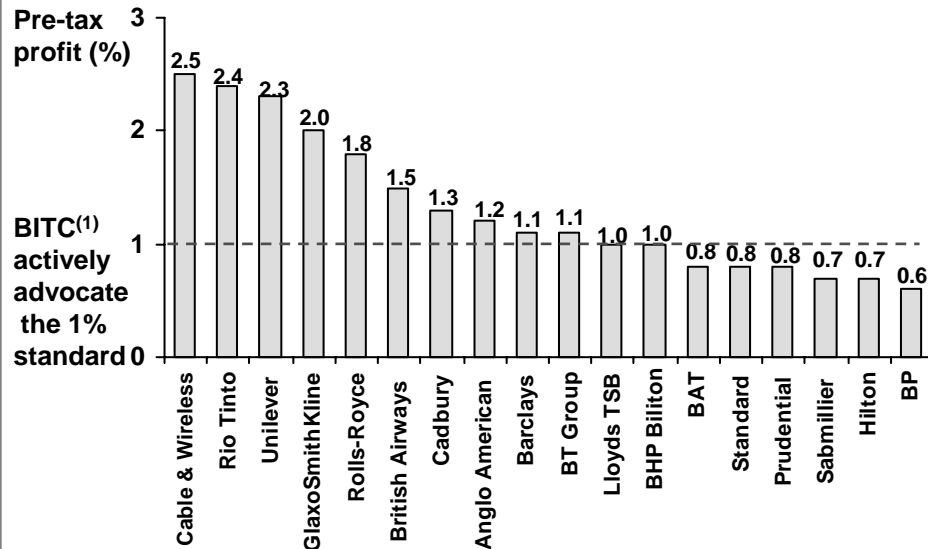
(2) This should be part of the budget planning process

# EXHIBIT 3.1.B

## FINANCIAL SPEND OF SELECTED US, UK AND MALAYSIAN COMPANIES

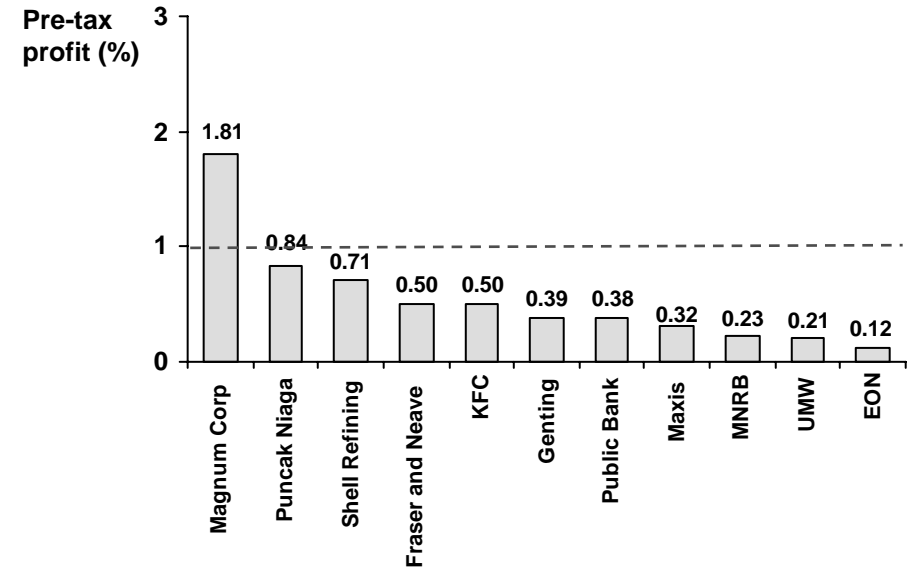
Not uncommon for UK and US companies to contribute in the 1% range

2005 CSR investments levels



Malaysian companies generally contribute less than 1%

2004 Annual contribution<sup>(2)</sup>



(1) Business in the Community, independent business led charity based in the United Kingdom

(2) Excludes activities that resulted in direct gain to companies, e.g. scholarship programme with an employment bond

Source: Based on publicly available data; FTSE100 gives Social Investment 2005 Report; BITC website; Malaysian Business Sept 16, 2005 edition

## EXHIBIT 3.1.C SAMPLE CONTRIBUTIONS TO SOCIETY FINANCIAL SPEND OF GLOBAL COMPANIES

Companies	Year	Currency	Breakdown	\$ (mil)	Total financial spend (\$ mil)	Pre-tax profit (\$ mil)	% of pre-tax profit
1. Telstra	2004/2005	AUD	<ul style="list-style-type: none"> <li>• USO contributions</li> <li>• Low income support packages</li> <li>• Free directory assistance</li> <li>• Priority assistance</li> <li>• Community development</li> </ul>	490 200 35 15 8	748	6,269	12.0
2. Bell Canada	2005	CAD	<ul style="list-style-type: none"> <li>• Donations and community sponsorships</li> <li>• 2010 Olympic Winter Games annual commitment</li> <li>• Children and youth health</li> </ul>	23 21 20	64	3,075	2.0
3. Telefonica Spain	2004	EUR	<ul style="list-style-type: none"> <li>• Servicing non profitable areas</li> <li>• Social discounts for low-income, disabled and pensioners</li> <li>• Information service costs</li> </ul>	65 61 5	131	1,455	9.0
4. Royal Mail UK	2004/2005	Pound £	<ul style="list-style-type: none"> <li>• Universal service costs</li> <li>• Charitable donation</li> </ul>	81 2	83	207	40.0
5. Duke Energy	2004	US	<ul style="list-style-type: none"> <li>• Education sponsorships</li> <li>• Community donations</li> </ul>	11 3	14	1,967	0.7
6. CLP Holdings	2005	HKD	<ul style="list-style-type: none"> <li>• Community donations</li> </ul>	27	27	10,445	0.3

Source: Companies Corporate Social Responsibility Reports and Annual Reports



## APPENDIX 3.2

### REGULAR ENHANCEMENT OF CONTRIBUTIONS (I)

<b>Description</b>	A GLC should improve the effectiveness as well as increase the cost efficiency of its overall contributions. There are three broad levers that a GLC can deploy, namely Internally Optimisation, Reshape or Exit and Funding. A GLC should periodically review its portfolio of contributions to society to ensure that it is being effectively managed.
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<b>Chapter</b>	Chapter 4
<b>Relevance</b>	All GLCs; especially GLCs with a large portfolio of contributions to society

Suggested action steps	Reference
<p><b>3.2.1 Review findings on Cost-Benefit assessment of contributions to society programme (especially NOI component). This module requires the prior completion of the Contributions to Society Assessment (CSA)</b></p> <p><b>3.2.2 Assess applicability of various levers to enhance the effectiveness and cost efficiency of existing contributions programme. These levers include</b></p> <ul style="list-style-type: none"> <li>• Internal Optimisation of the customer-facing activities or Internal Optimisation of the back-office operations, e.g. <ul style="list-style-type: none"> <li>- maximise revenue mix</li> <li>- shift demand away from unprofitable contributions</li> <li>- differentiate channels and service levels</li> <li>- leverage partners</li> <li>- adopt low cost model</li> <li>- outsource to a third party provider</li> <li>- separate management and reporting of contributions</li> <li>- exploit one-time opportunities</li> </ul> </li> </ul>	<p>Refer to Appendix 1.2 for more details on the the CSA, especially the Cost-Benefit assessment component</p> <p>Exhibit 3.2.2.1.A - I</p>

## APPENDIX 3.2

### REGULAR ENHANCEMENT OF CONTRIBUTIONS (II)

Suggested action steps	Reference
<p><b>3.2.2 Assess applicability of various levers to enhance the effectiveness and cost efficiency of existing contributions programme. These levers include (con't)</b></p> <ul style="list-style-type: none"> <li>• <b>Reshape or Exit existing contributions. e.g.</b> <ul style="list-style-type: none"> <li>- understand range of levers in reshaping or exiting contributions</li> <li>- engage stakeholders and highlight consequences of contributions</li> <li>- negotiate changes to the contribution based on the intent of the contribution</li> <li>- collaborate with regulators/Government to reshape the industry landscape</li> </ul> </li> <li>• <b>Seek alternative Funding, which is likely to be the option of last resort should Internal Optimisation, Reshape or Exit not work, e.g.</b> <ul style="list-style-type: none"> <li>- industry funding</li> <li>- customer cross-subsidy</li> <li>- Government subsidy to end-users</li> <li>- funding from external agencies</li> <li>- direct Government assistance</li> </ul> </li> </ul> <p><b>3.2.3 Formulate a specific action plan to enhance the existing contributions programme. This can involve a customisation and/or combination of the levers described above</b></p> <p><b>3.2.4 Validate and get sign-off on the action plan from the Board of Director</b></p>	<p><b>Exhibit 3.2.2.2.A - F</b></p> <p><b>Exhibit 3.2.2.3.A - H</b></p>

## APPENDIX 3.2

### REGULAR ENHANCEMENT OF CONTRIBUTIONS (III)

Suggested action steps	Reference
<p><b>3.2.5 Optimise the contributions portfolio</b></p> <ul style="list-style-type: none"><li>• <b>Assess each contribution to society against the following key dimensions</b><ul style="list-style-type: none"><li>- <b>tangible cost and benefits to the GLC (NOI or NEI)</b></li><li>- <b>Qualitative benefits to the GLC</b></li><li>- <b>Qualitative benefits to society</b></li><li>- <b>alignment to policy on contributions to society</b></li></ul></li><li>• <b>Prioritise each contribution relative to each other on a matrix</b></li><li>• <b>Develop an action plan for each contribution based on its position on the prioritisation matrix</b></li></ul>	<p><b>Exhibit 1.2.1.1.A - G</b> <b>Exhibit 1.2.1.2.A - H</b> <b>Exhibit 1.2.1.3.A - J</b></p>

# EXHIBIT 3.2.2.1.A

## INTERNAL OPTIMISATION LEVERS

*How to reduce (or make positive) the avoidable cost while still fulfilling the intent?*

Levers		Description	Examples
Improve customer-facing activities	Maximise revenue	Develop new revenue sources to the goods/services that are being offered (e.g. by marketing and selling other products)	European telco promotes additional products and services differently across areas
	Shift demand	Either reduce the demand for loss-making goods/services; or move the demand away from loss-making goods/services to more profitable alternatives	European utility promotes economical consumption of energy to reduce demand
	Differentiate channels & service levels	Select different delivery channels and service levels for services to save costs	European postal company has different service levels throughout the country
	Leverage partners	Use partners which are more efficient at or have the capabilities of providing the goods/services in a way that will reduce costs	Brazilian bank uses 3 <sup>rd</sup> party (e.g. merchants) to provide banking services in villages in villages
	Adopt low cost model	Adopt a different business model with a lower cost structure to provide the goods/services	Asia Pacific airline serves rural areas through its low-cost carrier
Improve back-office operations	Outsource	Outsource the delivery of goods/services to a 3 <sup>rd</sup> party provider that can do it more efficiently	North African water management company outsources its operations & maintenance
	Separate management	Manage or report the goods/services separately to increase transparency on the business performance	Asia Pacific telco groups all its rural business into one business unit
	Exploit one-time opportunities	Implement one-time revenue or cost improvements to reduce the burden of providing the goods/services	European railway improves its efficiency to reduce staff needs and achieves right-sizing through gradual staff retirement

## EXHIBIT 3.2.2.1.B

### MAXIMISE REVENUE MIX EVEN IN RURAL AREAS

#### Example: Dutch Telco

Context	<p>Incumbent telco directed to provide universal service, and has not been able to secure Government funding</p> <p>Market recently liberalised</p>
Contributions to society and Impact	<p>Provide countrywide telephony &amp; data products</p> <p>Provide wholesale products to other operators</p> <p>Fixed maximum prices ('tariffs') for retail &amp; wholesale</p> <p>Costs incurred to establish traditional sales channel and infrastructure unlikely to be recouped in rural areas</p>
Approach	<p>Focus on lowering costs, by improving efficiency of operations</p> <p>Increasing revenue, through</p> <ul style="list-style-type: none"><li>• Negotiations on pricing with authorities</li><li>• Segmentation and targeting of its rural market</li></ul>
Take-Aways for GLCs	<p>Even though Government does not provide financing for the contributions, the company has established sound profit margin in markets which it was directed to serve</p>



