

CATALYST CSR DASHBOARD

COMMUNITY INVESTMENT

SNAPSHOT

JULY 2013



“Corporate Community Investment is an important aspect of good [corporate] citizenship and concerns the active role of companies in contributing money, time, products, services, leadership and other resources to the communities in which they operate. ”

Centre for Corporate Public Affairs (2007)¹

In 2012 Catalyst published ‘What Gives? How companies invest in communities’, an in-depth look at the corporate community investment practices of 12 leading Australian companies. This research found companies were contributing a substantial amount: over half a billion dollars from just ten companies was invested in community initiatives. This was equal to 0.7% of pre-tax profit from most of the group.

At the same time most companies appeared to undertake their community investment activities without a strong framework or strategy. Catalyst researchers had difficulty identifying the policies driving companies’ approaches to community investment.

The Catalyst Corporate Social Responsibility (CSR) Dashboard takes this work to the next level. It assesses community investment across a broader sample of 32 leading companies. Specifically the Dashboard collected data on Community Investment Amount and Strategy. Both of these indicators are important to consider, because while the amount of investment is often topical, it does not necessarily reflect the quality or effectiveness of a program, or result in the achievement of strategic outcomes.

Both indicators contain several sub-indicators, which together with a summary of the results are addressed in more detail below. The website provides a table of the full results.

Overall results

Overall there was great disparity in the quality and depth of information supplied by the sample. Twenty-four of the 32 companies provided public information to allow Catalyst to rate community investment. However, it was surprising to find that more than half of this group offered only very basic details. Few companies achieved a rating in all of the aspects of community investment that Catalyst set out to explore. Five companies scored 'Above Average'. This reflected strong performance in either community investment Amount, or Strategy, but not both. The exception to this was BHP which rated consistently well in both indicators. Further details are outlined below.

	No. of companies achieving rating	Companies
Excellent	0	-
Above Average	5	AGL, BHP Billiton, CSL, Rio Tinto, Telstra
Average	8	Brambles, Leighton, Orica, Stockland, Virgin, Wesfarmers, Woodside, Woolworths
Below Average	11	Amcor, APA Group, Commonwealth Bank, Computer Share, Graincorp, Origin, QR National, Ramsay, Tatts, Transurban, Treasury Wine Estates
None/Not Reported	9	Crown, Downer EDI, Fairfax, Qantas, Ten Network, UGL, Westfield Group, Westpac

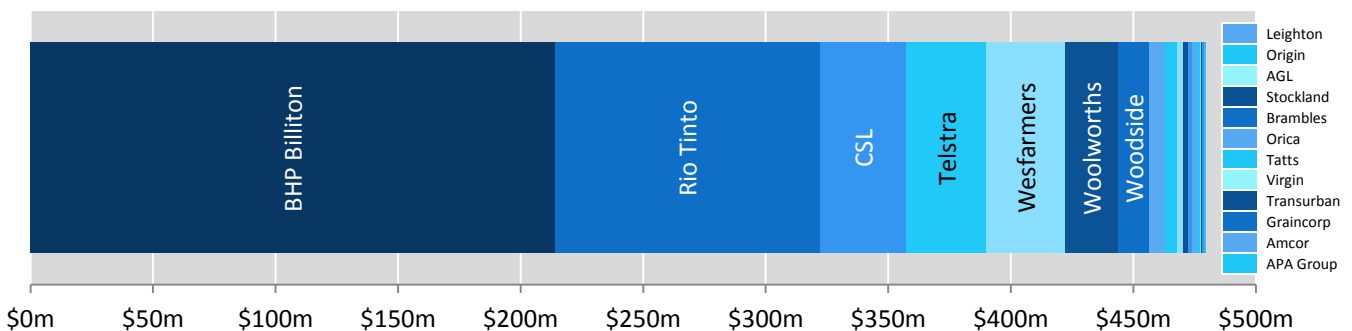
Note: The project did not make any evaluation about the accuracy of these disclosures.²

Amount of community investment

Total dollar contributions

Nineteen companies supplied details of the dollar value of their community investment, and collectively these companies contributed \$479 million.³ The CSR Dashboard did not rate companies for the dollar amount of contributions, as it is difficult to objectively account for differences in company size and other variables. However as there is great interest in how much money companies give to communities, this information is presented below:

Chart 1: Dollar Amount of Contributions



The two mining companies lead the pack in contributing two-thirds or 67 percent of the total. In all, 95 percent of the \$479 million investment was contributed by just seven companies, while the remaining 12 companies that reported amounts, contributed only five percent of the total.

