



Senate Enquiry Into Corporate Responsibility



NATIONAL WINNER
MEDIUM BUSINESS
PRIME MINISTER'S AWARDS
FOR EXCELLENCE IN
COMMUNITY BUSINESS
PARTNERSHIPS 2005

Table of Contents

| | |
|---|-----------|
| Executive Summary | 1 |
| The Habitat for Humanity Australia Definition | 1 |
| Habitat for Humanity Australia's Corporate Social Investment Partnerships | 1 |
| What Is Causing More and More Companies to Consider CSI? | 2 |
| Background on Habitat for Humanity | 3 |
| How Are Homeowners Selected? | 3 |
| How Is Habitat for Humanity Australia Funded? | 4 |
| What Are Habitat for Humanity Australia Affiliates? | 4 |
| Overseas Projects | 4 |
| Rehousing the Tsunami Victims | 5 |
| Effective and Timely Response | 5 |
| Social and Community Benefits | 5 |
| Sustainability | 6 |
| Risk Management | 6 |
| Habitat for Humanity Australia Wins The Prime Minister's Award For Community Business Partnerships | 7 |
| Corporate Values | 9 |
| Building homes ▪ building communities ▪ building hope | 9 |
| Corporate Investment in Social Work..... | 11 |
| Corporate Sponsors | 13 |
| ANZ Mortgage Group's Partnership With Habitat for Humanity Australia | 13 |
| How Our Corporate Social Investment Partnerships Work | 14 |
| Adopting the ASX Guidelines | 15 |
| Corporate Volunteering | 16 |
| Some Comments by Corporate Volunteers | 17 |
| Volunteering Overseas | 18 |
| Corporate Donors | 19 |
| Habitat for Humanity Australia's Responses to the Terms of Reference | 20 |
| Terms of Reference (a) and (b) | 20 |
| Terms of Reference (c) | 22 |
| Terms of Reference (d) | 23 |
| Terms of Reference (e) | 25 |
| Terms of Reference (f) | 26 |
| Terms of Reference (g) | 27 |
| Appendices | 28 |
| I Background on A Anthony McLellan | 28 |
| II Extracts from Submissions to the Senate Enquiry | 29 |
| III Corporate Work Day Evaluation | 30 |
| IV Examples of Corporate Social Investment Partnerships | 32 |
| V ASX Principles of Good Corporate Governance and Best Practice Guidelines | 34 |

Executive Summary

This submission to the Senate Enquiry into Corporate Responsibility is made by Habitat for Humanity Australia Incorporated (Habitat for Humanity Australia). It has been prepared by A Anthony McLellan, chairman of Habitat for Humanity Australia.¹

On behalf of Habitat for Humanity Australia, Mr McLellan is available for interview by the Committee should the Committee so wish.

The title of the Enquiry is Corporate Responsibility, which respondents appear to have addressed as Corporate Social Responsibility ("CSR"), although there is a wide range of interpretations of the meaning of this term.

The Habitat for Humanity Australia Definition

Habitat for Humanity Australia has taken a different approach. Rather than use the word "Responsibility", we have chosen to use "Investment". We believe that some of the difficulty in increasing corporate involvement in social work has been the way it has been framed . . . by guilt, through the use of the term "responsibility", rather than as a benefit, through the use of words such as "investment".

While some companies have damaged their communities and/or their environments, most have not, and they often resent the use of guilt. The following recent quote by Peter Brabeck-Lemathe, head of Nestle S.A., is a good example:

"Companies have no obligation to 'give back' to a community . . . what the hell have we taken away from society by being a successful company that employs people?"

As an NGO, we could also use guilt as a driving force for corporate support. But with thousands of worthy charities from which to choose, companies have to consider, not only how their support may benefit the community, but what's in it for the company and its shareholders.

Corporate Social Investment is not about guilt or self-congratulation. Corporate Social Investment is about building bridges while building brands; empowering communities while creating a corporate ethic of which staff and shareholders can be proud. It is not about writing cheques, but a way to benefit their communities, and at the same time a powerful marketing opportunity.

Habitat for Humanity Australia's Corporate Social Investment Partnerships

Habitat for Humanity Australia implements Corporate Social Investment programs in partnership with a range of corporate partners. Whatever their size, whatever objectives they are trying to achieve, and whoever they are trying to reach, we work with them to develop partnerships that are measurably beneficial for both.

Such partnerships with Habitat for Humanity Australia provide a wide range of paybacks to the corporation, its brands, its employees, and even its customers; and result in a tangible, social good in the form of homes for low income families.²

¹ A biography of Mr McLellan is at Appendix I.

² The houses are sold to the homeowners, financed with no-interest loans, and the repayments are then recycled into more homes for low income families. The benefits therefore go on ad infinitum.

Having recently won the Prime Minister's Award for Excellence in Community Business Partnerships 2005 in the medium business category, Habitat for Humanity Australia can speak with experience and authority on this topic.

What is Causing More and More Companies to Consider CSI?

Apart from globalisation which has greatly increased awareness of Corporate Social Investment, it is clear that as the old "bricks and mortar" companies fade, and knowledge-based corporations emerge as the powerhouses of the economy, the value of the company's intangible assets become much more important. In addition, many businesses have become almost totally commoditised—offering virtually the same product or service in the same way at the same price.

Intangible assets such as employee commitment, reputation, and the emotional aspects of the brand become vital, and can represent the great bulk of a company's total value. Corporate Social Investment then becomes a valuable tool through which a corporation can protect and enhance these assets.

The following submission outlines Habitat for Humanity Australia's views and experience with Corporate Social Investment which it trusts is helpful to the Committee in its deliberations.

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Background on Habitat for Humanity

Habitat for Humanity® is a not-for-profit, Christian housing organisation, which builds simple, affordable homes in partnership with low income families. Since 1976, Habitat for Humanity has built more than 200,000 homes in 100 countries, and a Habitat for Humanity home is now completed somewhere in the world every twenty-four minutes.

Through donations of money and materials, and the use of volunteer labour under trained supervision, Habitat for Humanity builds and renovates simple, decent houses with the help of homeowner families. The completed Habitat for Humanity homes are sold to the partner families at less than market value, financed with affordable, no-interest loans.

The monthly mortgage repayments—which are never more than 25% of the family's income—are then used to build still more Habitat for Humanity homes.

How Are Homeowners Selected?



A happy Habitat for Humanity Australia family in their new home

Homeowner families are chosen according to their need, their ability to repay the loan, and their willingness to work in partnership with Habitat for Humanity. And Habitat for Humanity follows a non-discriminatory policy of family selection. Neither race nor religion is a factor in choosing the families who receive Habitat for Humanity homes.

Habitat for Humanity Australia is not a giveaway program. In addition to a \$500 down payment and the monthly mortgage payments, homeowners are required to invest 500 hours of their own labour into building their own Habitat for Humanity Australia home or the homes of others.

