WHAT GIVES?

HOW COMPANIES INVEST IN COMMUNITIES

CATALYST AUSTRALIA RESEARCH REPORT

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WHAT GIVES? HOW COMPANIES INVEST IN COMMUNITIES

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Against a backdrop of growing public interest in corporate citizenship and responsibility, this report investigates the approach that leading firms are taking to investing in communities. It looks at how, and how well, companies are performing against leading indicators for community investment, and presents some valuable insights for corporations and communities to inform better practice, reporting and outcomes in this important area.

The report charts the activities of 12 sample firms, thus contributing to previous work by Catalyst as part of its Full Disclosure series. The findings reveal that large Australian companies are making a substantial investment in communities. Significantly most companies undertake their community investment activities without a strong framework, strategy or tools to measure the performance, impact or effectiveness of their approach. In many cases, this is because tools and approaches are poorly developed and applied in the Australian context. Additionally, the research shows that existing methods of measuring and reporting community investment do not appear to be meeting the needs of stakeholders. Nor do they address all the aspects of community investment that Catalyst set out to investigate at the level of detail needed. While analytical studies like this can approach comparison through the development of indicators and statistical tools, the general public or interested community stakeholders are unlikely to be able to make accurate or meaningful comparisons. This raises an important public policy issue about improving the quality of disclosures by companies regarding their community investment.

SUMMARY OF FINDINGS

How much do companies invest?

In 2010, ten of Australia's largest companies contributed over half a billion dollars to the community.[1]
Size matters when it comes to the amount of funds donated: the two biggest companies in the sample were responsible for 70% of the total funds contributed. These were BHP Billiton and Rio Tinto which contributed $200.5m and $166m respectively.

When profit levels are taken into account, the community investment landscape changes shape. One company (BHP) contributed 1.0 percent of its pre-tax profit, while most others contributed between 0.7 and 0.9 percent of their pre-tax profit. While this was generally higher than the 0.63 percent average identified in the Australian benchmark, three companies in the sample fell below the average and two did not report the total value of their community investment. Five of the 12 sample companies set public targets for their community investment strategy, but only one (BHP) reached that target in 2010.

Profit is a big factor in determining how much is invested in communities. Analysis of the sample showed that for every extra $2 billion a company earned in profit, contributions increased on average by approximately $10 million. Interestingly, profit accounts for only half the difference between what companies invest. The other half is determined by various factors which could include the industry of the company, its culture or the priorities of senior executives and boards.

Relative to profits, contributions to communities rose between 2006 and 2009, before falling in 2010.
This contrasts with the international trend which saw firms cut back during the global financial crisis.

As well as making contributions from their own bottom line, Australian firms leverage community contributions from other sources. Eight of the sample raised an additional $63 million through leverage, representing an additional 40% on top of their total contributions. Customers and staff were the main sources companies used for leveraging donations. Topping the list was Wesfarmers, which leveraged extra funds almost one-and-a-half times greater than their direct contribution. Direct contributions and leverage for this company amounted to 2.1 percent of their pre-tax profit.

What form does community investment take?

Between 50 and 80 percent of the value of all contributions comes as direct cash donations. Donations of staff time, typically through volunteering programs, also featured across the sample. However, despite its high public profile, staff time constituted no more than 3 percent of most company's contributions, suggesting the corporate sector could be encouraged to engage much more broadly in volunteering and secondment initiatives. The exceptions to this were the two financial companies in the sample – ANZ and NAB - where contributions of time made up 25 and 15 percent of their respective total community investments. In-kind contributions (ie. non-cash resources) were an important source of donations from four companies: Woolworths, Wesfarmers, Fosters and Coca-Cola.

Half of the sample disclosed management costs associated with their community investment programs and activities. These ranged from 4.6 to 19 percent of contributed funds. This variation is not unusual; an Australian benchmark reports that sector averages range from three to 27 percent. Only one company (Telstra) reported a full breakdown of management costs. This showed that two-thirds of all costs were related to publicity and communications. The report highlights the need for a better understanding of how management practices and costs lead to more efficient investment programs. This can only be achieved with full participation in reporting.

