



**Submission in response to the Parliamentary Joint
Committee on Corporations and Financial Services
Inquiry into Corporate Responsibility**

September 2005

About Volunteering Australia

Volunteering Australia is the national peak body for volunteering in Australia. Its mission is to represent the diverse views and needs of the volunteer movement while promoting the activity of volunteering as one of enduring social, cultural and economic value.

Volunteering Australia receives funding from the Commonwealth Department of Family and Community Services (FACS) under the National Secretariat Program (NSP) to represent the interests of volunteers and volunteer involving organisations.

Volunteering Australia's member organisations consist of the state and territory volunteering peak bodies, which in turn represent volunteer-involving organisations and interested individuals. Volunteering Australia works closely with a large network of regional volunteer resource centre's (VRC's), other peaks and not-for-profit organisations across all sectors.

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Recommendation

- Volunteering Australia recommends reporting practices (whether underpinned by a legal/regulatory requirement or voluntary) be refocused to measure benefits to nonprofit organisations and the community in addition to the investments made by their corporate beneficiaries.

Introduction

Volunteering Australia has an interest in issues of corporate social responsibility (CSR), indicated by our long standing work in promoting and shaping employee volunteering programs in this country.

While the terms of reference in their entirety go well beyond our particular scope of expertise, there are areas in which it is appropriate for us to make a contribution to the debate.

In this submission Volunteering Australia refrains from making suggestions concerning law reform to promote CSR. In part this is due to the number of meanings attached to the concept of CSR. In its narrowest sense it refers to achieving sustainability in operations. A more broad ranging definition includes acts of philanthropy – a kind of ‘social activism’¹ that seeks to benefit the community. Employee volunteering programs are situated at this end of the spectrum of definitions. While law reform supporting these kinds of activities may have merit, the specificity of our mandate makes it difficult to frame appropriately broad law reform options.

The terms of reference ask us to consider ‘the appropriateness of reporting requirements associated with these issues’. It is in this area that our submission will focus. We believe reporting on CSR can influence incorporated entities (hereafter ‘corporations’) to ensure that their contributions produce maximum benefit to the community.

Using employee volunteering programs as an example, this submission will explore some of the benefits and shortcomings of investments made by corporations, intended to enhance CSR. We will then briefly examine how current reporting around corporate reputation does not reflect community benefits stemming from CSR.

¹ Public Interest Law Clearing House (2005) *Corporate Social Responsibility and the Corporations Act 2001* (discussion paper)

Maximising benefits of CSR to the community via nonprofit organisations

To help maximise the benefits to nonprofit organisations, corporations need to recognise that volunteering does not occur without cost, and be prepared to use their own resources to support their activities. For example, corporations should bear the cost of insuring their employees for the volunteer activity, rather than requiring the nonprofit to do so.

The best examples of employee volunteering provide one or more of the following benefits:

- skills transfer to organisation
- flow on benefits of investment can be seen over time
- less resources allocated to recruiting volunteers by a nonprofit organisation because an ongoing and reliable source of volunteers is available to them
- long term partnerships

These 'meaningful' benefits represent the types of community benefits corporations engaged in employee volunteering programs ideally aspire to. Some corporations achieve these goals but generally, Volunteering Australia would like to a more explicit regard shown for how CSR produces benefits for the community.

The current overt focus on the costs and benefits to corporations of CSR results in lost opportunities to the community. This is graphically illustrated in the following example of a employee volunteering program. Company X decides to conduct a one-day employee volunteer project. A number of professionals, including the chief executive officer, spend a day assisting a local nonprofit organisation. The cost of the companies downtime is counted in the tens of thousands of dollars. Their task, devised by themselves and the nonprofit organisation, is to repaint the premises. The benefit to the nonprofit organisation is a paint job that might have cost a few hundred or few thousand dollars at most. The gulf between the cost to the corporation and the benefit derived undermines the intent of CSR.

Fortunately, there are many superior examples of employee volunteering programs. The best approach sees corporations exhibiting an open minded and flexible approach to how a volunteer program might develop, and nonprofit organisations being sufficiently organised in order to maximise the benefits of this investment. For example, many corporations offer the skills of their employees to nonprofit organisations in a way that help the nonprofit build its capacity to perform its role more effectively. These skills are often otherwise unavailable to the nonprofit through prohibitive cost or lack of in-house expertise.

Changes in the way CSR is measured can influence more corporations to look beyond initial investments and increasingly consider the community benefits generated by CSR.

Measuring corporate social responsibility

With respect to the terms of reference, the appropriate point at which to raise awareness of the issue of maximizing meaningful benefits to the community is through reporting and measurement practices. Reporting requirements have the power to influence thinking on CSR, as alluded to by Johns 'a fundamental objective of measuring corporate reputation is to regulate corporate behavior'.²

The benefits of CSR need to be framed in terms of community benefits as well as corporate investment. An emphasis on community benefits in reporting could be incorporated into a range of reporting mechanisms – those arising via legislative reform, the ASX principles (whether voluntary or compulsory) or through reputation indices.

RepuTex and the Corporate Responsibility Index both seek to rank corporations with respect to their performance on CSR. Each of these indices will be reviewed below with respect to reporting on community benefits. Each falls short of examining impacts of CSR activities by corporations on nonprofit organisations and the community.

RepuTex

Social Impact is one of the major categories in which RepuTex collects information on to produce the Social Responsibility Ratings. This category contains the following criteria.

2. The organisation maintains a strong commitment to community investment and philanthropic support'.

This may be evidenced by indicators including a) a reasonable proportion of profit committed; b) the provision of resources, including staff volunteering programs and sharing of expertise ...³

This criteria measures performance of CSR in terms of the cost to a company, financially and in terms of resources. It makes no consideration of how these resources translate to community benefit, and encourage the kinds of company-focused initiatives discussed earlier in this submission.

² Johns, G (2003) 'The Good Reputation Index: A Tale of Two Strategies' *IPA Backgrounder* 15(2)

³ *RepuTex General Criteria and Indicators – Australia Pacific Region*

Such criteria undervalue the importance of benefits accruing to the community via nonprofit organizations because of corporations investment in CSR.

There are indications consideration is being given by RepuTex to measuring community needs with the following assessment made after the 2004 index:

Feedback from a number of sources stressed the importance of an organisation appraising social and economic need in the community to inform its community investment programs prior to demonstrating actual support.⁴

Extending the focus on assessing community need prior to corporations making an investment to assessing community benefit after investment, would be a substantial step in correcting the balance of thinking on CSR.

Corporate Responsibility Index

Detailed information on criteria for the Corporate Responsibility Index is not readily available. However, social impacts measured by this index are extremely broad and embrace issues such as product affordability and industrial relations practices⁵.

Like RepuTex, the Corporate Responsibility Index appears to fall short of the mark when it comes to assessing the benefits to the community stemming from corporate activities supporting CSR objectives.

Conclusion and recommendations

The exemplary participants in employee volunteering programs ensure that the community experiences meaningful benefits from corporate investment. They strive to add value that cannot be generated from within participating nonprofit organisations.

Reporting practices around corporate social responsibility are currently focused on investments made by companies, with little or no regard to how this translates to the impacts on the communities who are meant to benefit. Refocusing reporting practices will encourage companies and nonprofit organisations to extract the maximum benefit from activities such as employee volunteering programs.

⁴ *RepuTex Report on 2004 Criteria Consultation Feedback*

⁵ *St James Ethics Centre (2004) Corporate Responsibility Index*

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