

Corporate Social Responsibility

The purpose of the Discussion Paper I think is to consider what steps should be taken to include corporate social responsibility in the business community. Such things as Directors responsibilities, reporting and changes in business practices all need to be considered. It's interesting to note in Australia there is a plethora of different legislative requirements at every level of Government covering corporate responsibilities.

My submission answering the questions at the end of each section of the Report is as detailed below.

1.5

How might corporate social responsibility usefully be described for working purposes ?.

Corporate Social responsibility is an expectation that business is to be conducted in an ethical and sustainable manner on behalf of its stakeholders and the wider community. Ethics and sustainability are linked since sustainability in the environment and its preservation is a moral responsibility for this generation to pass on to future generations.

Which approach or combination of approaches to responsible corporate behaviour is most appropriate.

The most appropriate approach to responsible corporate behaviour is to determine guiding descriptive principles, rather than to try and prescribe in detail a list of detailed obligations.

Prescriptive obligations create a compliance approach restricted to those obligations documented. Descriptive type principles on the other hand require imagination and are likely to lead to a more comprehensive review within the "Spirit of the Law" .

The same argument applies to International Accounting Standards to govern CSR which I think need to be descriptive and broadly based rather than in the form of detailed instructions, possibly leading to the creation of loopholes !.

Corporate Social Responsibility – A suggested example of a guiding principle:

Its is the responsibility of the Corporation, through its Directors and officers to ensure at all times that it conducts its business in an ethical and sustainable manner. The Corporation shall include in its Corporate Governance provisions those core values considered necessary to uphold this principle in the conduct of its business. The Annual Report is to include a narrative with key indicators demonstrating its adherence to this principle.

What are the incentives or disincentives for a company to conduct its business in a socially responsible manner?

The incentives for a company to conduct its business in a socially responsible manner are evidenced in enhanced brand recognition and improved shareholder returns. This is achieved as the stakeholders and customers recognise a company's values. Its reputation is thereby enhanced and ultimately the returns to shareholders.

The disincentives arise from competitors who obtain short term advantage by unethical work practices. The latter type of activity is evidenced in secretive conduct where communication is restricted to its direct shareholders.

Different or additional implications arise depending on the nature or size of the enterprise, for instance:

- ___ The sector or industry in which an organization operates.
- ___ whether a company has international operations

In practice

___ to what extent is corporate decision making driven by shareholder concerns

_ how do companies differentiate between various categories of stakeholders

___ in what ways do companies balance or prioritise competing stakeholders interest and

___ how do companies engage with stakeholders

A company operating as a multi national will have the added difficulty of operating in countries with different cultures and beliefs that impact on the core values adopted by the parent company. What is needed I think is a response which adopts the guiding principles but at the same time also recognise local boards management and integrity to implement theses principles under local conditions. Some multi national companies subscribe to a counselling service to provide on-line services anywhere in the world such as that provided by St James Ethics Centre. In this way, if conflicts arise, management has that facility of an independent partner to assist in the timely promotion of fair and ethical work practices.

Every company I think would also need to include an adherence to human rights as a core value to be specifically included in its corporate governance principles. Amnesty International is a natural partner and currently is already assisting corporates all over the world to effectively ensure this principle is maintained in all of its activities.

Traditionally the Annual General Meeting provided the opportunity for stakeholders such as their investors to meet and exchange information. Yet its significance in terms of attendance is declining. The meeting itself is costly to

organise and confusion often reigns over shareholder voting rights. Clearly it's time for a change in the nature of these meetings and the composition of Annual Reports.

Corporation decision making is driven by the returns it can achieve for its shareholders and pressure arises from analysts and Fund Managers whose focus is largely on share price appreciation. Companies don't formally engage their various stakeholders other than through market research and by way of references to employees and community partners in their Annual Reports. Most negotiations with Stakeholders are due to the various legislative requirements.

In practice, to what extent do stakeholders consider a company's social responsibility performance when making assessments or decisions about a company ?

