Is Corporate Social Responsibility safe and sustainable?

A speech presented at the National No Interest Loan Scheme Forum Perth – 10 May 2007

David Tennant*

When I was a boy – aged about 6 or 7 I think, I really wanted a bike for Christmas. Santa came through and I got a Repco Safety Bicycle. It was a serious and sensible bike, but not quite the dragster I had in mind. I tried putting racing handlebars on it, adding some cool stickers, put the seat up a little higher than necessary (and frankly than was comfortably usable) but it still was not a dragster – a fact that was repeatedly pointed out by a number of my helpful riding buddies.

What do you do in such a situation? The intended outcome was the provision of a bike and that was what was delivered. Whilst not quite the fashion statement desired, in many ways the Safety Bicycle without pointless additional material like gears, might have been a more appropriate outcome.

Why introduce a presentation on Corporate Social Responsibility (CSR) with a long repressed childhood recollection? The fact is that the giving of 'gifts' can sometimes create unintended consequences. The recipient may not want or need the gift but may have no practical way of saying so. Similarly, the giver may be rather more interested in the anticipated kudos from the act of giving than is useful or appropriate. Add extra complications, like for example the gifted article being considered a necessity, even a right and the discussion becomes more complicated.

CSR is more than organised giving. If it were not, the answer to the title question would be an emphatic 'no'. There is no way, in my personal view, that effective, respectful engagements between corporations and communities can be founded on giving alone. In any event giving is an act, not an engagement. Both may be important for a variety of reasons, but they are different.

CSR activities undertaken by industry groups individually or collectively are generally accepted as a social good. Asking whether that acceptance is universally accurate or stands up to more detailed objective analysis can be uncomfortable and challenging. Community groups generally and consumer advocates specifically have long called for industry groups to think harder and deeper about their social responsibilities. Many corporate entities have taken up that challenge. The fact that there is now an annual, national conference for the Australian No Interest Loan sector is a tangible example of how CSR thinking and action can impact the provision of community based services and supports.

---

* David Tennant is the Director of Care Inc Financial Counselling Service and the Consumer Law Centre of the ACT, located in Canberra. He is also the Chairperson of the Australian Financial Counselling and Credit Reform Association, the Consumer and Small Business Representative on the Code of Banking Practice Compliance Monitoring Committee and an Associate of the Centre for Commercial Law, Australian National University.

My intention today is to explore some of the issues community and industry partners might consider in ensuring the ventures they undertake together continue adding value and improving communities in ways that are safe and sustainable. With evidence mounting that the problems associated with disadvantage and exclusion are increasing in complexity, it is imperative that our understanding of the range of options for response becomes more sophisticated. That will include making more informed judgements about the benefits and risks of CSR programs.

<u>A whirlwind summary of Corporate Social Responsibility in an Australian context:</u>

There are many different perceptions about what CSR is. For example, a more traditional view might include informal, often unplanned activities where local businesses or workers engage with their communities in a variety of ways. Those activities are critically important and long may they continue – but they are more readily characterised as personal undertakings rather than evidence of businesses valuing interactions with the communities in which they operate. Before looking at how corporate Australia recognises and measures its community responsibilities, it is worth briefly considering how those responsibilities come about.

In its submission to a Joint Parliamentary Committee Inquiry into CSR in September 2005, the Consumers' Federation of Australia made reference to the emergence of incorporated business enterprises in Elizabethan England. That reference sought to contrast the priority afforded to profit motives with the historical foundation of corporate entities:

> *The modern corporate era needs to be seen within this evolving context. The concepts of 'limited liability' and the separate personality of the corporation developed in order to further the needs of the state and broader community. We seem to have forgotten this history, so that organisations are now seen as only having obligations to their shareholders. This view shows a fundamental misunderstanding of why organisations exist.*[1]

Whatever the historical foundation, the rise of the corporation encapsulates some of the best and the worst of the development of human civilisation. On the plus side we have seen extraordinary and rapid leaps forward in the development and delivery of products and services – from technology, through healthcare, education, what we eat, where we live and so on. The development of those progressions may not have occurred without the impetus of organised capital. Less positive are glaring disparities in how the benefits of these developments are distributed; those disparities are at their most confronting in comparisons between developed and undeveloped countries.

