

CATALYST CSR DASHBOARD

LABOUR STANDARDS AND SUPPLY CHAINS SNAPSHOT

AUSTRALIAN and GLOBAL COMPANY COMPARISON
JUNE 2013

CATALYST >>

“... the experience of the last two decades of ‘privatized regulation’ of global supply chains has eerie parallels with the financial self-regulation that failed so spectacularly in 2007 and plunged the world into deep and lasting recession”

Sharan Burrow, General Secretary, International Trade Union Confederation ¹

The 2013 CSR Dashboard looked at the sustainability reporting and performance of 32 leading Australian companies. The Dashboard focused on six topic areas, including labour standards and supply chains.² It found these were consistently the most under-reported and worst performing areas of sustainability across the Australian sample. Supply Chain reporting was particularly overlooked, with **28 of the 32** companies providing no information or only the most basic facts about their supply chains.

Only one company scored ‘Above Average’ in this topic area (Woolworths). Three companies (BHP Billiton, Brambles and Westpac) approached Woolworths’ performance by scoring ‘Average’. The supply chain topic is made up of four indicators. All indicators showed a consistent pattern when applied to the Australian sample: one or two companies scored above average, two or three companies scored average, while the other companies scored below average or mostly did not rate at all.

Catalyst tested the accuracy of the labour standards and supply chain indicators by applying them to the top ten sustainable companies in the world in 2013, as defined by the Global100.³ When compared with these companies, the under-achievement of Australian companies becomes more stark. The global cohort provided information for 85% of the labour standards and supply chain indicators, compared with 52.9% for the Australian group. More importantly, while doing so they outperformed Australian companies in almost all topic areas.

Labour standards

The labour standards topic in the CSR Dashboard consisted of four indicators. Australian company results are displayed in blue; results from the global sample are displayed in orange. Results are in percentages to allow comparisons between the different samples.

Worker Health and Safety

This indicator focuses on injury rates and management systems. It looks at the reporting of the Lost Time Injury Frequency Rate, total numbers of and types of injuries. It also looks at causality, targets, and reporting about incidents. Another sub-indicator reviews safety systems, policies and committees.

Excellent	12.5	0.0
Above Average	21.9	70.0
Average	40.6	10.0
Below Average	15.6	20.0
None/Not reported	9.4	0.0

The reporting on worker health and safety displays mixed results. Comparatively Australian companies performed much better on worker health and safety than any other labour standards indicator, with 12.5% of companies achieving an excellent score. However nearly ten percent failed to report on worker health and safety. While none of the reporting in the global sample is rated as excellent, all firms report on this topic, and the majority achieve an above average score.

Excellent	0.0	0.0
Above Average	0.0	10.0
Average	6.3	50.0
Below Average	46.9	30.0
None/Not reported	46.9	10.0

Freedom of Association

This indicator looks at the percentage of employees with rights to freedom of association and collective bargaining, consistent with GRI Indicator LA4. It also looks for evidence of publicly stated commitments to principles of freedom of association, risks to freedom of association and steps taken to audit and manage these risks.

The Australian firms grossly underreport about these rights. Although a number of Australian companies claim to report on relevant GRI indicators LA4 and LA5, many do not disclose the percentage of workers with rights to collective bargaining, nor do they disclose risks to freedom of association. The global companies perform better, but 30% still reports minimally or not at all.

Commitment to Secure Work

This indicator looks for total workforce information based on the GRI Indicator LA1, and categories by employment type (contract, region and breakdown by gender). Additional guidance was provided by GRI LA2 to include turnover. The indicator also looks at casual and fixed positions in the workforce.

Excellent	9.4	20.0
Above Average	12.5	30.0
Average	12.5	10.0
Below Average	65.6	40.0
None/Not reported	0.0	0.0

As with worker health and safety, the reporting of Australian firms on commitment to secure work is inconsistent. The reporting of 21.9% of companies is rated either above average or excellent, while on the other end of the spectrum or 65.6% report a minimal amount of information. Reporting of the global firms is more evenly spread with half rated above average or excellent, while the other half of the company disclosures are rated average or below average.

Excellent	0.0	10.0
Above Average	0.0	10.0
Average	15.6	30.0
Below Average	46.9	50.0
None/Not reported	37.5	0.0

Commitment to Rights at Work

This indicator reviews statements, commitments and policies in support of decent work, based on the principles of the eight ILO Core Conventions. Additionally, it looks at the extent of reference to, and implementation of, the OECD Guidelines for Multinational Enterprises.

84.4% of Australian companies disclose minimal or no information regarding fundamental rights at work, while only 15.6% perform averagely. Although none of the global firms fail to report, half of their disclosures are rated below average, while the other half is rated as average and above. An important recommendation arising from the CSR Dashboard findings is that Australian trade unions, civil society organisations and others with an interest in rights and conditions at work should articulate standards to measure decent and secure work in the Australian context. This should include promoting the increased take-up of ILO Conventions by companies and, if necessary, involve the development of proxies that reflect the ILO principles that can be applied in the Australian workplace. (See [Sustainability Performance Snapshot report](#)).

