Executive Summary
Sixth Corporate Responsibility Index

Foreword
by Dr Simon Longstaff,
Executive Director, St James Ethics Centre

This year’s Corporate Responsibility Index (CRI) is framed within the context of the Global Economic Crisis (GEC) that grips the world. As the dire effects of recession spread around the globe, disproportionately affecting the most vulnerable, it is important not to lose sight of the fact that the genesis of this disaster lay in events that were self-induced, self-defeating and entirely preventable.

In the midst of discussion about the causes of economic failure one phrase, in particular, has been uttered again and again, “If only we had known”. Indeed. Yet consider this: when told of the circumstances leading to the fall of Singapore, during the Second World War and believing that his own lack of strategic foresight was at least in part to blame, Sir Winston Churchill replied, “I did not know. I was not told. I should have asked”. It is the last part of Churchill’s response that marks him out as a leader. He acknowledged that he, “should have asked”.

The companies that have completed the CRI demonstrate a similar commitment to leadership. Rather than taking the easy option of not asking, of not knowing – they have been prepared to engage in a rigorous process of self-examination. The CRI is an integrated and comprehensive tool that allows for a professionally validated assessment of environment, social and governance performance. These are precisely the areas that need to be understood by the boards and senior management of organisations if they are to avoid some of the errors that triggered the current global recession.

Part of the problem of the past has been that businesses have had far too narrow an understanding of risk. Likewise, investors and regulators have sometimes failed to understand that tools, like the CRI, do far more than simply measure performance against specific criteria. Rather, they provide insight into the quality of management, in general, and their ability to manage complexity, in particular. As is now clearer than ever, we live in a world that is integrated and highly complex. That complexity is like a tiger – potentially lethal and never tamed by our ignorance of the risk.

Finally, there have been many times in the past seven years when we have been advised to drop the word ‘responsibility’ – that it puts people off; that it has negative connotations for businesses that would prefer to deal about more appealing notions like ‘corporate opportunity’. We resisted such calls. To do otherwise would have been to collude with a culture that contributed to the current losses – not just in treasure, but also in trust.

Those organisations that have shown the commitment to measure and report their performance, in the field of corporate responsibility, may not be perfect. However, they are part of the solution to a set of problems that require a better response than we have seen in the past. Organisations completing the CRI are positioning themselves for the future. Eventually, the gloom will lift. I think that the sun will shine especially brightly on those who resisted the temptation to withdraw into their shells; rewarding those who invested in their capacity for responsible business conduct when it would have been so easy not to do so.

The Corporate Responsibility Index is part of the National Responsible Business Practice Project funded by the Federal Government, through Treasury to enable St James Ethics Centre to engage Australian businesses in identifying and adopting more responsible business practices. The Index, developed and maintained by Business in the Community in the UK, is a project of St James Ethics Centre and supported by PricewaterhouseCoopers. Our media partners are The Sydney Morning Herald and The Age.

Project catalyst: Pilotlight Australia.
An overview of the results

We are proud to announce that this report marks the completion of the sixth Corporate Responsibility Index (CRI) in Australia and New Zealand. A total of 38 companies participated in the Index — 35 in the full Index and three in a Module of the Index. These companies represent over 700,000 employees and more than AUD46 billion in revenue.

2008 Corporate Responsibility Index

> Business in the Community (BITC) has again strengthened the Index ensuring that participating companies continue to aspire to best practice. For this reason this year’s results cannot be directly benchmarked with previous Index results.

> Companies participating through BITC that have achieved >95% in the Index were invited to participate in BITC’s new Platinum Plus Benchmark initiative with two years reprieve from the Index survey. The Platinum Plus Benchmark reviews companies on long-term strategy, impact and leadership with a focus on material issues and innovation.

> The strengthening of the Index together with the UK Platinum companies moving to the Platinum Plus Benchmark are likely contributors to the Index’s average overall score decreasing by 3% from last year’s.

> The equivalent group of high performers in Australia, the CRI Leaders Network, has contributed to a number of initiatives with St James Ethics Centre to drive the uptake of responsible business practice throughout the Australian business environment.

Results

> The top five companies in order of performance are: EnergyAustralia, Boral Limited, Minter Ellison Lawyers, ANZ and Foster’s Group Limited.