Even within first world economies however, Australia being no exception, an increase in the quality and range of consumer choices available, is diminished by the reality

---

[1] Consumers' Federation of Australia, Submission to Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Corporate Responsibility, Melbourne, September 2005, page 5.

that the ability to exercise choice is limited across the consuming public. In general, poor and disadvantaged consumers pay more for what they can access[2]. Sometimes they are effectively denied access to basic consumer items the majority of the community take for granted.

Whether it has always been so, or is a more recent phenomenon community attitudes seem very clear that businesses are expected to do more than just make money. In a summary of its Millennium Poll on Corporate Social Responsibility, Globescan Incorporated noted that 49% of those polled considered *social responsibilities* as the factors most influencing public impressions of individual companies[3]. Of greater local interest, respondents from 23 countries voted on the importance they would attribute to the following three choices of priority roles for large companies in society:

- make profits, pay taxes, create jobs and obey all laws,
- operate somewhere between the two positions and
- set higher ethical standards and help to build a better society.

The Australians polled rated making profit the lowest at 8 per cent and setting higher ethical standards the highest at 45 per cent[4].

Regardless of the apparent clarity of public opinion, a formal framework to measure and report on the extra responsibilities corporations are expected to meet is very much a recent arrival. The accounting and audit processes that have evolved around business activities over several centuries have produced ever more detailed requirements for what is reported, how and when. Many of those requirements have been formalised into detailed regulatory and reporting structures, in particular through Corporations and Taxation laws. Some of the most dramatic evolutions in the reporting processes have followed spectacular business failures…and as we have seen in recent years in Australia and on the global stage, the bigger companies have become, the more devastating the potential fallout from such failures.

Measuring and reporting on non-monetary focused activities is a mere pup in comparison to the more traditional corporate reporting processes. *Sustainability Reporting*, the best known and internationally recognised approach, is just over ten years old. It contemplates the social and environmental impacts of doing business, alongside economic indicators and most in the audience would be familiar with the concept of so-called *triple bottom line reporting*. Even more recent is the *Global Reporting Initiative (GRI)* established in 2002 to develop and promulgate a reporting framework[5]. GRI's latest offering to assist companies that wish to embrace sustainability reporting is *G3*, a guideline consisting of reporting principles, reporting guidance and standard disclosures (including performance indicators).[6] The reporting

[2] A collection of essays investigating the experiences of low income and disadvantaged consumers across a variety of markets can be found in Anna Stewart (Ed), *Do The Poor Pay More?,* Consumer Law Centre of Victoria, Melbourne, March 2005.
[3] Environics International (et al) (now Globescan Incorporated), *The Millennium Poll on Corporate Social Responsibility- Executive Briefing,* New York, September 1999.
[4] *The Millennium Poll,* ibid.
[5] The Global Reporting Initiative web-site contains a wealth of information: www.globalreporting.org
[6] See www.globalreporting.org/ReportingFramework/AboutG3/. Note also Ernst Ligteringen, *Will the real experts please stand up! The adaptive nature of Sustainability Reporting,* Sustainability Development International, Special GRI-G3 Launch conference edition, Global Reporting Initiative, Amsterdam, October 2006. (Particularly entertaining is Mr Ligteringen's similie to frogs slowly warming in a pot!)

framework is voluntary, although take up is gathering momentum in what has been a very short period of time.

So how has all of this recent activity in understanding, measuring and reporting on non-economic business activity been embraced in Australia? The current Commonwealth Government likes the idea but clearly and publicly supports the organic and non-proscriptive nature of the developments. In an address to the New South Wales Supreme Court and Law Society Conference in August 2006, the Parliamentary Secretary to the Treasurer noted:

> *Flexibility is one of the strengths of Australia's regulatory framework. Based on a mixture of regulation, co-regulation and encouragement of industry best practice; these flexible arrangements can be tailored to the circumstances of different companies.*
>
> *Australia's regulatory framework generally allows for the officers of a corporation to exercise their powers and discharge their duties in the interests of community stakeholders – provided that this is also in the best interests of the corporation.*[7]

Whether cause or effect, voluntary programs can take a while to catch on. Slow progress has certainly been the experience in Australia. Government's own investigations into sustainability reporting by Australian companies show that we lag behind other developed nations:

> *Reporting rates in Australia are lower than overseas, based on a comparison of reporting by the top 100 publicly listed companies in 16 countries.*
>
> *The average rate of reporting across the 16 countries is 41 per cent, compared with 23 per cent in Australia for the S&P/ASX 100.*[8]

The low rate of reporting is balanced by observations such as those made by Dr Judy Henderson, Chair of the Global Reporting Initiative Board of Directors:

> *…some of the best examples of sustainability reporting by corporations have emerged from Australian companies.*[9]

There is also plenty of development activity in the Australian CSR space that is yet to find its way into GRI compliant public reporting. That is certainly the case in relation to financial services activities, although three of the four major banks, including the main sponsor of the national NILS conference the National Australia Bank, are producing and publishing reports on the GRI global database.[10]

---

[7] The Hon Chris Pearce MP, Parliamentary Secretary to the Treasurer, *Directors' Duties in Australian Law: The Government's Response to the CSR Debate*, Address to the New South Wales Supreme Court and Law Society Conference, 21 August 2006, page 5.
[8] Australian Government Department of Environment and Heritage, *The State of Sustainability Reporting in Australia 2005,* Canberra 2005, page 2.
[9] Dr Judy Henderson, *Perfect Timing – Australia and the G3,* Australian Law Reform Issue 87, January 2006, page 40.
[10] The Global Reporting Initiative hosts a global reporting database, accessible at www.globalreporting.org/ReportsDatabase.

Are there 'risks' in embracing Corporate Social Responsibility?

If CSR were to be a here today, gone tomorrow proposition, it would be hard to pay it too much attention. That does not appear to be the case. In a broader context, especially with growing international recognition of issues like global poverty and climate change, sustainability reporting is likely to develop further and be taken up more broadly.

It is conceivable that current voluntary reporting across environmental and social indicators, in addition to financial issues, could be woven into regulatory systems. Even with CSR activities voluntary and patchy, community groups, including consumer advocates who work with low income and disadvantaged people, are recognising the need to think more deeply about whether and how they will engage with industry groups. Some, like our hosts Good Shepherd Youth and Family Services have been doing so for many years. For others the interactions are yet to begin, or in their infancy. What then are some of the risks associated with becoming a CSR partner, at least from the perspective of an employee in a community agency providing services to low income and disadvantaged consumers?

a) The business and community sectors are different for a reason:

Partnerships in the provision of community services have built up a head of steam over the last decade, particularly cross-sectoral partnerships with businesses or in undertaking business like activities. Not all of the developments have been welcome within the community sector. One of the most positive aspects has however been a growing willingness on the part of community providers to reconnect with the underlying principles of the existence of their services and the strength in staying true to those principles.

Taegen Edwards captures some of the challenges for church agencies in an occasional paper written early in 2006 for Good Shepherd Youth and Family Services. Whilst the comments focus on the relationships between government funders and church community service providers, they have a broader application to any partnership activities, including CSR:

> *There exists a fundamental clash between church or Christian values – expressed here by church 'mission' – and values associated with the Free Market. Because of the increasing influence of market values on church agencies – especially those under contract with government – the agencies are presented with challenges and choices. There is a challenge to recognise and maintain unique organisational culture, that which distinguishes church agencies from others. There is a challenge to maintain independence or the ability to be clear-minded, autonomous and critical of government where necessary, without concern that this might be in breach of contract or affect future contracts. There is a challenge to operate more like a business in order to compete, to become more professional, efficient, strategic, and accountable,*

> *yet to do this in a way that expands the capacity to fulfil the original mission rather than threatens it.*[11]

The Australian financial counselling community is well aware of the dangers in not keeping the compass firmly set on the needs of its low income and disadvantaged client base. There is no shortage of information about the extraordinary credit and debt binge Australian households have embarked upon over the last decade. Personal debt commitments now amount to over 150 per cent of GDP. Not only is the rate of growth unsustainable, some respected economic commentators believe the current level of personal debt represents the hair trigger for a recession. The financial counselling community has struggled to maintain service delivery effectiveness in the wake of the extra demand pressures and complexity that have accompanied the growth in personal debt. Public funding levels have reduced markedly in real terms. Conversely, organised financial counselling in Australia has never to my knowledge attracted as many approaches from potential corporate sponsors and partners than has been the case in recent years. Some of those approaches quite properly acknowledge the risks that personal debt levels may represent for the financial services industry.