## Example: French Utility Company

Context	<ul style="list-style-type: none"> <li>• National electricity producer and distributor</li> <li>• Formerly fully state-owned, privatised but Government retains majority stake</li> <li>• Deregulation of electricity market in Europe in 1999 signified end of monopoly status</li> </ul>
Contributions to society and Impact	<div> <ul style="list-style-type: none"> <li>• Universal access obligation</li> <li>• Use of state-owned transporter</li> <li>• Fixed market prices</li> <li>• Preferential tariffs for low-income groups</li> </ul> </div> <div>▶</div> <div> <p>Pressure on profitability due to</p> <ul style="list-style-type: none"> <li>• Higher cost</li> <li>• Capped revenue</li> </ul> </div>
Approach	<ul style="list-style-type: none"> <li>• Government finances net costs of service obligations, based on a dedicated accounting             <ul style="list-style-type: none"> <li>- managed by EDF, following rules established by the Commission for Energy Regulation, and controlled by external commissioners</li> <li>- excluding costs linked to obligations applicable to all producers, (e.g. protecting the environment, R&amp;D, security of installations, etc.)</li> </ul> </li> <li>• Income from higher-income customer groups cross-subsidises lower-income groups (“horizontal solidarity”)</li> <li>• Lowering demand through promotion of economical use of energy</li> <li>• Increasing supply through investments in production, transportation and distribution</li> </ul>
Take-Aways for GLCs	<ul style="list-style-type: none"> <li>• Combination of Government funding and cross-subsidies allow operations of non-profitable contributions</li> <li>• Influencing market demand and supply is indirect method of shaping the industry competitive balance</li> </ul>

## EXHIBIT 3.2.2.1.D DIFFERENTIATE CHANNELS & SERVICE LEVELS; RE-NEGOTIATE CONTRIBUTIONS BASED ON INTENT



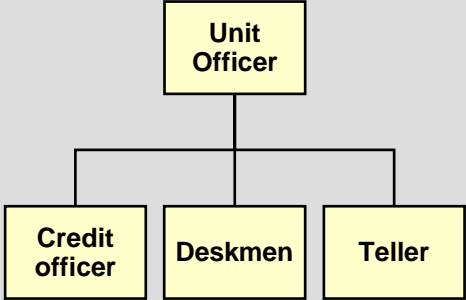
### Example: Dutch Postal Company

Context	State owned postal company	
Contributions to society and Impact	Universal access Fixed pricing	Pressure on profitability due to <ul style="list-style-type: none"><li>• Higher cost</li><li>• Capped revenue</li></ul>
Approach	<div>Over-deliver on service obligations Build goodwill for negotiation position</div> <div>Realise superior service beyond its obligation</div>	<div>Negotiate based on intent and functionality, not on ineffective metrics</div> <div>Differentiated service levels throughout the network, aimed at lowering costs<ul style="list-style-type: none"><li>• Many low cost outlets for simple high frequency transactions</li><li>• Lower density of outlets for complex transactions</li></ul></div>
Take-Aways for GLCs	First build credibility as a trustworthy supporter for certain policies  Then negotiate re-wording of obligation, allowing more liberty to then optimise different market segments	

## EXHIBIT 3.2.2.1.D

### DIFFERENTIATE CHANNELS & SERVICE LEVELS


#### Example: Indonesian Financial Institution

Context	<ul style="list-style-type: none"><li>• One of Indonesia's top commercial banks</li><li>• One of the pioneers in the field of micro loans where micro loans make up one-third of its overall loan portfolio</li><li>• The best Return on Assets (ROA) among the top 25 Indonesian banks in 2004</li></ul>
Contributions to society and Impact	<ul style="list-style-type: none"><li>• Provide micro loans to underserved groups such as poor entrepreneurial individuals, small businesses and the rural segment</li></ul>
Approach	<ul style="list-style-type: none"><li>• Deploy a streamlined service model for micro segments using BRI units</li></ul> <div><ul style="list-style-type: none"><li>• Each BRI unit functions as profit centre<ul style="list-style-type: none"><li>- separate financial statements</li><li>- unit can be closed down if performance is poor</li></ul></li><li>• Profit sharing with unit staff as incentive</li><li>• Local knowledge<ul style="list-style-type: none"><li>- Allows decentralised loan approval</li></ul></li><li>• Outreach can be extended by setting up Village service Posts</li></ul></div>
Take-Aways for GLCs	<ul style="list-style-type: none"><li>• Sound profit can be made by focusing on the poor and underserved markets by using a model of customised channels and service levels</li><li>• Channels and service levels should be tailored to the needs of the target segments</li></ul>

## EXHIBIT 3.2.2.1.E LEVERAGE PARTNERS (I)



### Example: Brazilian Bank

Context	<p>Banks in Brazil have been looking at ways to serve low-income non-banking population in rural areas, which represent a large geographical area to cover</p>
Contributions to society and Impact	<p>Rural services</p> <p>Costs incurred to establish traditional channel unlikely to be recouped in rural areas</p>
Approach	<p>Rural areas served through merchants : bakeries, pharmacies, supermarkets, department/convenience stores, public notaries, ...</p> <p>Benefits for bank</p> <ul style="list-style-type: none"><li>• Very low and totally variable channel cost</li><li>• Appealing, non-intimidating channel</li><li>• Liberating staff time for sales in traditional branches</li></ul> <p>Benefits for merchant</p> <ul style="list-style-type: none"><li>• Increased store traffic</li><li>• New revenue stream from financial services</li></ul> 
Take-Aways for GLCs	<p>Leverage existing 3<sup>rd</sup> party distribution in rural areas to provide B2C products &amp; services</p>


## EXHIBIT 3.2.2.1.E LEVERAGE PARTNERS (II)

### Example: Australian Sports Commission

Context	<p>The Australian Sports Commission (ASC) which administers and funds sports in Australia on behalf of the Government has two key programmes</p> <ul style="list-style-type: none"><li>• Australian Institute of Sports, a specialised educational and training institution providing coaching for elite athletes; and</li><li>• Sports Performance and Development programme</li></ul>
Contributions to society and Impact	<p>Informal requests (e.g., support a sport and/or help build a sports culture)</p> <p>From company's perspective: Companies may be inundated with various such requests without clear opportunity to link their company/brand to sponsorship</p> <p>From nation's perspective: Need for an efficient resource allocation system where fund disbursement matches the greatest sports needs</p>
Approach	<p>Offers companies opportunity to support Australian sport via corporate partnerships in three levels; or to participate in ASC Corporate Club targeted at smaller companies or B2B marketers</p> <p>Customises packages to complement each company's marketing and communications strategy and business objectives</p> <p>Also offers a list of specific marketing benefits including</p> <ul style="list-style-type: none"><li>• Preferred supply rights for products and services</li><li>• Official designations and presentation rights</li><li>• Marketing access to athletes and coaches; &amp; publications and databases for promotional purposes</li></ul>
Take-Aways for GLCs	<p>Leverage existing 3<sup>rd</sup> party organisations to efficiently channel funds to support a specific cause (e.g., a particular area of sports) and extract most marketing value from sponsorship</p>

## EXHIBIT 3.2.2.1.F ADOPT LOW COST MODEL

### Example: Australian Airline

Context	<p>Australian airline has to provide rural air services, which are unprofitable</p> <p>Market has been deregulated</p>
Contributions to society and Impact	<p>Rural access to flights from/to major cities</p> <p>Costs incurred to establish traditional service unlikely to be recouped in rural areas</p>
Approach	<p>Outsource its domestic routes related to its contribution to society to its low cost carrier</p> <p>Win-win situation</p> <ul style="list-style-type: none"><li>• Qantas discontinues its unprofitable domestic routes</li><li>• Rural customers still enjoy connectivity</li></ul> 
Take-Aways for GLCs	<p>Low-cost solutions exist to be profitable in traditionally unattractive segments</p>

# EXHIBIT 3.2.2.1.G

## OUTSOURCE TO PRIVATE OPERATOR

### Example: French Energy, Water and Waste Management Group

#### Company Overview

##### Commercial

Four business lines

- Transportation
- Waste collection & recycling
- Water treatment & distribution
- Urban heating

##### Financial (2005)

- Turnover EUR25Bn
- Profit before tax EUR435Mn
- 250,000 employees

#### Approach

Veolia operates under 2 business models

##### Concessions

10-50 year contracts with state/city authorities, including commitment to

- Take over state-employed staff
- Provide sizeable investments

Often funded through state/municipal bond offerings

##### O&M contracts

3-5 year operations & maintenance contracts

- Work jointly with state owned companies and their staff
- No major investments

Could be first step in privatisation process

#### Take-Aways for GLCs

GLCs could consider outsourcing the operations & maintenance of public service contracts to the private sector. Benefits could include

- Leveraging private company's accumulated experience in operations
- Provide employees with access to wider career path opportunities in the sector
- Ability to focus operations on more core activities

# SEPARATE MANAGEMENT AND REPORTING OF CONTRIBUTIONS

## Example: Australian Telco

### Context

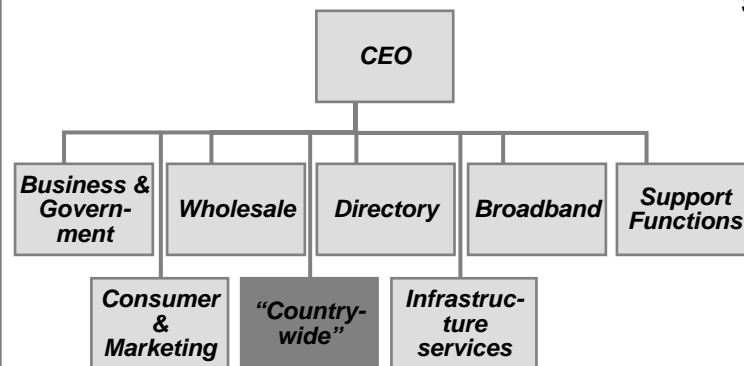
Australian telco has to fulfill universal service obligation  
Low density of population, spread over extremely large territory  
Market has been deregulated in late '90s

### Contributions to society and Impact

Universal service obligation to provide the entire country with telecom products and services

Costs incurred to establish traditional sales channel and infrastructure unlikely to be recouped in rural areas

### Approach



Separate business unit was created to

- Have a market oriented unit to better understand and cater to rural needs
- Capture all rural business in one segment as it is subject to specific laws and regulations
- Provide a focus point for related political pressure
- Get clear understanding of need for state funding and internal cross-subsidising
- Increase transparency of performance of fully commercial activities

### Take-Aways for GLCs

Separate management and reporting of contributions to benefit operations, regulatory management and capital management



## EXHIBIT 3.2.2.1.I

### EXPLOIT ONE-TIME OPPORTUNITIES



#### Example: Belgian Railway Operator

Context	<p>Belgian railway operator is saddled with legacy over employment</p> <ul style="list-style-type: none"><li>• Highly bureaucratic and inefficient operations</li><li>• Strong pressure from Government and unions that makes employee rationalisation very difficult</li></ul> <p>Next 5 years will see departure of 60% of staff due to retirement</p>
Contributions to society and Impact	<p>Lifetime employment, resulting in over employment (estimated at 40%), and therefore no incentive to improve operations</p>
Approach	<p>Two major efforts to manage the age pyramid, in order to avoid having to replace majority of staff in short time span, since this would result in major training/skill transfer challenges</p> <ul style="list-style-type: none"><li>• Operational improvements to avoid having to replace retiring staff 1 for 1</li><li>• Negotiations with unions to hire new staff on temporary basis</li></ul>
Take-Aways for GLCs	<p>Lifetime employment can be addressed by convincing Government/unions to proceed with age pyramid management, avoiding burden of replacement of retiring staff, through</p> <ul style="list-style-type: none"><li>• Hiring of temporary staff</li><li>• Operational improvements to reduce need for rehiring</li></ul>

## EXHIBIT 3.2.2.2.A

### RESHAPE OR EXIT LEVERS

*Is it possible to Reshape (or Exit) the contribution so that the financial burden is made less onerous?*

Levers	Description	Examples
<div>Reshape or exit contribution</div> <div>Engage &amp; highlight consequences</div> <div>Negotiate based on intent</div> <div>Work with Government/regulators to reshape landscape</div>	<p>Highlight the impact or consequences of undertaking the contribution to the GLC and to the stakeholder</p>	<p>Latin American mining company right-sized its work force by focusing unions and public on likely consequences of inaction</p>
	<p>Understand the intent of the contribution and negotiate changes to specific regulations that still allows GLC to fulfil its intent</p>	<p>European postal successfully renegotiated the more onerous metrics by focusing on the intent</p>
	<p>Collaborate with regulators in defining the industry landscape of the future, or gain support from government to help generate revenue or reduce costs</p>	<p>South American pharma group engaged on a multi-year campaign to redefine regulations and reshape industry</p> <p>Malaysian traffic police encouraged to use locally manufactured Proton cars for official purposes to generate demand</p>