When the property is sold, the homeowner signs two mortgages. The first is for the sale price, less the \$500 down payment. The second—which is only triggered if the homeowner resells the property—is for the difference between the original sales price of the home and the market value at the time the homeowner resells. And this amount reduces to zero on a sliding scale over the life of the loan.

How Is Habitat for Humanity Australia Funded?

Donations and gifts in kind come from individuals, charitable trusts and foundations, and corporations. All cash donations are tax deductible. In addition, Habitat for Humanity Australia has been granted OADGR status, enabling the organisation to accept tax-deductible gifts for building homes overseas.

What Are Habitat for Humanity Australia Affiliates?

Habitat for Humanity Australia's work is accomplished at the community level by affiliates—-independent, locally run, not-for-profit organisations. Each affiliate coordinates all aspects in its local area, including fund raising, choosing the site, selecting and supporting a family, and constructing the home.

Habitat for Humanity Australia's national headquarters provides information, training, assistance with funding, and a variety of other support services to its affiliates throughout the country.

So far, 60 homes have been constructed by affiliates in Australia, and in 2006 a further 20 have been targeted across five states. The strategic plan calls for the doubling of Habitat for Humanity Australia's domestic portfolio each three years.

Overseas Projects

Habitat for Humanity Australia has raised funds in Australia for the construction this past year of over 500 homes in Indonesia, East Timor and Cambodia, with a further 1,000 already expected in the next financial year.



Australian Habitat for Humanity donors hearing from the village leader in East Timor

Rehousing the Tsunami Victims

The tsunami on Boxing Day was a disaster of epic proportions to which the Australian public responded in an unprecedented outpouring of financial and other support. As the Hon John Howard said at the Prime Minister's Awards for Community Business Partnerships:

We all remember the amazing response to the Asian tsunami from Australians which, on a per capita basis, were the most generous country in the world, by far.

Through the financial support of the L J Hooker Corporation, Habitat for Humanity Australia funded the first homes rebuilt in Aceh. Since then, work has continued apace with support from many organisations including Baptist World Aid, Orica, the Pratt Foundation and others.

Habitat for Humanity International aims to build 35,000 homes in the tsunami affected areas—a major undertaking by any measure. A year into this massive project, a review may be found at:

<http://www.hfhap.org/tsunamioneyearon/index.htm>



A new Habitat for Humanity home under construction

Effective and Timely Response

As the world leader in providing homes for the working poor, and with its experience and infrastructure in the region, Habitat for Humanity International has led in the efforts to provide the housing component of the massive relief and development program now underway.

Social and Community Benefits

The Habitat for Humanity community model, proven over 30 years in a hundred countries, helps restore the dignity of homeowner families and create community by providing a hand-up rather than a hand-out. The Habitat for Humanity program has also been shown to improve income generation, health, education levels—especially in children, and stability of the homeowner families.³

³ Habitat for Humanity International, *Measuring Transformation Through Houses*, (September 2003).

Not only do these changes affect the lives of families, they also affect the way in which families interact with their communities.

Sustainability

Habitat for Humanity is leaving a permanent, sustainable operation—capable of building thousands more homes with no further financial support—for the benefit of the people of the region.

Risk Management

In Habitat for Humanity Australia's view, it is likely that a spotlight will be shone on the activities of NGOs operating in the tsunami-ravaged areas. Recognizing the difficult operating conditions, Habitat for Humanity Australia has developed a comprehensive Compliance and Risk Management Protocol which we believe will go a long way towards minimizing the risks that the funds provided will not reach those who have been affected, or that our donors' wishes will not be fulfilled.



Habitat for Humanity Australia and The Charitable Foundation of Australia on site in Aceh, Indonesia

Habitat for Humanity Australia Wins The Prime Minister's Award For Community Business Partnerships

Working in partnership not only has the potential to enrich people's lives but can also deliver tangible results for all Australians. Community and business partnerships are a driver to accomplish better outcomes than any group acting alone could achieve.

—The Hon John Howard, MP
Prime Minister of Australia

Over the past decade, the business sector has increasingly acknowledged that, not only can it make a significant contribution to building a strong community, but there are also measurable benefits to be gained by the business when community investment activities are aligned with long-term business objectives.

For several years, Habitat for Humanity Australia and PMI Mortgage Insurance have teamed up to provide simple, decent homes for low-income families, in a partnership that has benefited both organisations.

In October 2005, The Hon John Howard, presented Habitat for Humanity Australia and PMI Mortgage Insurance (PMI) with the Prime Minister's Award for Excellence in Community Business Partnerships 2005 in the medium business category.



The Prime Minister with Habitat for Humanity Australia CEO, George Macdonald, and PMI Mortgage Insurance CEO, Ian Graham

The Award recognised Habitat for Humanity Australia's ongoing and successful and expanding program, in partnership with PMI, to assist needy Australian

families in realizing their dreams of owning a simple decent home. Habitat for Humanity Australia received the prize of \$10,000 which will be contributed to its ongoing Australian program.

Habitat for Humanity Australia's partnership with PMI is a great example of hands on philanthropy. Not only does PMI provide seed finance, but large numbers of its employees volunteer to assist with the construction of Habitat for Humanity Australia homes. Since the partnership began, PMI and its employees have provided over 200 days of team support on-site.

PMI also provides public relations expertise through access to PMI's professional public relations firm, management help and advice, marketing expertise and access to boardrooms and meeting rooms.

Corporate Values

A Company's values—what it stands for, what its people believe in—are crucial to its competitive success.

—Robert Haas, Chairman, Levi Strauss & Co.

In his book entitled "Saving the Corporate Soul",⁴ David Batstone argues that when a company matches its mission with the values of its workers, the morale of the company is transformed. Becoming passionate about the organisation they work for, employees create a work culture which brings out the best in people. Working with values they have internalised, employees feel the immense power of these values in their own lives, and know how to use them to create meaningful work. And performance and profit are automatically improved.

Habitat for Humanity Australia has established a set of critical values which explain its high levels of motivation and morale, and which generate enormous psychological energy.

- ▷ Habitat for Humanity Australia is a Christian, ecumenical, grass-roots organisation that encourages people to work together towards a common goal.
- ▷ The focus of Habitat for Humanity Australia's ministry is not simply the construction of homes, but the development and empowerment of individuals and communities. The organisation's by-line is:

Building homes ▪ building community ▪ building hope

- ▷ Habitat for Humanity Australia is engaged in three levels of community—local, corporate, and international—drawing those communities together through people working together.
- ▷ Local communities form self-governing bodies known as affiliates to develop their own local vision, mission and organisation as well as procedures that ensure accountability.
- ▷ Habitat for Humanity Australia actively seeks partnerships with those who are prepared to make decent shelter a matter of conscience and action.
- ▷ Homeowner families are chosen according to their need, their ability to repay the loan, and their willingness to work in partnership with Habitat for Humanity Australia. And we follow a non-discriminatory policy of family selection. Neither race nor religion is a factor in choosing the families who receive Habitat for Humanity Australia homes.

