



BROTHERHOOD
of St LAURENCE

Doing business responsibly

Perceptions of ethical practice and governance of
Australasia's top 100 companies

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Foreword

This report supports the Brotherhood of St Laurence's (BSL) involvement in the Good Reputation Index (GRI) 2002. We consider it is important to provide feedback on a process in which many high profile companies were involved, and to incorporate information we have gained as part of our ongoing involvement in ethical business practices.

This is the first year of the BSL's involvement in the GRI. We were invited to participate in the category of ethics and corporate governance. This report is designed as a feedback mechanism and learning tool for organisations; it is not a matter of 'naming and shaming'. In the words of Attracta Lagan from KPMG, 'It is not about perfection, it is about trying' (Lagan 2000, p.193).

The BSL continues to balance practical care with research and advocacy, to ensure our work has maximum impact. Our vision is for an Australia free of poverty and the continuing dialogue we have with all sectors of the community, including business and government, is essential to help realise this vision.

We constantly look for different and innovative ways of working and this has motivated us to focus on ethical practices and governance as part of an overall framework for social responsibility. We are involved in exciting work in supply chain management in China and many innovative partnerships with the corporate sector in Australia.

The BSL is a shareholder of the Community Sector Bank and we are working closely with Bendigo Bank to establish a micro-credit scheme for people on low incomes. Another innovative financial management scheme is being developed with the ANZ Bank. Our recent partnership with Parks Victoria resulted in the development of 'No Sweat Shop' label T-shirts for their fire crews, demonstrating that the community sector can make a significant contribution to the issue of social responsibility.

I encourage you to use this report to help strengthen the relationship between the corporate and social sectors so that we can work together for a better future for all.

Reverend Nic Frances
Executive Director

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Statement of disclosure

The Brotherhood has developed relationships with and/or received financial assistance and in-kind support from the following companies in the top 100 of the *Business Review Weekly*'s top 1000:

Ancor, AMP, ANZ Banking Group, AXA Asia Pacific, BHP Billiton, BP Australia, ING Australia, Macquarie Bank, National Australia Bank, News Corporation, Rio Tinto, Shell Australia, Smorgon Steel, Toyota Motor Corporation, Visy Industries, and Westpac.

I. Introduction

The Good Reputation Index (GRI) is designed and facilitated annually by Reputation Measurement, a private company specialising in research and assessment relating to corporate reputation. The GRI involves community, environment and research (stakeholder) groups in evaluating the ability of Australasia's top 100 companies, identified from the *Business Review Weekly's* top 1000, to manage activities that contribute to their corporate reputation.

Each year, the top 100 companies are examined and ranked according to the perception of stakeholders, based on research. All stakeholder groups involved are required to develop up to four criteria, design a survey, and provide Reputation Measurement with a score for each of the top 100 companies.

There were 22 stakeholder groups involved in the GRI in 2002, with up to five for each of the following six categories:

- ethics and corporate governance
- environmental performance
- employee management
- social impact
- management and market focus
- financial performance.

These results were collated by Reputation Measurement and this year the final ranking was published in *The Age* and *The Sydney Morning Herald* on 28 October 2002.

This marks the third year of the GRI, but is the first year the Brotherhood of St Laurence (BSL) has been involved. The BSL was invited by Reputation Measurement to contribute to the ranking in the category of ethics and corporate governance. Given our expertise and interest, our approach was to focus on ethical practices and social responsibility in corporate operations, and our survey was designed accordingly.

The purpose of this report is threefold: first, to provide the context for BSL's involvement; second, to explain the methodology; and third, to present an assessment of the findings of the survey, with examples of good practice in relation ethical practices and governance.

Definitions

Work continues to develop in the area of ethical practices and governance, and there are currently no clear and agreed definitions (Francis 2000). The researchers used the following explanations to inform our approach to survey design and assessment for the Good Reputation Index.

Governance

According to Bosch, governance is 'the system by which companies are controlled' (1995, p.7). Governance refers to the accountability systems for the measurement, monitoring and reporting of decision making in the organisation, including how decisions are reported to the board and the fulfilment of legal obligations regarding the duties and responsibilities of boards of directors. It also covers 'efficient decision making, appropriate resource allocation, strategic planning' (Francis 2000, p.8).

Ethical practices

Business ethics is not as simple as deciding what is 'good' and 'bad' – although that is certainly part of it. Instead, it is about 'doing what is right' ... The 'right thing' is often 'the fair thing' – the action that considers others' needs. It, therefore, concerns the values that

shape our behaviour towards fellow employees, customers, suppliers, competitors and all an organisation's stakeholders (Lagan 2000, p.9).

Ethical practices within an organisation are about ensuring that wider implications of operations are considered and action taken to contribute to a sustainable society. These include social, environmental and community aspects, as well as economic implications. Ethical business practices apply to all business activities, both locally and offshore, and are best achieved through transparent and accountable processes. While adherence to legal requirements is important, ethical practices and governance require greater commitment from companies. Ethical business is about going beyond legal considerations, ensuring compliance with not only the letter of the law, but the spirit.

2. Context for the involvement of the Brotherhood of St Laurence

The Brotherhood of St Laurence is an independent welfare provider and advocate for change in government policies. We balance practical care with research and advocacy to ensure our work has maximum impact. The Brotherhood of St Laurence (BSL) has a vision of an Australia free of poverty. It has a strong interest in contributing to discussions on ethical business practices, social reporting and ethical initiatives. As part of this commitment, an ethical business project commenced in 2000.

Ethical business project

The initial focus of the ethical business project was to map the supply chains of Mod-Style, the BSL's commercial enterprise involved in the importing and wholesaling of optical frames. The project led to the development of a 'Model of Engagement'—a process designed to promote meaningful relationships with contractors and suppliers, and incremental progress towards improved corporate responsibility.

The ethical business project also led to the accreditation of the BSL as a 'No Sweat Shop Label' manufacturer, and Hunter Gatherer as an accredited 'No Sweat Shop Label' retailer, the first and only in Australia. Our two Hunter Gatherer stores sell 'retro-inspired' vintage garments, as well as new clothes designed and manufactured Australia. The accreditation means that all our new garments have been made under employment conditions that support the labour rights of all workers. Manufacturing garments was a new initiative for the BSL, and gaining accreditation was an important part of ensuring our stores operated in keeping with our commitment to ethical practices.

The ethical business project also has an internal dimension. The organisation's vision statement includes a commitment to working towards a sustainable society, one which balances social, environmental and economic benefits. Work is currently being undertaken to ensure that learnings from the ethical business project are applied across the organisation so it operates within a framework of broader social accountability. As part of the BSL's commitment to ethical business practices and global responsibility a 'Framework for Social Responsibility' has been developed to guide the organisation, a process well suited to many organisations.

The BSL's work in this area has been recognised internationally. Serena Lillywhite, Manager Ethical Business, presented papers at the OECD Roundtable on Corporate Responsibility (Guidelines for Multinational Enterprises) in June 2002, and at the Academic Meeting on International Labour Standards and Workers' Rights, and Business and Human Rights in China, in November 2002.

Furthermore, the BSL became involved because the Index provides an important opportunity for research, community and environment groups to engage with the business sector. It is a useful opportunity for interaction and dialogue on the activities of companies that have a substantial impact on all in the community.

For a copy of the 'Framework for Social Responsibility' report, or more information on the BSL's commitment to ethical business, please refer to the social responsibility section of our web site (direct link <<http://www.bsl.org.au/ethbus/index.html>>).

