



CORPORATE RESPONSIBILITY INDEX 2007

Executive Summary

Foreword

The latest round of the Corporate Responsibility Index (CRI) represents something of a 'coming of age' in the evolution of responsible business in Australia. The mark of this development is not to be found in a table marked by row upon row of high performing companies. Rather, it is the record of variable performance that is exemplary.

Unlike other indices, participation in the CRI is entirely voluntary. As such, it would be easy for organisations to choose only to participate if confident of achieving superior performance. Yet, in a sign of growing maturity, a significant number of local companies have chosen to report their performance even when to do so will draw attention to areas requiring further improvement.

To add to the significance of what is happening here, it should be noted that the CRI offers a private benchmarking option – for organisations wishing to minimise risk as they 'dip their toes' into the measurement and reporting waters. A number of companies take this option – understanding that there is an expectation that they will move to full, public reporting in due course. So, those who have reported publicly deserve double praise – first for voluntarily participating at all and secondly for doing so in such a transparent manner.

Global submissions

The second major lesson to emerge from the latest round of results is that taking a global approach to corporate responsibility – and building expertise over time is the best way in which to generate superior results. As will be seen from the table, a very high level of performance has been achieved by all of the companies making global submissions. This result has been achieved using the same questions and same criteria as apply when validating and scoring submissions by companies that operate predominantly in Australia and New Zealand. Of course, some Australian companies (like BHP Billiton and Rio Tinto) make global submissions. As such, they are exposed to the full breadth of international expectations about how they should operate – thus honing their capacity to perform.

Forefront of international performance

A third observation concerns the position of leading Australian companies in relation to the operation of the CRI. As the table indicates, a number of companies have taken a 'leave of absence' or have not submitted in the last round. Others, most notably ANZ, have continued on with an unbroken record of participation. In discussions with participating companies, both approaches have been shown to have merit. In some cases, Australian companies have been in the forefront of international performance – quoted overseas as having set the standard to be met.

Indeed, at a recent meeting with Israel's major organisation promoting corporate responsibility, the performance of Australia's best performing companies was singled out for comment. For such companies, continued leadership may require something more than completing the CRI on an annual basis. Indeed, all of Australia's leading companies have joined a Leaders Network within which a series of innovative developments are being developed. This Network is likely to expand in the coming months as more companies become eligible to participate in the generation of ground-breaking new initiatives. At the same time, St James Ethics Centre has been advancing discussions with other indices – so as to rationalise the reporting burden borne by business.

Raising the bar

That said, it is our view that there is no substitute for regular assessment and reporting, against common criteria that evolve in response to improved standards. Indeed, the latest iteration of the CRI is far more demanding than it has been in earlier years – and there is every intention of 'raising the bar' so as to set new challenges for leading companies.

SME sector

Finally, it should be noted that this year's list of participants is the most diverse yet. One of our aims is to develop new tools that further expands access to the CRI methodology – especially for the small to medium enterprise (SME) sector. The Allen Consulting Group has been commissioned to undertake the first phase in an extensive program of research and development for this sector – a process that we understand has not been undertaken before.

Commitment to learning

However, of all these developments, I think that the most significant is the evidence now emerging of a corporate sector that is beginning to lose its fear of candid and transparent reporting. This suggests a deeper commitment to learning than has been evident in the past. As such, I hope that all the participants in this year's CRI will be applauded for their leadership – whatever their performance to date.

Dr Simon Longstaff is Executive Director of St James Ethics Centre
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The Index Model © Business in the Community

The Corporate Responsibility Index was developed to help improve corporate responsibility by providing a systematic process that assists companies to identify their non-financial risk, as well as develop and improve corporate responsibility in line with their business strategy. It provides a benchmark for companies which are committed to managing, measuring and reporting their impact on society and the environment. The Index is based on a framework of four core components shown in the following model:



Index Sections

The **Corporate Strategy** section looks at the inclusion of corporate responsibility commitments within company values and principles, how these tie into strategy, are addressed through risk management, development of policies and commitment for this responsibility at a senior level in the company.

The **Integration** section looks at how companies organise, manage and integrate corporate responsibility throughout their operations. Is it integrated into the strategic decision-making processes of the company and linked through internal governance and risk management systems? Is it part and parcel of the company culture?