> The greatest improvement in performance from last year’s Index was achieved by Australian Broadcasting Corporation.

> Eleven new companies joined the project in 2008, ten submitting through St James Ethics Centre (including one module participant) and one new global submission though BITC in the UK.

> Of these new entrants Sensis Pty Ltd had the best performance of the publicly participating Australian and New Zealand organisations.

> The companies that have participated in all six iterations of the Index score an average 93%.

> To date over 70 companies have used the Index in Australia and New Zealand.


Results by section

Corporate Strategy

Corporate Strategy was again the section with the strongest performance. At 88% this demonstrates that most companies are placing corporate responsibility values at the core of their business strategy; that key social and environmental risks have been identified and addressed by principles and policies; and that there is a demonstrable leadership commitment.

Over 70% of participating company boards regularly discuss, review and have approved specific KPIs to action corporate responsibility (CR) issues. However, only 40% have a publicly reported board member or senior executive with responsibility for each of the following: Community, Environment, Human Rights, Marketplace and Workplace.

Integration

Companies are making progress towards integrating corporate responsibility strategies throughout their business with an average score of 78%. Companies have implemented codes of conduct, confidential reporting, such as whistleblowing, compliance and disciplinary measures to monitor these codes. They have also introduced initiatives within their Performance Management, Remuneration & Bonus Systems and Training & Development to ensure employees live up to their CR principles and standards of business behaviours.

Average scores by participation category

The Private Index was introduced in 2006 to enable companies to participate at an earlier stage of their CR journey and transition to the Public Index. This graph shows the improvement companies make transitioning from private to public participation. Global companies participating through Business in the Community have performed better than Australian/NZ companies, consistent with previous years.
Over 50% of participating companies have a process to ensure that CR principles are integrated and upheld throughout the organisation. These companies have communicated CR principles to staff and key stakeholders, asked whether they believe the company lives up to these principles and can demonstrate where they have taken steps to address areas of concern.

Only 26% of companies include an environmental and social assessment in the strategic decision-making processes as a minimum standard for investing, downsizing, restructuring, and considering new partners and suppliers.

Management Practice

Last year Workplace was the highest scoring management section at 90%. The 2008 Index saw the review and launch of the new Workplace section recognising companies that build a business case for their workplace management and ensure their programs contribute effectively to the health, wellbeing and development of their employees.

This year companies scored an average 77% on the new Workplace section in line with companies’ performance in the other management areas: Community (79%), Marketplace (78%) and Environment (75%).

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.

Workplace: only 9% of participants achieved outstanding performance in the new Workplace section, which requires a company to identify employee-related issues and build a business case for all programs to address these issues. Companies must have assigned specific responsibility for championing workplace issues at board level, developed objectives and targets to implement employee programs and have an internal monitoring process to review their implementation.

Community: 34% of companies scored over 95%. These companies have identified the community issues most relevant to their businesses and developed strategies, targets, internal systems, structures and partnerships to address these issues and monitor their effectiveness.

Marketplace: 23% of companies scored 95% or more in the Marketplace section. High performers have conducted environment and social impact assessments of core products and services, respect their customers 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: only 14% of companies scored 95% and above on environmental management. These companies are engaging their employees on their identified material issues and have programs to achieve their environmental objectives and targets. Further these companies have open dialogue with external stakeholders and have certified Environmental Management Systems in place with internal audit processes.

Performance and Impact

Consistent with previous years’ scores this section remains the most challenging with average performance at 69% – Environmental Impact Areas at 68% and Social Impact Areas at 70%.

Environmental Impact Areas

Climate Change: most companies are measuring and reporting their greenhouse gas emissions (83%), with most also responding positively on the scope (87%) and quality (76%) of the information they are reporting. However this needs to be reinforced with swift progress on performance improvement (46%) and the uptake of renewable and alternative sources of energy (30%).

This same pattern is reflected in the Waste & Resource Management section. Most companies are measuring their waste reduction, recovery, re-use and recycling (83%). Further progress needs to be made in demonstrating performance improvements (37%).