3. Methodology

The BSL adopted a thorough, prepared approach with a strong focus on maximising participation. A project officer (Sonya Holm) was employed part time for ten months, with primary responsibility for managing, coordinating and implementing the project. Expert advice was sought in relation to survey design, appropriate scoring, and the development of software for generating the scores. The BSL Ethical Business Manager (Serena Lillywhite), provided supervisory management and support. An Advisory Committee comprising BSL staff and external advisers was established for the project.

There were seven stages in the research process.

Stage 1 Background research

Relevant literature was reviewed and experts in the area of ethics and governance were contacted. This led to the development of three criteria by which the BSL measured companies' demonstrated commitment to ethical practices and governance:

1. Internal systems and practices

- Demonstrated commitment to ethical practices
- Accountability systems (that meet obligations to stakeholders, and are open, honest and transparent)

2. External relationships (local and global)

- Supply chains and trading partners
- Participation in local community

3. Commitment to action

- Future commitment to establishing ethical and governance practices

Stage 2 Survey design

The survey was designed to go beyond a 'tick the box' approach, in order to get a clearer indication of what occurs in practice. A major aim was to ascertain the extent that ethics and corporate governance are not only spoken about but acted upon within the organisations.

There were three sections to the survey, based on the three criteria. All but two of the questions were quantitative. Companies were also asked to provide evidence, in the form of either documentation or written explanations, for many questions. The quantitative approach was deliberately chosen to reduce subjectivity in scoring the responses, and ensure the smooth operation of a project with tight time-lines and limited resources.

On the recommendation of the project Advisory Committee, the researchers required a returned completed survey in order to provide a final score for a company. Extra information provided by companies was not used unless it was clearly related to the questions in the survey. No additional investigation was undertaken; the survey and relevant information as provided by the participating organisations was the only data used to score the companies.

The survey went through several draft stages and was then piloted. The final version was signed off by the project Advisory Committee.

The main emphasis of the survey was on existing systems and processes that contributed to ethical practices within the organisation. However the third section of the questionnaire provided scope to acknowledge companies' commitment to improving existing mechanisms or planning and

implementing ethical practices and governance in the future. A copy of the survey can be found in Appendix 5.

Stage 3 Scoring methodology

Our approach was to award points to companies for demonstrated development and implementation of ethical systems and practices. Since points were allocated to companies for their activities in a number of areas, the more a company could demonstrate ethical practices and systems were in place, the higher their final score.

Many of the quantitative questions were yes/no questions, but required further information for points to be allocated. In some cases accompanying descriptions were discounted because they were inadequate (usually because the question was not directly answered).

The only two qualitative questions (Qn 4.3 and Qn 23) were scored independently by two markers. Where the results differed, the markers discussed their scores and reached agreement.

The questions referring to offshore operations and trading partners/supply chains (Qn 17 and Qn 18), were not relevant to all companies. If the answer to these questions was no, the questions were excluded from the scoring for those companies.

For companies with a Code, Qn23 was the only question scored in Section C (Commitment to action). For companies which did not have a Code, all questions applied in this section.

Stage 4 Company contact, maximising participation

Survey forms were distributed by Reputation Measurement in April 2002 to the top 100 companies from the 1000 listed by the *Business Review Weekly (BRW)* (15-21 November 2001). The BSL researchers then contacted all companies in the last two weeks of July 2002, the period determined by Reputation Measurement when stakeholder groups could begin following up companies. Most were contacted by phone, some were sent faxes, e-mails or letters. The initial contact was a courtesy call, to ask how the companies were going with the survey and whether they had any queries. This contact was also used to clarify the situation that if a survey was not returned, then a company would score zero. A database was designed to keep track of contact details, feedback from companies and methods of contact. Please note that the information contained in this database will be retained only as long as necessary to provide feedback to participating companies, in accordance with the National Privacy Principles.

Companies that had not returned the survey by the initial due date, were contacted by the BSL in order to confirm participation intentions. An extension of up to six weeks was granted to those companies which indicated they still wished to participate. This approach was taken to ensure every effort was made so companies could participate in the Index.

Stage 5 Data processing and validation

The data was cross-checked at several stages, including during data entry, to ensure validity. Final cross-checking of data was also undertaken before scoring the companies.

Stage 6 Scoring and submitting results

The software developed by Just Outcomes (<www.just-outcomes.com>) calculated a company's score in a series of steps which included weighting of question scores, calculation of percentages relative to average values, summing scores separately for each criterion, and combining the totals according to a user-defined weighting for the three sections, to produce an overall score (see Appendix 4).

Results were submitted to Reputation Measurement converted to scores on a scale of 0 to 7.

Stage 7 Analysis and reporting

Further analysis of the data (response-counts of key survey questions) was undertaken for this report. Our approach to providing this feedback is to highlight good practice, and practical initiatives used.

4. Findings

The data reported in this document was obtained from self-reporting surveys developed for the Good Reputation Index. While acknowledging the limitations of such data, our findings highlight important issues and examples of good practice. Samples provided are edited excerpts from the surveys, for which permission was gained from the appropriate companies.

From the top 100 companies listed in the *BRW*, we received a total of 56 responses. The following analysis is from the number of surveys received, and does not include the 44 non-responses. For companies which did not have a Code of Ethics (or equivalent documentation), some questions were not applicable, so in many cases the total of responses for a question is 51, not 56.

Please see Appendix 1 for a list of the companies which returned the surveys, in order of overall ranking. Appendix 2 is a list of companies with the corresponding international treaties or covenants that are incorporated in their internal processes (from Qn19). Appendix 3 is a list of companies that did not return the survey: for the purposes of the GRI (and the publication in the paper) these companies received zero scores. Appendix 4 shows the maximum scores for each question. Appendix 5 is a copy of the survey questions.

Note re reporting:

In reporting the results the researchers have concentrated on presenting the responses that were clearly positive or negative. Small numbers of 'other' responses, such as a nil entry or information inadequate to make an assessment, were included in calculating percentages but are not always spelled out below.

Section A Internal systems and practices

Overall, 50 companies scored above 50% in Section A. This encouraging result illustrates that many companies have company Codes, and to varying degrees, ensure implementation into organisational processes. Ultimately the company Code should be adhered to in all day-to-day activities and embedded in the culture of the organisation.

Ethical systems and practices

Code of ethics

Fifty-one (91%) of the companies which responded to our survey had a code of ethics or similar documentation. This documentation is referred to as the company Code throughout this report.

All companies that returned the survey responded yes to Question 1: 'Do you have a code of ethics?' However five documents submitted were considered not to meet basic requirements of a company Code of ethics. A Code needed to be more than a public relations or simple values statement. Documentation provided needed to include at least some of the following: clarification of what constitutes unethical behaviour, listing of company values, scenarios that assist employees in thinking about ethical issues, information on mechanisms for highlighting unethical conduct within organisations and consequences of breaches.

There was a wide variety of documentation supplied by companies as a code of ethics (or similar). It included codes of ethics, standards, and conduct, and also business principles, practices, and guidelines. This indicates that while almost all companies recognised the importance of having a code to support corporate responsibility, there is a huge variation in both the content of company Codes and the likelihood of a Code being a meaningful document to influence the corporate or organisational culture.