The **Management** section further assesses the integration of corporate responsibility through the review of processes for managing different stakeholder relationships. This section looks at what the key issues are for the business in the Community, Environment, Marketplace and Workplace. It also reviews objectives and targets set to manage these issues and how the company communicates, implements and monitors its policies, objectives and targets.

Community relates to the interface between business and society that can be both positively or negatively impacted by a project, product or investment on a local or global level.

Environment is the ecosystems and natural resources that can be directly and indirectly affected by a company's operation, products and services. Being responsible means safeguarding both the systems and resources for future generations.

Responsibility in the **Marketplace** is maintaining the highest standards of business practice when developing, purchasing, marketing and selling products and services. It also relates to how companies influence the rules of the marketplace in which they operate.

Workplace is the environment into which individuals are recruited and developed both professionally and personally, with full entitlement to employment rights.

The **Performance & Impact** section looks at companies' performance across a range of social and environmental impact areas. Companies are asked to complete a total of six impact areas comprising:

- > three Environmental Impact areas: **Climate Change** and **Waste & Resource Management** and either **Biodiversity** or a **Self-Selected Environmental Impact** area.
- > three Social Impact areas selected from: **Health Safety & Wellbeing**, **Employee Development**, **Employing Migrant Workers**, **Diversity in the Workplace**, **Community Investment** or a **Self-Selected Social Impact**.

The **Assurance & Disclosure** section ensures the accuracy, relevance and reliability of information provided by companies within the survey and scores companies on their willingness to disclose their submission and results with external stakeholders.

Index Process

Participation in the Index is voluntary. Companies complete a web-based survey aided by supplementary guidance notes. As this is a self-assessment process, there is a requirement that each submission be accompanied by supporting documentary evidence and formal sign off by the company Chief Executive or Board member.

Validation:

In 2007 Ernst & Young's Sustainability Assurance and Advisory Services undertook the validation that assessed all company submissions on a sample basis ensuring responses were supported by appropriate evidence and that questions were interpreted consistently by participating companies.

Scoring:

Post validation, final company scores are generated automatically by the Business in the Community (BITC) online benchmarking system according to the weightings in the model above.

Feedback:

All participating companies receive detailed confidential feedback on their performance compared, where possible, with other participants in their sector and all other participants. This gap analysis assists companies to identify areas of strength and for improvement. The Index forms a useful tool to present information at board level and develop plans for further action.

Further information

You can find further information about the Corporate Responsibility Index model, validation process and participation options and costs on our website at www.corporate-responsibility.com.au

Thank you

Thanks to Business in the Community, the architect of the Index and its developments in the UK, which licences the Index for use in Australia. A special note of thanks to our partners *The Sydney Morning Herald* and *The Age* for their integrity in reporting and commitment to encouraging responsible business through the media and to Ernst & Young for the professional expertise they have brought to the validation process. To EcoFutures and the National Business Leaders Forum on Sustainable Development who continue to champion the cause of sustainable business and raise the bar, and to our advisory group whose breadth of expertise is invaluable in the ongoing development of the Index.

An Overview of the Results

This report marks the completion of the fifth Corporate Responsibility Index (CRI) in Australia and New Zealand. In total forty companies participated in the project representing almost a million employees and more than AUD600 billion revenue/turnover.

The thirty-four companies participating in the full 2007 Index achieved an average overall score of 78.3% reflecting a 5% decrease on the 2006 average of 83.3%. The significant strengthening of the Index, including the reweighting of disclosure from 5% to 1%, and ten companies entering the Index privately may have contributed to the decrease in scores.

Those companies achieving consistently high performance on the CRI now form the CRI Leaders Network. These companies have committed to work with St James Ethics Centre to drive the uptake of responsible business practice throughout the Australian business environment.

Key Developments

- > Business in the Community has introduced a number of changes to the 2007 Index in keeping with its commitment to continuous improvement and ensuring that participating companies aspire to best practice. For this reason this year's results cannot be directly benchmarked with the previous year's.
- > The new Marketplace section was launched and a third Workplace Module is now available. Companies can now choose from four flexible entry options – Community, Environment and/or Workplace Modules or the full Private Benchmark. The flexible entry options have proven to be effective in allowing companies to transition to the full public Index.

