THE 10TH YEAR – PROGRESS AND PROSPECTS FOR CSR IN AUSTRALIA AND NEW ZEALAND

The State of CSR in Australia and New Zealand Annual Review 2014
THE LONGEST-RUNNING STUDY OF CSR PRACTISES DOWN UNDER

What are the corporate responsibility or sustainability issues that will have a high priority for your organisation in the next 12 months?

What three words best describe your hopes for the evolution of CSR/sustainability in the next decade?

What should governments be doing to advance CSR/sustainability?

What opportunities are available to you working in CSR?

What should business be doing to advance CSR/sustainability?

What is your organisation intending to do in the next 12 months in relation to sustainability reporting?

What should the education sector be doing to advance CSR/sustainability?

How did you find your current job?
The State of CSR Annual Review is the largest ongoing research study into CSR capabilities and practices in Australian organisations.

We developed the State of CSR research series following a report we published in 2007 which, for the first time, described what it is like to work in corporate social responsibility (CSR) in Australia. We received such an overwhelmingly positive response to our 2007 report that we repeated and extended the research, and have run the survey annually since. For the second year, this Review includes results from New Zealand.

In this report, we use the terms CSR and sustainability interchangeably. We define CSR as organisational practises that address the impacts of an organisation on business, society and the environment or seek to create positive social value through core business.

Research and report writing has been co-ordinated by Miguel Oyarbide, with support from our team: Dr Leeora Black, Soraya Dean, Susan Mizrahi, Jackie Allender, and Bob Kochen. We also thank the volunteers who worked on this project: Ariel Wigdorowitz, Terry Shi, and Himesha Jayasinghe.

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The theme of this year’s The State of CSR Annual Review is ‘the 10th year’. This year marks a decade since ACCSR’s establishment. ACCSR was one of the earliest consulting organisations created in Australia to meet the needs of the emerging management practise of CSR. Our mission is to help organisations create lasting value through responsible business practises. We view the practise of CSR as a philosophical approach and a set of tools for helping business adapt to changing societal expectations and create positive impacts.

Ten years of operation is an important achievement. For the philosopher Pythagoras, ‘10’ was the symbol of the universe and it also expressed the whole of human knowledge. It represented the idea of perfection, harmony and unity. In the Bible the number 10 also signifies responsibility. In numerology the number 10 can bring change and new knowledge. It can represent the start of a new order. In soccer, a player who wears his/her team’s No. 10 shirt represents the most influential or creative force on the field.

ACCSR’s first 10 years does represent our attempt to be an influential and creative force for CSR, build knowledge about CSR and encourage better practises in organisations. But we are far from perfection. Our first decade is only a step in the right direction.

Over the last decade, we have made a significant pro bono contribution to the advancement of CSR in Australia, through research such as The State of CSR Annual Review and conferences, as well as through our for-profit training programs and consulting work. To mark our anniversary, we want to increase our impact on the professionalisation of CSR. We have decided to establish a not-for-profit organisation called CSRConnect.ed to leverage and extend our pro bono work of the past decade.

CSRConnect.ed is now running The State of CSR Annual Review, our conferences and other events and will seek to broaden its activities and impact over time. We also devoted this issue of The State of CSR Annual Review to an interrogation of what has been achieved in the last decade and what should be done in the future.

Participants in The State of CSR Annual Review – nearly 1,000 – have noted achievements of the last decade such as raising awareness of CSR and the proliferation of frameworks and tools to help us implement it. But they are not happy with the pace of progress and neither are we.

ACCSR calls on the organisations who are leading CSR in Australia and New Zealand to do more. It’s not enough to do well at CSR any more. CSR leaders need to participate in systemic change, not just organisational change. Only in this way can we address deep-rooted social, economic and environmental problems to create lasting value for both organisations and their stakeholders.

We hope this year’s The State of CSR Annual Review will act as a clarion call for action. We invite forward thinking organisations to join us in this necessary work.

My thanks to the organisations who have worked together with us to produce this year’s Annual Review, Deakin University’s Centre for Sustainable and Responsible Organisations and Wright Communications in Auckland.