Ethics training and distribution of the company Code

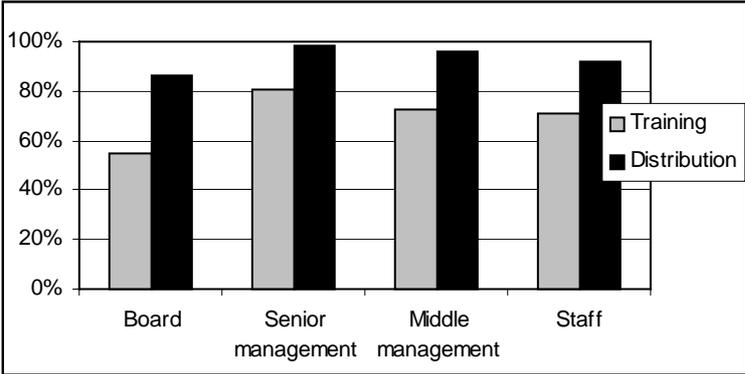
Questions relating to training and distribution of the company Code were applicable to 51 of the respondents of our survey. Comparing responses to the two questions, there were similar patterns of ethics training and distribution of the Code. However, one disappointing finding was that the group most unlikely to receive training or a copy of the Code were the board members (see Table 1 and Graph 1).

All staff need to receive a copy of the company Code and preferably receive training. This is essential for organisations committed to ensuring the principles of the company code are embedded in the organisation, are implemented on a day-to-day basis, and become part of the culture.

Table 1 Ethics training and distribution of the company’s Code

	Ethics training		Distribution	
	Number	Percentage	Number	Percentage
Board members	28	55%	44	86%
Senior management	41	80%	50	98%
Middle management	37	73%	49	96%
Staff	36	71%	47	92%

Graph 1 Ethics training and distribution of the company’s Code



Promotion of ethics

Forty-two companies (75%) said they had an ethics committee or had a designated person within their organisation responsible for promoting ethical conduct.

Fifty-five companies (98%) said they actively promoted ethical behaviour within their organisation. Strategies included distribution of their Code and training about it, as well as intranet sites or other forms of internal communication promoting the issues. Some companies also mentioned the use of interactive learning tools to promote ethical behaviour. Other strategies included campaigns on particular issues, presentations by senior staff, and promotion through human resources policies.

Use of expertise

Thirty-seven companies (73%) used someone with expertise in the area of ethics and governance to develop and implement the code, while eight companies (16%) did not.

Accountability processes

Internal monitoring

The survey sought information to find the extent to which a systematic commitment to ensuring ethical practices and governance was incorporated into the activities of the top 100 companies. This included monitoring of compliance with the company Code of ethics, since monitoring is an important component of the ethical infrastructure needed by companies to ensure they are actually operating in an appropriate manner.

Forty-three companies (84%) responded that they did monitor compliance with their code of ethics. Seven companies (14%) said they did not undertake monitoring.

In terms of frequency of monitoring, 39 companies stated that they undertook monitoring at least biennially—indeed, 24 of these said they undertook monitoring more often than yearly. Ten companies did not respond.

It is important to note that there was considerable variance in approaches to monitoring to ensure compliance with the Code. Some companies undertook monitoring in an ongoing but informal manner, often performed by the line managers or supervisors. Other companies had documented procedures including hotlines for reporting breaches to the Code, committees and advisory groups or departments responsible for undertaking monitoring. Some companies responded to reports of breaching, while others initiated regular audits. In some cases a combination of approaches was used.

Sample of good practice

Sydney Water

... [A]udits and evaluation need to be appropriately incorporated into the organisation structure. Responsibility is largely assigned to line management because of their immediacy to the work place; this encourages transparent accountability. However, a central internal audit function, a divisional network of compliance systems and people and quality (human resources) functions are coordinated centrally to collate and analyse performance data and issue corrective actions.

Four elements of Sydney Water's ethics program, each of which are subject to tailored monitoring regimes are: Risk Based Audit Programs; People & Quality Programs; Ethics/Values Programs; Climate Surveys.

Consequences of breaching the Code

Questions relating to processes and mechanisms in place if the company's Code was breached, and consequences of breaching the Code, were applicable to 51 companies responding to the survey. Out of this group 36 (71%) said they did have processes or mechanisms. Two (4%) said they did not, while 13 (25%) did not respond to the question, or did not provide enough information to be assessed.

Forty-five companies (88%) said there were consequences for employees or board members who breached the Code. One company said there were none, while five companies did not respond or provide adequate descriptions. Most companies stated that the consequences depended on the seriousness of the breach, and might include the following: warnings, reprimands, demotion, counselling, dismissal, or even referral to the appropriate law enforcement body if a criminal act.

It is important that a company Code indicate consequences of breaches. A comprehensive Code should also include clear processes and mechanisms for managing breaches if they occur within the company.

Public availability of Code and reporting on compliance

Thirty-nine companies (76%) said that their Code was publicly available. The most common method of making the Code available was via the Internet. Another popular strategy was including the Code in the Annual Report. Some companies did both, while other companies only made the Code available upon request. Two companies detailed active wider distribution strategies: one stated they made the Code available at conferences and had distributed to stakeholders and the other said they displayed the Code in their own public venues.

Ten companies (20%) said they did not make their Code publicly available. This would appear to reduce the Code's effectiveness in contributing to transparency and accountability.

In terms of reporting on the company's compliance with their Code of ethics, 28 companies (55%) said they did not report publicly, with 20 (39%) indicating they did.

Governance systems and practices

Governance questions (Qn 10, 11 and 12) related to the role and involvement of the board in ensuring the ongoing monitoring of company performance against the company Code. They also examined the extent to which board decisions took into account the social and environmental impact of proposals, and whether board members understood their ethical responsibilities. Thirty-nine companies (76%) said that the monitoring of their performance against their Code was seen as the responsibility of the board. Eleven companies (22%) said it was not. One company which said monitoring was a board responsibility had also indicated, however, that board members did not receive a copy of the Code (Qn 2)!

It appears that the majority of boards are responding to the current interest in socially responsible investment. Forty-six companies (82%) indicated that social and environmental factors would impact on investment decisions. Only seven companies (13%) advised that the board did not ensure that social or environmental implications of investment decisions would be considered.

The issue of socially responsible investment does become more complex when transnational activity increases. Companies are then required to consider the basis on which investment criteria are determined. In many cases organisations consider that the company's code of conduct on its own is an adequate indicator of social responsibility, however those companies seeking more meaningful criteria would be well advised to ensure compliance with national laws as well as internationally recognised core labour standards (see below).

Employment conditions

As Francis observes, 'Ethics also involves employee issues such as fair wages, safe working conditions, work morale and industrial relations' (Francis 2000, p.6). Employment practices which provide adequate protection for workers' livelihood, health and well-being and which prevent discrimination are appropriate inclusions in companies' Codes.

Among the responding top companies, the average proportion of casual employees was 7%, though there was wide variation, largely consistent with industry trends. The average proportion of permanent staff employed was 90%, again with wide variation. The proportion of employees on short-term contracts (12 months or less) averaged 4%, with the range from 0.05% to 15%. However, it should be noted that when out-sourcing has occurred, many organisations do not see contracted-out labour as part of their workforce. It is crucial for the purposes of ethical practices, that these workers are acknowledged and provided with the same protection and rights as other workers—for example, that they are provided with a copy of the Code and have access to training.

To assess the provision of equal career opportunity for women, data was collected on the percentages of managers and of all employees who were women. If there were no barriers to women attaining management positions, it would be expected that the proportion of female managers would match the proportion of female employees. A ratio of less than one would suggest the existence of barriers. On average, gender ratio analysis showed that women occupied management positions in the companies responding at only two-thirds the rate that women were employed in those companies overall.