2007 results

- > The top five companies in the Index scored over 95% – HBOS plc, British Telecom, EnergyAustralia, Xstrata and ANZ.
- > Of twenty continuing 2006 participants the greatest improvement in performance was achieved by Country Energy.
- > Sixteen new companies joined the Index in 2007, ten submitting through St James Ethics Centre, four new global submissions through BITC in the UK and two Community Module participants.
- > mecu Limited had the best performance of the Australia and New Zealand new entrants.
- > To date, sixty-three companies have used the Index in Australia and New Zealand. Of these, nine companies have participated in all five iterations of the Index.

The 2007 Index saw a broadening of sector engagement – Financials (7), Energy & Utilities (6), Materials (6), Consumer Goods & Services (5), Support Services & Telecommunications (5), Food & Beverage (4), Accountants & Consultants (3), Healthcare (1), Real Estate (1), Media & Entertainment (1), Software & Computer Services (1).

Corporate Strategy – 89%

Corporate Strategy was again the section with the strongest performance, with the highest scoring questions on corporate values and principles each at 98%. This demonstrates company commitment to corporate responsibility. However, some companies are yet to appoint a board member or senior executive with key accountability for corporate responsibility (79%).

Integration – 78%

The integration of corporate responsibility strategies throughout a business was most evidenced in questions on – Business Conduct (98%), Training & Development (88%), Senior Management Training (85%) and Remuneration & Bonus Systems (84%).

There is still room for progress in Strategic Decision-Making (71%) and Reporting (69%). On Strategic Decision-Making participants are asked if, as a minimum standard, an environment and social assessment is within processes – when investing in new countries, markets, mergers or acquisitions; when downsizing, restructuring or disinvesting from a market or country; researching new products and services; and considering new business partners and suppliers.

Management Practice

The strongest performing management area was Workplace (90%), followed by Community (83%), Marketplace (78%) and finally Environment (73%).

- > **Workplace:** nineteen of the thirty-six companies scored 95% or more. Ten of these companies are global submissions through BITC in the UK. Outstanding performance requires a company to demonstrate it has – identified employee related issues as well as developed objectives, targets and programs to implement workplace policies and objectives.
- > **Community:** fourteen participants (including six BITC) achieved outstanding performance. These companies have identified the community issues most relevant to their business and developed – strategy, targets, programs and partnerships to address these issues and are monitoring their effectiveness.
- > **Marketplace:** ten participants (including five BITC) scored 95% or more on the new Marketplace section. High performers have conducted environment and social impact assessments of core products and services and manage environmental, social and economic issues in the supply chain. They have policies on lobbying and political donations which are in the public domain and employ consistent standards when operating in countries with weak governance.
- > **Environment:** nine companies (including six BITC) with outstanding performance are engaging and enabling their employees on their identified material issues with programs to achieve objectives and targets. Further these companies have open dialogue with external stakeholders and have certified Environmental Management Systems in place with internal audit processes.

The key areas for improvement for companies in management practice relate firstly to the setting and reporting of targets in the public domain and secondly to implementing monitoring systems to assess and report progress.

Performance & Impact

This section remains the most challenging. Consistent with scores from previous years in Environment Performance & Impact (69%) are lower than those in Social Performance & Impact (76%).

For Climate Change the measurement and reporting of greenhouse gas emissions is positive (90%), however this needs to be reinforced with swift progress on performance improvement (62%).

Most companies are measuring their waste reduction, recovery, re-use and recycling (80%). Further progress needs to be made in demonstrating performance improvements (43%).

The most selected social impact area was – Health Safety & Wellbeing (74%), followed by Community Investment (73%), Employee Development (68%) and Diversity in the Workplace (81%).

Percentages given above are the average scores for each section.

St James Ethics Centre would like to congratulate all the companies who have submitted themselves to this rigorous, voluntary examination of their corporate responsibility practices and their commitment to improve.

