

Parliamentary inquiry into Corporate Social Responsibility

The Body Shop

September 2005

How we define corporate social responsibility.

Corporate social responsibility is about a moral dimension to the way business is done, of doing the right thing, not just by shareholders but all stakeholders. It's about a business morality that requires an interactive relationship with the community which positions people, not commodities at its heart. Primarily it's about building strategic partnerships between business and society in order for innovative solutions to local and regional community problems.

It's about a return to an understanding of business and society relationships that ruled the world for centuries. Corporate social responsibility is about the business sector taking responsibility for the communities in which it operates. Corporations need to meet social obligations and commit to improving society as whole rather than just simply meeting shareholders expectations.

There is no time like the present for us to further the discussions on corporate social responsibility. It's not a passing fad, but a serious call for significant change in way businesses see themselves and how they are seen by the community. It's a time also when government is seeking new forms of governance, increasingly turning to the private sector to help it address social issues.

The focus is not just about improved economics. There is an increasing awareness of the need for business, community and government to work out new ways of working together, where success is defined not simply in terms of financial bottom lines, but across a number of fronts and where investment covers social, intellectual, as well as financial capital.

The main challenge of corporate social responsibility is **how** business, government and society can work more closely together, drawing away from an "us and them" culture, to a culture which recognises worth and values of such collaboration for long term social and economic gain.

Corporate social responsibility can compliment government's role in providing social policy and offer new perspectives to addressing social issues. Social and environment problems are too big for any one sector alone to solve. Corporate social responsibility can be a tool for government to increase positive social and environment outcomes, as well as addressing wider societal concerns, such as education and poverty.

The Body Shop - Where do we fit in all this?

We're an example of a growing list of organisations with a long held belief that economic success is not the only indicator of complete success. The Body Shop Australia is part of The Adidem Group, which operates:

- 72 The Body Shop stores in Aust
- ◆ 18 Accessorize stores in Aust
- ◆ 1 restaurant Manchester Lane Melb

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The Body Shop is a manufacturer and retailer of personal care products. Our product range consists of over 600 skin and hair care products and a range of accessories to compliment these products. The company was founded by Gordon and Anita Roddick in Brighton in the UK in 1976. The Adidem Group operated the Australian franchise of The Body Shop since 1983. Our commitment is to three equally important company goals:

- 1) economic success
- 2) stakeholder fulfilment
- 3) positive social & environmental change.

The interconnectedness of the 3 company goals forms our company logo and illustrates our commitment. The Body Shop believes it is necessary to focus on these outcomes as interlinked, symbiotic factors, all of which impact upon each other. The communities in which we operate are our stakeholders and we need their acceptance to be viable long term.

Contrary to what many critics would have us believe, the desire to run a socially and environmentally responsible business is not mutually exclusive to the ability to make a profit. It is just a way of making profit sustainable. We've often said that there's no point waiting until you make enough money to start thinking about your impact on your staff, society and the environment. The business needs to embed its commitment to working on all 3 areas in totality and then everything flows from that. Importantly, they're goals, not statements of achievement and we constantly seek ways to improve our performance.

Corporate Social Responsibility - Looking outside the square.

There is no doubt that our resolve is strong; the question though remains, could companies like ours do more, given the right encouragement? For the most part new corporate social responsibility programs are organised through grant funds from governments / philanthropic bodies and trusts, specifying where such funds can be applied and putting governance structure around often scarce resources. However what this process does not allow for at all are "off the wall" or "untested" ideas and responses to issues.

Overall many of the new corporate social responsibility opportunities are built around new ideas. The corporate community is much more attuned to risk than traditional funding sources. Organisations realise that taking risks is where the greatest upside is. Therefore the place to go for "bold" ideas is to the corporate sector. For example "The Big Issue" is a magazine sold by homeless and marginalised people that does not conform to tradition social support initiatives. Within Australia the magazine now supports over 250 people in inner cities around Australia.

When The Body Shop first started this program in Australia in 1996 we tried a few approaches to government and the response was a little less enthusiastic. As a result The Body Shop funded the project and coordinated the process of acquiring corporate sponsors alone. Over the start up phase and subsequent implementation The Body Shop committed over \$2,000,000.00. These

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funds were provided because the project was too “risky” for any mainstream philanthropic or government agency to become involved. The Big Issue now provides employment for over 350 homeless and marginalised people every week in Australia and does so as a fully self funding social enterprise. Further The Big Issue is set to be able to provide support to even more homeless people right across Australia.

The Body Shop Managers’ Incentive Program

The Body Shop’s efforts with corporate social responsibility are guided by our strengths and desire to support communities in a practical way. Our strengths include our people, skills, location, access to information and trust of the community. Most organisations often think of the benefits of corporate social responsibility along the lines of increased publicity or advertising value, however we believe that our approach to corporate social responsibility provides a more sustainable and substantial benefit to both the organisation and the community as a whole.