### Example: Chilean Mining Company

Context	<ul style="list-style-type: none"> <li>• State owned mining company representing 10% of GDP</li> <li>• Strong influence exerted by the Government and as well as difficult unions</li> <li>• Transfer all annual earnings to Government, resulting in very limited financial freedom</li> <li>• Political parties represented in top management</li> </ul>
Contributions to society and Impact	<div> <div> <p>Large employment legacy issues, driven by union:</p> <ul style="list-style-type: none"> <li>• Provide higher-than-market salaries for blue-collar workers</li> <li>• Lifetime employment</li> </ul> </div> <div> <p>Lack of funds to attract top execs</p> <p>Over-employment</p> </div> </div>
Approach	<p>Total manpower reduced from 30,000 to 17,000, in 7 years and without labour unrest</p> <p>Management convinced unions by</p> <ul style="list-style-type: none"> <li>• Showing, since Government cannot subsidise losses, how high levels of inefficiency would ultimately result in privatisation to a foreign buyer, which would lead to employee rationalisation</li> <li>• Offering attractive exit package</li> <li>• Getting public behind their cause</li> </ul>
Take-Aways for GLCs	<p>Focus on the dire consequences of honoring the social obligations to ultimately exit the contribution</p>

## EXHIBIT 3.2.2.2.C

### WORK WITH REGULATORS TO RESHAPE LANDSCAPE

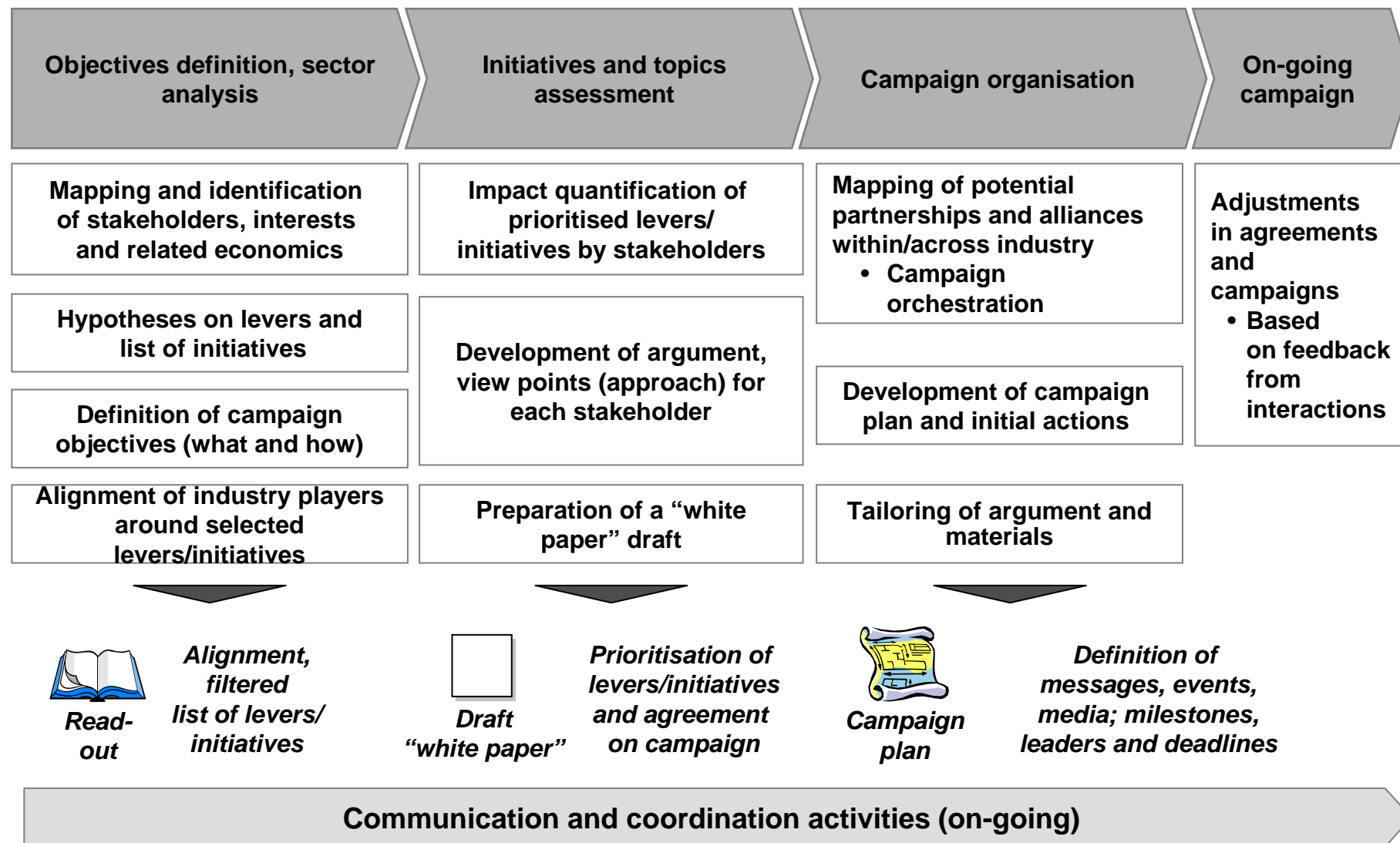
#### Example: South American Pharmaceutical Company

Context	Brazilian pharmaceuticals company operates in a heavily regulated industry
Contributions to society and Impact	<ul style="list-style-type: none"><li>• Fixed market pricing</li><li>• Regulated access of different players to different market segments</li></ul>  <p>Very difficult to reach aspired levels of profitability and growth</p>
Approach	 <p>Major effort to fundamentally re-shape industry dynamics, characterised by</p> <ul style="list-style-type: none"><li>• Structured project management approach, including timelines &amp; deliverables</li><li>• Adoption of a medium-long term perspective</li><li>• Engagement of all levels of management to participate</li><li>• Collaborative attitude, helping the Government create benefits for society</li></ul>
Take-Aways for GLCs	<p>Social obligations should not just be accepted as such</p> <p>Using a dedicated collaborative approach can help fight the established rules</p>

## EXHIBIT 3.2.2.2.D

# SAMPLE SEQUENCE ON RESHAPING REGULATORY LANDSCAPE

### Example: Pharmaceutical Industry



## EXHIBIT 3.2.2.2.E

### SAMPLE REGULATOR COLLABORATION FOR A POWER PLAYER (I)

Example: Proposing alternative for contribution

**As market evolves, tariff setting methodology must also change to support market mechanisms**

Fixed Tariff by Government / Regulators	Cost of Services Tariff	Fully Competitive Tariff
<p>Tariffs fixed by Government/regulators based upon utilities proposals/requests</p> <ul style="list-style-type: none"><li>• Utility cost of supply</li><li>• Cost of future investments</li></ul> <p>Tariff adjustments are decided by Government/regulators considering various factors (including factors not related to the industry, e.g. ....)</p>	<p>Also known as “Cost-Plus”</p> <p>Regulators need to define “Allowable Cost”</p> <ul style="list-style-type: none"><li>• Cost of current operations</li><li>• Cost of future investments</li><li>• Acceptable performance norms</li></ul> <p>Regulators need to define “Plus” or “Returns”</p> <ul style="list-style-type: none"><li>• Definition needs to be agreed</li><li>• Can be linked to market performance, gov. bond rates, etc</li></ul>	<p>Market forces will drive end-user tariffs</p> <ul style="list-style-type: none"><li>• Volatility of prices</li><li>• Certain level of protection to consumers usually considered (e.g. price caps)</li></ul> <p>Monopoly sections within the market (e.g. wires business) will still be compensated based on a “Cost of Services Tariff</p>



Regulatory Control

Increasing self-efficiency drive within industry

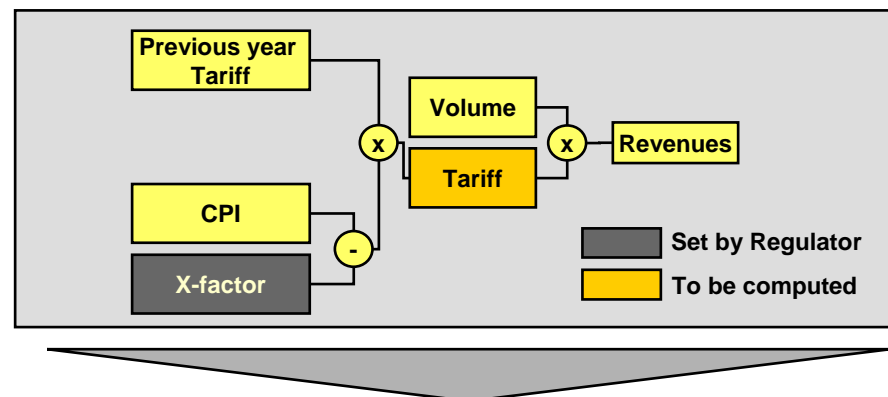


Regulatory Oversight

## EXHIBIT 3.2.2.2.E

### SAMPLE REGULATOR COLLABORATION FOR A POWER PLAYER (II)

#### Example: “CPI-X” tariff setting methodology



#### Principle

- Price capping mechanism which uses the term CPI-X as the underlying price path (multiplier) for distribution tariffs over the regulatory period
  - CPI represents inflation in a given year; X represents required efficiency improvement
  - key is to get a handle on how much costs to cut (typically through benchmarking and external consultant estimates)
- Designed to overcome inadequate incentives offered by profit-rate controls
  - in purest form, the utility company can keep all profits as long as price is maintained at a certain level
- E.g. UK (CPI-2), Italy (CPI-3), Netherlands (CPI-x)

#### Benefits

- Forces utility company to improve efficiency
  - as cap is on price and not profits, incentive exists for company to cut costs in order to maximise profits
- Translates to lower prices for customers
  - enables costs to be shared with the customers without effecting incentives of firm to achieve these savings

## EXHIBIT 3.2.2.2.F SUGGESTED CRITERIA TO REVIEW FEASIBILITY OF EXIT ESPECIALLY FOR NON-FORMAL CONTRIBUTIONS

Likelihood to exit		<div> <div>Highly likely</div> <div> </div> <div>Not likely</div> </div>
	How related is it to the GLC's business activity?	Unrelated → Non-core → Core
	Is the contribution Government-directed or formally regulated?	Informal → Government-directed → Regulated
	Is there an alternative vehicle to undertake this contribution?	Yes → No
	Do social benefits clearly outweigh net avoidable costs?	No → Yes
Complexity/ costs of exit		<div> <div>High cost</div> <div> </div> <div>Low cost</div> </div>
	What is the cost of exit?	Large → Small
	What are the risks/likelihood of backlash?	Large; possible stoppage → Minimal
	How large can the backlash be? (e.g. disruption to company's operations)	High → Low



## EXHIBIT 3.2.2.3.A FUNDING LEVERS

*What are the funding alternatives that a GLC can explore if Internal Optimisation still results in a negative avoidable cost and exit is not possible?*

Levers		Description	Examples
<div>Seek funding alternatives</div>	Industry funding	Set up industry-wide fund to undertake the contributions pertaining to that particular industry, typically funds from all industry players	<p>AAIBE was set up within Malaysia's electricity supply industry to support industry-wide activities (e.g. rural electrification)</p> <p>USP Fund, with contributions from telcos, is used to provide telephone services in under-served areas</p>
	Customer cross-subsidy	Use profits from more lucrative areas or segments of operations to subsidise loss-making contributions to society	Pos Malaysia uses rate averaging (i.e. standard rate) to subsidise mail that is sent from or to remote locations
	Government subsidy to end-users	Have government offer subsidies directly to selected end-users, who benefit from goods or services being priced below true market value	Malaysian Government provides diesel fuel subsidy to fishermen and commercial vehicles to offset the cost of high fuel prices
	Funding from external agencies	Obtain funds from external agency (e.g. NGO or government), which however usually comes with underlying conditions or requirements	Japanese government offered loan aid to Malaysian GLC in exchange for condition to use Japanese contractors for specific project
	Direct government assistance <sup>1</sup>	Obtain direct subsidy or benefit from favorable government policy to help defray costs of providing the contribution	<p>Pertamina (Indonesia) obtains subsidy from the state budget in order to cap retail fuel prices</p> <p>Automotive players in Malaysia can apply for soft loans and grants from the Automotive Development Fund to promote R&amp;D and bumiputera participation</p>