Thirteen of the 32 companies did not report any details of the total dollar value of their community investment in 2012. These companies were: the Commonwealth Bank⁴, Computershare Ltd, Crown, Downer, Fairfax, Qantas, QR National (Aurizon), Ramsay Healthcare, Ten Network, Treasury Wine Estates, UGL, Westfield Group and Westpac.⁵

Measuring the amount of community investment

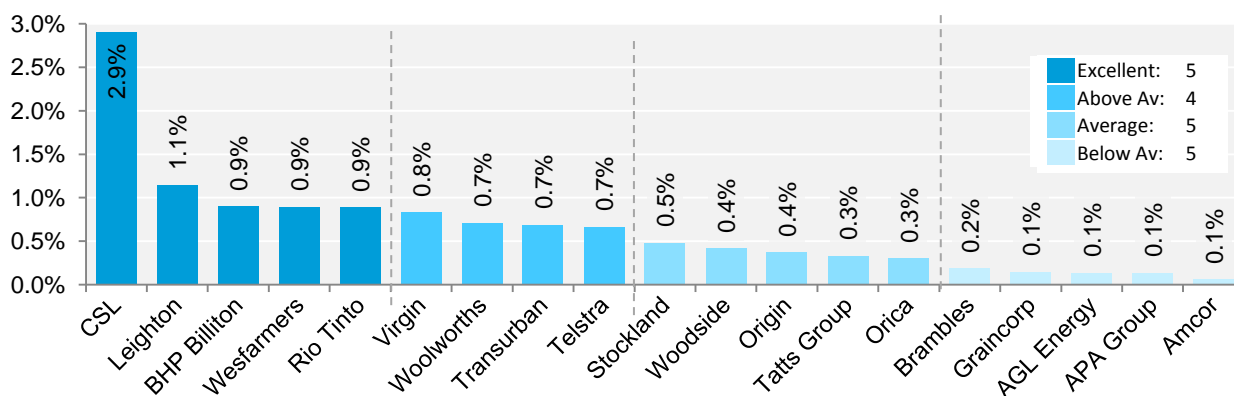
Catalyst took account of three factors in rating performance under this indicator:

- The total amount of investment relative to company profit in 2012
- The change in the amount of investment relative to profit from the previous year (2011)
- The change in the absolute amount of investment from the previous year (2011).

Relative contributions

Profit can be a significant influence on the level of community investment a company makes.⁶ To evaluate this, the level of community investment of companies was compared to the percentage of their pre-tax profit.⁷ The results are presented below:

Chart 2: Contributions relative to profit



One company, CSL, gave 2.9 percent of their pre-tax profit, leading a group of five companies that contributed 0.9 percent or more of their pre-tax profit. This was close to the ‘best practice’ threshold established by Catalyst in its ‘What Gives?’ research.⁸ A further four companies gave more than 0.6 percent of pre-tax profit, but less than 0.9 percent.

The average level of investment relative to pre-tax profit across the companies was 0.64 percent, although this is somewhat skewed by the high proportion contributed by CSL. When CSL is excluded from the calculation, the average is 0.52 percent.

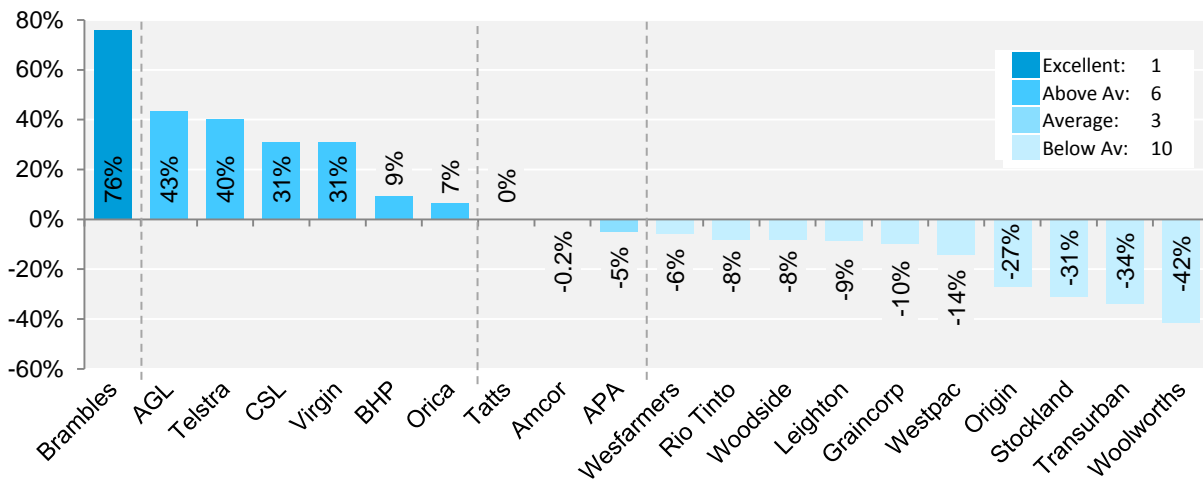
Change in investment from the previous year