One of the most popular projects we are involved in actually happens in countries where we don’t have any shops or business activity, so there’s absolutely no ‘logo’ value, but it’s of clear benefit to us all the same. Over the past three years, twenty-five of our The Body Shop store managers have participated in a Managers Incentive Program that sees a group of local store staff travel to a Pacific island to contribute to a series of small business training workshops. The program is run in partnership with the Commonwealth Youth Program and the United Nations.

The workshops involve approximately twenty local participants from the relevant community, who get together with our managers in a facilitated workshop setting to develop business ideas and plans. Workshops have been held in Fiji, Cook Islands, Samoa, Tonga and Vanuatu.

The Body Shop contributes small business expertise, retail skills and real-life business experience. The United Nations provides administration and logistical support, booking hotels etc. Commonwealth Youth Program (CYP) provides a dedicated co-ordinator, who is responsible for technical support, local resources and follow up support.

This program gives us the ability to motivate and reward our staff in a way that fits with our values. It has a real “money can’t buy” value to us. As a corporate it gives us a unique point of difference in a very competitive market, so it undoubtedly enables us to attract and retain good staff.

At a community level, the aim of the program is to create sustainable businesses in developing nations. The workshops are fun informative and professional training events that have had great business outcomes - the establishment of a bicycle repair and hire service in Tonga, a start-up second-hand bookshop in Samoa and the increased viability of existing business: a local craft store, and even surfing safari adventure tours in Fiji, for example.

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We need to focus beyond simply the “day to day “ business and think about the strengths of the organization. The strength of the offer in Fiji and Samoa is the real “money can’t buy” experiences of our staff interacting with people who appreciate their work and whom they can mentor. Costs to The Body Shop are around \$10,000 per annum.

The reality is that when we talk about the role of business in the community the key issue is to balance the longer-term objectives of the business with the perceptions and aspirations of all stakeholders. The organisation must consider its core objectives, values and mission along with the community and government perceptions of its role.

Shareholders of an organisation have a right to expect maximum return of investment and an organisation has a duty to ensure long-term sustainability. These views can vary from instigating community initiatives in a pro-active manner, to merely assisting community development or acting as a supporter of a current community response to a need. Whatever the role of the organisation in the community, any role must be matched against the stated values and mission of the organisation and its ability to deliver.

So for us, examples of projects that marry with our values often involve helping the marginalised. Here are but a few examples:

1) The Big Issue is a street magazine sold by homeless people on the streets of Brisbane, Sydney and Melbourne. Half of the sale price of the magazine is kept by the homeless magazine vendors for their own support and the remainder is put towards the editorial and development cost of each issue. The Body Shop contributes financial resources, expertise and management to assist the magazine to meet its social objectives. By assisting The Big Issue create meaningful employment for homeless people The Body Shop is pro-actively assisting the development of a new model of community service provision.

2) Community Projects The Body Shop organisational culture promotes an inclusive environment, so direct involvement of staff at some level is an important component of the decision making process when considering the level of community action. In fact all staff from The Body Shop in Australia are given opportunity to directly engage with their local communities through a program called Community Projects.

This program empowers staff to be active citizens by encouraging them to spend time, during work hours to assist their local community. Up to now, community projects have assisted communities through projects such as forest regeneration, assisting animal welfare shelters, literacy programs for aboriginal schools and working with disadvantaged women.

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The objective of all community projects, whether at a direct proactive level or through indirect supportive giving, has one objective and that is to ensure that The Body Shop demonstrates its philosophy of meaningfully contributing to communities in which we operate.

Corporate social responsibility shouldn't be seen as discretionary or negotiable, but a necessary and integral part of the way business should be done. We need to place greater emphasis on the ethos of corporate conduct that promotes social and economic value for long term benefits for all. As John F Kennedy once asked, "How do we get people in power to live for the community rather than off the community?"

Recommendations

Reporting mechanisms are important, however it is in the 'doing' that the community experiences the real benefits of corporate social responsibility. The ability to act in a socially responsible way needs to be accessible and staff at all levels of the company need to be able to participate.

Having considered the value and outcomes of corporate innovation and investment in the community, it is important to consider how the corporate community can best be encouraged to go further and support new and continued community investment.

Currently, there is a Research and Development taxation program that seeks to encourage investment by corporate Australia in the development of new technology, new process innovation, investment in medicine, bio engineering, mining etc.

We believe at The Body Shop that there should be strong consideration given to developing (or extending) a taxation program that will encourage investment in research and development of projects to strengthen our community.

We, therefore, recommend that the concessions given to industry in other fields of research and development be extended to research and development of innovative programmes in the community sector.

Well researched and developed community support programmes are of enormous economic advantage to our community and are of equal benefit, if not more so, than research and development in other industry sectors.

Further, this may encourage businesses to be more willing to act on idea's that represent 'thinking outside the square' and provide benefit the community in measurable and sustainable ways.