Dr Leeora Black
Managing Director
Australian Centre for Corporate Social Responsibility
June 2014
“All of the great leaders have had one characteristic in common: it was the willingness to confront unequivocally the major anxiety of their people in their time. This, and not much else, is the essence of leadership.”
— John Kenneth Galbraith

There’s a lot of talk about leadership when it comes to CSR and sustainability – businesses display their leadership credentials in their sustainability reports, business associations advocate that voluntary guidelines and principles-based approaches to change provide the best scope for leadership, and governments strut the world seeking to show leadership in addressing sustainability challenges.

But where is the evidence of this leadership, in practice? Where is the action, and what does it look like? What about leadership of the big challenges – the ‘anxiety of our time’? It is encouraging to see that the need for action resonates widely across all sectors of the community. As ACCSR’s The State of CSR Annual Reviews have shown – the need for action is well understood, and we know plenty about what needs to be done. This year’s survey, however, shows very little in the way of leadership – by anyone – of the big sustainability challenges.

Sure, businesses are doing a good job of getting their houses in order – they are responsive to regulatory demands, they are promoting diversity in the workplace, investing in systems to reduce waste, and they’re striving to improve supply chain policies – but leadership is not just about operational impacts. In the context of the big, difficult sustainability challenges, it is doubtful that most of the priorities identified by CSR professionals in this latest report would make much difference.

What is needed is innovative thinking and strong leadership. Reports from well-respected and leading international bodies are unequivocal in their assessment of what’s needed. Now, perhaps more than ever before, there is a need for far-reaching action across a range of interconnected social, environmental and economic issues – and across all the sectors of the community. The big issues – those at the pointy end of our relationship with the planet – are not the ‘low hanging fruit’. They are issues of economic inequality and the environmental impacts associated with the very poor (and the very rich); genuine international, inter-sector and inter-governmental action on labour conditions in the supply-chain – including a broad debate about what constitutes a ‘living wage’; committed engagement around developing the type of trading, regulatory and tax structures that send appropriate price signals that enable managers to restructure their industrial activity. These issues are not new – but the same imperatives keep surfacing.

My criticism is not meant to say that business should be tackling the challenges alone – or that the business community is somehow duplicitous in how it is approaching CSR. But, it is time to renew the agenda, and to consider how meaningful change can be enabled to induce the sort of behaviour that is needed. If CSR is failing to drive necessary change, what needs to happen? As a management educator this year’s ACCSR report is a wake-up call for me in how we educate the next generation of leaders and how we ensure that new, integrated thinking pervades the business. As a management researcher, I need to reconsider how academic thinking and theorising genuinely makes a difference to business practice.

To this end, The Centre for Sustainable and Responsible Organisations (CSaRO) at Deakin University is delighted to partner with the ACCSR and CSRConnect.ed on this important research. As we’ve reflected on the findings, I’d like to challenge every reader to consider how you can find some way to re-start the CSR agenda in your workplace.

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Nearly 1,000 respondents to our annual survey have this to say about the state of CSR in Australia and New Zealand in 2014:

PROGRESS
Progress in CSR in the last decade has been SLOW and INSUFFICIENT, but we have achieved awareness of CSR and focused on the ENVIRONMENT.

In the next DECADE we must focus on integration and mainstreaming.

PRIORITIES
Our highest priority is better ENGAGEMENT with stakeholders; but apart from that, we are focused INTERNALLY. We will build internal understanding of CSR, reduce waste, manage regulatory impacts, focus on workplace practices and measure our IMPACTS.

EXPECTATIONS
We expect MORE LEADERSHIP from governments, business and education. We want more MULTI-SECTORAL, MULTI-STAKEHOLDER approaches to addressing important sustainability issues.

INTENTIONS
We will continue to report against the GLOBAL REPORTING INITIATIVE and the UN GLOBAL COMPACT, and we will experiment with new forms of reporting. But reporting is still considered to be about REPUTATION and BRAND.

MOTIVATIONS
As CSR workers, we are strongly VALUES-DRIVEN. We want to make a difference.

CAPABILITIES
We’re best at stakeholder engagement and weakest at being truly accountable. And we have NOT IMPROVED much.