Section B External relationships (global and local)

A note about Codes of Conduct in transnational operations

Not just a quick fix offshore

Corporate codes of conduct, whilst important in contributing to the promotion of core labour and environmental standards (particularly where national laws are inadequate or poorly regulated), too often represent a shallow attempt to understand the real difficulties in transnational supply chain management, and do not provide an accurate representation of conditions. They are often developed at arms length, with a lack of involvement and commitment from both workers and managers. Codes are frequently poorly promoted and understood within offshore factories, and workers are usually not consulted or given an opportunity to comment freely and without reprisal on their operation.

Monitoring, compliance and enforcement are complex and problematic, and inspections are often ad hoc and not necessarily undertaken by skilled personnel able to accurately identify falsified information. In addition, some codes are insensitive to local laws and customs and ignore the reality of host country labour relations such as restrictions on [or the absence of] freedom of association and collective bargaining in China.

In the manufacturing sector for example, offshore factories or enterprises are often part of a global production network, providing goods and services to various multinational buyers as well as small to medium-sized enterprises. As such they often have many different corporate codes of conduct and customer specific accountability requirements to adhere to, thereby detracting from their capacity to comply with their own national labour law.

In isolation, codes cannot be relied on to protect workers' rights or promote worker empowerment, nor should they be seen as an alternative to national labour laws.

Source: Adapted from Lillywhite 2002

If companies had no offshore operations or overseas trading partners and supply chains (Qns 17 and 18), then those questions were not included in the overall score for those companies. There was an unexpectedly high number of companies, however, which indicated they had no such links or partners. This suggests either misunderstanding regarding the question, or more probably, that most organisations have not yet fully recognised these activities as part of their business operation.

There was some evidence that companies also have some way to go in understanding how ethical business practices apply to the global dimension of the business, including offshore supply chains and trading relationships. Overall, 22 companies scored below 50% for Section B.

Offshore operations

Forty companies (71%) indicated they operated offshore, either directly or via subsidiaries. 'Offshore' meant not in the same country as the parent company. Sixteen (29%) said they did not operate offshore. Since four of the companies which stated they operated offshore did not have Codes, the results for questions in this section seeking detail about company Codes are out of a total of 36.

Codes and offshore operations

Thirty-three (92%) of the companies which had Codes ensured compliance with the Code in their offshore locations. Twenty-seven companies (75%) said they had processes or mechanisms in place in offshore locations if the Code was breached.

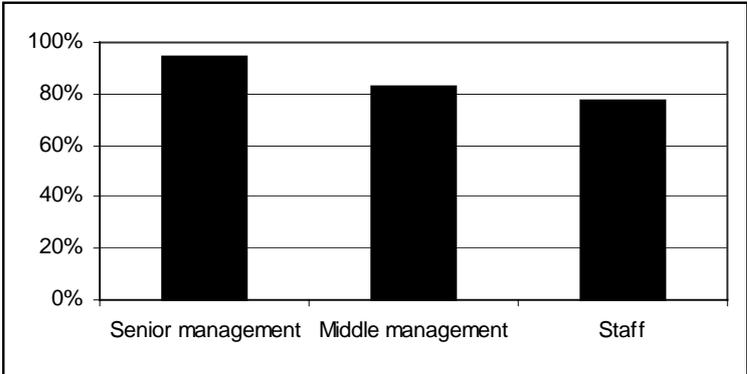
In terms of modifying the Code, 18 companies (50%) said they had modified their Code to meet local laws and customs, while 16 (44%) said they had not. All companies which said they had modified their Code, also stated that the modifications were still fundamentally consistent with the company’s original Code. Work undertaken by the Asian Monitor Research Centre, however, has identified that in reality codes of conduct for offshore suppliers often bear little resemblance to the company codes that apply to employees in the home country (Frost & Wong 2000).

Distribution of company Code

Responses concerning distribution of the company Code in offshore locations revealed that both management and staff there are less likely to receive copies of the Code than their counterparts in Australasia. Thirty-four (94%) companies said the Code was distributed to Senior Managers, 30 (83%) distributed to Middle Management, while 28 (78%) companies said the Code was distributed to staff in their offshore locations.

Work undertaken by the BSL in the optical industry in China, and supported by additional research into the toy and footwear industries by Hong Kong based research organisations, reveals that Codes are rarely if ever distributed to factory workers and as a result they have limited opportunities to report breaches. This significantly reduces the usefulness of Codes in protecting workers’ rights and contributing to improved compliance with national laws.

Graph 2 Distribution of company Codes in offshore locations



Offshore trading partners and supply chains

Forty-four companies (or 79%) said they had offshore trading partners and supply chains (global production networks). Eleven companies said they did not have trading partners or supply chains, and one company did not answer the question. Since three of the 44 companies with offshore partners or supply chains did not have Codes, results from questions relating to the Code are out of a total of 41.

Supply chain management and offshore trading relationships are an important part of ensuring an organisation has a consistent approach to corporate responsibility that recognises the global dimensions. For example, an organisation cannot claim to be pursuing ethical business practices based on a Code, without giving consideration to the labour and environmental practices amongst supply chains abroad. This is particularly important in a developing country that may have a weaker regulatory environment.

Codes, trading partners and supply chains

Major corporations and indeed some government owned enterprises are increasingly recognising that their reputation for social accountability is important, can contribute to a competitive advantage and is an issue of risk management. Voluntary codes of conduct or industry-wide global manufacturing principles are among the outcomes of globalisation and increased transnational activity.

Twenty-five companies (61%) said they ensured compliance with their Code in offshore production and trading relationships. However only 17 companies (41%) said they had processes or mechanisms in place if trading partners or supply chains breached their code. Thirteen companies (32%) said they did not ensure compliance with their Code offshore.

Sample of good practice

Westpac Banking Corporation

In line with our commitment to aligning our suppliers and partners, as stated in our social accountability statement, we expect our suppliers and partners to have acceptable business practices relating to social responsibility.

In circumstances where our suppliers breach the provisions of our code of ethics we will incorporate relevant information into our current contracts database, revise where necessary our 'Request for Proposal' documentation, and re-examine the terms of our business relationship.

International treaties and covenants

Results of the survey identified an understanding amongst many respondents of the role of ethics and governance as an important component of corporate responsibility and risk management. The BSL researchers felt it important to consider companies' understanding and acceptance of international best practice, and their promotion of responsible business practices both locally and abroad.

International treaties, standards and covenants are an essential component of a global regulatory environment. They encourage corporate responsibility and help to ensure consistency in the development of and adherence to minimum labour and environmental standards. For the purposes of the Good Reputation Index five standards were chosen: the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Rights at Work, the UN Universal Declaration of Human Rights, and the Rio Declaration of the UN Conference on Environment and Development.

Organisations were asked whether and how the principles of these treaties and covenants had been incorporated into their internal processes. Twenty-five (45%) said they had, but there was significant variance amongst the ways in which organisations were able to demonstrate a meaningful engagement with and implementation of the principles of the various treaties.

There is little doubt that a key challenge for enterprises pursuing ethical trading practices abroad lies in the nature of the core labour standards themselves. For example, the ILO core labour standards form a statement of principle, policy and practice addressed to States. It is necessary for an enterprise to then translate these into principles which can be applied in individual workplaces. Most of the core conventions require practical interpretation and implementation in keeping with the 'spirit' of the principle. This is best pursued through incremental and pragmatic steps. In this

regard, organisations would be well-advised to pursue alliances and partnerships with experienced community organisations.