The importance of partnerships

Generally community investment approaches were spread between formal relationships through established, ongoing partnerships, and transactional ones where firms provided one-off grants. Eight of the 12 companies in the sample reported that they had long-term partnerships with particular community organisations. Most reported between five to ten ongoing partnerships. Typically these relationships were held with large, nation-wide not-for-profit organisations with a high profile. Ten of the 12 companies gave one-off grants to community groups and organisations. Generally they made between 100-500 grants each, though three companies granted only a limited number of requests. Companies also facilitated relationships between community organisations and their staff, mainly through staff giving programs administered and promoted by the firm.

Only one company (Rio Tinto) extensively disclosed its recipients by listing all organisations that received of community investment funds and the amounts they received. Seven provided partial disclosure, identifying only major recipients; and four supplied few meaningful details. Two of these companies did extensively disclose recipients of one of their major programs. Catalyst's conclusion highlights that improved disclosure would lead to better understanding of the significant flow of resources from companies to areas of community need.

Improving strategy and policy

Strategy is important in guiding a community investment program and enhancing its effectiveness. Surprisingly Catalyst had difficulty identifying the motivations and approaches that informed decisions about where to invest funds. Policy supporting community investment approaches was scarce, with three companies publishing a community investment strategy and a fourth reporting that one was being developed. A further three companies had publicly available sponsorship/donations guidelines. What existed of the other companies' information was spread through various statements in reports and on their website.

Even more surprising was the finding that benchmarks and measurement tools do not have well-developed indicators to assess the strategic and motivational factors behind community investment decisions. An important recommendation of this research is that these areas need to be further developed. Notwithstanding these deficiencies, Catalyst examined motivations, selection of program areas, distribution of funds, and the level of decision-making. Some consistency between these elements was expected for each company, but instead the research revealed a more complex, varied picture.

Measuring impact and effectiveness

As noted earlier, many of the companies surveyed do not measure the impact or effectiveness of their community investment satisfactorily. This is despite the fact that these firms are leaders in sustainability reporting and – as the figures show – big investors in community initiatives. Only three companies were found to be measuring impact comprehensively: ANZ, BHP and NAB, while one (Rio) had set a deadline of 2013 to roll out comprehensive impact measurement across its entire operations. Four were measuring impact in a selective or limited way. One company did not directly measure impact but claimed its recipients were required to do so. This is not necessarily surprising: in this area it is difficult to link long-term impacts to particular activities and programs, which results in companies focusing only on what they put into their programs, rather than on long-term sustained change arising from community investment.

Current research about impact measurement notes that most of the corporate responsibility standards and guidelines developed over the past decade *provide little guidance on measuring or assessing social impact...*"[2] Catalyst's findings highlight that more work is needed to develop and apply appropriate processes for measuring impact in Australia.

SUMMARY OF CONCLUSIONS

(full conclusions are set out on p.55-57)

How companies invest:

> Companies are making decisions on community investment without a shared understanding of what constitutes good community investment practice.

> More work is needed to improve the links between community investment strategies, policies and activities.

> Strong sectoral trends in community investment approaches indicate particular cohorts of companies are adopting similar approaches to investing.

How companies measure:

> Few companies are currently comprehensively measuring and reporting the impact of their community investment.

> A number of companies are currently piloting approaches to impact measurement, but all companies should move to roll out impact measurement across their investment activities and integrate impacts into their data collection and reporting processes.

> Companies need to be supported by research and guidance on the best ways to measure impact in different situations.

> Companies should then begin evaluating the overall effectiveness of their community investment program by analysing the relative amount of resources contributed to different activities and the impacts that are achieved.

How companies report:

> Many aspects of community investment that were of interest to this project – and identified as important to companies and community stakeholders – were not covered in the identified reporting standards or in company reporting.

> The voluntary nature of sustainability reporting gives companies the choice to selectively apply reporting standards or not to follow them at all. The resulting differences in reporting practices make cross-company comparisons difficult.

> The general public and interested community stakeholders are unlikely to be able to make accurate or meaningful comparisons, but it is critical for them to be able locate and evaluate material if they are to hold companies to account for their performance.