⁴ Batstone David, *Saving the Corporate Soul*, Jossey-Bass Publisher; USA (2003)

- ▷ Habitat for Humanity Australia supports housing programs for the poor not only in Australia, but also in countries in the Asia/Pacific.⁵
- ▷ Habitat for Humanity Australia is a people-to-people partnership, which puts into action our belief in the equality and dignity of each person, without discrimination.
- ▷ All board members and volunteer builders serve without pay.

Those associated with Habitat for Humanity Australia are asked to respect the Christian principles upon which Habitat for Humanity Australia is based, demonstrating a strong commitment to the community.

Finally, Habitat for Humanity Australia has bound itself to a set of Principles, Policies and Practices, that are published on its Web site and available to all. Our biblical faith calls us to do the right things for the right reasons, whether or not anyone will know:

- ▷ We are committed to a biblical stewardship of all God has entrusted to us, by integrating actively what we believe with what we do.
- ▷ We are accountable, particularly in handling finances with integrity, according to the highest business standards.
- ▷ We tell the truth, and are scrupulously honest and accurate at all times.
- ▷ We honour and respect our employees, their families, and all our volunteers, including those who serve on National and Affiliate Boards of Directors.
- ▷ We are exemplary in morals—clear, clean, and careful to avoid even the appearance of impropriety.
- ▷ We do not criticize, condemn, or speak negatively about similar organizations.

At his famous “Day of Affirmation” address at the University of Capetown, Senator Robert Kennedy said:

It is from numerous diverse acts of courage and belief that human history is shaped. Each time a man stands up for an idea, or acts to improve the lot of others, or strikes out against injustice, he sends forth a tiny ripple of hope . . .

Our aim—and the aim of the companies that partner with us—is to send out a “tiny ripple of hope” to those less fortunate than ourselves.

⁵ Habitat for Humanity Australia completed 513 homes in East Timor, Cambodia, and Indonesia in 2004/2005, and expects to complete more than 1,000 in the 2005/2006 financial year.

Corporate Investment in Social Work

As a charity, and a member of the larger NGO community, we walk a fine line between idealism and realism.

Ideally, there would be an overriding belief among major corporations that making an investment in the health and viability of our community was the right thing to do and good for the economy, and their businesses. This ideal was encapsulated in a Melbourne Age editorial on 27 April 2002, encouraging what it called “the philanthropic urge”.

Big businesses need to show their shareholders that being a good corporate citizen makes financial as well as social sense. It is a sign that a society built on a liberal democracy does not have to live and die by dollars and cents alone.

Realistically, however, the companies that we partner with are in highly competitive, sometimes volatile, but always changing industries. And as a small country, businesses have marketing budgets that are far lower, per-capita, than counterparts in other regions.

Many companies relate Corporate Social Responsibility to sustainability. Indeed, a number of submissions to the Enquiry reference the (rather flowery) definition adopted by The World Business Council.⁶

Some writers think of CSR as bullying, bordering on blackmail, of corporations by certain NGOs such as Greenpeace—seeking to force the target companies to adopt policies against the companies' wishes. However, it is not for NGO's to impose their agendas on corporations. The law provides penalties for unacceptable behaviour by corporations, and in a democracy, governments establish the laws, not NGOs.

Those with a real interest in a corporation are not the community at large but particular individuals who have a specific relationship with the business. Each of these individuals and groups will make their assessment on whether to purchase from the company, work for it, work with it, or invest in it.

—Gary Johns
Former Minister in the Keating Government

There are organisations that believe that they will only achieve long-term growth if they practice Corporate Social Responsibility.⁷ The submissions to the Enquiry by BHP Billiton and by Newmont Australia Limited are examples.⁸

Habitat for Humanity Australia has partners who are idealists, partners who are realists, and partners which fall along the continuum between the two. In general

⁶ The World Business Council states that Corporate Social Responsibility is, “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community and society at large.”

www.corporate-responsibility.com.au/about/corporate_social_responsibility/what_is_csr.asp

⁷ As the chairman and director of a number of public mining companies, Mr McLellan has observed this at first hand. Indeed it has been reported that the Economist Intelligence Unit found 85% of senior executives and institutional investors believe that CSR is a central and important consideration in decision making.

⁸ See Appendix II.



terms, we call them corporate sponsors, corporate volunteers, and corporate donors.

Corporate Sponsors

Sponsors invest in Habitat for Humanity Australia with the object of changing the perceptions or behaviour of group of people—be they employees, customers, media, and so on—and thereby use their investment as a marketing tool.

Habitat for Humanity Australia has two Cornerstone Sponsors, PMI Mortgage Insurance and ANZ. In addition to providing substantial cash sponsorship on an annual basis, they extend their support for Habitat for Humanity Australia in many ways, including encouraging their customers to donate to Habitat for Humanity Australia and introducing our organisation to their business partners who, in turn, become potential sponsors.

Sponsorships are one of the prized values of Habitat for Humanity Australia. In its relatively short history in Australia, Habitat for Humanity Australia has partnered in very practical ways with a wide range of organisations.⁹

In addition to our Cornerstone Sponsors, over the past twelve months, we have been able to announce a significant number of new sponsorships from the corporate sector. Our sponsors now include Challenger Financial Services, Coldwell Banker, Colmar Brunton, Credit Suisse First Boston, CSI Limited, Dulux, James Hardie, Whirlpool, Wizard Home Loans and many others.

The difference with these corporate sponsors of Habitat for Humanity Australia is that their financial support is only the beginning . . .

ANZ Mortgage Group's Partnership with Habitat for Humanity Australia

ANZ Mortgage Group is a Cornerstone Sponsor of Habitat for Humanity Australia. Chris Cooper, Managing Director ANZ Mortgage Group, and Director of Habitat for Humanity Australia, describes the Bank's involvement this way:

Through our day to day business at ANZ Mortgage Group, we put more than 150,000 families into homes each year. And, yet, the support we provide to Habitat for Humanity Australia, which enables it to place but three families in homes each year, touches the hearts and minds of our staff significantly more.

Our association with Habitat for Humanity Australia has enabled our staff, through their generosity of spirit, to help with the projects and to touch the lives of those families in need—often in small ways, but making a huge difference to those families. It has also helped us to build upon the sustainability of our business.

In addition to providing financial and volunteer support for Habitat for Humanity Australia, ANZ Mortgage Group has implemented a number of initiatives, including helping the families through programs such as "MoneyMinded", ANZ's project to improve levels of financial literacy in Australia.

⁹ See Appendix III for examples of organisations with which Habitat for Humanity Australia has partnered to build home for low income families.

We have found that working with Habitat for Humanity Australia has been a sincere two-way relationship. And the organisation's tenacious pursuit of its goals is totally aligned with our company motto, "tenacity of spirit".

