

**Senator the Hon Ursula Stephens**

**Parliamentary Secretary for Social Inclusion and the Voluntary Sector**

**Address to CSR Practitioners Forum, University of Sydney**

**Tuesday 3 March 3pm**

**Introduced by David Morrissey, CSR Sydney**

Thank you David for your introduction. I am delighted to be here today with such a wide range of organisations, all of which have developed and are developing exciting Corporate Responsibility practices.

Corporate Responsibility, volunteering and philanthropic effort are all vital to develop and maintain healthy, sustainable, inclusive communities.

The Australian Government recognises the growing take up of responsible practice and contribution by business to the community as it is essential to the international competitiveness of corporations as well as increases in their long-term shareholder value. A number of businesses have realised that this approach is essential for enhanced corporate brand, reputation and image, customer loyalty and even improved culture within organisations.

The Responsible Investment 2007 report found that the responsible investment sector continues to increase by more than twice the rate of growth than the total managed investment market in Australia and NZ. This includes broad responsible investments whereby environmental, social and governance (ESG) issues are an integrated part of business activity.

CSR can no longer just be about philanthropy or charity, but has become integral to way that the corporate sector 'does business'. It also extends beyond compliance with corporate regulation.

True CSR can only be delivered through a long-term view of the impacts of business on our society and environment. It has to be part of core business.

Clearly business must be part of the solution to deal with sustainability challenges – the achievement of positive social and environmental outcomes is not possible without all hands on deck from every community and sector.

The question is how can we work together to harness the opportunity that good CSR practice offers us and how can we meet social inclusion outcomes in partnership with business?

Further, how can we foster a culture of corporate responsibility and encourage business to invest in the communities they do business in?

And importantly, what are the opportunities for Government and the public sector to lead by example?

There is much to do. A laissez-faire approach to Corporate Responsibility by Government is not good enough. It is time to work in partnership to meet these sustainability challenges and tackle disadvantage and exclusion. It is also time to give CSR a voice and celebrate the work that many of your organisations are doing.

It is why Federal Labor from Opposition initiated the Inquiry by the Joint Parliamentary Committee on Corporations and Financial Services in 2006 to look at Corporate Responsibility. This Inquiry recommended that there be a strategic role of Government to encourage CSR.

There is also much to learn from the international experience. We cannot be left behind in this arena.

But constructive cultural change to encourage and grow CSR in Australia can only be developed with a close consultative partnership with business.

Today is a great opportunity to open a dialogue about these important challenges.

It is still early days of the Rudd Government – but the issues raised through the Joint Committee Inquiry are very much on the table. For example how do we strike the

right balance between reporting of non-financial risk and compliance and what is a useful mechanism to monitor CSR?

There are further questions that I would like to explore with you today:

- How can we tap innovative solutions and social enterprise?
- How can we align our agendas to meet shared targets and outcomes against a solid evidence base?
- How do we continue the continuum from philanthropy-only approach to full integration of CSR in business, especially for small to medium-sized enterprises?

### **Social Inclusion & Corporate Responsibility**

Since becoming Parliamentary Secretary for Social Inclusion and the Voluntary Sector, more than one person has asked me 'what is social inclusion?'

Broadly, the social inclusion concept enables us to consider disadvantage more broadly than just poverty. Poverty is one of the extreme manifestations of disadvantage, there may be others.

The social inclusion agenda asks us to consider the barriers to participation. More often than not, a socially excluded person faces multiple disadvantages in participating in work, training and education, civil society, recreation.

Social inclusion recognises the complexity of barriers that prevent participation and the impact this has on an individual's well-being and their ability to contribute to the community. It also recognises that disadvantage has an impact on the well-being and sustainability of the community.

Social inclusion works to find opportunities for individuals to participate in not only the economic life, but also the social and civic life of the nation.

It is the responsibility of Government to take the leadership to look holistically at those barriers, to govern for all Australians and to develop policies that strengthen

communities from the inside – to support those experiencing exclusion, and to help prevent others from falling into this situation.

It is a way of thinking differently about how we deliver policy, which puts people at the centre of Government programs.

What we've seen in the past is policies that take a specific issue or area of disadvantage, rather than those that recognise the complex web of needs that contribute to that disadvantage. So we have parenting payments but no parenting support for young mothers. We have employment programs, but no support programs for those with disabilities or mental illness to keep them in work. We have jobless households – where intergenerational welfare dependency is not being matched with programs that encourage development of early literacy and language skills for the children – the first step to breaking the cycle of joblessness.

For our government we believe that effective policies will only be delivered by embracing 'joined up' solutions - that recognise and tackle the complexity of needs on many fronts. We know that there isn't a one size fits all solution, that we need flexibility and must recognise the locational challenges as part of the problem, as well as the solution.