(1) Direct Government funding is only as a last resort

## EXHIBIT 3.2.2.3.B INDUSTRY FUNDS: USED TO ENSURE LEVEL PLAYING FIELD IN A COMPETITIVE ENVIRONMENT

Description: Industry fund	Global Example: Australia telecommunications market	Local Example: AAIBE
<p><b>Fund set up to finance contributions to society undertaken in a particular industry</b></p> <p>Typically all industry players contribute to fund</p> <ul style="list-style-type: none"> <li>• May be mandated or voluntary</li> <li>• Regulators determine USO costs, funding requirements, contribution rate, level of distribution based on market share</li> </ul> <p>Funds can be disbursed in a few ways</p> <ul style="list-style-type: none"> <li>• Incumbent taking on USO and getting reimbursed from fund</li> <li>• Players bid to undertake specific universal service project and lowest bidder gets compensated from fund</li> </ul> <p><b>Ensures non-discriminatory, level playing field for all operators</b></p>	<p><b>Telstra, former sole telecommunications company used to cross-subsidise services to Australia's remote rural areas</b></p> <p>Deregulation introduced competition</p> <ul style="list-style-type: none"> <li>• Optus and Vodafone entered more profitable long-distance and mobile telephony</li> <li>• Limited Telstra's ability to cross-subsidise</li> </ul> <p>Industry fund was set up to ensure all players contribute towards the provider of universal services</p> <ul style="list-style-type: none"> <li>• AUSTEL estimates costs of USO and allocates costs to market share of players (i.e. respective revenue made by carriers)</li> <li>• Each pay their share into fund used to pay Telstra</li> </ul>	<p><b>AAIBE<sup>(1)</sup> is a fund set up within the electricity supply industry for the following purposes</b></p> <ul style="list-style-type: none"> <li>• Rural Electrification</li> <li>• R&amp;D</li> <li>• HR development</li> <li>• Energy efficiency projects</li> <li>• Other approved projects</li> </ul> <p><b>Contributors are power generating companies including TNB and IPPs</b></p> <p><b>Contribution is 1% of electricity sale to Peninsula Grid and is voluntary</b></p>

(1) Akaun Amanah Industri Bekalan Elektrik, also known as Malaysian Electricity Supply Industries Trust Account (MESITA)  
Source: World Bank policy research working paper, Towards Universal Telecommunications Access

## EXHIBIT 3.2.2.3.C

### CROSS-SUBSIDY: TRADITIONAL APPROACH IN A REGULATED ENVIRONMENT

Description: Cross-subsidy	Global Example: US postal service	Local Example: Pos Malaysia
<p>An operator uses profits from other more lucrative areas or segments of operations to subsidise loss-making servicing of contributions to society</p> <p>Typically with “supernormal” profits from monopoly position<sup>(1)</sup></p> <p>The most common form is rate averaging across geographies or consumer segments</p> <ul style="list-style-type: none"><li>• E.g. same unit price of electricity in rural vs urban areas even though costs are very different</li></ul>	<p>Operator (US Postal Service) and regulator (Postal Rate Commission) jointly set tariffs, subject to approval by Governors of US Postal Service</p> <p>Total revenue from various classes of mail sufficient to cover cost of universal postal service</p> <ul style="list-style-type: none"><li>• Objective in general is for each subclass of mail to cover its attributable costs, therefore cross-subsidisation limited to within each subclass</li></ul> <p>In return, US Postal Service has monopoly protection for certain classes of mail</p>	<p>Pos Malaysia charges a standard rate for each different class of mail (i.e. rate averaging) regardless of origin or destination of mail e.g.</p> <ul style="list-style-type: none"><li>• Standard mail: 30-40 sen (depending on weight)</li><li>• Non-Standard mail: 50 sen – RM6 (depending on weight)</li></ul> <p>Pos’ position as sole provider of domestic mail (in a certain class) enables it to cross-subsidise across customer groups</p>

(1) Via designation or tender/auction process

Source: World Bank policy research working paper, Memorandum on universal postal service obligations and standards

## EXHIBIT 3.2.2.3.D

# GOVERNMENT ASSISTANCE TO END USERS: POSSIBLE OPTIONS AND SCHEMES

### Description: Government assistance

**Comes in the form of subsidy...**

- Taken from state budget or revenue from licensing/auction
- Handed to company for undertaking social obligation in loss-making operations

**... or protectionist measure**

- Government imposes restrictive measures on other competitors to protect incumbent

**Examples include quota restrictions, tariffs/duties on goods, tax concessions, exclusive licenses to operate in certain areas**

**Usually applies to industries that are particularly susceptible to local/global competition e.g. agriculture, textile, auto industry**

### Examples: Indonesia's fuel subsidies and US textile industry

**Pertamina, Indonesia's fully state-owned national oil monopoly, gets a subsidy to cap fuel prices**

- \$7.4bil given out in 2004, funded by Government budget
- However, recent reduction in subsidies has been accompanied by hike in domestic prices

**Sino-US textile agreement that imposes quota<sup>(1)</sup> on China-made apparel**

- Took effect from Jan 1 2006
- Covers 21 types of clothing and textiles
- Objective to protect employment of US-based manufacturers
  - expected to preserve 10,000 jobs in US

(1) Limits growth of Chinese textile imports in 2006 to 10-15% over shipments made in past year

Source: News articles

## EXHIBIT 3.2.2.3.E FUNDING FROM EXTERNAL PARTIES: GENERALLY MORE APPLICABLE IN LESS DEVELOPED COUNTRIES

Description: Grant from external agency	Global Example: GrameenPhone in Bangladesh	Local Example: Foreign Aid from Japan
<p><b>Operator of contribution to society links up with an external party to offer services (e.g. infrastructure)</b></p> <ul style="list-style-type: none"> <li>• Non-Governmental organisations</li> <li>• International development agencies (e.g. micro-credit organisation)</li> </ul> <p><b>Net costs of contribution are shared under agreements with the external party</b></p> <p><b>Especially relevant in developing countries where state is resource-constrained and state funds are low</b></p>	<p><b>Grameen Bank tied up with rural telecom operators in Bangladesh</b></p> <p><b>Operators link up with GrameenPhone, a micro-credit organisation, to expand Public calling Office (PCO) coverage<sup>(1)</sup> in rural areas</b></p> <p><b>Small interest-free loans made to rural entrepreneurs to establish PCOs</b></p> <p><b>Empowers local entrepreneurs to set up small businesses</b></p>	<p><b>Cumulative aid in form of loans and grants amounts to over RM2.7Bn<sup>(2)</sup></b></p> <p><b>Includes a loan aid in the form of exchange of notes of ~RM25Mn...</b></p> <ul style="list-style-type: none"> <li>• Used to fund the Pahang-Selangor Raw Water Transfer Project in March 2003</li> </ul> <p><b>... as well as a cultural grant of ~RM50Mn (cumulative from 1975-2004)</b></p>

(1) Services include telephone, fax, e-mail, Internet access, photocopying and word-processing services

(2) Majority of loan/aid was given up to FY 1999

Source: Note on Deregulation and Social Obligations (HBS case study), TeleCommons Development Group

## EXHIBIT 3.2.2.3.F DIRECT GOVERNMENT ASSISTANCE: EFFICIENT IN THEORY BUT DIFFICULT TO ADMINISTER IN PRACTICE

### Description: Government direct subsidy

**Subsidies that are given directly to end-users of service/good**

**Service/good is priced at a true market level (i.e. not below-cost)**

**Direct subsidy allows Government to target specific end-user group**

**Funds come from**

- **State budget with redistributive effects due to progressive nature of the tax and transfer system (i.e. from higher-income to lower-income)**
- **Levies on revenue directly generated from provision of utility<sup>(1)</sup>**

### Global Example: Argentina's pensioner subsidy

**Argentina provides direct tariff subsidies to pensioners for utilities**

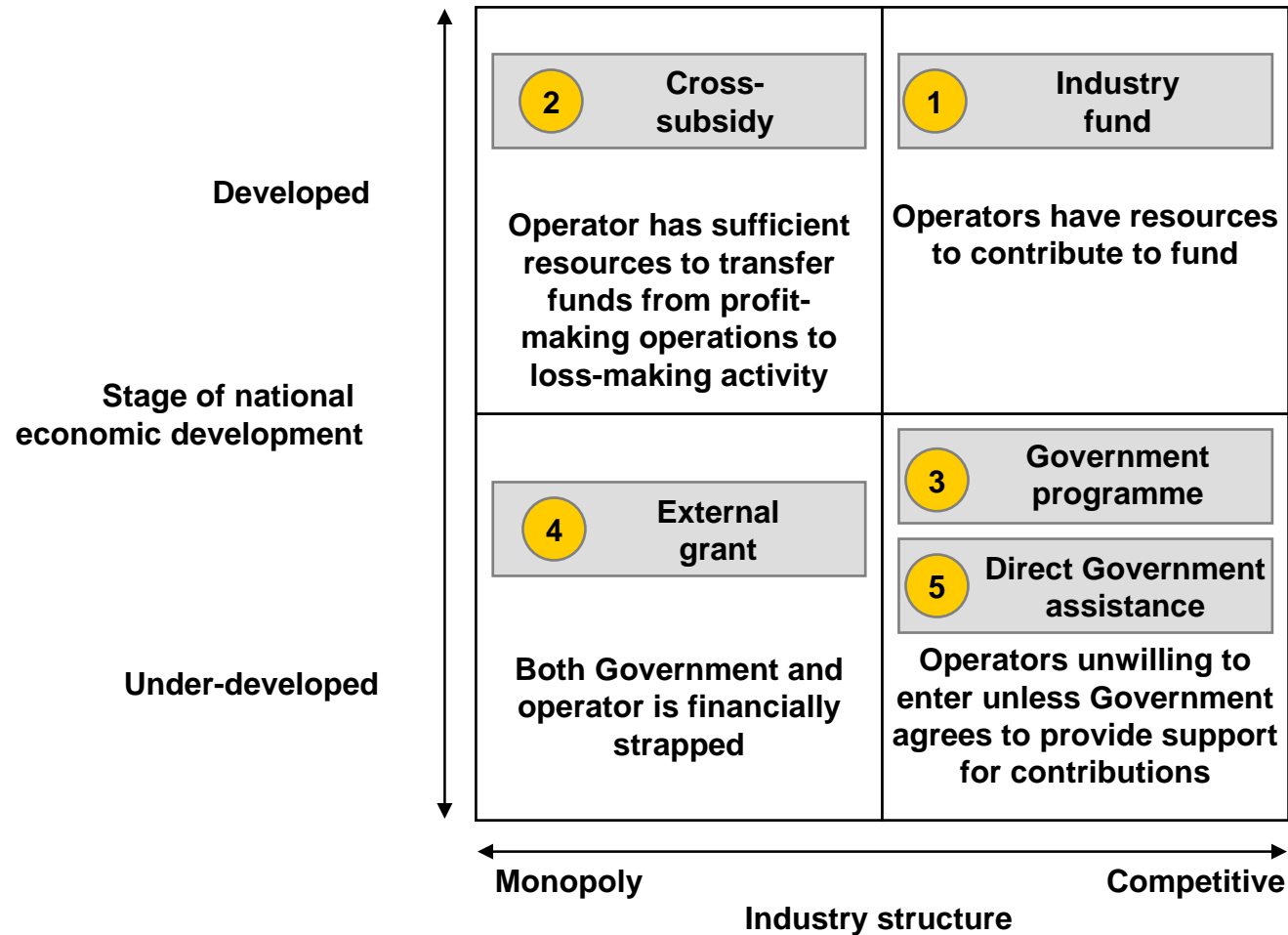
- **Direct-to-end-user subsidy for low-income pensioners**
- **Used to pay for utilities including gas, water and electricity as well as public transport within metropolitan area**

**Government finances this with the National Tariff Compensation Fund taken from revenue obtained by surcharge of US\$0.024kWh on all electricity traded through national wholesale market**

(1) Revenue raised from levies/taxes on operator revenues, or proceeds from privatisation, licensing or auctions could also be used to support programme

Source: Note on Deregulation and Social Obligations (HBS case study), World Bank policy research working paper, Memorandum on universal postal service obligations and standards