By combining our strength and experience, we can surpass anything we could achieve as separate organisations . . . it's about putting people into homes and being relevant and committed to the communities in which we operate.

ANZ itself sees Corporate Social Investment as integral to its business. As a result, it has recently transformed its nominations and corporate governance committee, and rewritten its charter to incorporate Corporate Social Investment into the overall business performance. Its new nominations, governance and corporate responsibility committee, chaired by David Gonski, will review ANZ management's Corporate Social Investment objectives at least once a year, and monitor their implementation.

You can make a short-term profit and destroy your reputation, or you can make slightly less profit in the short-term but build a reputation and make a greater profit in the long term," Gonski says. "CSR is about building the pillars for the future."

Source: Intheblack December 2005

How Our Corporate Social Investment Partnerships Work

In Habitat for Humanity Australia's experience, there are many types of Corporate Social Investment. For example, Philip Kotler and Nancy Lee¹⁰ have developed the following categories:

- ▷ Corporate Cause Promotions
Increasing awareness and concern for social causes
- ▷ Cause-related marketing
Making contributions to causes based on product sales
- ▷ Corporate social marketing
Supporting behaviour change campaigns
- ▷ Corporate philanthropy
Making a direct contribution to a cause
- ▷ Community volunteering
Employees donating their time and talents

¹⁰ Kotler Philip and Lee Nancy, *Corporate Social Responsibility*, John Wiley & Sons, Inc., Hoboken, New Jersey, USA (2005)

Clearly these are not particularly definitive, and there are overlaps. Habitat for Humanity Australia works with corporations in all these areas, structuring its programs so that it best suits our corporate partner.

Benefits like increased morale, higher attraction and retention rates of staff, improved reputation and greater customer loyalty are all tangible returns from strategic philanthropy and employee engagement.

Many businesses have implemented a workplace giving program, enabling employees to elect to donate a specified amount regularly through their pay to designated gift deductible organisations. Some businesses also contribute to community organisations through employee volunteering programs.

Habitat for Humanity Australia believes that for many corporations it is in their own self-interest to invest in areas that would fall into the category of Corporate Social Investment.

Adopting the ASX Guidelines

The Australian Stock Exchange has published its Principles of Good Corporate Governance and Best Practice Guidelines. These Guidelines are not a "one-size-fits-all" solution, and although they are not mandatory, they cause serious companies to reflect on the relevance of their corporate governance practices and develop and refine their policies.

Many not-for-profit organisations are now finding that much of their financial support is coming from these same public companies. As a result, and although it is not required to do so, Habitat for Humanity Australia has adopted the ASX Guidelines as if it were a reporting public company.¹¹

By applying the new ASX Guidelines, Habitat for Humanity Australia has not only improved its own corporate governance, but has demonstrated that it is willing to be bound by the same standards as its major donors. We believe this strengthens Habitat for Humanity Australia's relationship with its major reporting partners, and indicates that Habitat for Humanity Australia is serious about its responsibilities to them.¹²

¹¹ See Appendix V.

¹² So far as we are aware, no other NGO has adopted the ASX Guidelines.

Corporate Volunteering

Habitat for Humanity Australia offers its corporate partners a unique experience: the ability to send out employees to build the homes it has funded. This not only benefits the family being housed, it connects the corporation and its employees with the community, and builds teams within the corporation.

Corporate community engagement programs work best when they meet community needs as well as delivering core business objectives.

—Jerry Marston

Community Investment Director, Whitbread plc
Chair of the Corporate Responsibility Group UK

Most of the construction of Habitat for Humanity Australia homes, both in Australia and overseas, is done by thousands of volunteers under trained supervision. And corporate volunteering has proven to be an excellent way to boost employee morale and give an added sense of meaning and purpose to their work.

Corporations sponsor homes and send employee or client building teams to locations in Australia, and/or to selected regional neighbours such as East Timor, Fiji, India, Papua New Guinea, The Philippines, Sri Lanka, and Vanuatu.



PMI Mortgage Insurance volunteers on a Habitat for Humanity Australia site at Bidwell, Western Sydney

Volunteers love the experience of actually assisting to build a home for a deserving family. Not only do they often learn a new skill and see the tangible results of their efforts, the shared “hardship” of a day’s work on a building site creates bonds

between the team members that is hard to replicate in an office environment. And employees enjoy a “feel good” experience that lasts for a long time.¹³

The range of work is extensive. It may be digging trenches for the footings, framing up the timber structure, applying wallboard, painting, landscaping, or preparing lunches. And the nature of the work changes as the job progresses through its various stages.

Habitat for Humanity Australia makes all the arrangements. We brief the team members on what might be expected of them. We tell them what hours they are expected to be there, what to bring, and provide a map. We ensure that the necessary tools and materials are on site when the team arrives. And we take care that all OH&S requirements are met.

Habitat for Humanity Australia also seeks publicity in the local media for the team—further connecting the corporation with the community.

Companies pay thousands of dollars to send teams on Outward Bound-type ventures where they climb trees, rappel down cliffs, and fall out of canoes in order to develop team spirit. In building a Habitat for Humanity Australia home, the corporation accomplishes the same thing, but, in doing so, it leaves behind a permanent social good.

It also provides the opportunity for continuing involvement of the corporation and/or the employee in his or her own right.

Some Comments by Corporate Volunteers

| Corporation | Comments |
|---|---|
| Honeywell Staff Member | “The Habitat experience was great. It was great meeting the people that the house was going to. It was also good to be able to know that we can help make a difference. It was a very satisfying experience.” |
| PMI Mortgage Insurance Senior Executive | “You need not thank us; we need to thank you for setting before us corporate values and goals which enable us to reach families with whom we normally would not do business.” |
| PMI Mortgage Insurance Staff Member | “Yes, we gain a great deal from working with you. You encourage us in our seeking to practise the higher values to which we aspire.” |
| ANZ Mortgage Group | “We have been Cornerstone sponsors for three homes over the past two years in Victoria, We are committed to helping the community. Working with Habitat gives us a chance to do that in very meaningful ways for needy families.” |

¹³ See the survey of volunteers at Appendix IV.

Myer Family & Staff

“Recently my family, the Myers, rolled up its sleeves and helped build a Habitat house in Bendigo. What fun it was! How we have enjoyed hearing from the young family living in the house - their lives have been turned around from despair to a bright future as part of a caring community.”

Letter from Lady Marigold Southey

Volunteering Overseas

The Global Village Program, run from Australia, coordinates individuals as well as corporate teams travelling from Australia to places in the Asia/Pacific such as East Timor, Fiji, India, Papua New Guinea, The Philippines, Sri Lanka, and Vanuatu to build affordable homes for low-income families. Australians pay their own costs plus a donation to the host country.

Habitat for Humanity Australia has a full-time staff member organising overseas trips for such teams—whether they be corporate teams, or individuals—making all the necessary arrangements for travel, visas if necessary, accommodation, and the work experience in the country.