The leadership shown by other community providers has encouraged financial counsellors to embark on a detailed, robust and transparent national discussion of conflicts of interest and corporate partnerships. A discussion paper has been circulated through financial counselling networks nationally and a significant proportion of this year's financial counselling conference in Sydney on 25 July 2007 will be devoted to considering the issues[12].

This is not an exercise in navel gazing. If financial counsellors are to ensure the integrity of the services they provide, most importantly in the eyes of the people to whom those services are provided, developing and implementing appropriate policies on how services are funded is not optional. The current view that the peak body, the Australian Financial Counselling and Credit Reform Association has taken, is that direct industry funding of client services is inappropriate. Models like the development of a suitably independent trust or foundation may provide mechanisms sufficient to maintain the integrity and independence of service delivery.

CSR proposed or delivered without respect and sensitivity for the principles community providers seek to protect endangers those principles. In a line of argument pursued at this conference in previous years - community providers must recognise the priority of their connections with community and that priority must be respected by those who seek to engage with them.

As much as community bodies need to remember how and why they exist, it is also important to recognise business has other priority obligations. CSR is inevitably ancillary to the normal trading activities of the corporations involved. There can be synergies and overlap, even occasions where CSR activities actually return a profit. But the single, indisputable and central tenet of CSR sustainability in a business

---

[11] Taegen Edwards, *A Balancing Act or Mission Impossible – Challenges for Church Agencies in the Business of Welfare*, Occasional Paper 1/2006, Good Shepherd Youth and Family Services, Melbourne Victoria, page 18.

[12] A copy of the discussion paper, *Partnerships with industry and conflicts of interest – March 2007,* can be obtained via AFCCRA's web-site, www.afccra.org.

model is that the CSR program requires the success of the business to continue, rather than the reverse being true.

With such clear and vocal public expectations about how we want our corporations to behave, public recognition by industry of the limits of CSR can be hard to find. Understandably perhaps even corporate leaders less comfortable with the forward thinking that sustainability reporting necessarily encourages would not want to be seen to be swimming against the tide.

A series of articles in a supplement to the Economist magazine in January 2005 did however tackle the hard issues head on. One article in that publication, entitled '*The ethics of Business*' suggested CSR enthusiasts would achieve better outcomes by developing and promoting ethical business conduct. The article concluded:

> *The business of business is business. No apology required.*[13]

A separate article in the same supplement to the January 2005 edition of the Economist suggested the trend toward triple bottom line reporting was actually diluting the value and reliability of reporting mechanisms:

> *The great virtue of the single bottom line is that it holds managers to account for something. The triple bottom line does not. It is not so much a licence to operate as a licence to obfuscate.*[14]

b) It is the responsibility of governments to govern:

Last year, the Australian Council of Social Services (ACOSS) conducted a series of consultations and produced a report on what Australians consider to be the essential ingredients of making our country a fair place to live[15]. The consultation was split into two parts. The first set of results from around 1600 participants reflected the views of those sufficiently motivated to attend community meetings or to voluntarily complete and return a questionnaire. The vast majority (86 per cent) picked equal rights and responsibilities as the top requirements to make Australia a fair place. The remaining items in the top 10 were, in descending order:

- fair welfare: 84%
- fair education: 80%
- fair environment: 80%
- fair work: 78%
- fair community: 77%
- fair health: 76%
- fair reconciliation: 56%
- fair housing: 52%
- fair services: 50%[16].

[13] The Economist, *The ethics of Business*, London, January 2005
[14] The Economist, *The World according to CSR*, London, January 2005
[15] Australian Council of Social Services (ACOSS), *10 Essentials to make Australia Fair Report*, Redfern, 12 November 2006.
[16] ACOSS, ibid, pages 2-4.