## EXHIBIT 3.2.2.3.G APPLICABILITY OF FUNDING MECHANISM DEPENDS ON STAGE OF DEVELOPMENT AND INDUSTRY STRUCTURE



## EXHIBIT 3.2.2.3.H

### EVALUATE PROS AND CONS OF FUNDING MECHANISMS

	Pros	Cons
<b>1</b> Industry Fund	<ul style="list-style-type: none"><li>• More transparent system</li><li>• Level playing field for all industry participants</li></ul>	<ul style="list-style-type: none"><li>• Requires resources to administer (e.g. determine necessary fund size, collection etc)</li></ul>
<b>2</b> Cross-subsidy	<ul style="list-style-type: none"><li>• “Progressive tax” in non-competitive situation<ul style="list-style-type: none"><li>- non-subsidised segments tend to be more well-off than subsidised segments</li></ul></li><li>• Easy to administer</li></ul>	<ul style="list-style-type: none"><li>• Less incentive and ability to serve high cost areas</li><li>• Requires monopoly protection</li><li>• Potential to misuse preservation of monopoly profits</li><li>• Consumption and investment decisions can be distorted (misallocation of resources)</li><li>• Lack transparency of cost of contributions</li></ul>
<b>3</b> Government subsidy to end-users	<ul style="list-style-type: none"><li>• In theory an efficient re-distribution tool to those most in need</li><li>• Avoid market distortion (e.g. barriers to entry for new entrants)</li><li>• Better targeting of resources to specific customer group</li></ul>	<ul style="list-style-type: none"><li>• In practice usually inefficient</li><li>• Difficult and expensive to administer</li></ul>
<b>4</b> External Grant	<ul style="list-style-type: none"><li>• Better targeting of resources to specific customer group</li></ul>	<ul style="list-style-type: none"><li>• Very limited availability<ul style="list-style-type: none"><li>- likely to be short-term support</li><li>- focus on poor undeveloped countries</li></ul></li></ul>
<b>5</b> Direct Government assistance	<ul style="list-style-type: none"><li>• Effective as short term measure e.g. incumbent is given space to improve efficiency without onslaught of competition</li></ul>	<ul style="list-style-type: none"><li>• Encourages slack and inefficiency due to lack of competition</li><li>• Distortionary as it creates competitive advantage for certain industry players</li></ul>

Source: BCG analysis





## APPENDIX 3.3

# FORMALISE HANDLING OF NEW REQUESTS FOR CONTRIBUTIONS

<b>Description</b>	It is imperative that a GLC institute a formal and systematic process to handle new requests for contributions to society. This is important because the new requests will not only involve financial costs, but will consume significant senior management resources.
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<b>Chapter</b>	Chapter 4
<b>Relevance</b>	All GLCs; especially GLCs that receive large volume of new requests

Suggested action steps	Reference
<b>3.3.1 Institute a formal process to handle new requests</b> <ul style="list-style-type: none"> <li>• Design overall formal process</li> <li>• Reduce inflow of requests</li> <li>• Handle requests through a single gatekeeper</li> <li>• Categorise request based on cost, scope and source</li> <li>• Collaborate with requestors to shape new contributions to society</li> <li>• Use a standard set of criteria to analyse requests</li> <li>• Delegate or elevate decision making to appropriate level</li> </ul>	Exhibit 3.3.1.A Exhibit 3.3.1.B Exhibit 3.3.1.C-D Exhibit 3.3.1.E Exhibit 3.3.1.F Exhibit 3.3.1.G Exhibit 3.3.1.H
<b>3.3.2 Obtain approval from the senior management or the Board for the new request handling process</b>	-
<b>3.3.3 Communicate internally and externally (as required) on new/refined process</b>	-
<b>3.3.4 Ensure adherence to new process (e.g., through selective audits)</b>	-
<b>3.3.5 Further iterate or refine new request handling process as required</b>	-

## EXHIBIT 3.3.1.A

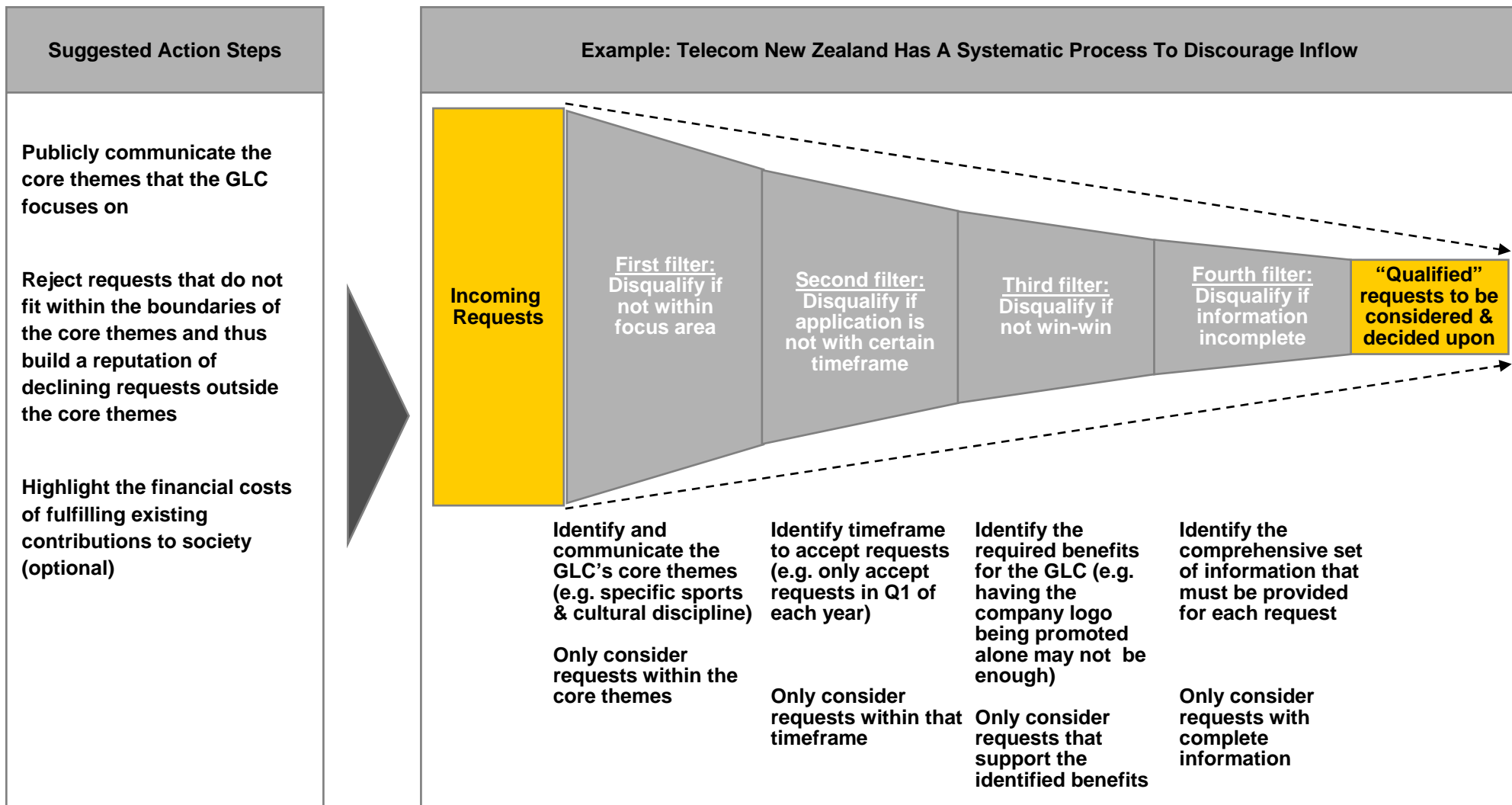
### SAMPLE PROCESS TO HANDLE NEW REQUESTS



<b>Principles</b>	<i>Reduce inflow of unnecessary requests</i>	<i>Streamline the flow for handling new requests</i>	<i>Enable fact-based and transparent decision making</i>	<i>Delegate decision making to appropriate level</i>
<b>Process Outline</b>	<p>Publicly communicate key themes of contributions to society that the GLC focuses on</p> <p>Build reputation of rejecting requests that do not fall within the key themes</p> <p>Highlight the financial costs of providing existing contributions</p>	<p>Assign a “Gatekeeper” as the single point of contact based on request types, e.g. to group by function</p> <p>Categorise requests (i.e., minor, major and extraordinary) to mobilise the right level of resources to analyse the request</p> <p>Reject requests that do not comply with the contributions policy</p>	<p>Work closely with requestors (e.g. regulators) to understand intent and achieve a win-win solution</p> <p>Analyse requests and recommend action steps using a standard set of criteria depending on requests category</p> <ul style="list-style-type: none"> <li>• Cost</li> <li>• Benefit</li> <li>• Feasibility</li> <li>• Risk mitigation and alternatives</li> </ul>	<p>Delegate based on request category</p> <ul style="list-style-type: none"> <li>• Minor: Gatekeeper</li> <li>• Major: CEO</li> <li>• Extraordinary: BOD</li> </ul> <p>Communicate back decision to requestor by either the Gatekeeper, CEO or Chairman</p>
<b>Benefits</b>	Lower the number of inappropriate requests over time	Minimise diversion on management time while effectively responding to new requests	Provide consistent and objective evaluation	Achieve right balance between seniority in decision making and managing workload

# EXHIBIT 3.3.1.B

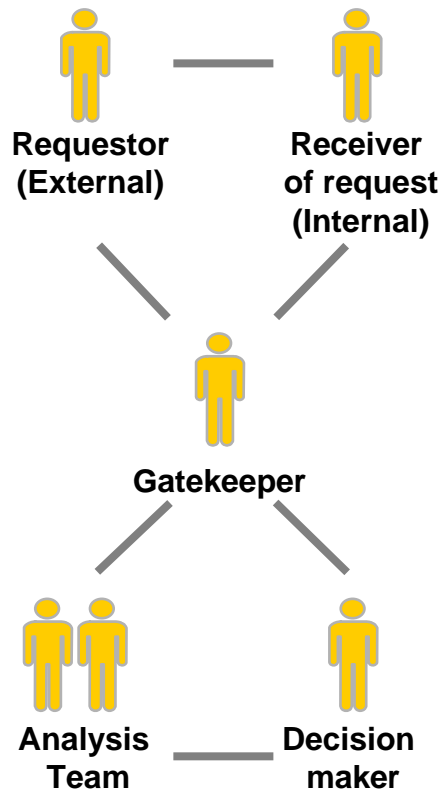
## REDUCE INFLOW OF INCOMING REQUESTS



## EXHIBIT 3.3.1.C

### HANDLE REQUESTS THROUGH A SINGLE GATEKEEPER

#### “Gatekeeper” As Central Coordinator (Illustrative)



#### “Gatekeeper” Roles And Responsibilities

- Enforce role of “Gatekeeper”
- Clearly delineate the role of the “Gatekeeper”, e.g. each core theme handled by one department or division
- Example responsibilities include:
  - categorise requests in order to mobilise right level of resources and to determine level of required analysis
  - reject all requests that do not comply with the company’s policy on contributions to society and within the authority delegated to the “Gatekeeper”
  - channel the request (and completed analysis) to the right decision making level
  - communicate back to the requestors on decisions made and leverage more senior figures if necessary (e.g. Chairman, CEO, etc.)
  - track request activities over time for future analysis to determine need to refine the process
  - refine request handling process as necessary

#### Potential “Gatekeeper” Role

- Office of the CFO
- Corporate Affairs
- Corporate Communications

# EXHIBIT 3.3.1.D

## SUGGESTED TEMPLATE TO PROCESS NEW REQUESTS (I)

### Overview of Applicant

<b>Applicant's name</b>	<Name of organisation making the request and name of person completing this application. Please note that individuals are not eligible for application>
<b>Applicant's contact details</b>	<Address, telephone, fax, email, website, etc.>

### Overview of Request

<b>Beneficiary</b>	<Name and details of the beneficiary organisation or individuals or project>
<b>Category of contribution</b>	<div> <input type="checkbox"/> Educational             <input type="checkbox"/> Community             <input type="checkbox"/> Sports             <input type="checkbox"/> Media Relations         </div> <div> <input type="checkbox"/> Uniformed services             <input type="checkbox"/> Health             <input type="checkbox"/> Youth             <input type="checkbox"/> Government Campaign         </div> <div> <input type="checkbox"/> Environmental             <input type="checkbox"/> Technology             <input type="checkbox"/> Others (Please specify): _____         </div>
<b>Aim</b>	<Please state the aim of the contribution – i.e., the social objective it fulfils and the importance of fulfilling this social objective>
<b>Timeline, if applicable</b>	<Please provide the estimated start and end dates of the contribution project (if applicable)> Company to state on the template the estimated time taken to process applications (e.g., within 4 weeks for requests <RM5K); large requests > RM100K will require approval of the Board of Director and are only processed once every three months
<b>Nature of contribution required</b>	<Please provide specific nature of contribution – e.g., cash, in-kind, HR, marketing or operational expertise and scope of contribution – e.g., RM value; number of HR required)> <Please provide full details of how the contribution will be utilised. Kindly include an itemised budget if the request is for cash>
<b>Other funds source</b>	<Please list other sources of contributions – e.g., other corporate organisations, Government bodies, foundations, etc.>

