

Corporate Social Responsibility

AUSTRALIAN DEMOCRATS ACTION PLAN
CORPORATE SOCIAL RESPONSIBILITY
TAXATION, FINANCE & CORPORATE AFFAIRS

Corporate Social Responsibility (CSR) is generally considered to be where an organisation takes into account the economic, social and environmental impact of its activities on the community in which it exists. The Australian Democrats have been at the forefront of encouraging, and proposing mechanisms to establish a measurement and reporting framework for CSR. The Democrats have long encouraged the corporate sector to account for and be responsible for the environmental, social and economic costs of its activities.

From a slow start, CSR reporting has become common in many large corporations. CSR reporting in Australia is voluntary. The Democrats recognise that many Australian companies are responsible, and some lead the way in the push to greater sustainability. While progress is being made, it needs to accelerate significantly, by developing consistent frameworks, common reporting criteria on key issues, and by extending CSR to medium and small corporate entities.

“If a company does not demonstrate the same commitment to meeting broad social obligations as it does to its financial objectives, it runs a real risk of jeopardising its chances of achieving the returns to shareholders are entitled to expect”

Richard Goyder
Managing Director
Wesfarmers

Our Action Plan

- Campaign for full implementation of the recommendations of the 2006 Parliamentary Joint Committee on Corporations and Financial Services Report: Corporate Responsibility Managing Risk Creating Value;
- Campaign for government to actively promote CSR; to establish a system for CSR to be monitored in the private, public and not for profit sectors; and to provide funding and liaison with industry to develop sectoral CSR benchmarks, such as for greenhouse and energy performance;
- Like the UK Companies Act, clarify the Corporations Act to explicitly permit directors to have regard to interests of stakeholders other than shareholders;
- Support the uptake nationally and internationally of the Global Reporting Initiative Framework (GRI), as a basis for a sustainability reporting framework;
- Lobby Government for seed funding for an Australian Corporate Responsibility Network modelled on the UK initiative ‘Business in the Community’;
- Encourage investors, stakeholders and relevant associations to include long term corporate responsibility performance measures as part of the remuneration packages for directors, managers and CEO’s;
- Support Labor’s proposal to mandate CSR reporting in the federal public sector, including performance against sustainability targets.



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Issue one: underdeveloped frameworks

Nationally and internationally, there has been debate as to the extent to which companies should consider broader economic social and environmental factors when making decisions, rather than focussing solely on profits, shareholders or members. While there are many CSR supporters, a section of corporate Australia does not consider CSR important. They still need to initiate CSR programs.

Other Australian companies realise that CSR has positive impacts in crucial areas. The evidence is that a good CSR reputation increases corporate value. A bad one reduces corporate value when stakeholders, customers or the market react against a company with a negative environmental impact or a lack of community involvement. CSR helps companies to attract and retain good quality staff because they offer good working conditions, and provide a sense of doing something positive for the community and the environment. These companies have found that this leads to higher productivity because they have an engaged workforce.

Learning and innovation are key drivers in many companies, and in considering environmental and social risks which may impact on the community, the business can create business opportunities from these assessments. For instance, being energy efficient helps profitability and productivity, and society as a whole.

While there are very advanced models such as the GRI, there is no universally accepted definition of CSR, benchmarks, or criteria. There needs to be a common and agreed sectoral and national approach or framework, and there is none.

Issue two: should CSR be mandatory?

The Democrats were party to the Parliamentary Joint Committee on Corporations and Financial Services investigating CSR in Australia. We support the 2006 *Corporate responsibility: Managing risk and creating value* report, including Labor's Supplementary Report.

The inquiry found many companies and directors were taking their corporate social responsibilities seriously, and including them in their decision making. Not every corporate is convinced of the value of the CSR concept. A number of companies and directors only engage in CSR because of the impact on their reputation if they do not do so. Such corporations and directors are including CSR in their decision making either to circumvent circumstances which might give rise to expensive litigation, or to avoid community agitation. Such motives are not typical of leading companies and directors, who recognise the significant and material contribution CSR reporting can make to the long-term health of the corporation.

At the present stage of CSR reporting, it is not appropriate to introduce a CSR mandatory code into Corporations Law. If there is no ongoing improvement across all sectors in the next three to five years, at least to the level of comparable advanced OECD countries, then as Labor said in its Supplementary Report: *...if directors do not actively consider legitimate environmental and social risks in determining the interest of the company, it will be necessary for the Parliament to provide a clearer articulation of this interpretation within the Corporations Act.*



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