Virtually everyone who returns from these one or two-week “holidays with a difference” becomes enamoured with the work of Habitat for Humanity and many return year after year—often to different countries.

Corporate Donors

A corporate donor is defined as having made a gift with no expectation of commercial return.

The value of Australian philanthropy in 2004 was over \$11 billion. And business giving has more than doubled since 2000/2001 with more than 525,000 businesses (that is, two-thirds of all businesses) giving \$3.2 billion in money, goods and services during 2003/4.¹⁴

This gives the lie to those who claim that the more affluent we become as a society, the more indifferent we are to the less privileged within our midst. We are a fortunate, wealthy, affluent country, but we have not by and large forgotten the less fortunate in our midst.

Apart from contributions to its tsunami recovery program, Habitat for Humanity Australia has received major grants and commitments from companies such as Blake Dawson Waldron, The Charitable Foundation, Gilbert & Tobin, Landcom, Mallesons, The Myer Foundation, and many others. Habitat for Humanity Australia again acknowledges and thanks each one of these organisations—and our many other donors and supporters—for their help in providing homes for low income families, both in Australia and overseas.

¹⁴ The foregoing figures are from the speech by the Prime Minister prior to announcing the Awards for Community Business Partnerships on 19 October 2005.

Habitat for Humanity Australia's Responses to the Terms of Reference

Terms of Reference

- a. The extent to which organisational decision-makers have an existing regard for the interests of stakeholders other than shareholders, and the broader community.
- b. The extent to which organisational decision-makers should have regard for the interests of stakeholders other than shareholders, and the broader community.

While it is clear that those companies which operate their core businesses in communities (mining companies operating in an isolated township are good examples; a bank operating a branch in a country town is another) are more disposed to consider the impact of their operations on their environment, more and more organisations are now considering how they might benefit from adopting a well thought-out Corporate Social Investment plan.

The benefits of a strategic CSI plan are legion and are now beginning to be appreciated by a wide range of corporations. A well thought-out partnership with Habitat for Humanity Australia can assist a company to:

- ▷ Recruit and retain high-performing employees
- ▷ Maintain its reputation and build its brand
- ▷ Enhance its customer relations, and provide a mechanism for attracting new customers
- ▷ Define and strengthen the company's culture
- ▷ Motivate its employees and build "teams"
- ▷ Enthuse staff to bring more of themselves to work
- ▷ Decrease absenteeism

As an example of the first—recruiting high-quality employees—a leading management consulting firm in the USA patrols the campuses (as do its competitors and others such as investment banks and law firms) looking to hire the very best and brightest graduates. As an incentive to sign with the management consulting firm, the firm offers graduates a fully-paid trip anywhere in the world of their choosing to work on a Habitat for Humanity Global Village build site for one or two weeks.

Not only is this an exciting proposition for a new (typically broke) graduate, it make a significant statement to the prospective employee about the priorities and ethics of the firm they are considering joining.



Corporate Social Investment programs can also help companies create a competitive and enduring market position, avoid costly litigation, improve their share price, and attract investment capital¹⁵,

¹⁵ In an environment where investors are considering to a greater extent a company's social and environmental track record, this can be important.

Terms of Reference

- c. The extent to which the current legal framework governing directors' duties encourages or discourages them from having regard for the interests of stakeholders other than shareholders, and the broader community.

Based on his experience as a company chairman and director both in Australia and abroad (including in America) Mr McLellan is of the opinion that the present laws are legally neutral. There is, however, a perception among many directors that their obligation is exclusively to the current shareholders and that the company should not therefore invest in CSI projects.

It is important that this pervasive view be addressed through official white papers, and other forms of education, including seminars.

Terms of Reference

- d. Whether revisions to the legal framework, particularly to the Corporations Act, are required to enable or encourage incorporated entities or directors to have regard for the interests of stakeholders other than shareholders, and the broader community. In considering this matter, the Committee will also have regard to obligations that exist in laws other than the Corporations Act.

Habitat for Humanity Australia agrees with the Australian Centre for Corporate Social Responsibility which states in its submission:

- ▷ Section 181 of the Corporations Law does not prohibit corporate social investment, but does not specifically encourage it.

Although not qualified to answer this question from a legal point of view, Habitat for Humanity Australia nonetheless accepts the views expressed to the Committee by Mallesons:

- ▷ The current legal framework, does not discourage directors from having an appropriate regard for the interests of employees, suppliers and customers, and the consequences of corporate activities for the environment and the broader community.
- ▷ Whilst the Corporations Act does not expressly encourage directors to have regard to the interests of stakeholders other than shareholders, that encouragement may readily be found in other laws.
- ▷ We do not believe that any further revision is required to the Corporations Act or the legal framework generally to encourage corporate entities and directors to have regard to the interests of stakeholders other than shareholders.
- ▷ The directors should balance a long term view against the short term interests of present members (the enlightened shareholder value conception of corporate purpose).
- ▷ Management may implement a policy of enlightened self interest on the part of the company.

The “stakeholder theory” is sometimes raised by those seeking to impose their agenda on a corporation. This theory suggests that all interests in the enterprise can compete to obtain benefits from the enterprise. But this is no more than a political ideology that wants private interests to be subsumed by public interests. The “stakeholder theory” assumes that somehow society has granted the enterprise the right to exist, and it is to “society” that the corporation owes its existence.

Whilst it is true that the community through its democratically-elected governments may grant a license to the corporation in return for the corporation complying with the law, this does not allow stakeholders at large to impose their views on the corporation. To claim that everyone has an equal say, is to assume there is no ownership.

Finally, without a commercial *raison d'être*—making a profit—there is no possibility of a corporation making social investments. We must be careful not to regard the corporation as a citizen or a government. The corporation's business is business; and the wealth they create can help to alleviate the distress in our communities.

By way of summary, Lord Browne, BP's chief executive, warns that:

Business is about doing business, it's not a surrogate for government or public service.

All of this means that we must not legislate for Corporate Social Investment. Companies must be able to decide, in the contexts of their individual businesses, what, when and how they may provide social benefits by investing in their communities.

Terms of Reference

- e. Any alternative mechanisms, including voluntary measures that may enhance consideration of stakeholder interests by incorporated entities and/or their directors.

From informal interaction with corporate executives and staff at numerous on-site workdays, it appears there is a dearth of help available for young corporate leaders who are striving to understand and internalise the values that have been shown to enrich the corporate culture, and promote sound, ethical business practices.

Habitat for Humanity Australia believes that it could assist in developing training exercises on values for young corporate executives who show leadership potential. These would be a combination of theory and hands-on practical training at Habitat for Humanity Australia job sites through its affiliates around the country.

Habitat for Humanity Australia therefore proposes that funding for such a program be established.

Terms of Reference

- f. The appropriateness of reporting requirements associated with these issues.