The second limb of the ACOSS investigation involved general telephone polling conducted by Roy Morgan Research, asking respondents in an open and unprompted way to list what they consider to be the 10 essentials in making Australia a fair place. From the telephone polling 8 of the 10 essentials reported in the ACOSS consultation reappeared. Perhaps more interesting and as reported by Roy Morgan Research:

- *Almost everyone agrees that all Australians have the right to an acceptable standard of living (94%);*
- *The majority agree that the Government has a responsibility to make sure everyone has a fair go (82%).*[17]

From the ACOSS research we can conclude with some certainty that there is a high degree of consistency across the Australian population on what we think is fair. We can also safely assume as a nation Australians think government plays a significant role in establishing and maintaining fairness. Although I am not aware of any specific polling comparing public expectations of business responsibilities to government responsibilities, I suspect there are key differences. We might want and expect both businesses and governments to behave fairly, but in a broader societal sense we are more likely to hold governments responsible for delivering and maintaining acceptable levels of fairness across the community.

'The ethics of Business' article referred to earlier also makes some telling observations contrasting the roles and responsibilities of governments and businesses:

> *…businesses should not try to do the work of governments, just as governments should not try to do the work of businesses. The goals of businesses and the goals of government are different – or should be. That, by the way, is why 'partnerships' between the two should always arouse suspicion. Managers, acting in their professional capacity, ought not to concern themselves with the public good: they are not competent to do it, they lack the democratic credentials for it, and their day jobs should leave them no time to think about it. If they merely concentrate on discharging their responsibilities to the owners of their firms, acting ethically as they do so, they will usually serve the public good in any case.*
>
> *The proper guardians of the public interest are governments, which are accountable to all citizens.*[18]

There might be a temptation in a forum such as this to dismiss the preceding views as representing a hard-nosed and largely outdated economic rationalist view. If we look however at what we expect our governments to deliver in ensuring the society in which we live is safe and fair, particularly for the vulnerable and disadvantaged, we may equally conclude those elected officials are letting us down in substantial ways.

The evidence of fundamental failures to address problems confronting the most vulnerable members of our communities seems to be increasing. Those who have devoted their working lives to understanding and assisting people to overcome

---

[17] ACOSS, ibid, pages 5&6.
[18] The Economist, *The ethics of Business*, ibid.

disadvantage often express intense frustration at not only a lack of progress but an apparent lack of commitment. A good example of that frustration can be found in comments made by Professor Brian Burdekin at the launch of the National Youth Commission into Youth Homelessness in Sydney in March 2007. Professor Burdekin lamented the ongoing and increasing incidence of long term homelessness:

> *What is government doing about this? You can't just sit back and ask civil society, as it is loosely called – and I mean when I use that phrase, the church and philanthropic and non-government sector, as some of the key service providers to actually be responsible for the policy settings. We, as a country, go off and solidly ratify these international conventions which say everyone has the right to food, everybody has the right to shelter. These are fundamental human rights. I was saying an hour or so ago on the national media, if you haven't got safe, secure accommodation, the rest of human rights are pretty academic.* [19]

How governments deliver, or fail to deliver on policy responsibilities can be directly relevant to the design of safe and sustainable CSR. Ironically, the safety and fairness of our communities might in the long term be diminished by replacing the role of government with the insertion of corporate resources.

c) The need to produce structural solutions to market dysfunction or unfairness:

Consumer advocates have been consistent in their observations that the benefits of growing and competitive markets are not shared evenly. As noted earlier, the poor and disadvantaged frequently pay more for what they can access. Sometimes no safe or fair options are accessible to them at all. These are structural problems that require structural solutions. With the right set of commitments and broader industry buy-in CSR might be part of a structural solution, but will rarely represent the complete answer. There are a variety of reasons why, for example:

- sometimes the problems represent failures or absences in social policy and, as noted above, require leadership from governments, and
- companies interested in CSR generally come from more mature industry sectors and have a strong interest in protection their public reputation (unlike many of the businesses that seek to exploit vulnerability and disadvantage).

It may also be the case that the structural problems are to be found within industry, making it less likely that industry groups alone can recognise those problems or deliver solutions in an appropriate or timely manner. Take for example the problems in the financial planning industry. ACCC Deputy Chair Louise Sylvan described that industry as '*structurally corrupt'* in 2003, while she was CEO of the Australian Consumers' Association.[20] The more recent problems with Westpoint and FinCorp suggest that not much has changed in the intervening years.