> Those with an interest in community investment need to proactively engage with reporting and benchmarking systems and contribute their expertise to developing them further, ensuring that they are clear, practical and relevant for a broad constituency.

RECOMMENDATIONS

1. A high level consultation group of leading companies, unions and community organisations should be convened by the London Benchmarking Group (LBG) to develop its community investment measurement framework into a reporting standard that can be broadly applied in the Australian context.

   Issues for consideration by this group should include, but not be limited to:

   a. A requirement that all LBG members publicly report information using the same methodology they use to submit it for benchmarking,

   b. The development of guidelines on mandatory and recommended elements to be included in companies' community investment reporting, and

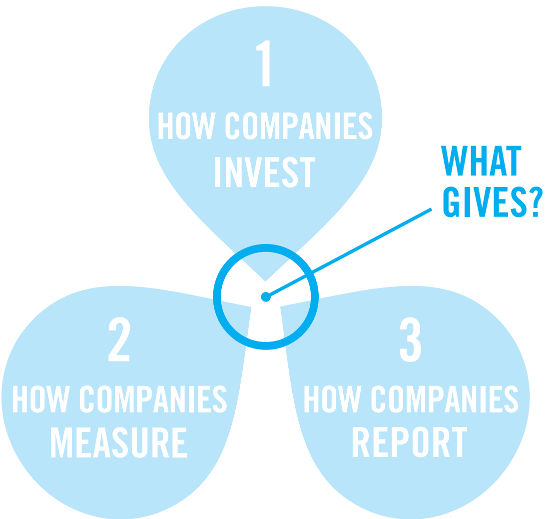
   c. The expansion of its suite of elements to better meet stakeholder needs.

2. The LBG should capitalise on its extensive experience and expansive dataset to develop standards of best practice in community investment for companies to implement and be benchmarked against. This should include the development of sector standards. Community organisations, unions, researchers and sustainability practitioners should support best practice standards by contributing vital knowledge and investigating the links between community investment strategies, approaches and outcomes.

3. Companies should ensure their community investment is underpinned by clear and effective strategies and policies. To do this, companies should establish which internal practices and program approaches deliver the best outcomes, in consultation with their community recipients. As part of this, measuring impact should be given a high priority.

4. Companies should ensure that their approach to reporting provides accessible, clear and comprehensive public information about community investment. To improve current practice, community stakeholders should not only actively evaluate material, but also become involved in shaping innovative new approaches.

5. Civil society organisations should actively interrogate company information and agitate for improvements in reporting and benchmarking systems as noted above. Peak union and community organisations should coordinate whole-of-sector responses to the issues identified in this report.



SNAPSHOT OF COMMUNITY INVESTMENT

How companies invest

Total community investment:	**Total** $513 million (10 companies)	**Range** $500,000 to $200.5 million	**Average** $51.3 million
Community investment relative to profit:	**Range** 0.06% to 1.0% of pretax profit	**Average** 0.66% of pretax profit	
Additional funds leveraged from others:	**Total** $63,048,452 (8 companies)	**Range** $74,157 to $26,180,000	**Average** $7,881,056
Forms of investment:	**Cash** 70% of contributions	**Time** 6% of contributions	**In-kind** 24% of contributions
Management costs:	**Total** $64,794,057 (7 companies)	**Range** 4.6% to 19% of contributions	**Average** 11% of contributions

How companies measure

Measurement of impact:	**Comprehensive** 4 companies (25%)	**Selective** 3 companies (33%)	**Limited** 1 company (8%)	**None** 4 companies (33%)
Reporting of impact:	**Comprehensive** 1 company (8%)	**Transitioning** 5 companies (42%)	**Selective** 2 companies (17%)	**None** 4 companies (33%)

How companies report

Accessibility:	**More** 5 companies (42%)	**Average** 4 companies (33%)	**Less** 3 companies (25%)	**None** 0 companies
Comprehensiveness:	**More** 3 companies (25%)	**Average** 2 companies (17%)	**Less** 4 companies (33%)	**None** 3 companies (25%)
Clarity:	**More** 5 companies (42%)	**Average** 5 companies (42%)	**Less** 2 companies (17%)	**None** 0 companies
Alignment to standards:	**More** 1 company (8%)	**Average** 6 companies (50%)	**Less** 3 companies (25%)	**None** 2 companies (17%)