Twenty companies provided details of changes in community investment from the previous year. Interestingly, most of the group was contributing less now than they were twelve months ago, both in absolute dollar terms, and as a proportion of pre-tax profit.

It is notable that amongst those companies contributing more in absolute dollar terms, only one company (Brambles) increased its investment by more than 50 percent, which is the threshold established for an ‘Excellent’ rating. A further six companies increased their absolute dollar contribution by between five and 50 percent, the range for ‘Above Average’. Three companies stayed

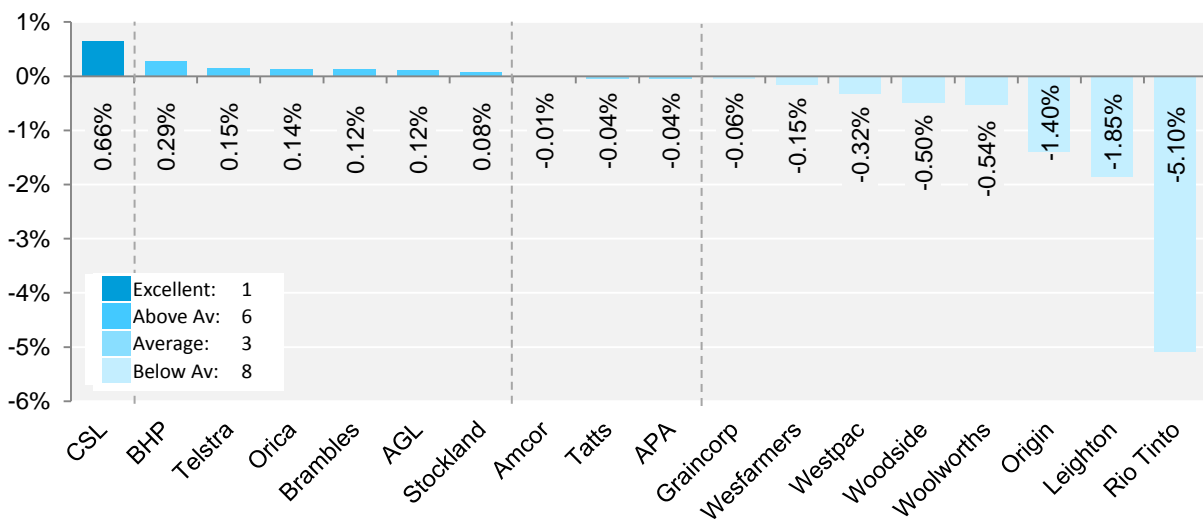
within five percent of the total dollar value of their investment, earning an 'Average' rating, and ten decreased it by more than five percent.

Chart 3: Percentage change in dollar amount of investment from the previous year



When profit is taken into account a similar pattern is found. Only 18 companies offered information about this and one company (CSL) showed a large annual increase in investment relative to profit, contributing 0.66 percent more of pre-tax profit in 2012 compared with the previous year, earning a rating of 'Excellent'. Another six companies increased their investment relative to profit by a lesser amount, ranging between 0.05 and 0.5 percent more of pre-tax profit, the range established for 'Above Average'. The vast majority (eleven companies) decreased their level of investment relative to profit in 2012 compared with 2011.

Chart 4: Increase/Decrease in community investment relative to profit from the previous year



Community investment strategy

Strategy is important in guiding a community investment program and enhancing its effectiveness. Four aspects of strategy were assessed under this indicator:

- The level of strategic thinking towards community investment programs, including evidence of policy or guidelines to guide the company's approach.

- The approach to selecting areas of program focus, and recipients of contributions.
- The existence of any target.
- Attempts to measure the impact of community investment programs.