Supply Chains

The supply chain topic in the CSR Dashboard consisted of four indicators. Australian company results are displayed in blue; results from the global sample are displayed in orange. As with the labour studies results above, percentages are used.

Labour Standards Policies

This indicator rates supply chain labour standards, policies and references to the Ethical Trading Initiative Base Codes, such as freedom of association, freely chosen employment and abolition of child labour. It looks for evidence of binding supplier behaviour and performance, rather than vague commitments to act a certain way or the existence of a program.

Excellent	0.0	0.0
Above Average	0.0	40.0
Average	12.5	10.0
Below Average	53.1	50.0
None/Not reported	34.4	0.0

The difference between the Australian and global companies is striking: 87.5% of Australian companies report minimally or not at all on labour standards indicators, while only 12.5% of performs averagely. Half of the disclosures in the international sample are rated average or above average, while the other half is considered to be below average.

Excellent	0.0	10.0
Above Average	3.1	20.0
Average	12.5	20.0
Below Average	34.4	30.0
None/Not reported	50.0	20.0

Labour Standards and Environment – Management System

This indicator evaluates management systems regarding supply chain environmental and labour standards. It assesses mechanisms in place to rate supplier performance in these areas through internal and external audits. Additionally, it seeks evidence of the steps a company takes to remediate issues

84.4% of Australian companies report minimally or not at all on their labour standards and environment management systems. Results among the global firms are more evenly spread: half of the disclosures are rated average, above average or excellent, while the other half of the companies reports minimally or no information at all

Environmental Policies

This indicator examines the existence and content of supply chain policies and the extent of expected performance by suppliers around environmental standards, including whether a firm’s supplier policy or contract requires vendors to have and maintain an environmental management system.

Excellent	0.0	10.0
Above Average	3.1	10.0
Average	6.3	20.0
Below Average	40.6	60.0
None/Not reported	50.0	0.0

The vast majority of reporting on environmental supply chain policies by the Australian companies is either minimal or absent altogether. None of the firms in the international sample fail to report, although over half of the disclosures are still considered below average. 40% of the international company disclosures were rated average, above average or excellent.

Excellent	0.0	10.0
Above Average	6.3	30.0
Average	6.3	10.0
Below Average	15.6	40.0
None/Not reported	71.9	10.0

Reporting and Transparency

This indicator assesses the extensiveness of a company’s transparency and understanding of its supply chain, such as the publication of the list of suppliers, the location where labour is applied, level of materiality to the business and remediation of existing issues to improve performance.

This was the most under-reported indicator in the supply chain topic among Australian companies. 71.9% failed to report information about the company’s supply chain. This lack of transparency becomes more apparent when compared with the international sample, where only 10% failed to report. Although 40% reported minimally, half of the companies rated average and above average

Conclusions

The comparison between the Australian sample and their global peers results in a number of interesting findings. First and foremost, Australian companies have a long way to go in achieving acceptable levels of labour standards and supply chain reporting, with 47.1% of indicators left unreported, compared to 15% disclosures missing in the global sample.

Australian companies perform relatively well in reporting on worker health and safety, but additional attention needs to be paid to other indicators. For example, many of the Australian companies do not adequately disclose on freedom of association. In addition, Australian companies have an obligation to be transparent about the percentage of employees in insecure positions, as a growing number of the Australian workforce, currently 35%, is employed on a contract or casual basis.⁴

Further, the underperformance by Australian companies in relation to fundamental rights at work suggests a need to adapt global standards, such as the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises, by developing proxies that are of use in the Australian context. This will help Australian companies to apply these reporting standards more successfully.

The supply chain disclosures can without doubt be regarded as extremely poor. The vast majority of Australian companies report minimally or not at all. In the global cohort, even though in some cases reporting is rated below average, the majority of companies disclose relevant supply chain information, and there is a tendency for half of these disclosures to be rated average and above.

The international comparison has shown that Catalyst's CSR Index is not too aspirational. Australian companies have a lot of catching up to do in reporting on labour standards and supply chains. Even though the global cohort did better, 15% of the indicators were left unreported and a sizeable amount of disclosures were rated below average, meaning there is room for improvement here too.

The fact that the ten global companies disclosed more and better information on labour standards and supply chains provides evidence that guidance and benchmarks are available to Australian firms should they wish to use it. These ten companies are leading the way, while much ground remains to be covered locally.

¹ Foreword, *Responsibility Outsourced* (2013) www.aflcio.org.

² The labour standards and supply chain indicators were developed through a review of relevant benchmarks and standards, drawing upon guidance in the Global Reporting Initiative (GRI), International Labour Standards and the Ethical Trading Initiative Base Codes amongst others.

³ <http://www.global100.org/annual-lists/2013-global-100-list.html>

⁴ <http://www.abc.net.au/news/2013-06-13/more-australians-in-casual-work/4750902>