“For all the good work that’s been done it still feels like we haven’t made much difference. Minimal systemic change has occurred and the future under the current political climate seems very bleak.”
– Survey respondent
The last decade: too slow, too little... but CSR is on our radar

We asked respondents to share their views on what has defined the development of CSR/sustainability in the past decade and what they hope will be achieved in the decade ahead. We analysed the key words that respondents most often used together to show how people link ideas about these two decades of CSR. In Figure 1 and Figure 2 the words people used most frequently are represented as circles – the bigger the circle the more the word was mentioned. The thicker the lines between the words, the more people mentioned the ideas together.

As Figure 1 shows, for most respondents the last decade in CSR has been about the first steps of the journey and establishing the basics: raising awareness, demonstrating CSR’s importance.

But progress has been slow and insufficient. In previous years The State of CSR Annual Review has identified securing organisational buy-in as the greatest obstacle for CSR progress in organisations. This year’s question about the development of CSR points to the same challenge. CSR is still an emerging concept and practise. Building organisational awareness and support for CSR remains an ongoing process and a necessary step before it can be effectively integrated into an organisation.
The next decade: Integration, mainstreaming and action!

Respondents are more optimistic about CSR in the decade ahead. Figure 2 shows a very strong hope that integration and mainstreaming will be the hallmarks of the coming years.

Progress in CSR will be closely tied to innovation, which is most likely to occur in the arenas of supply chain, environment, reporting and collaboration with stakeholders. Leadership support, ethics, transparency, awareness and understanding will all be required for these achievements. CSR will be strategic and action-oriented and make a real impact, although challenges will remain. Respondents also hope that CSR will have more government support and that mainstreaming would be assisted by more mandatory CSR actions.

“Sustainability made some real progress over the 2000 - 2012 period, but has travelled many steps backward in Australia, very quickly. This is unsurprising; the electorate elected an anti-environmental government in Australia. Business [with few notable exceptions] has chosen to take advantage of this, and cut their effort, rather than taking the lead. Even many universities are cutting their efforts. The sustainability workforce has to take some responsibility here - sustainability reporting and implementation frameworks have been viciously overcomplicated. It has not presented itself as an attractive alternative.”
– Survey respondent

“Business is largely a laggard of regulation and has no incentive in Australia to promote sustainability values. Australia is dominated by a mentality of labour productivity and extracting value (from people and the natural environment) instead of resource productivity and creating value.”
– Survey respondent

n=528
Connections between key words – tie thickness indicates strength of connection

FIGURE 2: Hopes for the future of CSR and sustainability in the decade ahead
For Newmont Asia Pacific’s regional manager of external relations Kelvyn Eglinton, CSR integration into middle management and everyday operations is one of the key challenges for the decade ahead.

“With sustainability generally well understood at the executive and senior management levels, the ability to successfully manage CSR in the decade ahead will depend on engaging middle managers who can impact the ability to achieve CSR goals,” he says.

Building internal capability to implement and achieve these goals is a key challenge.

“In order to achieve that engagement, the CSR manager of the future needs to include financial and business skills in their skill sets. So the question becomes whether to train up engineers and business people to have more CSR skills or train the CSR people in business skills.”

Strengthened governance processes will be crucial for businesses in the years ahead, he says, and this is one of the reasons why middle management must be involved, as they will be required to implement those governance arrangements.

“Areas of best return for shareholders are often in countries that have had less developed governance processes. So the governance level is increasingly important,” Eglinton says.

While stakeholder engagement will continue to be a cornerstone of CSR approaches in the decade ahead, the use of technology for community consultation, management and planning will offer more strategic opportunities for closer collaborations and risk mitigation.

For Newmont, greater connectivity with communities aims to reduce angst around new resources projects and provide win-win or shared value solutions for businesses and communities. Simple things like the placement of infrastructure or considering spending more upfront on water purification plants to prevent longer term problems will increasingly be part of the decision-making process around major projects, he believes.

An example of this approach is the Callie operations in the Tanami Desert in the Northern Territory, Australia, where Newmont has identified local community need for more affordable energy supplies. The company will then work with the local government and state funders to enable these communities to purchase these supplies at lower per unit costs in line with the installation of a major solar project the company’s operations is proposing to implement. The partnership recognises the buying power that Newmont could achieve in comparison to the local authority alone.
We asked respondents what they thought government, civil society, education, and business should do to advance CSR and sustainability in Australia and New Zealand (see Figure 3).