# EXHIBIT 3.3.1.D

## SUGGESTED TEMPLATE TO PROCESS NEW REQUESTS (II)

### Benefits from Contribution

<b>Alignment of request with the company's core themes</b>	<Please describe how this contribution is aligned with the company's contributions policy, focusing on the alignment with the published core themes>
<b>Publicity strategy</b>	<Please describe the communication plan and how the contribution will promote the company's association with this contribution – e.g., the expected media coverage, the display of company logos on merchandise or billboard, potential audiences, etc.>
<b>Benefits to the company</b>	<Please state whether the contribution will help in the sales of the company's products and services>
<b>Success measurements</b>	<Please state the measures that will be used to determine whether the social objective of the contribution has been met>

### Other Information on Applicant

<b>Summary of organisation</b>	<Background, purpose, vision, values, size of organisation, number of employees, etc.)>
<b>Organisation's tax charitable status</b>	<Are you an approved charity or community projects for income tax purposes?>
<b>Previous sponsorships received from the company</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please provide details:

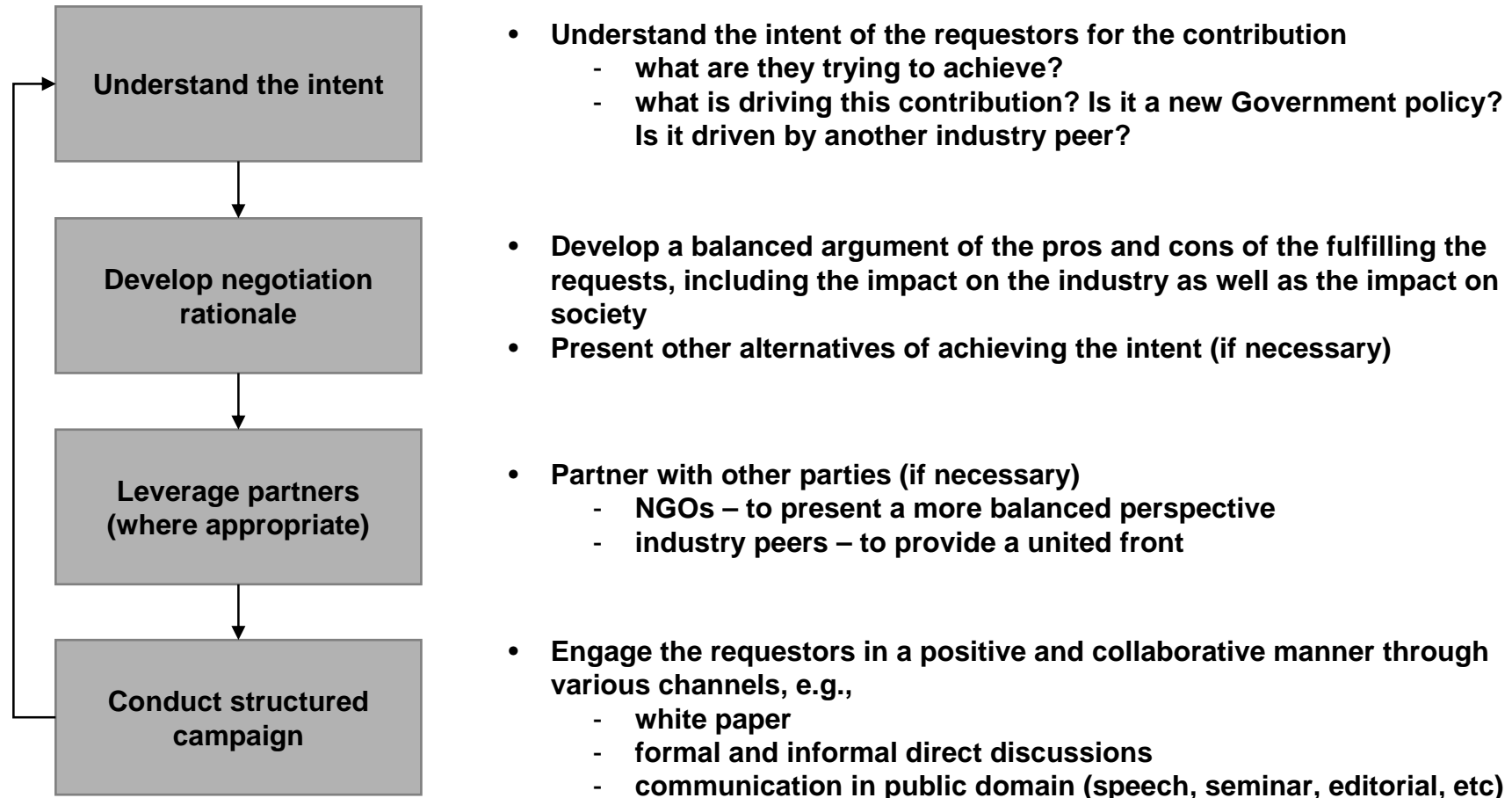
## EXHIBIT 3.3.1.E

### CATEGORISE REQUESTS BASED ON COST, SCOPE AND SOURCE

#### Sample Categorisation of Requests

Request Type	Spend Level	Scope of Request	Requestor/Source	Example
“Minor”	<RM10K	Non-recurring with negligible or minor impact on core business	Influential person/group	Donations or event sponsorships
“Major”	<RM500K	Recurring with some impacting on core business	Very influential person/group	Request for upgrading or expansion of existing services to a specific area
“Extraordinary”	>RM500K	Requests with major impact on core business and/or expansion of business scope	Very influential person/group /regulators	Request to build new facility in a specific location  Formal request to support national economic development

## EXHIBIT 3.3.1.F COLLABORATE WITH REQUESTORS TO SHAPE NEW CONTRIBUTIONS TO SOCIETY



The guidelines set out in a separate GLCT initiative titled “Regulatory Management” should be used as the basis for refining GLC’s approach to managing its regulators. The Silver Book provides some additional considerations in managing the regulator specifically where it pertains to contributions to society



## EXHIBIT 3.3.1.G

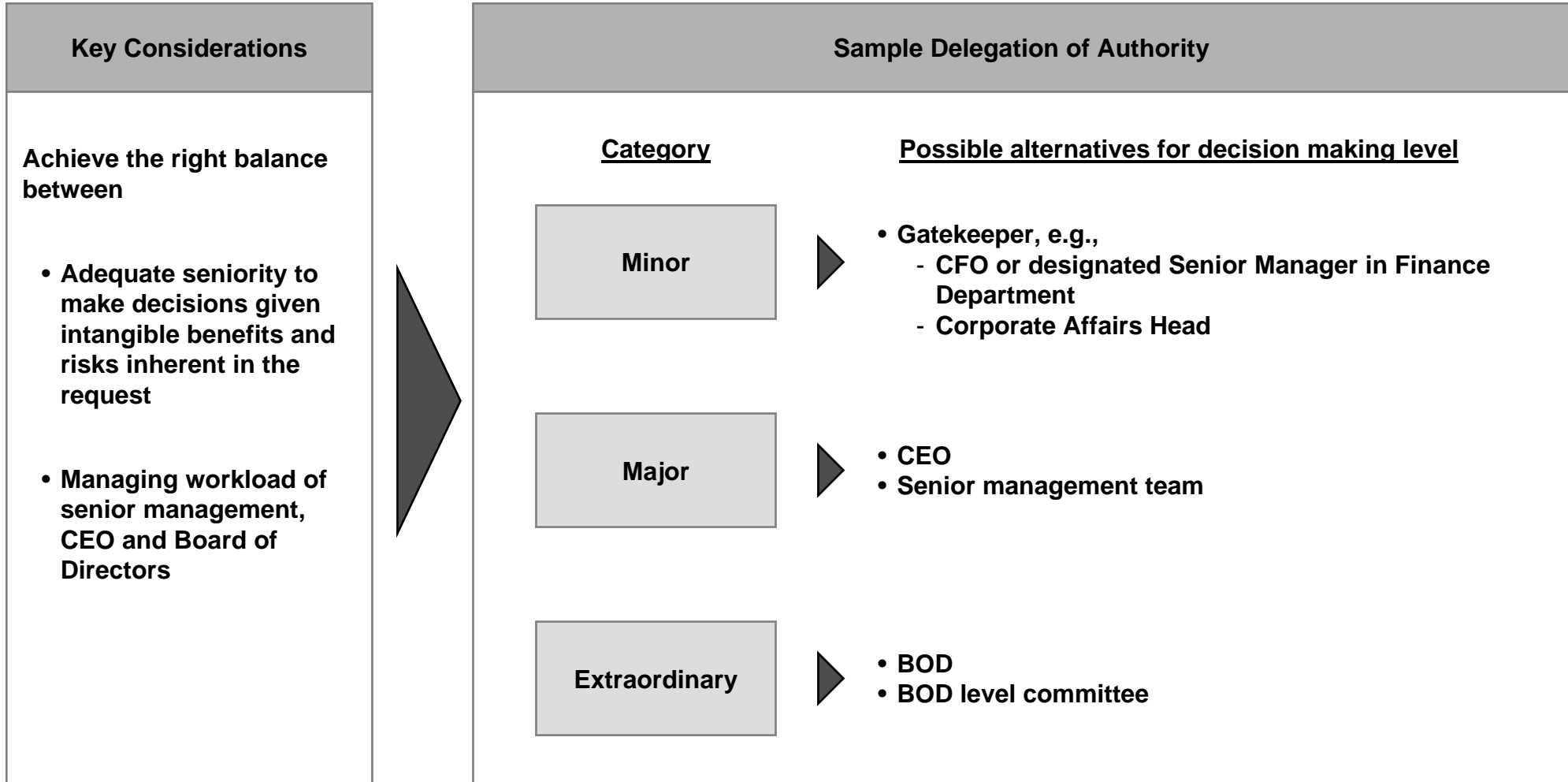
### USE A STANDARD SET OF CRITERIA TO ANALYSE REQUESTS

#### Sample Criteria in Evaluating Requests

Minor	Major	Extraordinary
<p><u>Policy Compliance</u></p> <ul style="list-style-type: none"><li>• Does this comply with our policy on contributions to society?</li><li>• Is this on the contributions we will not support list?</li></ul> <p><u>Sample Cost-Benefit</u></p> <ul style="list-style-type: none"><li>• How well does this support our contributions to society?”<ul style="list-style-type: none"><li>- is this within our core themes?</li><li>- are we getting a good return for our spend relative to the other contributions?</li></ul></li><li>• Do we have the budget for this?</li></ul>	<p><u>Policy compliance</u></p> <ul style="list-style-type: none"><li>• As described in minor requests</li></ul> <p><u>Comprehensive Cost Benefit</u></p> <ul style="list-style-type: none"><li>• What is the total financial costs?<ul style="list-style-type: none"><li>- calculate NPV of total contribution based on Avoidable Cost principles (as described in Appendix 2.2)</li></ul></li><li>• What is the benefit to us and to society?<ul style="list-style-type: none"><li>- use scoring guideline (as described in Appendix 2.2)</li></ul></li></ul> <p><u>Feasibility</u></p> <ul style="list-style-type: none"><li>• Do we have the necessary financial and people resources to implement this effectively?</li></ul>	<p><u>Policy compliance</u></p> <ul style="list-style-type: none"><li>• As described in major requests</li></ul> <p><u>Comprehensive Cost-Benefit</u></p> <ul style="list-style-type: none"><li>• As described in major requests</li></ul> <p><u>Feasibility</u></p> <ul style="list-style-type: none"><li>• As described in major requests</li></ul> <p><u>Risk mitigation and alternatives</u></p> <ul style="list-style-type: none"><li>• Are there other alternatives to fulfill the intent?<ul style="list-style-type: none"><li>- what is the intent?</li><li>- can other organisations fulfill the intent?</li></ul></li><li>• What risks are we taking by complying or not complying to the requests? Can we mitigate these risks?</li></ul>

## EXHIBIT 3.3.1.H

### DELEGATE OR ELEVATE DECISION MAKING TO APPROPRIATE LEVEL



## APPENDIX 3.4

# MAXIMISE GOODWILL FROM EFFECTIVE REPORTING AND COMMUNICATION

<b>Description</b>	GLCs should communicate or report their achievements in their contributions to society programme to all key stakeholders to maximise goodwill and maximum value from their contributions to society. GLCs should also report to PCG, the relevant GLICs and regulators to allow them to monitor and to help improve the GLCs' contributions performance
--------------------	---