Social Impact Areas

Companies chose three of the following five social impact areas – Health Safety & Wellbeing (71%), Employee Development (70%), Equality, Diversity and Inclusion in the Workplace (67%) Community Investment (62%) and/or a Self-Selected Impact Area.

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

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 that 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 measures the inclusion of corporate responsibility commitments within corporate values and principles, how these tie into strategy, are addressed through risk management, the 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 into internal governance and risk management systems? Is it a fundamental part 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 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 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 operations, 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 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 Social Impact Areas selected from: Health Safety & Wellbeing, Employee Development, Equality Diversity and Inclusion 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 2009 PricewaterhouseCoopers’ Sustainability and Climate Change Team undertook the validation to assess all company submissions by reviewing evidence provided to ensure that responses were appropriately supported, as well as ensuring that questions were interpreted consistently by participating companies.

Scoring: Post validation, final company scores were generated automatically by the Business in the Community online benchmarking system according to the weightings in the model above.

Feedback: All participating companies received 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 on the Corporate Responsibility Index model, validation process and participation options and costs is available on our website www.corporate-responsibility.com.au

Thank you

The Index is part of the National Responsible Business Practice Project funded by the Federal Government, through Treasury to enable St James Ethics Centre to engage Australian businesses in identifying and adopting more responsible business practices.

Thanks to Business in the Community, the architect of the Index and its developments in the UK, which licences the Index to St James Ethics Centre for use in Australia and New Zealand. To PricewaterhouseCoopers for the professional expertise and consistency in approach in this, its first year of validation. To EcoFutures and the National Business Leaders Forum on Sustainable Development that continue to champion the cause of sustainable business. Members of the CRI advisory group whose breadth of expertise is invaluable in the ongoing development of the Index. A special note of thanks to our media partners The Sydney Morning Herald and The Age for their integrity in reporting and commitment to encouraging responsible business through the media. And finally, to all the companies that have submitted themselves to this rigorous, voluntary examination of their corporate responsibility practices thereby demonstrating that business can lead the way.
## 2008 Index Results

### Corporate Responsibility Index

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<tr>
<th>Company Name</th>
<th>Scope</th>
<th>Overall Score</th>
<th>Corporate Strategy</th>
<th>Integration</th>
<th>Management Practice</th>
<th>Environmental Impact Areas</th>
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<th>Assurance &amp; Disclosure</th>
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### BITC Platinum Companies:

- BHP Billiton
- British Telecom
- Cadbury Schweppes
- Rio Tinto
- Unilever
- and Xstrata

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### CRI Leaders Network & BITC Platinum Companies:

CRI Leaders Network: ANZ, BHP Billiton, EnergyAustralia, Toyota Australia, and Westpac Banking Corporation

BITC Platinum Companies: BHP Billiton, British Telecom, Cadbury Schweppes, Rio Tinto, Unilever, and Xstrata

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**Gold 90%+**

**Silver 80 – 89%**

**Bronze 75 – 79%**

**Participated 74% and less**

[^]: 100% = 100% operations

Australia: Australian operations only

New Zealand: New Zealand operations only

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**The ABC's independence requires the Corporation to act responsibly in providing services that add positive value to the people of Australia. This responsibility requires the ABC to aim for the highest achievable standards in operating all business activities in a manner that impacts positively on the community and includes our social and environmental impact throughout Australia.**

- Mark Scott, Managing Director
  - Australian Broadcasting Corporation

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**Our participation in the CRI demonstrates our commitment to corporate responsibility best practice, enabling us to benchmark our progress internally and against international leading practice whilst being transparent on our journey.**

- Mark Johnson, Chief Executive Officer
  - PricewaterhouseCoopers

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**The rigor that goes into the review process provides assurance that the outcomes are accurate, fair and honest, which is critically important when you are putting your hand up to be measured against your own past performance and against the performance of other companies.**

- Rod Pearce, CEO & Managing Director
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**Consic remains focused on ensuring corporate responsibility is intrinsic to the way we operate. Our sustainability commitment remains resolute: in helping Australians find, buy and sell, through the advertising and information services we deliver, we commit to being ethical, sustainable and accountable with all our stakeholders in all our operations.**

- Bruce Alhunis, Chief Executive Officer
  - Sensis Pty Ltd