2007 Corporate Responsibility Index Results

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Company	Scope [^]	Overall Score	Corporate Strategy	Integration	Management Practice	Performance & Impact		Assurance & Disclosure
						Environment	Social	
Australian & New Zealand submissions:								
Amcor	Australia	✓	✓	✓	✓	✓	✓	★
AMP Limited	100%	★	★	★	★	✓	★	✓
ANZ	100%	★	★	★	★	★	★	★
Australian Broadcasting Corporation	100%	✓	★	✓	✓	✓	✓	✓
Caltex Australia Limited	100%	★	★	★	★	✓	✓	✓
Colliers International	Australia	✓	✓	✓	✓	✓	✓	✓
Country Energy	100%	★	★	★	★	✓	★	★
Diageo Australia Limited	Australia	★	★	★	★	★	★	✓
EnergyAustralia	100%	★	★	★	★	★	★	★
Ergon Energy	100%	★	★	★	★	✓	✓	★
Foster's Group Limited	Australia	★	★	★	★	★	★	★
Henry Davis York Lawyers	100%	✓	★	✓	✓	✓	✓	✓
IBM Australia Limited	Australia	★	★	★	★	★	★	★
Kimberly-Clark Australia	Australia	★	★	★	★	★	★	★
mecu Limited	100%	★	★	★	★	★	✓	★
Minter Ellison Lawyers	Australia	★	★	★	★	★	★	★
Telstra Corporation Ltd	Australia	★	★	★	★	★	★	★
Private Index average (seven companies)	Aust/NZ	✓	✓	✓	✓	✓	✓	✓
Global submissions:								
Anglo American*	100%	★	★	★	★	★	★	★
BHP Billiton*	100%	★	★	★	★	★	★	★
British Telecom*	100%	★	★	★	★	★	★	★
Cadbury Schweppes*	100%	★	★	★	★	★	★	★
Ford Motor Company*	100%	★	★	★	★	★	★	★
HBOS plc*	100%	★	★	★	★	★	★	★
Rio Tinto*	100%	★	★	★	★	★	★	★
Serco Group*	100%	★	★	★	★	★	★	★
Unilever*	100%	★	★	★	★	★	★	★
Xstrata plc*	100%	★	★	★	★	★	★	★
Leave of absence – 2006 submissions:								
Boral Limited [†]	100%	★	★	★	★	★	★	★
Newmont Australia Limited [†]	Australia	★	★	★	★	✓	★	★
Savings & Loans Credit Union (SA) Ltd [†]	100%	★	★	★	★	★	★	✓
Toyota Australia [†]	Australia	★	★	★	★	★	★	★
CRI Leaders Network:		ANZ, BHP Billiton, Toyota Australia and Westpac Banking Corporation						

★ Gold 90%+ ★ Silver 80 - 89.76% ★ Bronze 75 - 79.76% ✓ Participated 74.76% and less

*Index surveys for global companies with operations in Australia/New Zealand submitted in the UK and validated by Business in the Community.

Private index: private benchmarking is offered to companies for an initial year prior to transitioning to the full public Index.

[†]2006 submission remains in accordance with company's current commitment to corporate responsibility management. Due to changes to the 2007 Index these scores are not directly comparable with 2007 scores.

Community module submissions:	Scope [^]	Overall Score	Corporate Strategy	Integration	Management Practice	Performance & Impact	Assurance & Disclosure
Accenture (Aus)	Australia	✓	★	✓	✓	✓	✓
MBF Australia Limited	100%	✓	★	✓	✓	✓	✓

★ 90%+ ★ 80 - 89.76% ★ 75 - 79.76% ✓ 74.76% and less

The modular option provides an entry level for participation in the Index focusing on a single impact area, either Environment, Community or Workplace.

[^] Scope: 100%: 100% operations Australia: Australian operations only Aust/NZ = Australian or New Zealand operations only

“ Our commitment to corporate responsibility extends throughout the company - we've found the Index to be a very useful way to bring all our programs together and benchmark them for continual improvement. This helps us to deliver benefits to our people, community and the environment. ”
Glen Boreham, CEO & Managing Director, IBM Australia/New Zealand

“ The hallmark of excellent performance by a company is not just the results it achieves, but how it achieves them. The CRI is our independent measure of how we're going about providing support to our community and minimising our environmental footprint. It pushes us to improve our performance every year. ”
George Maltabarow, Managing Director, EnergyAustralia