Table 2 Companies incorporating international treaties or covenants into internal processes

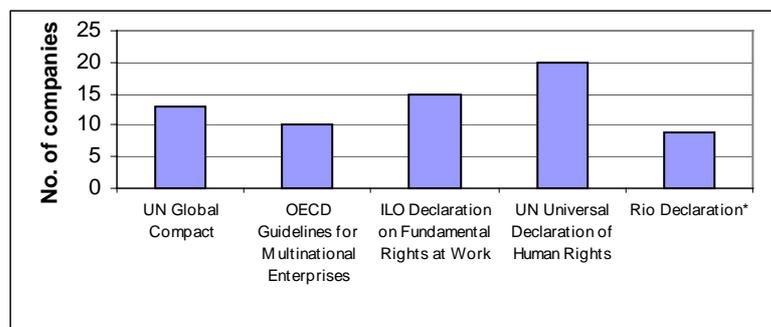
Treaty/covenant	No. of companies
UN Global Compact	13
OECD Guidelines for Multinational Enterprises	10
ILO Declaration on Fundamental Rights at Work	15
UN Universal Declaration of Human Rights	20
Rio Declaration of the UN Conference on Environment and Development	9

Note: See References for details

Companies were most likely to refer in their internal practices to the widely known and more general United Nations Declaration of Human Rights (1948) and the ILO Declaration on Fundamental Rights at Work (1998). The two international instruments that were specifically developed to promote corporate responsibility and are more recent—the UN Global Compact (2000) and the OECD Guidelines for Multinational Enterprises (revised 2000)—were less likely to inform ethical practices among the companies which responded.

This seems unfortunate, for the OECD Guidelines for Multinational Enterprises are perhaps most useful for developing corporate responsibility. They are supported by the 33 OECD member states, non-government organisations, the OECD Trade Union Advisory Committee (TUAC) and the OECD Business Advisory Committee (BIAC). In Australia the Australian National Contact Point (Commonwealth Treasury Foreign Investment Review Board) manages the Guidelines.

Graph 3 Companies incorporating international treaties or covenants into internal processes



*Rio Declaration of the UN Conference on Environment and Development

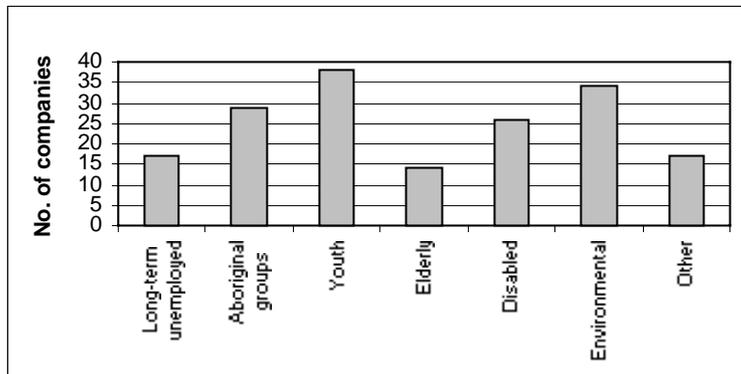
Local involvement

Forty-eight companies (86%) said that they provided support (financial donations, staff participation and/or resources) for the local (Australian) social infrastructure. Examples of such support mentioned in the survey were education and health. Four companies (7%) said they did not provide support, while another four did not respond to the question. Only 26 companies (46%) said they had a policy to donate profits, staff time, and/or resources on an annual basis.

The response rate was under half for the question on what the percentage of last year’s pre-tax profit (including equivalent value in staff time) was donated to social causes. Of 26 responses received, the highest percentage donated was 6%, with the average 1.4%.

Forty-eight companies (86%) said they had a policy of involvement in extra activities that contribute to 'community capacity building' by running programs or employing people. The most common area was youth, followed by environmental programs. Programs listed under 'other' included homelessness and drug addiction, community safety and community training workshops on topics such as fundraising.

Graph 4 Number of companies involved in community capacity building, in each sector of interest



Note: some companies indicated involvement in more than one sector

Sample of good practice

BP Australia Ltd

BP employees working anywhere at any location in the world can access up to US\$5,000 which is equivalent to approximately AUD \$10,000 per employee per year through the BP Employee Matching Fund (EMF). The Fund encourages active fund raising and volunteering as well as enabling staff to feel that BP values and rewards their energy, enthusiasm and the time they spend working with charitable organisations and community groups such as educational institutions.

BP through its global social investment initiative, has contributed both people and financial resources to issues connected with our business on the ground, youth unemployment, crime prevention, strengthening communities, development of aboriginal communities, homelessness and waste reduction particularly in urban settings.

Section C Commitment to action

An ethical organisation is one that strives to live its values and to make these clear to all who have a relationship with it. It is perhaps not a perfect company but simply one that is still learning and growing, always keen to improve performance (Lagan 2000, p.194).

This section focussed on future commitment to establishing ethical principles and guidelines. If a company did not have a Code, then they had the opportunity to be awarded points if they indicated they were in the stages of planning to implement one in the future. If a company already had a code, then Qn 23 was worth 100% of the score for Section C.

This section was designed to allow companies an opportunity to illustrate how continual improvement—that is, the dedicated commitment to ensuring ethical practices and governance—was going to be incorporated into their organisational strategies.

We awarded points for a variety of areas of improvement, covering all areas mentioned in the survey—for example, supply chains, trading partners, off-shore operations, community involvement, use of treaties and covenants. The number of suggestions and their quality were both taken into account. The section also gave organisations scope to identify innovative and new approaches to corporate responsibility.

There was considerable variation in the level of commitment. Whilst many companies identified a willingness to do more, to review processes and to continue to address the issue of corporate responsibility, most were not able to provide a clear strategy to do this. Forty-four companies scored below 50% for Section C. Eleven companies scored 0 for this section as they provided no answer.

Most of the future initiatives listed related to internal processes and practices, including the following:

- establishing ethics committees
- internal audits
- rolling out of piloted initiatives such as hotlines for reporting breaches of the company Code
- review of company Code to determine effectiveness
- re-issuing of the Code
- more training
- monitoring or implementing of Triple Bottom Line accounting.

Very few companies specifically identified a commitment to action related to supply chain management and offshore trading relationships, or increased reference to and application of international treaties and covenants. This finding supports the work undertaken by the BSL in the area of supply chain management and corporate responsibility in China.

Sample of good practice

ING Australia Pty Ltd

During 2002 ING Group will start reviewing its global Business Principles with the view to updating them and in this will be paying particular attention to the subjects of human rights and sustainability. ING Group will consult with internal and external stakeholders during the development of human rights and sustainable development policies and participate and contribute to international discussions on issues such as globalisation. In the coming years ING will focus on further defining and implementing sustainable policies, harmonising and improving its reporting and information systems and continuing its dialogue with stakeholders.