SCOPE AND METHODOLOGY

1. SCOPE AND METHODOLOGY

1.1 ABOUT THIS PROJECT

Project Context

This report is part of Catalyst's Full Disclosure research series which explores the growing influence of corporations in society. This series looks at corporate power and influence over our lives in the areas of labour practices, workplace safety, gender representation, community investment, and environmental practice. Catalyst states:

> *"…Recognising that our biggest and most profitable public companies draw their wealth from local resources, consumers and workers, we saw that communities are not well organised to articulate what standards and behaviour they expect from corporate Australia. At the same time, there has been a growing reliance on corporations to provide public and community services, with an expanding suite of taxpayer-funded agencies created to regulate and sustain corporate activities"* (Catalyst: 2011)

Project Scope

This research explores how 12 sample companies are investing in communities. The scope of the project is unique in that various different aspects of community investment are combined in one study, instead of focusing on just one area of interest.

Drawing attention to these issues will hopefully enlighten individuals and community organisations so that they can have a greater say about how companies invest in communities. The research will also prove valuable to companies wanting to ensure their reporting meets the needs of community stakeholders.

This report looks at three different aspects of community investment. The first is how companies invest. To evaluate this Catalyst's researcher looked at the amount of investment, the strategy behind the investment and the different methods used.

The second aspect of this research involved investigating how (or whether) companies are measuring the outcomes and impacts of their investment. This is an important area often overlooked by corporate reporting systems that tend to interpret the value of investments from the perspective of how much money is contributed, rather than the overall value to communities.

Finally, how companies report and the quality of their public disclosures was examined. The aim was to highlight areas where reporting systems and benchmarks could be improved.

1.2 METHODOLOGY

Selection of companies

A standard company list was selected across the Full Disclosure series that sought to capture a diverse population of companies, spanning blue and white collar workers, and the service, resources and manufacturing sectors of the economy. It included only companies which are: prominent (household names), Australian ASX-listed companies, and relatively mature reporters (they have released at least three sustainability reports). An alternative approach, selecting the top ten companies, would have heavily biased the reports towards the mining and finance sector, whereas a broader representative spread was sought. The companies selected for this study are shown in Table 1.

Table 1: Company List

INDUSTRY/SECTOR	SELECTED COMPANIES
Financial services	ANZ, NAB
Other services	Qantas, Telstra
Fast Moving Consumer Goods (FMCG)	Coca Cola Amatil, Fosters Group
Retail	Wesfarmers Ltd, Woolworths Ltd
Manufacturing	Bluescope Steel, Orica
Resources	BHP Billiton, Rio Tinto

Definition of community investment

There are many different interpretations of what constitutes community investment. This can cause differences in what is measured and reported by individual companies, making comparisons between companies difficult.

To maximise the extent that meaningful comparisons could be made between the companies in this sample, Catalyst produced its own definition of community development,[3] shown in Table 2.

Specifically, community investment was defined as those voluntary activities over and above the contribution made by companies to the community through taxation, economic activity, employment and training.