<b>Chapter</b>	Chapter 4
<b>Relevance</b>	All GLCs

Suggested action steps	Reference
<b>3.4.1 Report contributions to society using an acceptable standard</b> <ul style="list-style-type: none"> <li>• Consider adopting Global Reporting Initiative (GRI) guideline, which is the most internationally accepted standard for preparing Corporate Responsibility report</li> <li>• Alternatively, GLC can consider adopting a Silver Book prescribed simplified reporting guidelines</li> </ul>	<b>Exhibit 3.4.1.A-B</b>  <b>Exhibit 3.4.1.C</b>
<b>3.4.2 Develop an effective communications programme</b> <ul style="list-style-type: none"> <li>• Determine the most effective communications plan for each topic and for each stakeholder</li> <li>• Carry out communications plan</li> <li>• Collect concerns and feedbacks from the audience</li> </ul>	<b>Exhibit 3.4.2.A</b>
<b>3.4.3 Annually report the GLC's overall progress in building an effective and value-enhancing contributions to society platform to PCG, the relevant GLICs and regulators (where required)</b>	<b>Exhibit 3.4.3.A</b>
<b>3.4.4 Quarterly report to PCG the progress on individual GLC's contributions to society transformation plan in implementation the initiatives (for selected GLCs only as decided by the relevant GLICs)</b>	<b>Refer to Appendix 5 for a sample initiative reporting template</b>

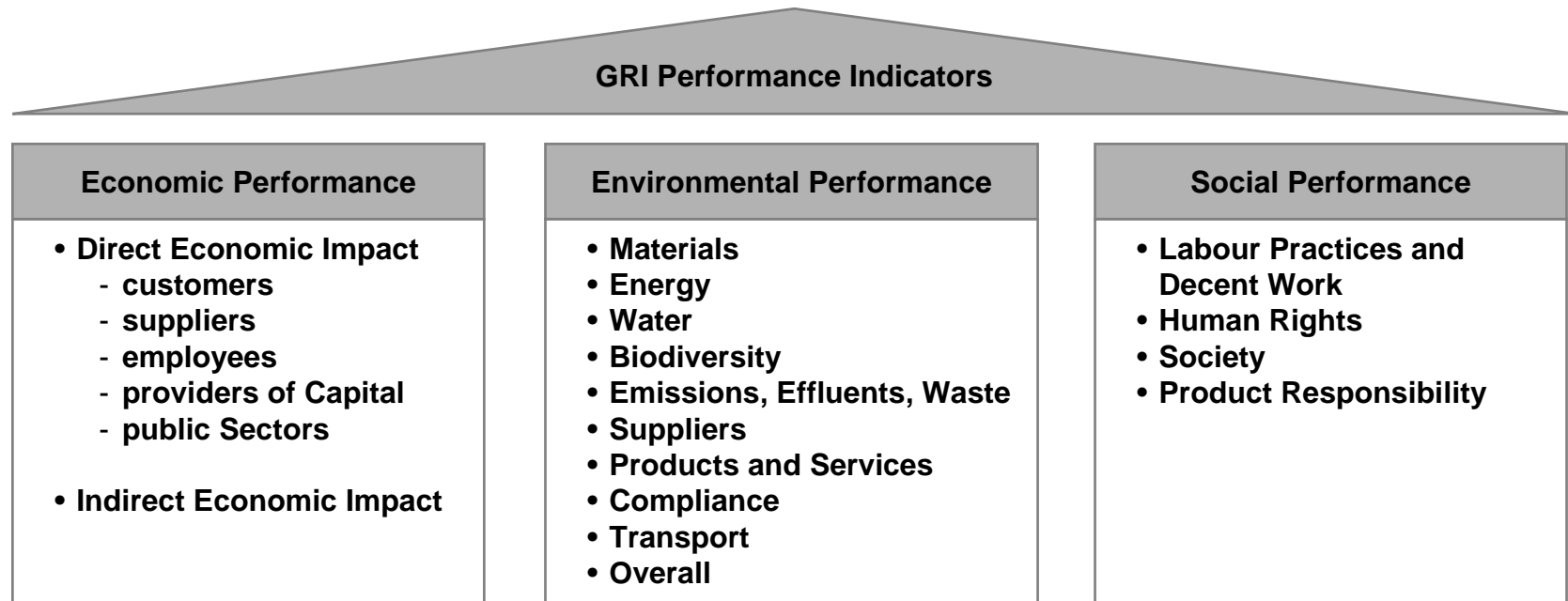
## EXHIBIT 3.4.1.A

### GLOBAL REPORTING INITIATIVES (GRI) GUIDELINE (I)

The Global Reporting Initiative (GRI) is an independent organisation founded in 1997 to develop a common framework for reporting sustainability. It is an official collaborating center of the United Nations Environment programme (UNEP) and works in cooperation with UN Secretary-General Kofi Annan's Global Compact

Global Reporting Initiative (GRI) guideline aims to provide standardised and consistent approach for reporting a company's economic, social, and environmental performance. In summary, the GRI guideline describes both reporting principles and contents to be reported for companies to follow

According to GRI guidelines (2002), the report should consist of statement of vision and strategy, profile of the reporting entity, description of its governance structure and management systems, and performance indicators. Key performance indicators that are suggested to be reported are shown below:



More information about GRI guideline can be found on GRI website (<http://www.globalreporting.org>)

# EXHIBIT 3.4.1.A

## GLOBAL REPORTING INITIATIVES (GRI) GUIDELINE (II)

### Examples of GRI Key Performance Indicators



#### Economic performance

##### Customers

- Geographic breakdown of markets
  - disclose market share and sales for each country where national sales represent 5% or more of GDP

##### Suppliers

- Percentage of contracts that were paid in accordance to agreed terms

##### Employees

- Total payroll and benefits broken down by country or region

##### Providers of capital

- Increase/decrease in retained earnings at end of period

##### Public sector

- Total sum of tax paid
- Donations to community and other groups broken down in terms of cash and in-kind donations per type of group

##### Indirect economic impacts

- Identify major externalities associated with CSR activities



#### Environment performance

##### Materials

- Total materials use other than water, by type

##### Energy

- Direct energy use segmented by primary source

##### Water

- Total water use

##### Biodiversity

- Description of the major impacts on biodiversity associated with activities and/or products and services

##### Emissions, Effluents and Waste

- Greenhouse gas emissions

##### Products and services

- % of weight of products sold that is reclaimable at the end of the products' useful life
- % that is actually reclaimed

##### Compliance

- Incidents of fines for non-compliance



#### Social performance

##### Labour practices and decent work

- Net employment creation and average turnover segmented by region/country
- % of employees represented by independent trade unions
- Average hours of training per year per employee by category of employee

##### Human rights

- Evidence of consideration of human rights impacts as part of investment and procurement decisions
- Description of global policy and procedures preventing all forms of discrimination in operations

##### Society

- Description of policies to manage impacts on communities in areas affected by activities
- Description of policies and mechanism to address bribery and corruptions

##### Product responsibility

- Description of policy for preserving customer health and safety during use of products and services
- Description of policy, procedures and compliance mechanisms related to product information and labeling

Note: More information about GRI guideline can be found on GRI website (<http://www.globalreporting.org>)

Source: Relevant company websites and corporate responsibility reports; GRI Sustainability Reporting Guidelines 2002; Team analysis



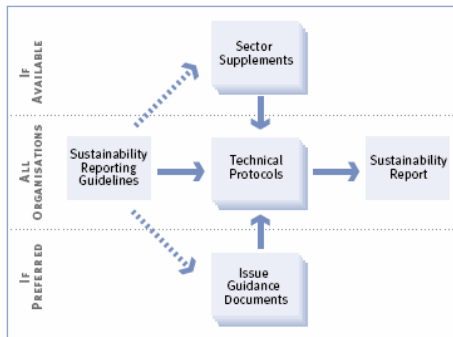
# EXHIBIT 3.4.1.B LEADING GLOBAL COMPANIES REPORT THEIR CONTRIBUTIONS TO SOCIETY USING THE GRI APPROACH

Global Reporting Initiative (GRI) framework guides ...

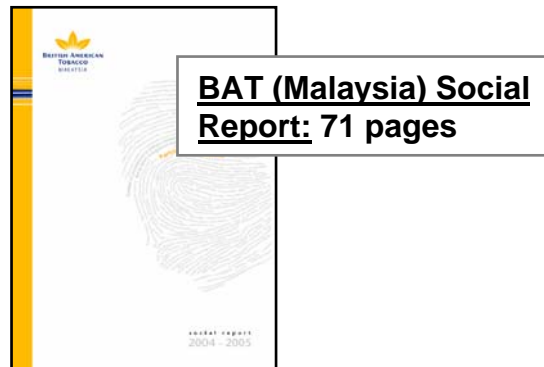
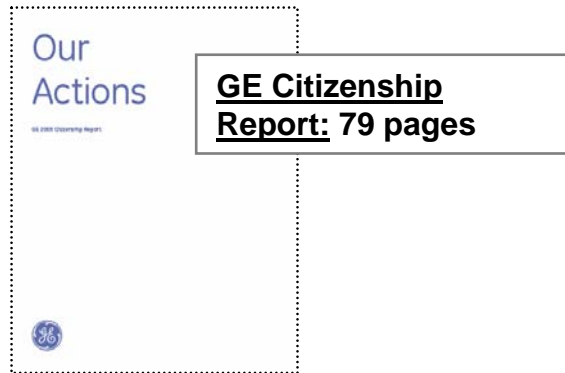
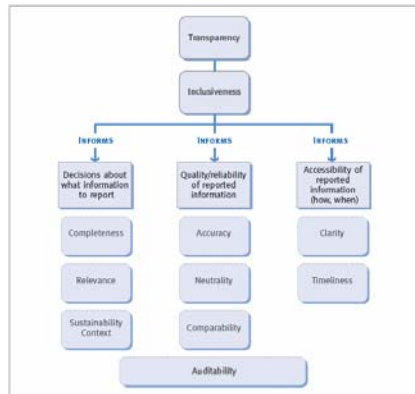
... companies to publish comprehensive reports on contributions ...

... that communicate their progress to stakeholders

## GRI Guideline Documents



## GRI Reporting Principles



- Present a balanced and reasonable account of economic, environmental, and social performance
- Demonstrate CEO and senior leadership support
- Set goals for improvement
- Facilitate comparisons over time
- Facilitate comparisons across organisations

## EXHIBIT 3.4.1.C REPORTING GUIDELINES FOR EXTERNAL STAKEHOLDERS (INVESTORS, NGOs, CUSTOMERS, LOCAL COMMUNITY) (I)

Components	Proposed report content
Vision and Strategy	<p>Statement from the CEO stating company's commitment to contributing to society</p> <p>Articulation of key messages from the contributions policy</p> <ul style="list-style-type: none"> <li>• Core contribution themes supported by the company</li> <li>• Statement of commitment which may include specifying an overall spend value or other high level targets to be achieved with the contributions</li> <li>• Explicit types or criteria of contributions that the company will not support</li> </ul>
Organisational Profile	<p>Overview of the company's operations, products and services</p> <ul style="list-style-type: none"> <li>• Operational structure of the company</li> <li>• Major products and services</li> <li>• Markets and segments served</li> <li>• Description of major divisions/business units, operating companies, subsidiaries, and joint ventures</li> <li>• Size, structure and spread of activities <ul style="list-style-type: none"> <li>- number of employees</li> <li>- volume and revenue from products/services offered</li> </ul> </li> </ul>
Scope	<p>Description of the boundaries of the report</p> <ul style="list-style-type: none"> <li>• Time period of the report</li> <li>• Organisational scope (by location, division, subsidiaries, joint ventures)</li> <li>• Range of contributions to society undertaken by the company (e.g., economic, environmental and social)</li> </ul>
Governance	<p>Governance structure in managing the company's contributions to society</p> <ul style="list-style-type: none"> <li>• Board-level processes and committees</li> <li>• Organisational structure and key executives responsible for oversight, implementation and audit of the contributions</li> <li>• KPIs of employees involved in the company's contributions to society</li> </ul>
Overarching Policies and Management Systems	<p>Endorsement or subscription to any externally developed principles or charters on contributions to society</p> <p>Certification status pertaining to economic, environmental, and social management systems (e.g., environmental management system such as the ISO 14000/EMS and key managerial responsibilities for the various aspects of the system)</p>