Sample of good practice

Westpac Banking Corporation

Westpac is committed to further embedding current initiatives on ethics and corporate governance into our operating systems, in addition to developing new strategies for increasing the levels of transparency and corporate governance in our policies and practices. This includes, but is not limited to, the following broad-based initiatives:

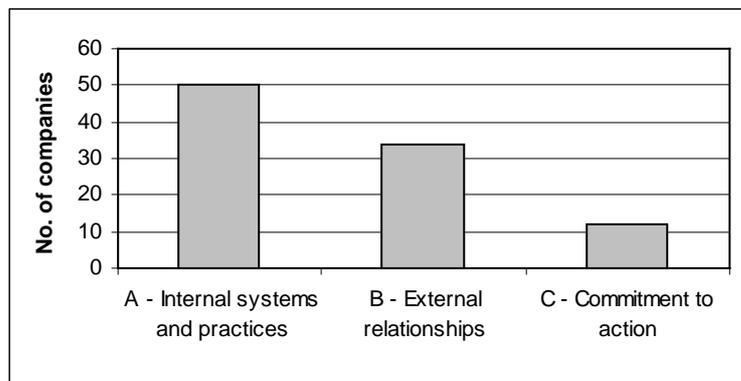
- increasing the role of external advisory and stakeholder dialogue in areas such as complaints, investor issues, women's banking needs and disability access
- increasing dialogue with special interest or social groups, such as financial and consumer groups, in order to improve our understanding of the unintended consequences of our products and services
- continual review of our credit risk and lending profiles incorporating issues prominent in community debate such as gambling, high polluting industries and genetically engineered food.

5. Conclusions and suggestions

Since this is the first year the BSL has been involved in the GRI, trend analysis has not been possible. What can be said from the information gathered from our survey is that there is a clear commitment from companies to incorporate ethical practices and governance in their organisations. However, there is also a considerable variation in how companies are going about this in practice.

As Graph 5 below illustrates, overall companies performed the best in the first area of internal systems and practices. This indicates that most companies responding to our survey have a Code of Ethics (or similar documentation) and a variety of strategies for ensuring that it is distributed to and understood by staff, and that appropriate monitoring is undertaken. Most companies could demonstrate that to some extent the Code had been incorporated into procedures and practices, and ultimately into the overall culture of the organisation.

Graph 5 Number of companies scoring over 50% on each section of survey



It is disappointing to note that companies did not perform as well in the area of external relationships as in their internal practices. Some companies appeared not to recognise their offshore locations, or trading partners and supply chains. However, transparency and accountability in these areas, including a willingness to document where goods and services are sourced, are crucial indicators of an organisation’s commitment to ethical business practices.

Ethical management of supply chains and trading partners, particularly in an international context, is complex and requires a long-term commitment to social responsibility. Whilst quality, price and delivery of goods and services will remain at the forefront of most sourcing decisions, the establishment of long term meaningful relationships will enhance the potential for improved governance and ethical practices. This approach could well lead to a competitive advantage, and indeed many global brands are seeking to source products from manufacturers that meet prescribed standards in order to protect brand image and reputation. Large multinationals with considerable purchasing power are well placed to do this. For smaller organisations collaboration with larger organisations, trade unions, government departments and other networks should be pursued. While size is a limitation on influence, it does not exempt an enterprise from pursuing ethical business practices both at home and abroad. While organisations are generally responsive to the current interest in ethical business practices, not all demonstrated they have responded to the complexity of the issue once transnational activity increases.

It is also disappointing to note that while most companies could demonstrate their commitment to having a Code, many showed limited commitment to building on existing ethical practices.

This suggests that most firms have yet to recognise that corporate responsibility is ongoing. It is not achieved quickly or with ‘one-off’ strategies (such as a Code). Rather, it requires the development

of a culture that is supported and owned by all staff, with business values and behaviour embedded in the organisation and seen as a decision making guide.

The Brotherhood of St Laurence would like to see greater commitment to ensuring ethical practices and governance are clearly incorporated into the activities of all organisations. However, we believe that the top 100 companies are in a good position to make a concerted difference in the business ethics landscape, because of their numbers of employees, capacity for community building, and significant offshore supply chain relationships.

The way forward

Following are suggestions for either improving or developing processes and mechanisms for ensuring the company's Code is meaningful and effective. It is not an exhaustive list, but is designed as a starting point for companies in their quest for ensuring ethical practices and governance are incorporate into their day-to-day activities and overall organisational culture.

Codes of ethics: increasing effectiveness

- Ensure Codes are developed as part of a staff consultative process rather than just imposed on an organisation
- Use expert advice and assistance in preparing the company's Code, and for undertaking training or raising staff awareness
- Distribute the Code to board members and all employees, including casual and contract staff
- Provide training for all employees and board members
- Have mechanisms in place for monitoring the Code
- Periodically review the Code's effectiveness (social audits are useful for this)
- Ensure mechanisms are in place if the Code is breached, and all employees and board members are aware of the repercussions
- Ensure reporting mechanisms exist for employees to report breaches of the Code (without fear of reprisal)
- Recognise the limitations of Codes in isolation as a means of guaranteeing ethical corporate behaviour, particularly offshore
- Recognise the complexities of monitoring and compliance with Codes offshore.

The list below may assist organisations wishing to work towards socially responsible operations throughout their offshore operations, trading partners and supply chains:

Improved international corporate responsibility: some key steps

- Acknowledge that the organisation's corporate responsibility includes its global activities
- Undertake research and allocate resources to ensure social responsibility is an ongoing component of international business
- Understand and map supply chain and all subcontracting arrangements
- Visit factories and workplaces regularly and continue to discuss issues of corporate responsibility
- Understand the labour, environmental conditions and regulatory framework in the countries of operation
- Develop open, transparent and direct long-term relationships with suppliers rather than relying on 'arms length' contracting and licensing agreements
- Invest in capacity building offshore, including education and training and promotion of ethical business practices
- Avoid the attraction of searching for the cheapest labour and goods, at the expense of social and environmental responsibility
- Commit time and resources to understanding the business environment and culture of the countries of operation and be prepared to employ specialist staff

- Recognise that corporate responsibility becomes more complex as transnational activity increases
- Recognise that a Code of conduct does not provide all the answers
- Recognise the limitations and opportunities facing enterprises seeking to contribute to sustainable business practices— incremental progress based on a commitment to action is worthwhile
- Develop alliances and partnerships with NGOs, worker representatives, other enterprises and government representatives to contribute to corporate and social responsibility
- Act in accordance with the appropriate international treaties and conventions.

The BSL welcomes the opportunity to work with the business sector to strengthen community understanding of the importance of ethical practice and good governance in corporate activity. This report identifies some complexities of corporate responsibility, particularly in the global arena. No single approach is completely right or wrong. Compliance with international treaties and national laws to uphold basic labour rights and environmental standards should be the non-negotiable starting point. The process takes time and incremental improvement should be recognised as a meaningful achievement. An organisation's acknowledgement of social responsibility and commitment to developing appropriate practices and monitoring strategies are vital.