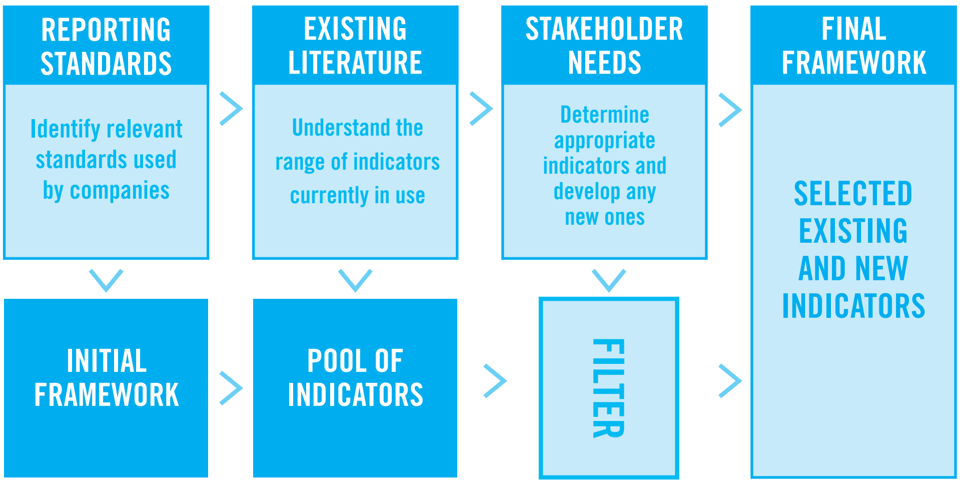
Table 2: Defining community investment

INCLUDED	EXCLUDED
Donations of cash, in-kind goods or services, employee time and management costs Donations to charitable and community organisations and groups Donations that are voluntary and primarily for community benefit.	Political donations Investments with direct benefits to the company Costs of doing business Investment mandated by Government legislation and regulation Investments in employees and other social investment

Development of framework

In choosing the indicators to be used in this research, all accepted reporting standards and applicable prior research projects were analysed, as well as consulting with stakeholders. Our approach is set out in Figure 1.

Figure 1: Approach to developing framework



Reporting Standards

Reporting Standards provide guidelines for companies to apply when publishing information, often specifying which particular elements should be included. Where the standards are adequate to stakeholder needs, this ensures that an appropriate level of detail is provided. Another major advantage of standards is the consistency they bring to disclosures, enabling comparisons between companies.

Two international standards were identified related to this research project, set out in Box A (next page). The first, the Global Reporting Initiative, has wide application to corporate reporting about sustainability and the second, the London Benchmarking Group, focuses specifically on community investment.

BOX A—SUMMARY OF RELEVANT REPORTING STANDARDS

The Global Reporting Initiative (GRI) is recognised as the leading international standard for reporting on economic, social and environmental performance. It requires companies to report the total amount of community investment as part of the economic value they distribute to communities. The GRI has no requirements for companies to provide details of investments, nor does it require reporting on the impacts of community investment activities.

The London Benchmarking Group (LBG) is the only internationally-recognised standard for measuring and evaluating a corporation's community investment. Specifically, it provides a standardised way of measuring the amount of community investment through guidelines on what can and can't be counted as community investment, as well as a process for valuing non-cash components, such as employee time or in-kind donations. It also includes numerous measures that companies report back to LBG for benchmarking, particularly around their methods of investing. It does not however provide guidance on publicly reporting investment.

Ultimately neither of the two existing standards was entirely adequate for this review. The GRI, while widely applied in the Australian and international context, provides limited scope for analysis of community investment. The LBG is the leading international framework for measuring community investment, but is still not well-developed in a number of areas explored here. Nevertheless Catalyst took the LBG model as the basis of this framework, but supplemented it through a literature review and stakeholder consultation.

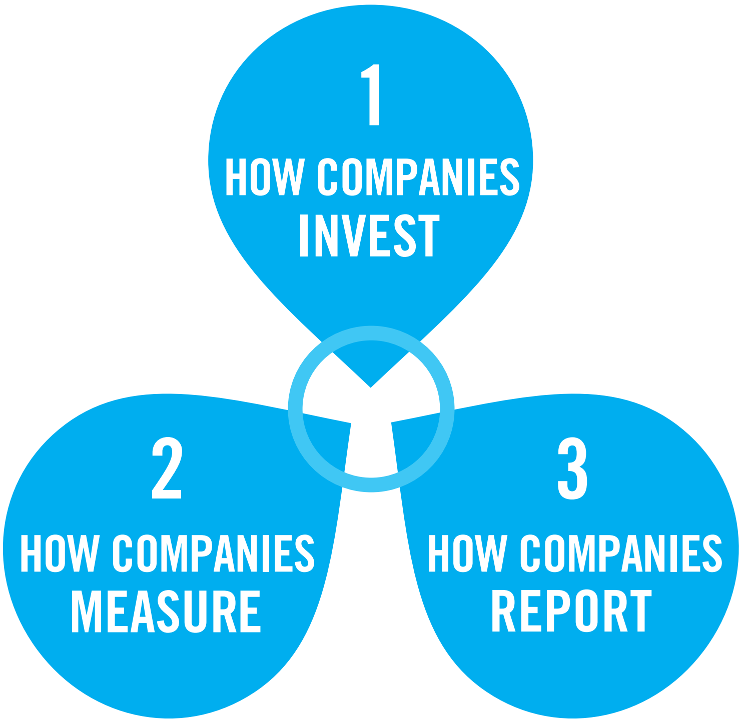
Table 3 shows the indicators identified during the literature review, and those selected by Catalyst for inclusion in this report.