However, finding solutions to address social exclusion cannot be the responsibility of just one sector. Strong partnerships between business, Government, the non-profit sector and communities themselves will be essential.

Business has a vital role to play in this agenda both through the CSR initiatives already under-way and through new initiatives.

### **What can Business do?**

While Corporate Philanthropy for its own sake has its place, a well-defined and effective CSR campaign identifies and addresses issues that impact both on the company and the wider community. There are a many good examples of this.

**Corporate volunteering** is one of the most effective forms of CSR, being taken up by many of the organisations here today – ING, Australia Post, NRMA and the very important pro-bono legal services through a range of law firms.

It has become central to corporate philanthropy strategies, particularly for big business. It's often described as win-win-win with the benefits flowing to staff, the community & business. Corporate volunteering programs which focus on this equation deliver the best results.

It comes as no surprise to me that several studies have found that volunteering leads to improved health because the endorphins we generate by actively engaging in this way, gives our immune system a boost – and what better way to spend last Sunday than out with the gloves and garbage bags, cleaning up Australia.

Corporate volunteering generates good news stories and consumers like to know that the businesses they are dealing with, or who they entrust their money to, have a social conscience. Time and time again I've heard how corporate volunteering has created new and exciting business synergies, fostered innovative ideas within the company and of course has improved the company's triple bottom line.

Team spirit and motivation can also be improved as staff develop pride for their company. New skills are learned and there is a heightened awareness of community issues.

Awards can play a huge role in encouraging volunteering. Paying staff a day to volunteer for a community group of choice can also promote volunteering.

For example, Australia Post's Community Awards reward employees who have an outstanding commitment to their community - \$1000 for the charity of their choice & \$100 gift voucher for the volunteer.

These types of initiatives also work to attract employees to organisations, as people want to work for organisations which are good corporate citizens.

## **Giving of skills & training**

Skills and expertise can often be the most valuable contribution. E.g. IBM 'On Demand Community' encourages sustainable volunteerism by arming employees with technology tools targeted for non-profit organisations and schools. In Australia the 'IBM Mentor Place' program involves IBM employees volunteering their time to mentor school students, providing advice and guidance.

The e-mentoring program is designed to provide an opportunity for students to gain real insight into the business community and increase awareness of career opportunities.

An alternative to more traditional corporate volunteering is for business to encourage and help staff to serve on non-profit governance structures, in other words 'Business on Boards'.

This helps individuals and their employer companies to build up a meaningful ongoing and useful relationship with community groups which can struggle to fill Board and Committee vacancies and attract the business and strategic skills they need in today's competitive environment.

## **Diverse employment strategies**

Developing a strategic approach to employing people from a range of backgrounds, under the banner of corporate responsibility also makes good business sense.

Almost 4 million Australians live with a disability, for example and represent 16.6% of Australia's working age population. They are consumers, inventors and decision-makers - leaders, mentors, teachers and partners. Yet often their experience is one of being defined, not by what they can do, but by what they can't.

For customers, seeing the diversity of their community reflected in a workplace improves customer loyalty. . A diverse workforce helps organisations to be better

equipped to understand their customers and meet their needs. It is again a 'win-win-win' scenario.

It is also true that the public sector has an important role to play to lead by example and develop effective positive employment strategies.

### **Getting the best outcomes**

I know that I'm speaking to the converted here today, and you represent companies that have developed good CSR practices and ideas. The best practice examples demonstrate that deeper and longer-term commitments work better as they build relationships with organisations and communities.

However, there are many horrible, tokenistic examples that are poorly conceived, soak up resources and alienate individuals and communities they were intended to help.

This happens when what's being offered is not what a community or an organisation needs:

- Often the first response is money, but grant giving alone will not necessarily fix a problem, often it is the company's skills, expertise and mentoring that deliver the most benefit; Funding can then support specific projects.
- Sometimes it is so obvious that an organisation or community is dysfunctional, but business cannot be the 'saviour' of helpless community groups – it's better try to add value in the beginning, offering to facilitate planning and strategy development, provide training to the management committee to improve accounting and governance systems,
- Do some homework about the organisation and its marketplace so that resources and your time aren't wasted.

- Volunteering Australia urges businesses wanting to establish employee-volunteer programs to encourage staff to identify their own volunteering opportunities and generate team consensus on the type of voluntary work staff could do.

The 'win-win-win' response is delivered in partnership between companies and their staff, and between companies, their staff and the community they want to support.

### **What can Government do? What are the policy questions?**

Solving social inclusion, tackling disadvantage and building sustainability in our communities is everybody's opportunity.

Ongoing CSR efforts require a genuine commitment of resources and time from business. But it should also involve Government being willing to champion CSR and develop policies that continue to grow the culture of CSR.