---

[19] Professor Brian Burdekin, *Transcript of speech at the launch of the National Youth Commission into Youth Homelessness,* The Salvation Army Youth Support Network, Sydney 8 March 2007, page 4.

[20] These comments were made in 2003 to coincide with a joint ASIC/ACA shadow shopping report. An article by Louise Sylvan entitled *The financial planning industry, 2002-2003* can be accessed through the Choice web-site www.choice.com.au.

The global scandal created in the wake of revelations that the Australian wheat trading organisation AWB Limited took part in organised bribery and corruption in sales of wheat to Iraq is another high profile example of a structural deficiency. It might be tempting to conclude the conduct of AWB is limited to just that company in the particular set of circumstances prevailing at the time. An article by the Centre for Australian Ethical Research suggests otherwise:

> *Approximately half of the companies on the S&P/ASX 100 have policies prohibiting bribery and less than one quarter have policies on regulating facilitation payments. This does not compare favourably with the percentage of companies prohibiting bribery in comparable markets overseas. Of the top 100 companies by market capitalisation in the UK, 92% explicitly prohibited giving and receiving bribes. In Europe the figure is 91% and the US it is 80%.*[21]

So too are there types of market conduct that cannot and should not be rendered acceptable by the fact that the companies engaging in that conduct are active in CSR. British American Tobacco produces very impressive CSR reports. As a corporation it produces and disseminates a product that is responsible for preventable deaths.

<u>CSR activities can and do produce some spectacular results:</u>

There have been some fabulous results delivered through CSR partnerships in Australia. No and low interest lending as vehicles to provide safe, fair credit options for low income and disadvantaged consumers have provided obvious high points, with the range and accessibility of such programs expanding markedly in recent years.

No interest loans are a more natural fit with the philosophy and design of not-for-profit community service provision. There is no fee levied for the provision of the credit that facilitates the purchase of essential items. Instances of default, which are very low anyway, do not result in formal collection activity and there is a genuine sense that the lending pool is a community asset, recycling capital to the benefit of all.

The community groups that pioneered no interest lending in Australia decades before the corporate dollars arrived did not need convincing of the benefits. The investment in NILS provided by the National Australia Bank has encouraged and facilitated growth of an ever more sophisticated national network of providers, ensuring the service benefits are spread much wider. It also appears that the leaders in the emerging national network are well aware that its strength lies in the central philosophy of NILS, rather than in its growing size.

Low interest lending, which often means providing access to credit at prices more commercially attractive consumers take for granted, has also been highly successful, but presents more challenges for the community and commercial partners involved.

---

[21] Centre for Australian Ethical Research, *"Just how business is done" A review of Australian business' approach to Bribery and Corruption*, Report Number 1 2006, Canberra, 8 March 2006, page 3.

The results on rates of repayment can be just as impressive as those produced by NILS, but because there is a fee or charge made for the credit, there is an increased focus on making a business case to ensure continuity.[22] The community partners also need to be mindful of appropriately separating their fee free activities, from otherwise commercial products.[23]

In a 2005 article in the Macquarie Law Journal, Nicola Howell and Therese Wilson of the Centre for Credit and Commercial Law at Griffith University explored the connections between financial exclusion, access to consumer credit and Australia's current regulatory framework.[24] The authors suggested a mix of reform options would be needed to ensure any significant expansion of lower cost (in this instance meaning affordable, rather than exploitative) credit for low income consumers:

> *Reform to corporate, financial services and consumer credit regulation is needed to:*
>
> - *create space for the development of voluntary initiatives by both community and for-profit organisations without the fear of inappropriate regulation;*
> - *explore ways in which corporate social responsibility can be better accommodated within existing corporate structures;*
> - *impose obligations on mainstream providers to meet the finance needs of financially excluded consumers; and*
> - *ensure that exploitative products are simply not available in the marketplace.*[25]

Whether the list Howell and Wilson have suggested is correct or complete is a discussion for another day. Directly relevant to the question of whether CSR can be safe and sustainable is the cascading mix of those suggestions. If CSR adds to, further investigates or refines responses to problems that the market left alone has created or failed to fix – then the effort should produce something tangible and lasting. It is not necessarily the responsibility of CSR partners to take those next steps, or to design the responses, but it is of vital importance to share the experiences of the engagement, good and bad, to inform the ongoing development of safer, fairer markets.