To start with, respondents want all sectors to show leadership and work to increase public awareness of CSR and sustainability issues. As we saw in last year’s The State of CSR Annual Review, one of the defining aspects of leadership behaviours in sustainability is recognising and acting on the interconnections between business, the natural environment and society, and developing active and productive stakeholder relationships.

Respondents also want the sectors to work collaboratively by developing multi-stakeholder partnerships on issues of common interest. Sustainability challenges are complex and multidisciplinary, requiring systems-thinking and collaboration from multiple stakeholders to produce lasting change. Synergies and cooperation can help address challenges and develop solutions in a more effective and efficient manner.

**TOP ACTIONS FOR ALL SECTORS**
- Lead by example and show leadership
- Increase public awareness and education
- Develop multi-stakeholder partnerships on issues of common interest

**TOP ACTIONS FOR EACH SECTOR**
- **Business** – increase transparency and accountability
- **Education** – integrate sustainability into the curriculum
- **Civil society** – demand greater accountability from business and government
- **Government** – increase mandatory requirements, and create an enabling policy environment

In your opinion, what should governments/civil society/education/business should be doing to advance CSR/sustainability in Australia/NZ?

Connections between key words – tie thickness indicates strength of connection

**FIGURE 3:** Expectations for action on CSR by sector

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**The actions we want**

**What should we do?**

“Large businesses should show/work/collaborate with small business to encourage adoption at a lower level.”

“Universities should integrate it into university curriculum so that new workforce entrants already understand it and can help develop and embed a culture of CSR into industries that they move into.”

“Business should lobby government for supportive fiscal and market policies/instruments that encourage sustainable investment!! Not lobby to block progress.”

“Civil society should demand more transparent practices via public reporting.”

“Governments should work closely and collaboratively with industry on policy and strategy to encourage CSR.”

“Governments should establish minimum standards for CSR reporting.”

“Governments should do more, much more, and much, much more!”

- Survey respondents
Close the gap between rhetoric and reality, says Oxfam

There is a gap between rhetoric and practice in Australian business, says Daisy Gardener, Oxfam’s Corporate Accountability and Fair Trade advisor. The past 10 years has seen good codes of conduct and CSR policies developed in the textile and garment sector in particular, but we continue to see factory conditions in countries like Bangladesh, Indonesia and China run contrary to corporate statements.

“We are looking for companies to close the gap and back up their codes of conduct by making sure they offer fair prices and terms of trade to factories,” she says.

“We’re asking companies to be more transparent about where factories are so that local and international groups can visit the factory site and actually verify with workers away from the factory site, what is the situation inside the factory? Are human rights being upheld and what are conditions like?”

As global consumers and investors become more aware of ethical manufacturing and human rights risks, Oxfam sees greater stakeholder engagement between government, business and civil society groups as key to supply chain sustainability.

“Companies need to understand the chain of custody of their products and supply chain; where products are starting, who is handling them and under what conditions. An important part of that is building relationships and understanding stakeholders in those supply chains.”

Multi-stakeholder initiatives that bring together the three sectors are likely to be more common and effective in the future, Gardener believes.

“Initiatives that include those three parties are going to be more sustainable, longer term, more credible in eyes of the international community and more effective in terms of changing the lives of these people working in the supply chain.”

Gardener points to the recent example of the Bangladesh Fire and Building Safety Accord. While the Rana Plaza factory collapse was a shock for the international community, it has led to greater awareness and changed behaviour from Australian companies and consumers. The Bangladesh Accord is an innovative multi-stakeholder initiative that has seen the International Labour Organisation, Bangladeshi unions and a host of corporate signatories from around the world come together and pledge to uphold safe working conditions. Signatories disclose the location of their Bangladeshi factories to in-country inspection teams examine electrical, fire and structural safety across 2600 factories. So far, eight Australian companies have signed up and Kmart has gone beyond the Accord requirements by publicly disclosing the location of supplier factories.