Are there any changes that would enhance triple bottom line sustainability or like reporting , including :

- increased level of clarity and comparability of these reports
- any suggested changes to external verification of those reports
- whether any aspect of this reporting should be mandated and, if so, for what companies and in what respects (s)
- are there particular issues for small to medium enterprises

An avenue for improvement in communication with stakeholders would be a change in format and reporting by the Directors at Annual general Meetings where they reported on the broader issues of their responsibilities under CSR. At present reporting in Annual reports is characterised by a hap-hazard approach to ethical business practice and sustainability. The two are seen as different. I would contend they are one in the same. The question of ethics is generally covered by comment on corporate governance which defines the rules for the Board, its composition and responsibilities.

Vague notions are often included such as "To uphold high ethical standards throughout the organisation" without identifying how this is to be accomplished or what those standards represent in terms of expected behaviour. Hence I see the need for guiding principles to be included and frequently referred to in the narrative that makes up Annual Reports.

An avenue to effectively reflect CSR is in accounting standards and more particularly what is referred to as Triple Bottom Line Reporting which adds environment and social responsibility to existing traditional financial performance measures.

Eg : Key Performance Indicators could be included to show such things as reductions in green house emissions, electricity and water consumption per employee, or for multinationals to give examples of how adherence to universal human rights and labour standards cover employee benefits.

I think requirements to include guiding principles and reports on ethics / sustainability should be mandated for all substantive private companies (currently required to lodge accounts) and public groups.

2.00: whether, or in what circumstances, companies feel constrained by their understanding of the current law of director's duties in taking into account the interests of particular groups who may be affected, or broader community considerations, when making corporate decisions.

if so, is there any useful scope for clarifying the current law in this respect

Does the current law give directors sufficient flexibility to balance long terms and short term consideration in their decision making

Are any changes needed to the current law regarding the right of shareholders to express their view by resolution at general meetings on matters off environmental or social concern.

Directors take a legalistic view of their responsibilities, relying heavily on Executive Directors. Corporate Governance principles tends to be relied upon in terms of their commitment to stakeholders and the wider community.

I think the law does give sufficient power to Directors to balance long-term considerations in decision making.

I believe the provisions relating to shareholder voting are already confusing and require revision. Matters of social or environmental concerns are to be included.

Should the Corporations Act be revised to clarify the extent to which Directors may take into account the interests of specific classes of stakeholders or the broader community when making corporate decisions?

Should the Corporations Act be revised to require directors to take into account of specific classes of stakeholders or the broader community when making corporate decisions?

As previously mentioned I think the Directors currently have sufficient power to make decisions in the best long term interests of the company, but it's advisable that a general provision be included in the corporation law outlining their responsibility to maintain CSR aspects. Such a broad provision should be descriptive and not prescriptive to specify responses to different classes of stakeholders.

Eg

It is the responsibility of the Corporation, through its Directors and officers to ensure at all times that it conducts its business in an ethical and sustainable manner. The Corporation shall include in its Corporate Governance provisions those core values considered necessary to uphold this principle in the conduct of its business. The Annual Report is to include a narrative with key indicators demonstrating its adherence to this principle.

4.00 Should the Corporations Act Require certain types of companies to report on the social and environmental impact of their activities

I think all substantive private and all public companies should have an obligation to report on the social and environmental impact of their activities.

As mentioned earlier I think it is a mistake to view sustainability as a separate aspect to that of ethics, since sustainability is a moral question to sustain that which we have for future generations.

Hence it is preferable to include this requirement as a central principle of corporate governance requiring boards to ensure they have sufficient information and expert reports to discharge their CSR responsibilities.

5.00 Should Australian Companies be encouraged to adopt socially and environmentally responsible business practices and if so how?

Conclusion.

Australian companies should be actively encouraged to adopt socially environmental responsible business practices. In fact this should always have been the case. It is an indictment of our civilised state to think otherwise. The alternative is to give no consideration to sustainability and disregard the rights of future generations.

My preference is for descriptive provisions to operate by way of guiding principles enacted in law and within corporate governance structures.

Otherwise I think we are in danger of thinking of ethics and environmental sustainability as something only very highly trained people are capable of thinking about. CSR needs to stay in the mainstream of shareholder and stakeholder concerns, acknowledged at every level in the community.

As mentioned in the discussion paper, over 80% of investors want to see more reporting of CSR by companies. Educational bodies need to encourage education and ethically based subjects in their courses

Descriptive provisions create a clear responsibility. Imagination and morality have always been required for civilisations to deliver results for its populace along with new knowledge and understanding.

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