As to the appropriateness of reporting requirements, having lived 20 years in America, and seen the effects of the Sarbanes-Oxley Act and the Securities and Exchange Commission ("SEC"), and as a chairman and director of a number of Australian public companies, Mr McLellan is a minimalist. He believes that the approach adopted by ASX with its Principles of Good Corporate Governance and Best Practice Guidelines is a suitable model to consider.¹⁶

These Guidelines are not a "one-size-fits-all" solution, and although they are not mandatory, they cause serious companies to reflect on the relevance of their corporate governance practices and develop and refine their policies.

It would seem that if changes are to be mandated, a "soft" reporting approach such as was adopted by ASX would be appropriate. The principal should be: "We hope you will comply, but if not, you must tell your shareholders, and the market, why not."

¹⁶ What is not yet proven, is the capacity of ASX to follow through and take appropriate action.

Terms of Reference

- g. Whether regulatory, legislative or other policy approaches in other countries could be adopted or adapted for Australia.

No comment.

Appendix I

Background on A. Anthony McLellan

Raised on a sheep station in the Far West of NSW, Mr McLellan moved to Sydney when in his twenties, where he later graduated with honours as the top student in valuation. At age 29 he was elected Senior Partner of Richard Ellis, Sallmann & Seward where he was responsible for several of Australia's largest real estate transactions. Two years later, he was appointed as the NSW Government's real estate consultant on the redevelopment of the Rocks area of Sydney.

In the mid-1970s, Mr McLellan moved to Cairo as managing director of a joint venture with the Egyptian Government, responsible for building a new city in the desert on the outskirts of Cairo, to include 4,000 villas and 4,500 apartments.

In 1981, Mr. McLellan was appointed CEO of Barrick Gold in Toronto, which is about to become the world's biggest gold-mining company. Subsequently he was recruited as President of the L J Hooker Corporation in America, a major US developer that also built approximately 2,000 houses per year throughout America.

Since returning to Australia after more than 25 years abroad, Mr McLellan has joined a number of public company boards. He is also active as a director of several not-for-profit organisations, including Opportunity International, Australian Christian Lobby, and The Menzies Research Centre.

In 2003, Mr McLellan was elected chairman of Habitat for Humanity Australia, which builds simple, decent homes in partnership with low-income families.

Mr McLellan is an accomplished public speaker who has addressed audiences in several countries. He has also appeared frequently on American television as a commentator on family matters. Mr McLellan and his wife of 45 years now reside in Sydney.

Appendix II

Extracts From Submissions to the Senate Enquiry

BHP Billiton

- ▷ “The BHP Billiton Charter states that we will only be successful when our host communities value our citizenship.
- ▷ Our commitment and approach to CSI is undertaken not because it is mandated, but because it represents good business practice and sense. For our businesses to thrive and survive in the long run, it is essential that our activities are valued by the broader communities in which those businesses exist and operate.
- ▷ Getting and maintaining a reputation for effective management of CSI issues and constructive engagement with key stakeholders can enhance access to new project development opportunities (e.g. exploration acreage), improve recruitment opportunities (the best and brightest employees want to work for companies they can be proud of) and potentially provide better access to capital (equity or other) and insurance/bonding costs.”

Newmont Australia Limited

- ▷ “The benefits to our communities with a focus on building long term value from training and employment, new and improved infrastructure and improved health care, education and social services.
- ▷ We recognize that Newmont's future is based on our ability to meet the values and aspirations of the societies and communities in which we operate.
- ▷ We understand that we need to be responsible tenants through providing training, employment and business development, building community capacity, governance support and education and health.
- ▷ We believe there is a strong business case for our engagement in activities that are seen as CSI. Newmont does not engage in philanthropic activity.”

Appendix III

Corporate Work Day Evaluation

Thank you for participating in this workday on a Habitat for Humanity project with us. We have greatly enjoyed your company.

We are interested in what this experience has meant to you, and why you have chosen to participate. Would you kindly answer the following questionnaire? Your response will be anonymous. We are interested in general trends, not individual experiences.

Structured Responses

Please indicate your response to each statement with a tick (✓) in the appropriate column.

| | | Agree | Don't Know | Disagree |
|----|--|-------|------------|----------|
| 1 | I have enjoyed this Habitat workday experience. | | | |
| 2 | Habitat workers seem to be highly motivated in their work. | | | |
| 3 | There was a real sense of "family" at the build-site today. | | | |
| 4 | I was impressed with the racial, gender, age and diversity of the Habitat team. | | | |
| 5 | The experience taught me about the importance of partnership in generating good morale in organisations. | | | |
| 6 | I had a good sense of empowerment today. | | | |
| 7 | Habitat leaders seemed to work just as hard as the ordinary volunteers. | | | |
| 8 | There was no evidence of paternalism on the build-site today. | | | |
| 9 | The homeowners did not seem very grateful that we had turned up to help them. | | | |
| 10 | The main aim of Habitat for Humanity seems to be to build homes for needy people. | | | |
| 11 | I don't think that organisations like Habitat for Humanity can change the world. | | | |

-
- 12 Some of the underlying attitudes I experienced today would be good in our company setting.
 - 13 I didn't sense much of a caring spirit among the Habitat people today.
 - 14 The Building Supervisor was very accepting of those of us who were less experienced in carpentry.
 - 15 At the end of the day I felt tired in my body, but good in my spirit.
-

Open Ended Responses

From your observations today on the build-site, what would you say were the underlying values of Habitat for Humanity?

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General Comments

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Appendix IV

Examples of Corporate Social Investment Partnerships

| Partner Organisation | Examples |
|-------------------------|--|
| Churches | Anglicare Baptist World Aid Blackburn North Baptist Church Mission Australia Uniting Church (Mofflyn) Wesley Mission |
| Community Organisations | Communities for Communities |
| Financial Organisations | ANZ Mortgage Group Challenger Group Credit Suisse First Boston PMI Mortgage Insurance Wizard Home Loans |
| Foundations and Trusts | The Charitable Foundation The Myer Foundation Pratt Foundation R E Ross Trust |
| Industry Bodies | Housing Industry Association Mortgage Industry Association of Australia |
| Local Governments | Hastings Shire Council Logan City Council Orange City Council |
| Manufacturers | James Hardie Australia Hudson Frame & Truss |
| NGOs | International Red Cross Opportunity International Australia World Vision Australia |
| Professional Firms | Baker & McKenzie Blake Dawson Waldron Coldwell Banker Colmar Brunton Ernst & Young Hawaiian Management Group L J Hooker Corporation Mallesons Moores Legal |
| Schools | Doncaster High School |
| Service Clubs | Lions International |

| | |
|-------------------|---|
| State Governments | Corrections Victoria Landcom, a NSW State Government entity Western Sydney Women's Prison |
| Suppliers | BHP-Billiton Boral Dulux Whirlpool |
| Universities | RMIT Western Sydney TAFE |

Appendix V

ASX Principles of Good Corporate Governance and Best Practice Recommendations

Habitat for Humanity Australia Incorporated ("Habitat for Humanity", or the "Organisation") embraces the ASX Principles of Good Corporate Governance and Best Practice Recommendations (the "ASX Guidelines").

