



Australian Consumers' Association
ABN 35 799 246 568 · ACN 000 281 925

CHOICE Magazine
CHOICE Books
CHOICE Health Reader
CHOICE Money & Rights
Computer CHOICE
Consuming Interest
CHOICE Online

11 October 2005

Dr Anthony Marinac
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Dr Marinac,

Re: Inquiry into Corporate Social Responsibility

The Australian Consumers' Association (ACA) welcomes the opportunity to make a submission to this inquiry. We have reviewed a number of the submissions made to the inquiry and at the outset note our general support for the submission made by the Public Interest Advocacy Centre (PIAC). We note in particular PIAC's discussion of some of the structural weaknesses in purely voluntary approaches to ensuring proper market conduct.

About ACA

ACA is an independent not-for-profit, non-party-political organisation established in 1959 to provide consumers with information and advice on goods and services, health and personal finances, and to help maintain and enhance the quality of life for consumers. ACA provides consumer education, conducts surveys into consumer attitudes, lobbies for improved conditions for consumers and distributes unbiased consumer advice.

Independent from government and industry, it lobbies and campaigns on behalf of consumers to advance their interests. ACA is primarily funded through subscriptions to its magazines, fee-for-service testing and other related expert services. There is no government funding for normal running expenses of ACA, and no commercial sponsorship or advertising.

General observations on CSR

As noted above, ACA supports the proposals set out in PIAC's submission to this inquiry. In addition to the points made by PIAC we make the following observations.

CSR and legislative requirements

There is considerable confusion about the term "corporate social responsibility" and its relation to the legislative framework in which corporations and other businesses operate. In this context it is important to understand that CSR practices do not exist in a vacuum – they will typically exist (if at all) in addition to a legal framework that affects the corporation in relation, for example, to its governance, market behaviour, and environmental impact.

57 Carrington Road, Marrickville NSW 2204 • Telephone (02) 9577 3333 • Fax (02) 9577 3377
Email ausconsumer@choice.com.au • www.choice.com.au

The Australian Consumers' Association is a not-for-profit company limited by guarantee

The starting point for ensuring proper corporate conduct in the consumer market place and more broadly should be effective and efficient legislative requirements, and, where required, adequately resourced and empowered regulatory agencies. While the social responsibility initiatives of particular firms may help drive better conduct and improve outcomes for stakeholders, they are less likely to be sustainable in the absence of a robust and credible regulatory regime.

For example, if parents cannot reliably purchase safe products for their children then we should focus on developing a regulatory regime that includes effective mandatory standards for children's products (e.g. cots, strollers), rather than seeing a broad requirement for corporate responsibility as the answer. Similarly, the protection of retail investors must be built around specific laws relating to disclosure, prudential standards, dispute resolution, regulator responses to unfair or anti-competitive conduct and so on rather than a relying, in the first instance, on broad CSR obligations.

CSR and core business

A corporation's most significant obligation in this area is to undertake its core business in a socially responsible way. It must of course comply with the law, fulfill claims about products, respond to consumer complaints and so on. A responsible corporation will go further and will ensure that it undertakes its core business in ways which are transparent, fair, and do not harm particular communities, consumers, workers or the environment.

CSR activities in other areas do not make up for poor behaviour in a firm's core business activities. For consumers, it may be pleasing to see that a firm provides money to a particular charity, as HIH Insurance did on several occasions. However, if that firm fails to adhere to reasonable standards in the treatment of customers, workers or the community in which it operates then such "extra curricular" activity does not mean the firm is socially responsible, indeed it could be regarded as misleading the public about the true values of the corporation and those who manage it. In summary, companies should first look to ensure that they act ethically and responsibly in their main areas of business.

CSR accountability

Finally, CSR activities and practices will mean little without proper accountability through such measures as transparent reporting, social auditing and/or CSR indices. Stakeholder involvement in these accountability processes is necessary if they are to be robust.

Yours sincerely

Gordon Renouf
General Manager, Policy and Campaigns