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Appendix I Company rankings

Company name	Overall score (weighted)		A. Internal systems and practices		B External relationships		C Commitment to action
	Score	Rank	Score	Rank	Score	Rank	Score
Sydney Water Corporation	90.4%	1	94.4%	1	89.2%	1	80%
Westpac Banking Corporation	88.4%	2	84.6%	21	88.9%	2	100%
Shell Australia Ltd	81.3%	3	91.7%	2	84.3%	3	40%
Boral Ltd	81.0%	4	89.5%	7	69.3%	14	80%
Queensland Rail	79.3%	5	89.0%	9	73.7%	9	60%
Toyota Motor Corporation Australia Ltd	78.6%	6	91.4%	3	68.4%	15	60%
ANZ Banking Group Ltd	77.8%	7	91.2%	4	75.0%	7	40%
BP Australia Ltd	76.1%	8	91.0%	5	70.4%	10	40%
BHP Billiton	75.6%	9	80.1%	31	84.3%	4	40%
Coles Myer Ltd	73.9%	10	89.5%	8	83.3%	5	0%
Holden Ltd	73.1%	11	88.2%	13	65.7%	16	40%
Nestle Australia Ltd	72.9%	12	76.7%	35	81.5%	6	40%
Ford Motor Company of Australia	71.1%	13	88.1%	14	60.2%	20	40%
Insurance Australia Group	70.9%	14	81.5%	26	51.9%	30	80%
DaimlerChrysler Australia/Pacific	70.8%	15	86.4%	15	70.4%	12	20%
Lion Nathan	69.2%	16	80.6%	29	74.1%	8	20%
IBM Australia	68.9%	17	85.9%	18	65.7%	17	20%
Energex Ltd	68.9%	18	88.5%	11	70.4%	11	0%
National Australia Bank	68.6%	19	78.3%	33	49.7%	34	80%
Leighton Holdings Ltd	68.3%	20	85.6%	19	47.2%	36	60%
Woodside Energy Ltd	67.7%	21	88.4%	12	58.5%	22	20%
QBE Insurance Group Ltd	67.5%	22	84.1%	23	55.6%	27	40%
Mitsubishi Motors Australia Ltd	67.4%	23	88.8%	10	57.1%	24	20%
Rio Tinto Limited	67.2%	24	74.4%	39	60.2%	21	60%
Lend Lease	66.5%	25	76.3%	36	63.9%	19	40%
Newmont Australia	66.4%	26	77.5%	34	70.4%	13	20%
Tattersalls Holdings Pty Ltd	66.2%	27	81.5%	25	55.6%	28	40%
Coca-Cola Amatil Ltd (Australia)	65.5%	28	86.1%	17	55.6%	26	20%
Principle Financial Group (BT Funds)	65.1%	29	84.6%	22	65.3%	18	0%
Energy Australia	64.5%	30	81.4%	27	50.9%	32	40%
MIM Holdings Ltd	61.3%	31	80.2%	30	51.9%	31	20%
ING Australia Ltd	61.1%	32	70.5%	40	31.2%	49	100%
Vodafone Pacific	59.9%	33	86.3%	16	22.2%	52	60%
Carter Holt Harvey Ltd	59.9%	34	85.2%	20	32.4%	47	40%
OneSteel Limited	59.6%	35	89.9%	6	42.1%	37	0%
British American Tobacco Australia	59.4%	36	66.2%	44	58.2%	23	40%
Australian Postal Corporation National	56.8%	37	74.4%	38	39.0%	39	40%
Wesfarmers Ltd	56.8%	38	67.7%	41	48.4%	35	40%
David Jones Limited	54.9%	39	67.5%	42	52.0%	29	20%
Mitsui & Co. (Australia) Ltd	54.5%	40	82.6%	24	37.7%	40	0%
Sigma Company Ltd	54.4%	41	81.1%	28	31.2%	48	20%
Commonwealth Bank of Australia	53.9%	42	79.2%	32	40.9%	38	0%
CGU Insurance	52.1%	43	74.9%	37	33.3%	44	20%
Western Power Corporation	47.3%	44	53.9%	48	50.9%	33	20%
Smorgon Steel	46.8%	45	64.2%	45	33.3%	45	20%
Woolworths Limited	44.8%	46	49.6%	50	57.1%	25	0%
Crane Group Limited	44.0%	47	50.4%	49	36.6%	43	40%
Alcoa World Alumina Australia	44.0%	48	61.5%	47	37.7%	41	0%
State Rail Authority NSW	43.7%	49	64.2%	46	24.6%	51	20%
Optus	41.9%	50	66.5%	43	24.7%	50	0%
Santos	29.8%	51	18.2%	54	37.0%	42	52%
Orica Ltd	29.5%	52	49.2%	51	13.9%	55	0%
Macquarie Bank	18.9%	53	22.2%	52	22.2%	53	0%
Origin Energy	18.9%	54	18.8%	53	21.6%	54	13%
Suncorp - Metway Ltd	16.8%	55	6.4%	56	33.3%	46	13%
Flight Centre Ltd	13.7%	56	16.4%	55	13.0%	56	6%

Section C is not ranked as the scoring produced clustered results

Appendix 2 Companies incorporating international treaties and covenants into internal processes

Company name	UN Global Compact	OECD Guidelines	ILO Declaration	UN Universal Declaration of Human Rights	Rio Declaration
ANZ Banking Group Ltd	No	No	No	Yes	No
BHP Billiton	Yes	Yes	Yes	Yes	Yes
Boral Ltd	No	No	No	Yes	No
British American Tobacco Australia	No	Yes	Yes	No	No
CGU Insurance	Yes	No	No	Yes	No
Coles Myer Ltd	Yes	Yes	Yes	Yes	Yes
DaimlerChrysler Australia/Pacific	Yes	No	No	No	No
Energex Ltd	Yes	Yes	Yes	No	Yes
Energy Australia	No	No	No	Yes	Yes
Insurance Australia Group	No	No	Yes	No	No
Lend Lease	No	Yes	No	No	No
Lion Nathan	Yes	Yes	Yes	Yes	Yes
Mitsubishi Motors Australia Ltd	No	No	Yes	Yes	No
Mitsui & Co. (Australia) Ltd	No	No	No	Yes	No
Nestle Australia Ltd	Yes	Yes	Yes	Yes	No
Newmont Australia	Yes	No	No	Yes	No
Queensland Rail	No	No	Yes	Yes	Yes
Rio Tinto Limited	Yes	No	Yes	Yes	No
Santos	No	No	No	Yes	No
Shell Australia Ltd	Yes	Yes	Yes	Yes	Yes
Sydney Water Corporation	Yes	Yes	Yes	Yes	Yes
Toyota Motor Corporation Australia Ltd	No	No	Yes	Yes	Yes
Western Power Corporation	Yes	No	Yes	Yes	No
Westpac Banking Corporation	Yes	Yes	Yes	Yes	No
Woodside Energy Ltd	No	No	No	Yes	No

Appendix 3 Companies not participating in GRI 2002

(Please note, these companies received a zero score for purposes of the Good Reputation Index)

AGL Ltd
Amcor Ltd
AMP Ltd
API
Australian Wheat Board
AXA Asia Pacific Holdings Ltd
Bank West
Brambles Industries Ltd
Burns Philp
Caltex Australia Ltd
City Ford
Compaq Computer Australia
ConAgra Holdings (Australia) Pty Ltd
Concorde International Travel
CSR Ltd
Downer EDI
Exxon-Mobil
Foodland Association Ltd
Foster's Brewing Group Ltd
Futuris Corporation
George Weston Foods
Goodman Fielder Ltd
Hanson Australia
Hewlett-Packard Australia
Itochu Australia Ltd
James Hardie Industries
Mayne Nickless Ltd
Medibank Private
Metcash Trading Limited Australasia
News Corporation
Pacific Dunlop
PaperlinX Ltd
Publishing & Broadcasting
Qantas Airways Ltd
Royal & Sun Alliance Ins Aust Ltd
Southcorp Ltd
Spotless Group
St George Bank Ltd
TABCORP Holdings Ltd
Telecom Corporation of NZ Ltd
Telstra Corporation Ltd
Toll Holdings
Visy Industries Pty Ltd
Zurich Australia Insurance Group

Appendix 4 Assessment methodology

Weighting for each criterion

	Part A	Part B	Part C	Total
Proportion of overall score	50%	35%	15%	100%

Maximum points for each question

Qn1	30	Qn17.1	5
Qn2a	4 x 2 = 8	Qn17.2	5
Qn2b	4 x 2 = 8	Qn17.3	5
Qn2c	5	Qn17.3a	5
Qn2d	5	Qn17.4	3 x 2 = 6
Qn3	5	Qn17.5	5
Qn4	10	Qn18.1	10
Qn4.1	6	Qn18.2	5
Qn4.2	5	Qn18.3	5
Qn4.3	5	Qn19a	5 x 5 = 25
Qn5	5	Qn20	5
Qn6	5	Qn20.2	5
Qn7	5	Qn20.3	6
Qn8	5	Qn21	10
Qn9	5	Qn21_1	6
Qn10	10	Qn22	5
Qn11	5	Qn22_1	5
Qn12	5	Qn22_2	6
Qn13	6	Qn22_3	5
Qn14	6	Qn23	10
Qn15	6		
Qn16.1	6		

Appendix 5 BSL survey

The following is the BSL survey on ethical practices and governance, distributed to the top 100 companies and used for the Good Reputation Index 2002.