This is part of a growing consumer push for greater corporate transparency in other sectors as well. Gardener cites the Extractive Industries Transparency Initiative (EITI) as an example that calls for greater accountability about how mining revenues are benefitting local communities. The EITI works by requiring companies to disclose their taxes and other payments to government, and for government to disclose what they receive from mining, oil and gas companies. This information allows citizens to see for themselves how much their government is receiving from their country’s natural resources.

Another example is growing consumer demand in the food and beverage production sector, where more focus is being put on where the ingredients are being sourced from and conditions for farmers and suppliers.

“We are hoping to see more companies being transparent about operations, showing that their codes of conduct are not just on paper but are being implemented in collaboration with in-country civil society groups,” she says.
We asked respondents about their priorities for the year ahead, by rating a list of issues from very low priority to very high priority. As seen in Figure 4 there are three core groups of issues.

Stakeholders: a key priority
First, building stronger relationships with stakeholders was the standout priority for nearly all respondents. This is not surprising – as we saw in last year’s Annual Review, stakeholder engagement is one of the most effective tactics for building internal support for CSR because it helps organisational decision-makers to better understand and internalise values and expectations relevant to the business.

CSR management within the organisation
Second, our analysis reveals a cluster of issues that were frequently mentioned but given moderate to high level priority: these are all internal organisational issues related to managing CSR.

Among these issues, high priority was given to questions such building internal understanding and support for the organisation’s CSR approach, managing regulatory impacts and measuring/quantifying impacts/outcomes of CSR activities. These issues are related to showing how CSR supports the business strategy, linking CSR activities to established and accepted activities in an organisation, and connecting with the concerns of decision-makers.

We think that these issues may become even more important in the future with the mainstreaming of Integrated Reporting, which will place more emphasis on how business creates value across all aspects, merging CSR and strategy.
Global sustainability issues

Third, there is a cluster of issues in the bottom left quadrant of Figure 4 that are considered below average priority and are less frequently mentioned. This cluster comprises global sustainability issues. We think that these issues are arguably some of the more complex CSR questions to address and represent challenges that require macro-level change that goes beyond what any one organisation can address. These findings suggest that in the year ahead, the internal appetite for tackling these global sustainability challenges is limited. Rather, organisations are taking an inward focus on their own CSR management.

An open-ended question about priority issues showed that Indigenous rights and local communities, diversity and inclusion and health safety and wellbeing are also very important for many organisations. The strongest associations were drawn between environmental mitigation activities, health safety and wellbeing, and Indigenous rights and local communities. All three issues were frequently raised together by respondents.

The amount of time and money that organisations devote to different areas of CSR work also shows where organisations are putting their priorities in the year ahead. Figure 5 shows that organisations are putting significant efforts into stakeholder engagement and community investment. Policy and strategy, reporting, and internal communications are also important activity areas. Less time and money will be devoted to human rights, sustainable procurement, diversity and climate change activities, although they will still be addressed by many.
Reporting practises and frameworks

Reporting intentions

In the past year, the sustainability reporting landscape has changed significantly. The advent of the International Integrated Reporting Committee’s Integrated Reporting Framework and the new Global Reporting Initiative fourth generation (G4) guidelines have prompted organisations to reassess whether, how and why they report.

Our results show that most organisations will stick with reporting or start reporting (Figure 6). However, 20% plan to change the way they report. The changes will entail adopting new reporting frameworks, increasing stakeholder engagement for reporting, improving data and experimenting with new formats.

Reporting frameworks

We wanted to understand which reporting frameworks are considered most useful. The most popular and useful framework for respondents is GRI G3/G3.1, which has largely defined sustainability reporting practices since it was launched in 2006. GRI G3/G3.1 was followed closely by the UN Guiding Principles on Business and Human Rights, published in 2011 and which have made a significant contribution to mainstreaming human rights management among businesses. Similarly, the UN Global Compact is one of the most widely used frameworks – it is also the longest standing initiative (first launched in 2000) and one of the pioneers in promoting responsible business practices.