## EXHIBIT 3.4.1.C REPORTING GUIDELINES FOR EXTERNAL STAKEHOLDERS (INVESTORS, NGOs, CUSTOMERS, LOCAL COMMUNITY) (II)

Components	Proposed report content
Stakeholder Engagement	<p>Establishment of processes to define the company's stakeholders and to determine key stakeholders to actively engage with</p> <p>Stakeholder consultation details and dialogue processes including method of consultations (e.g. survey, advisory panels) and frequency of consultations by stakeholder group</p> <p>Type of information generated by stakeholder consultations and explanation of how the resulting information has been used</p>
Targets and Achievement <sup>(1)</sup>	<p>Detailed reporting on the company's KPIs for contributions to society and specifying the progress in achieving the stated KPIs</p> <p>Given the unique relationship of each company to the economic, environmental, and social systems within which it operates, each company will develop an appropriate shortlist of integrated KPIs to include in the report</p> <ul style="list-style-type: none"> <li>• Example of economic performance indicators <ul style="list-style-type: none"> <li>- community development: Financial spend for supporting community programmes (e.g. donations to community, support of Government development policies)</li> <li>- employees: Total benefits package to employees</li> </ul> </li> <li>• Sample environment performance indicators <ul style="list-style-type: none"> <li>- biodiversity: Impact to natural habitats resulting from activities and operations</li> <li>- emissions, effluents and waste: greenhouse gas emissions</li> </ul> </li> <li>• Sample social performance indicators <ul style="list-style-type: none"> <li>- community development: Impacts on communities resulting from the company's contributions and the policies designed to manage the impacts</li> <li>- product responsibility: Policy for preserving customer health and safety while using the products and services</li> </ul> </li> </ul>

(1) Refer to the Global Reporting Initiative (GRI) guideline for additional performance indicators



## EXHIBIT 3.4.2.A LEADING GLOBAL COMPANIES GO PUBLIC WITH THEIR CONTRIBUTIONS COMMITMENT AND TARGETS

**“...commitment to sustainable use of water resources is given the utmost attention throughout our company” -**

**- P. Brabeck-Letmathe  
Nestle CEO**

**“...policy of conserving and even enhancing biodiversity through the establishment of nature reserves and high conservation value forests.”**

**– Dato’ Sabri Ahmad,  
Golden Hope Group Chief Executive**

**“Plan to spend around \$500 million over each five-year period on:**

- **Supporting local and regional economic development**
- **Supporting a wide range of appropriate learning initiatives**
- **Enabling communities to gain access to energy..”**

**-Lord Browne,  
BP Group Chief Executive**

**“GE has set a 30% greenhouse gas emission intensity reduction goal by the end of 2008, along with a 1% absolute reduction by the end of 2012....”**

**– Jeff Immelt,  
GE Chairman of the Board & CEO**

## EXHIBIT 3.4.3.A

# TEMPLATE FOR REPORTING TO PCG, GLICs AND THE REGULATORS (I)

### Vision and Strategy

CEO statement	<CEO statement to show the company's commitment to contributing to society>
Themes	<Please state the core contributions themes or focus areas in contributing to society>
Mission statement	<Overall objectives of the contributions programme and high level targets for the programme. Targets may include financial spend target or other measurable targets to be achieved with the contributions>
What we do not support	<Explicit types or criteria of contributions that the company will not support>

### Reporting Scope

Time period	<State the period of time that the report covers>
Organisation scope	<State the part of the company that is included – group headquarters, global or national operations, subsidiaries, joint ventures>

### Contributions to Society Governance

Board level	<Describe processes and roles undertaken at the BOD level in managing the contributions to society>
Executive management level	<Describe the role and scope of responsibility of key executives for oversight, implementation, management and monitoring of the company's contributions to society> <Describe the key processes involved for oversight, implementation, management, and monitoring of the company's contributions to society>
Performance measurements	<State key performance indicators of key executives involved for oversight, implementation, management, and monitoring of the company's contributions to society>

## EXHIBIT 3.4.3.A

### TEMPLATE FOR REPORTING TO PCG, GLICs AND THE REGULATORS (II)

#### Stakeholder Engagement

Stakeholders	<State the processes used to identify and prioritise key stakeholders>	
Method of engagements	<u>Stakeholders:</u> <Customers, suppliers, unions, NGOs, employees, investors, Governments, etc.>	<u>Method of engagement by stakeholders:</u> <Surveys, focus groups, community panels, corporate advisory panels, written communications, etc.>
Result of engagements	<Describe the type of information generated from the stakeholder engagements and how the information has been or will be used by the company>	

#### Financial Spend Target

Overall financial spend target	<State the total present and historical financial spend target for all contributions to society>			
	Category	2004 actual	2005 actual	2006 budgeted
	Total amount			
	As % of pre-tax profit			
	As % of revenue			
Benchmarks	<Describe the contributions and the corresponding level of financial spend of Malaysian and global peers used for reference>			

# EXHIBIT 3.4.3.A

## TEMPLATE FOR REPORTING TO PCG, GLICs AND THE REGULATORS (III)

### Contribution Portfolio

<To be filled for each contribution>

<b>Contribution</b>	<Title of contribution to society>	<b>Source</b>	<Voluntary, regulatory, licensing requirement, Government policy, directive or informal request from Government bodies>									
<b>Description</b>	<Summary description of the contribution stating the aim of the contribution, the rationale for the contribution, the target beneficiaries and the benefits to the company>											
<b>Relative priority</b>	<Assigned high, medium, low based on <ul style="list-style-type: none"> <li>• Alignment with the company's contributions policy</li> <li>• Alignment with the company's core capabilities</li> <li>• Alignment with regulatory, licensing requirement, Government policy, directives, if any&gt;</li> </ul>											
<b>Total financial spend (i.e., Net Economic Impact (NEI))</b>	Total financial spend: <in RM Mn> Breakdown: <table border="1" data-bbox="569 742 1929 855"> <thead> <tr> <th>Gross avoidable cost</th><th>Revenue implications</th><th>Capital charge</th><th>Tax effect</th></tr> </thead> <tbody> <tr> <td>&lt;in RM Mn&gt;</td><td>&lt;in RM Mn&gt;</td><td>&lt;in RM Mn&gt;</td><td>&lt;in RM Mn&gt;</td></tr> </tbody> </table>				Gross avoidable cost	Revenue implications	Capital charge	Tax effect	<in RM Mn>	<in RM Mn>	<in RM Mn>	<in RM Mn>
Gross avoidable cost	Revenue implications	Capital charge	Tax effect									
<in RM Mn>	<in RM Mn>	<in RM Mn>	<in RM Mn>									
<b>Qualitative impact on the company</b>	Score: <-3 to 3>	<Provide rationale for the score, highlighting the key scoring dimensions e.g. customer goodwill or Government/regulatory goodwill>										
<b>Benefits to society</b>	Score: <-3 to 3>	<Provide rationale for the score, highlighting the key scoring dimensions e.g. education and capability development>										
<b>Action for enhancement</b>	<Actions undertaken or plans to enhance the contribution based on the suggested levers: internal optimisation, reshape or exit, and seek funding alternatives> <Highlight issues and challenges faced or anticipated in relation to the contribution>											

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## About the Appendix

### Appendix to Preface:

Individuals/organisations that have provided inputs in the development of the Silver Book  
Two-step process to identify types of contributions  
Rights of shareholders and that of other stakeholders: A discussion

### Appendix 1: Evaluate GLC starting position

- 1.1 Assess existing contributions “maturity” level
- 1.2 Examine existing contributions portfolio

### Appendix 2: Define a comprehensive contributions policy

### Appendix 3: Ensure superior execution and management

- 3.1 Determine financial spend
- 3.2 Regular enhancement of contribution to society
- 3.3 Formalise handling of new requests for contributions
- 3.4 Positive reporting and communication to maximise goodwill

### Appendix 4: Develop effective governance and organisation

### Appendix 5: Getting started

# APPENDIX 4

## DEVELOP EFFECTIVE GOVERNANCE AND ORGANISATION

Description	GLCs should ensure that their contributions to society are integrated into the daily business of the GLCs and receive adequate level of supervision from the BOD in order to achieve maximum impact and value from each contribution	Chapter	Chapter 5
		Relevance	All GLCs

Suggested action steps	Reference
<p>4.1 Integrate contributions policy into daily business</p> <ul style="list-style-type: none"> <li>• Have performance accountabilities for specific contributions</li> <li>• Centralise specific corporate functions on contributions to society, to the extent necessary</li> </ul> <p>4.2 Ensure appropriate level of BOD supervision</p> <ul style="list-style-type: none"> <li>• Make contributions to society an integral feature of the Board agenda <ul style="list-style-type: none"> <li>- suggested minimum BOD responsibility on contributions to society</li> </ul> </li> <li>• Consider having a BOD level committee dedicated to contributions to society, if necessary</li> </ul>	<p>-</p> <p>Exhibit 4.1.A</p> <p>-</p>

## EXHIBIT 4.1.A MAKE CONTRIBUTIONS TO SOCIETY AN INTEGRAL FEATURE OF THE BOD AGENDA

### Suggested Minimum BOD Responsibility On Contributions to Society

#### Responsibility of the Board

- 1** Approve overall policy on contributions to society recommended by the management on an annual basis
- 2** Approve specific contributions beyond the management limit
- 3** Regularly monitor the GLC's contributions

#### Details

- Key focus areas for GLC in terms of its contributions to society
- Includes review of major societal concerns impacting the GLC or its' industry
- Determine the GLC's financial spend on its' contributions to society
- New requests/programmes with very large financial spend or large risks
- Ratify new requests that are declined due to being outside the GLC's core themes but the requests are made by very influential persons/group
- Monitor implementation of contributions to society (impact achieved, associated cost, etc)
- Contributions to society should be on the Board agenda at least once every 6 months

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### Appendix 4: Develop effective governance and organisation

### Appendix 5: Getting started



# APPENDIX 5

## GETTING STARTED


<b>Description</b>	GLCs should develop a customised transformation plan depending on the areas for improvements identified in the contributions “maturity” assessment. Progress tracking is also important to ensure that the momentum is not lost, and the GLCs achieve the aspiration of enhancing value to both society and themselves.
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<b>Chapter</b>	Chapter 6
<b>Relevance</b>	All GLCs

Suggested action steps		Reference
5.1	Focus on immediate priority for the CEO	Exhibit 5.1.A
5.2	Focus on immediate priority for the BOD	
5.3	Develop and endorse a transformation plan by <ul style="list-style-type: none"> <li>• Secure endorsement and set up task force</li> <li>• Assess existing contributions maturity level</li> <li>• Review current contributions portfolio</li> <li>• Define contributions transformation plan</li> <li>• Define and ensure comprehensive contributions policy in place</li> <li>• Review and enhance contributions governance</li> <li>• Enhance execution and management</li> <li>• Communicate changes internally and externally</li> <li>• Institutionalise, track and report changes               <ul style="list-style-type: none"> <li>- example of initiative reporting template</li> </ul> </li> </ul>	

# EXHIBIT 5.1.A

## SAMPLE INITIATIVE REPORTING TEMPLATE

programme		Silver Book Transformation programme		programme status		Date prepared	6th Oct 2006	
						Last reported		

Initiatives		Overall status	Execution against plan		Delivery of impact targets		Issues for attention	
1. Secure endorsement and set up task force			<u>Last 4 weeks</u>	<u>Status</u>	<u>Key impact</u>	<u>Status</u>	xx	
			<ul style="list-style-type: none"><li>• milestone a</li><li>• milestone b</li></ul>	✓ Delayed	<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	✓ 		
			<u>Next 4 weeks</u>	<u>Due</u>				
<u>Start date</u>	<u>End date</u>		<ul style="list-style-type: none"><li>• milestone y</li><li>• milestone z</li></ul>	13/10 20/10				
Oct 2006	Nov 2006							
2. Confirm contributions index assessment tool			<u>Last 4 weeks</u>	<u>Status</u>	<u>Key impact</u>	<u>Status</u>	xx	
			<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	x x	<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	✓ 		
			<u>Next 4 weeks</u>	<u>Due</u>				
<u>Start date</u>	<u>End date</u>		<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	x x				
Oct 2006	Nov 2006							
3. Examine existing contributions portfolio			<u>Last 4 weeks</u>	<u>Status</u>	<u>Key impact</u>	<u>Status</u>	xx	
			<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	x x	<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	✓ 		
			<u>Next 4 weeks</u>	<u>Due</u>				
<u>Start date</u>	<u>End date</u>		<ul style="list-style-type: none"><li>• x</li><li>• x</li></ul>	x x				
Oct 2006	Nov 2006							

 Completed
  On-track/High likelihood of achieving
  Some issues/Medium likelihood of achieving
  Severe issues/Unlikely to be achieved

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**END OF DOCUMENT**