Community Investment Strategy Results

The performance of companies against each of the four Community Investment Strategy sub-indicators shows that there is great potential for improvement in reporting in each of these areas. Three companies achieved an overall rating of 'Above Average' and four of 'Average', but the overwhelming majority of the sample provided no information, or only very basic details.

In all, one-quarter of the companies had no information about the areas of focus for community investment, almost half had no policy, two-thirds had no target and three-quarters of them made no attempt to measure the impacts of their community investment activities.

	Policy	Focus areas	Target	Impact measurement
Excellent	2	0	0	2
Above Average	5	1	1	3
Average	2	12	6	1
Below Average	9	11	3	2
None/Not Reported	14	8	22	24

Community Investment Policy

This sub-indicator looked at the level of strategic thinking towards a community investment program by reviewing what policies companies had in place to guide their approach. The following rating scale was applied:

Excellent	Formal community investment strategy (applying to entire program) publicly available, with evidence of its integration with general business strategy.
Above Average	Evidence of an overarching strategy applying across the whole community investment program.
Average	Has specific guidelines for at least one major investment program published.
Below Average	No formal policy/ strategy apparent but evidence of some strategic thinking.
None	No evidence of policy or strategy for community investment program.

Company performance against this indicator is shown below.

	No. of companies achieving rating	Companies
Excellent	2	BHP Billiton, Rio Tinto
Above Average	5	AGL, CSL, Stockland, Telstra, Woodside
Average	2	Graincorp, Treasury Wine Estates
Below Average	9	APA Group, Brambles, Computershare, Leighton, Qantas, Ramsay

		Healthcare, Ten Network, Transurban, Woolworths
None/Not reported	14	Ancor, Commonwealth Bank, Crown, Downer EDI, Fairfax, Orica, Origin, QR National, Tatts Group, UGL, Virgin, Wesfarmers, Westfield, Westpac

It was interesting to see that while seven of the 32 companies had a formal community investment strategy, only two of these seven (BHP and Rio) supplied evidence of its integration into the general business strategy, thereby achieving an ‘Excellent’ score. The other five received an ‘Above Average’ rating. These two companies were also the only two to actually publish their policy.⁹ A further two companies (Graincorp, Treasury Wine Estates) published specific guidelines for at least one major investment program, scoring ‘Average’. For both this concerned their grants program.

In all, 23 companies had no formal community investment policy, but nine of this group did demonstrate some (minimal) strategic thinking behind their investment program, scoring ‘Below Average’. It is worth noting that one of this group (Brambles) was the only other company besides BHP and Rio to clearly understand where community investment sat in their overall business strategy and its importance to the company’s success. However Brambles gave no details of any formal policy or strategy and thus only achieved a rating of ‘Below Average’.

Taken as a whole these results suggest a patchy approach to the application of policy and strategy to guide community investment. This is surprising given the large amount of funds involved in community investment programs.

Selection of Focus Areas and Recipients

Setting clear and transparent focus areas for community investment is important in implementing a cohesive and effective program. It also helps the evaluation process: establishing a clear approach to selection can help a company assess whether their investment has had the desired impact on a targeted activity or group of recipients. Similarly having a clear process for selecting projects or organisations to receive community investment funds can help ensure that recipients effectively achieve desired outcomes.

Catalyst’s rating scale for assessing the selection of focus areas and recipients is shown below:

Excellent	Clearly defined focus areas, with clear and detailed rationale for how/why selected, and a clear process and criteria for recipient selection
Above Average	Clearly defined focus areas, some rationale for why/how selected, and either clear process or criteria for recipient selection
Average	Clearly defined focus areas though no rationale for why/how selected, or either clear process or criteria for recipient selection
Below Average	Some indication of focus areas but not clearly defined, or some indication of how recipients chosen
None	No description of focus areas, or indication of how recipients of investment program are chosen

The following table shows individual company results against the above rating scale:

	No. of companies achieving rating	Companies
Excellent	0	-

Above Average	1	AGL
Average	12	CSL, Graincorp, Orica, Origin, QR National, Rio Tinto, Stockland, Tatts Group, Treasury Wine Estate, Virgin, Wesfarmers, Woolworths
Below Average	11	Amcor, APA Group, BHP Billiton, Commonwealth bank, Downer EDI, Fairfax, Leighton, Ramsay Healthcare, Telstra, Woodside
None	8	Brambles, Crown, Qantas, Ten Network, Transurban, UGL, Westfield, Westpac

Thirteen companies had clearly defined focus areas for their community investment, but of these only one company scored 'Above Average' by including details of how both focus areas and recipients were selected. Twelve companies achieved an 'Average' rating by providing some details on the selection of either focus areas or recipients. Of the remaining 19 companies, 11 companies offered only limited information on either focus areas or recipient selection, and eight gave no details at all.