In determining how best to respond to the ASX Guidelines, Habitat for Humanity has given careful regard to the particular circumstances of the Organisation and what is in the best interests of all its stakeholders including its members (shareholders) and its donors.

The ASX Listing Rules require a listed company to include a statement in its annual report that discloses the extent to which the ASX Guidelines have been followed in the reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

Although not required to do so, Habitat for Humanity has responded to the ASX Guidelines as follows.

Principle 1: Lay solid foundations for management and oversight

Recognise and publish the respective roles and responsibilities of board and management.

Recommendation:

- 1.1 *Formalize and disclose the functions reserved to the board and those delegated to management.*

-
- ▷ Habitat for Humanity has adopted a set of Board Protocols that sets out the respective roles and responsibilities of board and management, which may be found at the Habitat for Humanity website.

- ▷ The board sets the strategic direction of the Organisation, establishes goals for management and monitors the achievement of those goals. The board is accountable to the Organisation's members and its donors for protecting and enhancing the interests the Organisation.
- ▷ The Chief Executive Officer, who is not a member of the board, is accountable to the board for the day to day management of the Organisation, and reports to the chairman of the board.

Principle 2: Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendations:

- 2.1 *A majority of the board should be independent directors.*
- 2.2 *The chairperson should be an independent director.*
- 2.3 *The roles of the chairperson and chief executive officer should not be exercised by the same individual.*
- 2.4 *The board should establish a nomination committee.*
- 2.5 *Provide the information indicated in Guide to reporting on Principle 2.*

Habitat for Humanity embraces the principle of the board having an effective composition, size and commitment so that it may adequately discharge its responsibilities and duties.

- ▷ All members of the board are independent directors.ⁱ
- ▷ The chairman is an independent director. (See above.)
- ▷ The roles of the chairperson and chief executive officer are not exercised by the same individual.
- ▷ The board has established a nomination committee, consisting of three independent directors, and not including the chairman. (Paragraph 7.7 in the Habitat for Humanity Rules of Association.)
- ▷ The Organisation includes in its annual report all the information specified in the *Guide to reporting on Principle 2*. The Organisation has also posted to its website the following information:
 - a description of the procedures for the selection and appointment of new directors to the board—see *Background and Requirements for Prospective Board Members* at the Habitat for Humanity website.
 - a summary of the role, rights, responsibilities and membership requirements of the nomination committee—see *Election of Members and Board Members* and Habitat for Humanity Australia's *Rules of Association* at the Habitat for Humanity website.
 - the nomination committee's policy for the appointment of directors.

Principle 3: Promote ethical and responsible decision making

Actively promote ethical and responsible decision-making.

Recommendations:

3.1 Establish a code of conduct to guide the directors, the CEO (or equivalent), the CFO (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity.*
- 3.1.2 the responsibility and accountability of individuals for reporting and investigation of reports of unethical practices.*
- 3.2 Disclose the policy concerning trading in company securities by the directors, officers and employees.*

Habitat for Humanity embraces ethical and responsible decision-making and has formally adopted a *Principles, Policies and Practices* statement, which is available on the Habitat for Humanity website.

Our Principles are:

Our biblical faith calls us to do the right things for the right reasons, whether or not anyone will know:

- ▷ We are committed to a biblical stewardship of all God has entrusted to us, by integrating actively what we believe with what we do.
- ▷ We are accountable, particularly in handling finances with integrity, according to the highest business standards.
- ▷ We tell the truth, and are scrupulously honest and accurate at all times.
- ▷ We honour and respect our employees, their families, and all our volunteers, including those who serve on National and Affiliate Boards of Directors.
- ▷ We are exemplary in morals—clear, clean, and careful to avoid even the appearance of impropriety.
- ▷ We do not criticize, condemn, or speak negatively about similar organizations, or other Christian workers.

Our Policies cover:

- ▷ Financial
- ▷ Conflicts of Interests

- ▷ Fund Raising
- ▷ Privacy Policy
- ▷ Other Items

Our Practices are:

- ▷ Preserve our biblical fundamentals yet openly include those sincerely holding different theological positions
- ▷ Pray
- ▷ Maintain a sense of urgency
- ▷ Pursue righteousness: be intolerant of evil
- ▷ Avoid even the appearance of immorality in sexual matters
- ▷ Project a global vision
- ▷ Stay inclusive on race, gender, politics, ideology, and theology
- ▷ Operate in a business-like way
- ▷ Be willing to take measured risks
- ▷ Innovate and utilize new technology
- ▷ Trust our employees
- ▷ Work as a team
- ▷ Seek excellence
- ▷ Maintain a special loyalty to old friends and partners
- ▷ Be careful when reporting statistics
- ▷ Use the media where possible
- ▷ Honour the local church

Complaints:

The Principles, Policies, and Practices document provides that any person concerned that Habit for Humanity, or any employee or director of Habitat for Humanity is not following the Principles, Policies, and Practices in both letter and spirit may submit a written complaint in confidence to the attention of the chairman of the audit committee. All complaints will be investigated as soon as practicable, and the complainant's identity will not be disclosed without his or her permission.

Finally, Habitat for Humanity does not have tradeable securities. It therefore does not have a policy with respect to the trading of those securities by directors, officers and employees.

Principle 4: Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting

Recommendations:

- 4.1 *Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.*
- 4.2 *The board should establish an audit committee.*
- 4.3 *Structure the audit committee so that it consists of:*
 - *Only non-executive directors.*
 - *A majority of independent directors.*
 - *An independent chairperson, who is not chairperson of the board.*
 - *At least three members.*
- 4.4 *The audit committee should have a formal charter.*

Habitat for Humanity has a structure independently to verify and safeguard the integrity of the Organisation's financial reporting.

- ▷ As from the period commencing 1 January 2004, before the directors make their declaration concerning the annual accounts, both the CEO and the CFO will certify as required in 4.1.
- ▷ The board has established an audit committee.

- ▷ The board has structured the audit committee that:
 - comprises only non-executive directors;
 - all of whom are independent directors;
 - has an independent chairman; and,
 - consists of two members
(The board considers that two is an appropriate number, having regard to the relative small size of the organisation. The ASX Guidelines recommends three members of the Audit Committee.)

- ▷ The audit committee has a formal charter, a copy of which is available on the Habitat for Humanity website.

Principle 5: Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

Recommendation:

- 5.1 *Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.*

- 5.2 *Provide the information indicated in Guide to reporting on Principle 5.*

-
- ▷ Habitat for Humanity is not a listed company and is therefore not required to maintain a Continuous Disclosure Policy. Nonetheless, as good management practice, the Organisation informs its members and its donors at least quarterly of highlights of the organization and its activities. Copies of these releases are available on the Habitat for Humanity website.