“The UN Global Compact continues to grow globally and within the Australian business community. The value of the UN Global Compact comes from its principles-based approach, which allows every company to tell its unique corporate sustainability story under a global framework that speaks to stakeholders. What we are hearing from companies, which is reflected in these results, is that they are increasingly seeing the Global Compact not just as a framework to support continuous improvement and best practice across the social, environmental and governance spheres, but also as a powerful platform for engagement, action and leadership.”

Alice Cope, Executive Manager, UN Global Compact Network Australia

Responses also reveal that there are two key emerging frameworks which are regarded as very useful but used less than average: GRI G4 guidelines and the Integrated Reporting framework. These frameworks were launched in 2013. As the two most recent additions to the global reporting panorama, it is notable that they are already highly regarded as useful by those who have begun to engage with them.
Reasons for reporting
We also wanted to understand if organisations report, why do they do it? For most respondents, the clear benefits of sustainability reporting remain reputational. For many, sustainability reporting unlocked stakeholder engagement opportunities, either by providing opportunities to have strategic conversations with senior leadership or through dialogue with the organisation’s wider stakeholders.

Innovation opportunities were ranked lowest as a driver for sustainability disclosure. This aligns with our previous The State of CSR Annual Review, which found that although research has shown that sustainability can be a driver of innovation in products and services, Australian businesses have been less likely to capitalise on this opportunity. For many organisations, this remains an elusive practice which is ranked far below the benefits associated with branding and reputation.

The future of sustainability reporting in Australia
Despite the despondency about the rate of progress in CSR reported by survey participants, ACCSR remains confident that sustainability and other forms of non-financial reporting will continue to grow and evolve. After all, 99% of respondents intend to report and there is a strong desire to experiment with new forms of reporting.

We expect GRI reporting to remain the most popular framework for reporting in the short to medium term, although Integrated Reporting will grow in popularity. Changes to the Australian Securities Exchange Best Practice Corporate Governance Guidelines, to take effect on July 1, 2014, are likely to stimulate more reporting. Section 7.4 of the Guidelines specifically asks listed entities to “disclose whether it has any material exposure to economic, environmental and social sustainability risks, and, if it does, how it manages or intends to manage those risks”. The commentary to this note says that this requirement can be fulfilled by cross-referencing to a sustainability report, although it stops short of recommending preparation of a sustainability report. In footnotes it directs readers to examine the UN Global Compact, the GRI, Integrated Reporting, the OECD Guidelines for Multinationals, and the Climate Disclosure Standards Board.

European firms with operations in Australia may also be subject to new reporting requirements. In April this year the European Parliament realised a Directive on disclosure of non-financial and diversity information by large companies and groups. The new rules apply only to companies with more than 500 employees and are likely to affect about 6,000 companies. The rules are expected to become law in Europe in October 2014.

New reporters
We thought these regulatory changes may be driving new reporters, or that the G4 increased focus on supply chains might be a factor. However, our data does not support this.

The biggest sources of new reporters in the short-term will come from professional service firms and the not-for-profit sector (see Figure 9). Reasons for starting reporting include ‘it’s the right thing to do’, ‘it’s the next step’, ‘showing more accountability to stakeholders’, and ‘improving the business’. It seems that increases in reporting, especially in the next 12 months, are part

“Businesses around the world are recognising that sustainability reporting can help them understand the context in which they operate and the stakeholders whom they serve. Done well it informs corporate strategy and decision making. GRI’s Sustainability Reporting Framework is used by thousands of businesses internationally. G4, GRI’s latest framework, allows business to focus on what really matters, where it matters. Investor interest in sustainability impacts and performance, combined with increased attention on sustainable development by governments and regulators, will see sustainability reporting emerge even more strongly all over the world in coming years.”

Victoria Whitaker, Head of GRI Focal Point Australia, Global Reporting Initiative

FIGURE 8: Key benefits of non-financial reporting to organisations

n=389
Our report helped us to...

of a general trend to see CSR and related activities as business as usual. Any additional boost to reporting from new frameworks and regulations may only become apparent in the medium- to long-term.

Changing reporters
Almost all industries contain a group who are experimenting with changes to reporting this year. Changes are being driven mainly by the advent of G4 reporting and the publication of the Integrated Reporting framework. A few respondents mentioned moving to web-based reporting, improving data collection or improving stakeholder engagement. None mentioned regulatory drivers such as the new ASX Corporate Governance guidelines. The differences in industries shown in Figure 9 are not accounted for by different reasons and appear to be random.