Community Investment Target

Setting a community investment target and communicating it publicly is valuable because it can make a company's level of investment predictable. Targets can also assist in transparency and keeping companies accountable – both in terms of the level of targets set and whether they meet them.

The ratings applied to the CSR Dashboard adopted the following scale, which also assessed relative targets as well as other approaches.

Excellent	Has a 'relative' target for 1%+ of pre-tax profit (or equivalent), with a stated policy of maintaining at a minimum, the amount from the previous year (not including one-off contributions relating to extreme natural disasters)
Above Average	Has a 'relative' target for 1% or greater of pre-tax profit (or equivalent)
Average	Has some form of target for their entire community investment program
Below Average	Has some form of public target for elements of their community investment program
None	No evidence of a community investment target

The table below shows companies took a variety of approaches to the application of targets. Some targets were absolute (set as specific dollar amounts) while others were relative (linked to another measure, such as profit).

	Number and company achieving rating		Type of target
Excellent	0	-	
Above Average	1	BHP Billiton	Relative target: 1% of profit
Average	6	Commonwealth Bank	Incremental absolute target: Extra \$100 million over 10 years)
		Orica	Relative target: 0.5% of shareholder dividend
		Tatts Group	Absolute target: \$1.5m annually
		Treasury Wine Estates	Absolute target: Reach \$1m
		Woodside	Incremental relative target: 0.35% of profit for 2012, 0.4% of profit for 2013, 0.5% of profit by 2015
		Woolworths	Relative target: 1% of profit for combined community investment and leverage ¹⁰

Below Average	3	AGL Energy	Target for level of employees volunteering
		Brambles	Target for level of employees volunteering
		Crown	Individual commitments pledged
None or not reported	22	Amcors, APA Group, Computershare, CSL, Downer EDI, Fairfax, Graincorp, Leighton, Origin, Qantas, QR National, Ramsay Healthcare, Rio Tinto, Stockland, Telstra, Ten Network, Transurban, UGL, Virgin, Wesfarmers, Westfield, Westpac	

Ten of the 32 companies, or 31 percent, published some form of community investment target. Of these ten, one company (BHP) ¹¹ had a target to contribute the equivalent of one percent of its pre-tax profit through their community investment program, thus achieving an ‘Above Average’ score. A further six of the ten had some other form of target for their overall program, however this was less than one percent of pre-tax profit. The remaining three companies had targets only for particular aspects of their program. Most companies in the sample offered no evidence of a community investment target.

Measurement of Impact

Measuring the impact of community investment activities is important so a company can make strategic decisions about their investment program.

Consistent with the findings in Catalyst’s ‘What Gives?’ research, most companies in the sample appeared to undertake their community investment activities without a strong framework, strategy or tools to measure the performance, impact or effectiveness of their approach. Impact measurement was the most widely overlooked component of Community Investment Strategy. In part this reflects a lack of clear guidance to companies outlining how to measure the impact of investment.

The rating scale that Catalyst applied is shown below:

Excellent	Specifically measures the long-term impacts of all flagship programs using best practice impact measurement tools/approaches applied to community investment programs, AND reports details of findings
Above Average	Formally evaluates the outcomes for participants (or impacts on the community generally) of at least one major program
Average	Reports on the inputs into their community investment program, AND provides evidence of measuring some of the direct and tangible products/services produced by their community investment activities (outputs) or of steps taken to measure outputs.
Below Average	Reports on the inputs into their community investment program, for example the breakdown of cash, time and in-kind contributions.
None	No evidence of measuring results of community investment program at any level (ie. outputs, outcomes or impacts)

The following table shows individual company results against the above rating scale:

	No. of companies achieving rating	Companies
Excellent	2	BHP Billiton, Rio Tinto
Above Average	3	AGL, Stockland, Woodside
Average	1	Telstra

Below Average	2	Amcor, Brambles
None	24	APA Group, Commonwealth Bank, Computershare, Crown, CSL, Downer EDI, Fairfax, Graincorp, Leighton, Orica, Origin, Qantas, QR National, Ramsay Healthcare, Tatts Group, Ten Network, Transurban, Treasury Wine Estates, UGL, Virgin, Wesfarmers, Westfield, Westpac, Woolworths

Five companies achieved ratings of ‘Excellent’ or ‘Above Average’ because they formally evaluate the long-term impacts of at least one of their major community investment programs. A further three companies made some attempt to measure and report on the various inputs and/or outputs of their program. Twenty-four companies made no attempt to measure and report the results of their community investment, except in some cases through selective, anecdotal case studies.