Table 3: Indicators identified from literature review

	Dollar value of investment	Relative value of investment	Increase value from previous year	Community investment targets	Amount of leverage	Proportion of different forms of investment	Types of emplyee engagement	Extent of employee volunteering	Number of volunteering hours	Types of management costs	Types of recipient organisations	Relationships with recipient organisations	Type (motivation) of investment activity	Source of leverage	Motivation for community investment program	Strategic alignment of investment	Internal decision making structures	Selection of focus areas	Evidence of measurement and reporting	Evidence of reporting of inputs and activities	Evidence of measurement of impact	Evidence of reporting of outputs and impacts	Quality of reporting of impacts	Types of businesses impact measurement	Types of community impact measurement	Types of business benefits	Evidence of reporting impact on community	Evidence of reporting impact on business	Quality of overall reporting	Alignment with reporting frameworks	Assurance of reporting	Participation in benchmarks
GRI G3 Guidelines	●																															
LBG Annual Report		●			●	●	●			●			●	●																		
Dow Jones Sustainability Index						●							●		●						●											
Corporate Responsibility Index																			●	●	●	●					●	●				
Measuring Community Impact (GRI)	●	●	●						●													●										
Giving in Numbers (CECP)			●			●	●							●	●																	
Disclosures on Social Investment (ACCA)																				●	●	●									●	
Community Involvement among leading corporations (CSI)							●														●		●					●	●			●
Community investment in Australia (CCPA)			●													●	●	●				●			●							
What Gives? Community Investment (Catalyst)	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●		●	●	●	●

Final framework

The resulting framework draws on multiple approaches, and could inform the continuous improvement of standards such as the LBG. It includes three main aspects of community investment:



1. HOW COMPANIES ***INVEST*** IN COMMUNITIES

- Amount
- Methods
- Strategies

2. HOW COMPANIES ***MEASURE*** THE IMPACT OF THEIR INVESTMENT

3. HOW COMPANIES ***REPORT*** ON THEIR COMMUNITY INVESTMENT

Under each of these are numerous indicators, set out in Box B (next page).

BOX B—SUMMARY OF SELECTED INDICATORS
The following is a summary of the indicators used in this project.

1. **How companies invest: Amount**
   - Total contribution
   - Contribution relative to profit
   - Setting community investment targets
   - Historical trends
   - Facilitated contributions (leverage)

2. **How companies invest: Methods**
   - Forms of contributions
   - Extent of volunteering
   - Management costs
   - Types of engagement with recipient organisations
   - Types of recipient organisations
   - Sources of leverage

3. **How companies invest: Strategy**
   - Motivation for community investment
   - Community investment policies
   - Levels of decision-making
   - Selection of focus areas
   - Approach to distributing funds

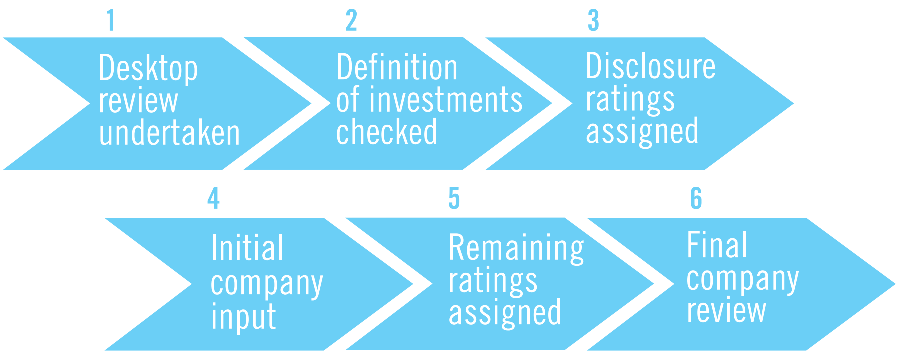
4. **How companies measure**
   - Extent of measurement
   - Type of measurement tools used
   - Reporting of impact

5. **How companies report**
   - Overall disclosure
   - Alignment to standards
   - External verification

Analysis of companies

Company analysis was carried out in the six stages, as set out in Figure 2.