 - ▷ Furthermore, the Organisation publishes an Annual report, which

includes the audited accounts of the Organisation, and which is mailed to all members and major donors. This Annual Report is also available on the Habitat for Humanity website.

- ▷ The CEO has been appointed by the board as the responsible person for communication with members and donors on all matters of importance. Management personnel are required to monitor all relevant information regarding the Organisation's affairs and are required to bring to the attention of the CEO (or in his absence, the chairman) any matter thought to warrant disclosure.

- ▷ Only the CEO and the Chairman are authorized to make statements to the media.

Principle 6: Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendations:

- 6.1 *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

- 6.2 *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.*

-
- ▷ Habitat for Humanity respects the rights of shareholders [members] and has policies and procedures in place to enable shareholders [members] to exercise those rights.

 - ▷ The Organisation communicates with its members principally through its annual report, at general meetings of the Organisation, through newsletters published at least

quarterly, through information on the Organisation's website, and through direct correspondence with members and donors.

- ▷ The CEO is responsible for implementing the board-approved communications strategy, designed to enhance communication with members and encourage all members to participate at the Organisation's general meetings.
- ▷ Habitat for Humanity's external auditor is required to attend general meetings to answer members' and donors' questions on matters relating to the audit of the Organisation's accounts.

Principle 7: Recognise and manage risk

Establish a sound system of risk oversight and management and internal control.

Recommendations:

7.1 Establish policies on risk oversight and management and internal control

7.2 The CEO and the CFO should state to the board in writing that:

7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Habitat for Humanity recognises the importance of risk management, which is effected through board and management systems that encompass:

- ▷ Annual budgets and monthly reporting systems for all business units, which are used to monitor progress against performance targets and evaluate trends
- ▷ A review of each month's statement of financial performance by the director appointed by the board as Treasurer.
- ▷ A written report by the Treasurer to the board prior to each meeting of the board, setting out the Treasurer's recommendations on any action to be taken with respect to the financial affairs of the Organisation.
- ▷ Policies and procedures for treasury operations including exposures to foreign currency risks, and cash management.
- ▷ A written policy on the use of the Line of Credit.
- ▷ Policies with respect to health and safety of all employees and volunteers, including those working on a building site.
- ▷ Policies concerning compliance with all laws and regulations.
- ▷ Appropriate insurances being in place at all times, which cannot be varied without the approval of the board.
- ▷ Written policies for the operation of all Affiliates.
- ▷ A requirement that the CEO and CFO provide the following written statements each year, before the directors make their declaration concerning the annual accounts:

"The foregoing statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and the company's risk management and internal compliance and control system is operating efficiently and effectively

in all material respects. (See also best practice recommendation 4.1.)

- ▷ Management has begun to develop a crisis management protocol that, when approved by the board, will be implemented progressively.

Management has been instructed to establish and implement a system for identifying, assessing, monitoring, and managing material risks throughout the organization, in keeping with AS/NZSW 4360:1999, Australian Standard on Risk Management.¹⁷

Principle 8: Encourage enhanced performance

Fairly review and actively encourage board and management effectiveness.

Recommendations:

- 8.1 *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

-
- ▷ Habitat for Humanity recognizes the importance of board and management effectiveness and continuous improvement.
 - ▷ The Organisation has defined an approach for assessing board and senior management performance. This is being implemented through calendar 2004. The intent is to support and encourage improved performance by the board, board committees, and individual directors, as well as key executives.

Principle 9: Remunerate fairly and responsibly

Ensure that the level and composition of remuneration is sufficient and reasonable

¹⁷ Management has been requested to explore using the control model of the Committee of Sponsoring Organizations of the Treadway Commission, currently the accepted template for corporate risk management.

and that its relationship to corporate and individual performance is defined.

Recommendations:

- 9.1 *Provide disclosure in relation to the company's remuneration policies to enable investors to understand*
 - (i) *the cost and benefits of those policies and*
 - (ii) *the link between remuneration paid to directors and key executives and corporate performance*
- 9.2 *The board should establish a remuneration committee.*
- 9.3 *Clearly distinguish the structure of non-executive directors' remuneration from that of executives.*
- 9.4 *Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders*

-
- ▷ Habitat for Humanity recognizes that the level and composition of remuneration needs to be sufficient, reasonable, and related to both the Organisation's and the individual's performance.
 - ▷ Having regard to the nature of the Organisation as a not-for-profit organization that depends on donor support, all employees are paid a salary, and no incentives or bonus payments are made. An employee's salary may be increased annually, in the light of his or her performance and the success of the Organisation as a whole.
 - ▷ No director or employee receives any options or other equity component in his or her remuneration.
 - ▷ No director receives any remuneration for performing his or her service.

- ▷ No person receiving remuneration from Habitat for Humanity may be a director.
- ▷ The CEO, who is not a director, receives a salary of \$72,000 per year, plus tax-free fringe benefits of \$12,000, and the provision of a motor vehicle. The Remuneration Committee is responsible for recommending to the board the CEO's salary and other benefits.
- ▷ Apart from the CEO, the two most highly-rewarded managers are each paid \$65,000 per year, including tax-free fringe benefits of up to \$15,000 per year, and, in one case, the provision of a motor vehicle. In addition, a contractor is paid \$5,000 per month.
- ▷ The functions of a Remuneration Committee are performed by the Nominating Committee consisting of three independent directors—but not the chairman of the board (Article 7.7 in the Habitat for Humanity Rules of Association).

Principle 10: Recognise the legitimate interests of stakeholders

Recognize legal and other obligations to all legitimate stakeholders.

Recommendation:

- 1.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

Habitat for Humanity acknowledges the obligations it has to all its stakeholders, including its members, donors, partner families, employees, volunteers, suppliers, and the community.

- ▷ Habitat for Humanity has adopted a code of conduct, entitled, Principles, Policies, and Practices, and which may be viewed on the Habitat for Humanity website.
- ▷ Habitat for Humanity has also developed a Donor's Bill of Rights, which may be viewed on the Habitat for Humanity website.
 - All communications surrounding your gift will be honest and truthful, and will not create an unrealistic expectation of what your gift will accomplish.
 - Your gift will be applied to the purpose for which it was originally requested.
 - We will willingly provide you with a report, including financial information, on the project for which we may be soliciting a gift from you.
 - Your right to privacy will be respected, and you will not be subjected to any form of pressure.
 - Your gift will be used in a way that preserves the dignity of the beneficiary, and we will always strive to provide the greatest advantage of the beneficiary.
 - We will always be transparent in our dealings with you, as we consider how to meet your wishes as a donor.

ⁱ With reference to assessing the independence of directors (Principle 2.1) the ASX has promulgated the following guidelines:

"An independent director is a non-executive director (*i.e.*, is not a member of management) and:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
2. within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment

-
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
 4. is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
 5. has no material contractual relationship with the company or another group member other than as a director of the company
 6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
 7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company."