Setting aside actual program design and delivery, the success of CSR interactions can be at its best, in my opinion, when the engagement goes beyond the boundaries of just the identified CSR activity. Community groups have an opportunity to communicate

---

[22] See for example: Rosanna Scutella and Genevieve Sheehan, *To their credit – Evaluating an experiment with personal loans for people on low incomes*, Brotherhood of St Laurence, Melbourne, May 2006. 170 loans were provided to a value of almost $200,000 with a default rate of a mere 0.9 per cent. The program still required a subsidy from the commercial partner of over $100,000.

[23] This is an issue that has exercised the minds of agencies that provide fee generating loans and financial counselling in particular. It will no doubt arise in the follow up to the AFCCRA discussion paper *Partnerships with industry and conflicts of interest* (ibid). The discussion will benefit from policies such as those developed by UnitingCare Wesley Mission in Adelaide, a provider of Step Up loans and financial counselling, setting out ways to maintain the integrity and separation of the different service options and approaches.

[24] Nicola Howell and Therese Wilson, *Access to Consumer Credit: The Problem of Financial Exclusion in Australia and the Current Regulatory Framework,* Macquarie Law Journal (2005) Vol 5, page 127.

[25] Howell and Wilson, ibid, page 148.

more direct messages to the designers and delivers of commercial products and services. The commercial partners get to hear that information in a less filtered and managed way than marketing departments would ever produce or allow. The results can be significant, shifting markets in ways that benefit consumers who have been left behind or ignored, in ways few consumer advocates would have thought possible.

There are some excellent recent examples of this value adding to CSR energy in the financial services world:

a) The ANZ's development of responsible lending guidelines has thrown down the gauntlet to the rest of the banking sector. By not making offers of new credit cards or increased limits to customers in receipt of benefit incomes only, the ANZ has raised the bar on appropriate industry conduct. Perhaps more importantly, the initiatives have confirmed what many consumer advocates have been suggesting for some time – that it is possible to cross match customer information from different classes of products with sufficient investment of time, resources and will.

b) The evolution in the design of low cost transaction products that has been undertaken by the NAB is not just significant for the Bank, but given its size and relative market share, significant for the entire country. Originally criticised for inserting unnecessary hurdles for low income consumers to access its basic accounts, the NAB has not only largely removed those hurdles, it has taken an important market leadership role in removing default fees on those accounts.

Both the examples referred to have been informed by the efforts of the two Bank's mentioned to *engage* with the needs of low income and disadvantaged consumers. Giving money, resourcing new programs, producing CSR reports are all important. Above all of those, real engagement with the needs and experiences of communities is more likely to influence corporate culture into the future.

<u>So how *safe and sustainable* is Corporate Social Responsibility?:</u>

The late economist Milton Friedman is credited with popularising the phrase *there is no such thing as a free lunch.* [26] Friedman was not exactly a CSR convert, suggesting that spending corporate money on social causes that did not return value to shareholders would represent a violation of management's responsibilities.[27] Those views are not just contained to the rationalist end of the economics community. The Australian Shareholders Association largely agreed in the following comments:

> *…firms should not generally give without expecting something in return…in most circumstances, donations should only be made in situations that are likely to benefit the company through greater market exposure.*[28]

[26] Robert Marks, *Milton Friedman,* AGMS Magazine (Article), Issue 2/2006, 13 December 2006.
[27] Howell and Wilson, ibid, page 144.
[28] Howell and Wilson, ibid, page 144. Quoting ABC news story, *Shareholder Group Opposes Tsunami Donations*, 18 January 2005 – available at http://www.abc.net.au/newsitems/200501/s1278005.htm

The challenge then in making CSR safe and sustainable is to develop a balanced approach:

- Not too dismissive, so as to refuse to recognise the important steps forward achieved through CSR activities and the communications that have evolved around those activities.
- At the same time not so enthusiastic as to fail to properly analyse the root causes of problems and to in turn insist on long term solutions.

The clients of community service providers should be able to benefit from the best that the CSR landscape has to offer. At the same time accessing those benefits should not diminish the importance of providing long term, structural solutions to structural problems or reduce the responsibilities that governments correctly bear to make communities fair for everyone.