Conclusions

In 2012 Catalyst recommended a more systematic approach to developing standards and benchmarks for community investment performance. It was encouraging to find that this recommendation was widely endorsed by many companies, charities and others with an interest in improving investment outcomes.

The broader analysis of corporate community investment in the CSR Dashboard reaffirms the need for more consistent and transparent reporting. As with the findings in other areas of the Dashboard, the voluntary nature of sustainability reporting gives companies the choice to selectively apply reporting standards or to not follow them at all. The resulting differences in reporting practices make it difficult for the general public and interested community stakeholders to locate and evaluate material and make meaningful comparisons between companies, but this is critical if companies are to be held accountable for their performance.

Disclosure is a means to an end. It provides transparency and improves accountability, but if it is to be more than a public relations exercise for companies, it should lead to improvements in the community investment practices reported on.

The analysis of community investment for the CSR Dashboard also shows that results were actually weaker when a larger sample of companies was reviewed. This suggests good community investment performance is concentrated amongst a small number of companies and sectors.

Companies clearly need to start measuring the impact of their giving so as to make it more effective, and more broadly, they need to formulate clear policies to guide their investment approach.

Corporate community investing obviously helps make Australia a better place and every dollar spent has an enormous potential to change lives. The research summarised on the CSR Dashboard should prompt companies and communities to work collaboratively to shape innovative new approaches to maximise the reach and potential of community investments.

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- ¹ *Corporate Community Involvement: Establishing a Business Case, Centre for Corporate Public Affairs and Business Council of Australia research study 2007.*
- ² Some of the limitations regarding the accuracy of social and environmental information were addressed in the summary, 'A More Complete Picture of Sustainability'.
- ³ Two additional companies (the Commonwealth Bank and Westpac) reported a value of their community investment, but using a definition widely divergent from ours. Both of the financial institutions included a significant amount of 'foregone' revenue, which is excluded from Catalyst's definition of community investment adopted in the 2012 'What Gives?' research. Including this would have skewed their results relative to the other companies. (For example in 2011, the Commonwealth Bank gave approximately \$30m in community investment and \$170m in foregone revenue – more than five times their amount of community investment.)
- ⁴ The Commonwealth Bank's 2012 Sustainability Report states on their highlights page "\$200 million + in community contributions". However the Community section of the report does not quote an actual figure. Furthermore in 2011, the Commonwealth Bank reported two figures: \$30m community investment and \$200m including both community investment and foregone revenue, which is not considered community investment according to Catalyst's definition. Given the similarity of the \$200m figures in 2011 and 2012, it is assumed that the 2012 figure also includes foregone revenue, and therefore cannot be counted as the total amount for the Commonwealth Bank's community investment.
- ⁵ Similarly to the Commonwealth Bank, Westpac includes foregone revenue in their reported total of community investment. As no breakdown is provided, we are unable to determine the company's conforming 'community investment' amount.
- ⁶ Catalyst's 2012 analysis found that for every extra \$2 billion a company earned in profit, contributions increased on average by \$10 million. Furthermore, profit accounted for approximately 50% of the difference in levels of community investment amongst the companies in the sample.
- ⁷ This approach is consistent with the one adopted by Catalyst in the 2012 'What Gives?' research report. When a company's current year profit is negative, the previous year's profit was used as a proxy for the current year.
- ⁸ Catalyst's 2012 'What Gives?' research found that 1% of pre-tax profit was initially set as a best practice standard (the "PerCent Standard") by Business in the Community UK <http://www.bitc.org.uk/services/awards-recognition/communitymark/faqs#Percent%20standard>
- ⁹ In 2012, Woolworths published their Community Investment Strategy, but it was not available from their website in 2013.
- ¹⁰ 'Leverage' is the additional investments made by third-parties that were attracted to the activity or community organisation as a direct result of a company's actions. It is distinguished from community investment which comes out of the company's own bottom line.
- ¹¹ Woolworths has a stated target of "the equivalent of 1% of pre-tax profit", however their target is for community investment plus leverage, meaning that the actual amount of community investment aimed for will be less than 1% of their profit.