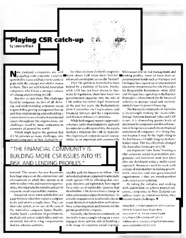

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Playing CSR catch-up

by Leeora Black

New Zealand companies are still grappling with corporate social responsibility issues and have yet to come to grips with the concept and what it means to them. They are well behind Australian companies which have a stronger culture of valuing and investing in CSR.

But they are not alone. The challenges faced by companies in, first of all, defining and understanding corporate social responsibility, getting management buy-in and then implementing and embedding a commitment to social and environmental issues throughout the organisation, are challenges faced by many companies in countries all around the world.

Which might lead to the question that if CSR presents so many challenges, why should companies in New Zealand be interested? The answer: because businesses have huge impacts on the communities and environments in which they operate so in order to reduce risks and maximise opportunities, they must take the initiative and act on corporate social responsibility matters.

Social risk arises when stakeholders see a gap between what they expect a company to do, and what it actually does. They can then take action, as we saw in the case of the Australian company, James Hardie. Hardie faced a coalition of government, medical and union stakeholders and was ultimately forced to a big compensation deal for asbestos sufferers.

So what can New Zealand companies learn about CSR from their further-advanced counterparts across the Tasman?

The CSR agenda in Australia has been helped by a number of factors. Firstly, while CSR has not been driven in Australia by legislation, there have been two governmental inquiries into the role of CSR within Australia's legal framework in the past few years: the Parliamentary Joint Committee on Corporations and Financial Services and the Corporations and Markets Advisory Committee.

While both inquiry reports supported a voluntary, rather than mandatory, approach to corporate social responsibility, the reports marked a milestone for CSR in Australia: they legitimised corporate social responsibility as an important and commercially sensible path for business to follow. They debunked a primary argument traditionally made against CSR by affirming that company directors can legitimately have regard for a wider set of stakeholder interests than shareholders. CSR derives from a change in what communities expect from business. As a result companies now need to take into account the needs of stakeholders and balance these competing needs and interests for the greater good of the company.

Secondly, the financial community in Australia is increasingly taking on a more engaged, more activist, role in building a wide range of corporate social responsibility issues into its risk management and lending profiles. Some of Australia's superannuation funds such as VicSuper and UniSuper have signed up to international innovative initiatives such as the Principles for Responsible Investment, while ANZ and Westpac have signed up to the Equator Principles – a benchmark for the financial industry to manage social and environmental issues in project financing.

"THE FINANCIAL COMMUNITY IS BUILDING MORE CSR ISSUES INTO ITS RISK AND LENDING PROFILES."

The financial community in Australia is increasingly making the 'materiality linkage' between financial value and CSR issues. It is demanding greater levels of disclosure by companies and this information is being incorporated into its financial assessment of companies. It is doing this, not because it may be the 'right' thing to do, but because it builds long-term shareholder value. This has effectively changed the Australian landscape on CSR.

An important 'take-home' learning is that corporate social responsibility programmes and initiatives work best when they are developed using a multi-sector approach. Businesses need to work with a range of stakeholders including government, investors and non-governmental organisations – they are interdependent and cannot act in isolation.

By taking the initiative and working with stakeholders to achieve mutual outcomes, companies in New Zealand can address issues in contention before they become major challenges. **M**

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