Profile: The CSR manager today
When we first examined the profile of the typical CSR manager in 2007, we found a person who is strongly values-driven and well-educated. That hasn’t changed. In 2008, 35% of respondents had a Masters degree or higher. In 2014 that figure has risen to 42%. People working in CSR continue to have very diverse disciplinary backgrounds, with around a quarter having a business qualification, a quarter qualified in social sciences and humanities, with environmental studies, engineering, science, law, marketing and economics making up another 40%. Other backgrounds include journalism, information technology, architecture, health sciences and education.

There are some big changes though in what people are being paid for CSR work (see Table 1 overleaf).
Teachers Mutual Bank - The role of the CSR Manager

TMB was established in 1966 as a credit union and today it is one of Australia’s largest mutual banks, providing financial products and services to teachers, their families and the education sector in Australia. Managing CSR at Teachers Mutual Bank is somewhat different to other organisations: with its ethos of ‘by members for members’, TMB sees sustainability as its core purpose. TMB’s approach to business, its actions and commitments transcend profit-chasing and go to the heart of what communities are about – namely the people within them and the purpose with which the business interacts with society for the broader good.

According to Corin Millais, TMB’s CSR Strategist, as sustainability underlies the bank’s whole approach, the role of the CSR manager at the bank is in large part to make visible what has previously been implicit or unrecognised as CSR.

Rather than creating a standard CSR strategy, getting senior management buy-in and then working to implement it, it is about better articulating that sustainability is in fact core purpose, and then to tie it more powerfully across the bank’s strategic direction, and to take the CSR effort to the next level. We do use the standard ‘box of CSR tricks’ – but for a different outcome. We are aiming for the ‘Holy Grail’ of CSR – for it to be fully integrated and the driver of value. The most exciting piece at the moment is evolving our core brand to be all about sustainability."

This translates into a focus that acknowledges the role of CSR in the bank’s operations, and ensuring that the sustainability story is well understood internally. The challenge for TMB is to overtly take its sustainability efforts to a higher level and to leverage it for competitive advantage.

Since Millais joined the bank three years ago, the bank has elevated sustainability as a priority. It has also begun punching above its weight in global sustainability performance, having recently scored 91% in the annual Corporate Responsibility Index (CRI) and being named in the World’s Most Ethical Companies list.

TMB’s approach illustrates how CSR maturity shifts the focus from making the business case for it and pursuing leadership support, towards consolidating its integration in the organisation’s culture and broader strategy, and showing that CSR can drive business strategy.
Management capabilities are socially complex and intangible, but they are powerful drivers of organisational performance. Organisational capabilities combine processes and systems with attitudes, beliefs and knowledge about ‘the way we do things around here’. Organisations can develop capabilities for corporate social responsibility, such as stakeholder engagement, social accountability and integrating stakeholder values. Different issues, events and stakeholders will require organisations to respond with different combinations of capabilities.

The four capabilities we looked at were:

**STAKEHOLDER ENGAGEMENT** – People in our organisation understand the linkages and interdependencies between us and our stakeholders that contribute to long-term prosperity. Our staff or members routinely consider stakeholder needs in business decisions.

**STAKEHOLDER DIALOGUE** – We respect our partners in dialogue by displaying empathy, honesty and non-manipulative intent, and encourage equal control over and initiative in the communication process.

**INTEGRATING STAKEHOLDER VALUES** – Managers are able to effectively detect and transmit information about stakeholder values to all parts of the organisation to assist in business decision-making.

**SOCIAL ACCOUNTABILITY** – Our people believe that our organisation is accountable to stakeholders for the firm’s social impacts and we effectively report our social performance, even when the news is not all good.

As seen in Figure 11, the highest CSR management capability score was for stakeholder engagement (84%), the lowest was for social accountability (74%). Several questions were used to rate each capability. The question that scored lowest within social accountability related to the use of formal performance indicators for social performance. Conversely, data suggests that the best-established element of stakeholder engagement is management encouragement to have strong links with stakeholders.