SURVEY QUESTIONS

Please note:

- While management and staff are sometimes referred to separately, 'employees' refers to both.
- This document refers to a 'code of ethics'. Many organisations have other documents that fulfil a similar purpose. If your organisation has other documentation relevant to corporate social responsibility and in particular ethical practices and governance please refer to this.
- When returning your completed survey, please attach a copy of your code of ethics (or copy of the similar document you are referring to).
- If you are asked to describe or provide more information after a yes/no question, if you circle yes but do not elaborate, your answer will be considered as if it were a no response.

PART A. INTERNAL SYSTEMS AND PRACTICES

Examines the extent to which your company can demonstrate its commitment to ethical conduct and governance. This will be measured in terms of your systems and practices for stakeholder involvement including accountability processes, and employment conditions.

ETHICAL SYSTEMS AND PRACTICES

1. Do you have a Code of Ethics (or other relevant documentation)? (If yes please provide a copy) Yes No

2. What specific strategies do you have to ensure the promotion of ethical conduct within your organisation?

a) Ethics training is undertaken by: (please tick all that apply)

- Board members
- Senior management
- Middle management
- Staff

b) A copy of the code of ethics is provided to: (please tick all that apply)

- Board members
- Senior management
- Middle management
- Staff

c) Is there an ethics committee or person with formal responsibility for promoting ethical conduct within the organisation? Yes No

d) Is ethical behaviour actively promoted within the organisation? Yes No

If yes, please describe

3. Did you use someone with specific expertise in the area of business ethics and governance to develop and implement the code of ethics? Yes No

If yes, please explain

ACCOUNTABILITY PROCESSES

4. Is internal monitoring undertaken to ensure compliance with the code of ethics? (if no, please go to question 5) Yes No
- 4.1 How often does this occur?

- 4.2 Do you have processes or mechanisms in place if your code of ethics is breached? If yes, please describe

- 4.3 Please describe the monitoring process (including who conducts it and mechanisms for independent verification)

5. Is compliance with the code of ethics part of your staff performance appraisal process? Yes No
6. Are there implications for employees, board members and directors who breach the code of ethics? If yes, please describe Yes No

7. If ethical issues are identified, are these seen as a positive opportunity to promote change in your organisation? Yes No
8. Is your code of ethics publicly available? If yes, please explain Yes No

9. Do you publicly report on your company's compliance with your code of ethics? If yes, please describe Yes No

GOVERNANCE SYSTEMS AND PRACTICES

10. Is the monitoring of your company's performance against the code of ethics seen as the responsibility of the Board? Yes No
11. Does the Board ensure that the social implications of investment decisions are considered? Yes No
12. Does the Board ensure that the environmental implications of investment decisions are considered? Yes No

EMPLOYMENT CONDITIONS

13. What percentage of your employees are employed on a casual basis? (casual refers to employees who have no entitlements such as sick leave or holiday pay)

14. What percentage of your employees are permanent staff members? (permanent refers to employees who have continuous employment and who have entitlements such as sick leave and holiday pay)

15. What percentage of your employees are on short-term contracts? (12 months or less)

16. What percentage of all your employees are women?

- 16.1 What percentage of your managers are women?

PART B. EXTERNAL RELATIONSHIPS

examines your global and local relationships. This includes offshore employees, trading partners and supply chains, international agreements, and your commitment to your local community.

GLOBAL - OFFSHORE OPERATIONS

17. Does your organisation (either directly or via subsidiaries) operate offshore? ('offshore' means not in the same country as the parent company) (if no, please go to question 18) Yes No
- 17.1 Does your company have a policy to employ staff who are citizens of that country? Yes No
- 17.2 Do you ensure compliance with your code of ethics in these offshore (subsidiary) locations? Yes No
- 17.3 Have you modified your code of ethics to meet local laws and customs? Yes No
- 17.3a If yes, do the modifications still fundamentally comply with your company's code of ethics? Yes No
- 17.4 A copy of the code of ethics is provided (in your offshore locations) to:
- Board members
 - Senior management
 - Middle management
 - Staff
- 17.5 Do you have processes or mechanisms in place if your code of ethics is breached in your offshore locations? Yes No
- If yes, please describe
-

GLOBAL - TRADING PARTNERS AND SUPPLY CHAINS

18. Do you have trading partners and supply chains (global production networks) that are offshore (different country from the parent company)? (if no, please go to question 19) Yes No
- 18.1 Do you ensure compliance with your code of ethics in offshore production and trading relationships? Yes No
- 18.2 Do you have processes or mechanisms in place if trading partners or suppliers breach your code of ethics? Yes No
- If yes, please describe
-
-
- 18.3 Do you attempt to ensure that your trading partners meet your own ethical practices and governance standards? Yes No
- If yes, please describe
-
-

GLOBAL

19. Have the principles of any of the following international treaties and covenants been incorporated into your internal processes? Yes No
(if yes, please tick which treaties and covenants)

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Rights at Work
- The UN Universal Declaration of Human Rights
- The Rio Declaration of the UN Conference on Environment and Development

If yes, please explain

LOCAL

20. Does your company provide support (financial donations, staff participation and/or resources) for the local (Australian) social infrastructure (education and health for example)? (if no, please go to question 21) Yes No

20.1 Please specify in which areas your organisation contributes

20.2 Does your company have a policy to donate a certain percentage of your profits, staff time and/or resources on an annual basis? Yes No

20.3 Approximately what percentage of last year's pre-tax profit (including equivalent value in staff time) did you donate?

21. Does your company have a policy to be involved in extra activities that contribute to 'community capacity building' by running programs or employing people in the following areas? If yes please tick as many as apply Yes No

- Disabled
- Long-term unemployed Youth
- Elderly Environmental programs
- Aboriginal groups Other, please describe

21.1 What percentage of all your donations (including equivalent value in staff time) goes into these areas?

PART C. COMMITMENT TO ACTION

- examines your organisations future commitment to establishing ethical and governance practices.

22. If you do not currently have a code of ethics, are you planning to develop and implement one in the future? (if no, or you already have a code of ethics, please go to question 23) Yes No

22.1 Please indicate the progress of development of your code of ethics

- Aspiration only
- Formal proposal to develop a code of ethics
- Formal approval to develop has been granted

22.2 What is your time frame for implementing your company's proposed code of ethics? (please tick appropriate category)

- Within 1 year
- Over 1 year and less than 2 years
- 2 years or more and less than 3 years
- 3 years or more

22.3 Will you use someone with specific expertise in the area of ethical practices and governance to develop and implement these plans? Yes No

23. Please describe any plans and strategies for further developing the principles of ethical practice and governance within your organisation in the next 2 years, including measures for improving accountability and monitoring