The Government understands that well designed and targeted regulation is essential to foster competitive businesses and protect the community.

The Finance Minister, Lindsay Tanner has already committed to reignite the deregulation agenda and put it at the heart of the economic agenda, as outlined in his speech to the Sydney Institute delivered last Tuesday.

The Minister is committed to introduce a culture of continuous improvement in regulatory activity to streamline regulatory processes and to form more productive relationships with citizens, organisations and business affected by regulation.

We have already started to review and reform existing regulation, adopting practical measures to relieve the regulatory burden and target outdated, excessive regulation which is burdensome on business and unfair to consumers.

The Business Regulation and Competition Working Group have been meeting to progress an accelerated program for reform which will be presented to COAG in late March.

These measures will be targeted at reducing the cost of regulation to business. For example the Standard Business Reporting Initiative will allow businesses to submit BAS statements, state tax returns, ASIC documents and ABS survey documents through a simpler, faster process using their own record keeping software.

Aside the important steps we are taking on regulation, some of the additional considerations for Government to encourage good governance and CSR include:

- Improving co-ordination of government corporate responsibility initiatives;
- auditing government regulations and financial arrangements that encourage or discourage sustainable business practices;
- focusing on sustainability reporting including mandatory reporting for public sector agencies;
- developing mandatory ethical, local and sustainable purchasing policies for public agencies;
- consider how we can encourage business to adhere to international "de facto mandatory" standards in corporate responsibility, such as the Global Reporting Initiative and the emerging ISO standard on corporate responsibility;
- As you know we have already committed to reviewing the Australian Securities Exchange Corporate Governance Best Practice Guidelines. The Joint Inquiry highlighted that there may be the opportunity to review of the *Corporations Act 2001* to require public companies to disclose their sustainability risks, which of course is a much longer agenda. In the interim,

the Government does encourage voluntary compliance by business and we may consider investing in further "capacity building tools";

- Encouraging higher corporate standards of responsibility and disclosure through investment market levers. For example, is there value in requesting the Australian Prudential and Regulation Authority to monitor how well superannuation trustees and fund managers are evaluating non-financial risks? Or in asking the Australian Securities and Investment Commission to report annually to Parliament on the level of voluntary reporting by Australian companies.
- Encouraging the up take of CSR by small and medium size enterprises. Given that SMEs account for 90% of businesses worldwide, they play a critical role in our society. The focus to date has been on large companies and multi-nationals as there are limited mechanisms for SMEs to take on a CSR focus. Many SMEs are already doing CSR in some form or way but don't call it that e.g. by being good employers, by providing sustainable goods and services.
- We need to consider the costs of implementing CSR activities for this sector, and the regulatory framework for doing so. And what role can industry associations play in this space?
- Engaging the non-profit sector- three-way partnerships between government, the non-profit sector and small businesses will be much more likely to deliver success than simply government engaging small business. Specialist services provided by the non-profit sector can bring expertise to program delivery. How can we best connect sectors to achieve these outcomes?

### **Learning from international experience**

Just as business which does not take up the CSR measures will be left in the dust by their competition, the Government does have a responsibility and opportunity to provide constructive input to develop CSR.

Other Western nations have taken a leadership in the arena and provided enabling policies such as:

- Raising the profile of non-financial reporting by requiring institutional investors to state their contribution to social, environmental or ethical considerations which has an impact on Government purchasing guidelines, as the UK has implemented in its *Pensions Act*.
- The US has a combination of listing and legislative requirements for multi-nationals to promote sustainability. Many US multi-national view their participation crucial for their international reputation.
- Review the Global Reporting index, Japan for example is a leader in reporting to it.
- Enhancing the profile of CSR by recognising it as an essential component of economic growth in official Government instruments, such as the EU Commissions *Communication on CSR*.
- Supporting business co-operation such as European Business Alliance to create an enabling environment for CSR initiatives and the UK's Industry-led 'Business in the Community'.
- Provision of on-line tools such as the London Stock Exchange's Corporate Responsibility Exchange – to promote efficient distribution of policies and practices on corporate responsibility and advice to business on how to reduce reporting costs.

### **To conclude**

The Australian Government is committed to sustainable economic growth – it is integral to our international competitiveness and the future sustainability of our communities.

I congratulate you on your efforts in fostering and encouraging true CSR, which can only be delivered through a long-term view of the impacts of business on our society and environment.

We also understand Government must take a strategic role in encouraging CSR – it is imperative to achieve sustainable outcomes, and it is an essential component to meet the Government’s social inclusion agenda – to tackle disadvantage and guarantee everybody can participate in their community.

I look forward to hearing your insights into how we can work best in partnership to achieve ‘win-win-win’ outcomes for the community, our environment and for business.