Average scores are virtually unchanged since our previous survey in 2011, which suggests a lack of active strategic management. We think that those reporting higher levels of capabilities are developing them as a by-product of the CSR activity choices they make, rather than as a deliberate pathway for improving organisational performance.

Past research *(State of CSR Annual Review 2008)* has shown significant, positive effects of CSR management capabilities on organisational performance. There are also dramatic differences in the benefits obtained from CSR by organisations scoring highly in CSR capabilities compared to those with lower scores.

Given the obvious benefits of high CSR capabilities, we encourage companies to make proactive strategic choices about developing organisational capabilities as a pathway towards improved CSR outcomes.

Scores on the four capabilities were combined to create an overall CSR management capability score – 79% in 2014, essentially the same since 2008. By industry, traditionally mining and financial services have been the best performers in CSR, but our data since 2008 shows that electricity, gas and water supply, professional services, and information technology and telecommunications are the best improvers in CSR capabilities over time, as shown in Figure 12.

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1 In past surveys we have measured a fifth CSR management capability: ethical business behaviour. The effectiveness of ethical business behaviour as a differentiator of high or low CSR capabilities has declined over time (scores are uniformly high) so we did not measure it this time.
The CSR Top 10

This is the fifth time that we have ranked the top CSR organisations in Australia, based on their scores in CSR management capabilities. This year we raised the bar – to receive the highest rating, organisations needed to have multiple survey respondents (more than five people) and an overall capability score of 80% or above on each of the CSR capabilities. The top scoring organisations, relative to their CSR capabilities, are listed alphabetically below.

CSR Top 10

ABC*
ARUP*
GHD*
Melbourne Water*
National Australia Bank*
Newmont Mining Corporation*
PwC Australia*
Rio Tinto*
The University of Queensland
Main Roads Western Australia*

We would like to congratulate the Top 10, especially those making repeat appearances in this list, as indicated by an asterisk. We would especially like to thank the employees of these organisations who, in responding to The State of CSR survey, made it possible for us to rate their organisations. Actual scores have been provided directly to the Top 10 organisations.

“It just feels like it’s all talk and box ticking exercises and that we haven’t actually improved that much.”
– Survey respondent

“CSR in my area has stalled somewhat - is this due to economic or cultural or political factors - I don’t know. There is no leadership on the issue - its all about economics. Where is the next stage to come from?”
– Survey respondent

n=520

FIGURE 12: Average CSR Management capabilities by industry, 2008 and 2014
The State of CSR Annual Review is based on a survey of our mailing list, which comprises people who have signed up for updates about our learning programs and activities. This year we received the most responses ever (990), representing a response rate of 15.2%. Actual numbers of respondents for individual questions varies, and is reported where relevant.

Participants in New Zealand were invited by Wright Communications.

FIGURE 13: Location of respondents

FIGURE 14: Size of respondent’s organisations by number of employees

FIGURE 15: Respondent’s industries

Due to rounding not all percentages add up to 100.
About ACCSR

The Australian Centre for Corporate Social Responsibility helps organisations create lasting value through responsible business strategies and productive stakeholder relationships. We are Australia's leading management consultancy wholly dedicated to building competitive advantage and stakeholder wealth through corporate social responsibility.

Our advisory services help organisations take their next steps in creating value for all their stakeholders, building organisational capability. Our learning programs underpin the professionalisation of the corporate responsibility management function, building individual capability. Leading-edge research is the foundation of our work. Together with our clients, we create lasting value.

Our not-for-profit arm, CSRConnect.ed, is dedicated to advancing the professionalisation of the CSR management function.

About Deakin University

Deakin University is one of Australia's most progressive and visionary universities. Faculties of Arts & Education, Business & Law, Health, and Science, Engineering and the Built Environment provide superior, student-centred education to over 47,000 students. With a strong reputation for flexible learning, relevant research and engaged scholarship, Deakin is recognised for its top quality teaching and research. Sustainable and responsible organisations are a strategic research focus for the Faculty of Business & Law. Projects span sustainability reporting, governance, work in developing countries and health and well-being at work.

About Wright Communications

Wright Communications is a leading Auckland-based public relations and strategic communications agency.

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