Figure 2: Stages of analysis



1. **Desktop review:** A desktop review of public information on company websites and in sustainability reports[4] was undertaken in August/September 2011. In identifying information we were guided primarily by a company's GRI index table in identifying the total value of community investment, and the Corporate Responsibility / Sustainability section of the website for further details. In addition, we included other content that was easily identifiable within the companies' sustainability reports. Reports available at that time were the 2010 Annual and sustainability reports. A comprehensive matrix was developed, summarising all of the information gathered.
2. **Definition of investments checked:** An assessment of a company's community investment program was made against Catalyst's chosen definition of community investment. Elements of the company's community investment program that fell outside that definition were excluded from further analysis[5].
3. **Disclosure ratings assigned:** Using the information gathered in Step 1, ratings were assigned for a company's overall disclosure based on the information available at this point. The rating system was underscored by the principle that, "*…sustainability reporting [should be] designed to provide stakeholders with sufficient information to understand the sustainability performance of an organisation and to make informed decisions*"[6] .
4. **Initial company input:** Companies were invited to review the summarised data and provide corrections or additional information. Information was circulated to companies in October and was followed up in November/December 2011. Additional information provided by the companies was integrated into the matrix.
5. **Remaining assessments completed:** Results were collated across the sample and assessments were made on the basis of performance across the sample and comparison with identified best practice.
6. **Final company review:** Companies were then given a chance to review and comment on the assessment. Where responses indicated an oversight on behalf of Catalyst's researcher, the assessments were updated accordingly. However if after reviewing the response, the initial assessment was still considered appropriate, the assessment was left unchanged, but the response was included alongside the assessment in *Appendix 2: Company Information.*

1.3 LIMITATIONS

This report has been written with the intention of stimulating discussion and debate around the current state of community investment by large corporations. The project was designed to be considered in its methodology, thorough and careful in its research and balanced in the analysis.

Nevertheless there are some limitations to the study, namely:

> **Small sample of companies:** The review was limited to a small sample of 12 companies (see section 1.2), which made industry and sectoral analysis challenging. Companies in the sample were mature reporters with a history of sustainability reporting of three years or more. The study may therefore overstate the quality of reporting across the corporate sector.

> **Use of publicly available information:** Research is based mainly on published information (as outlined in section 1.2). While companies were given the chance to provide additional information, there may be information that is not recorded or that they have chosen not to release publicly. Therefore our analysis may not present a complete picture in all areas. Further, we have made no attempt to check the integrity of the information published or provided by the companies.

> **Subjective assessments:** Analysis is based on clearly defined indicators. However, as parts of the analysis use a qualitative methodology and rely partly on the researcher's judgement it is inevitable that some element of subjectivity will still remain. Companies were given an opportunity to comment on their results. Feedback and responses were considered and any disparity existing between Catalyst's assessment and the company's own view is outlined in *Appendix 2: Company Information*.

> **Timeframe for data collection:** Data collection for our project was limited to the set period of August/September 2011, which covers reports published for the 2010 year. Where more recent information has since become available that shows substantial changes in a company's investments, this is noted in *Appendix 2: Company Information.*

FINDINGS AND DISCUSSION

2. FINDINGS AND DISCUSSION

This section discusses the key findings from the research. Individual company evaluations can be found in *Appendix 2: Company information.* There are five parts to the findings which cover: 1) amount of investment, 2) method of investment, 3) strategy behind investment, 4) measurement of impact and 5) quality of disclosures.

In reading these findings it is important to bear in mind the limitations outlined in the previous section, particularly that researchers are reliant on the company's disclosure of information to make their assessments.

2.1 HOW COMPANIES INVEST: AMOUNT

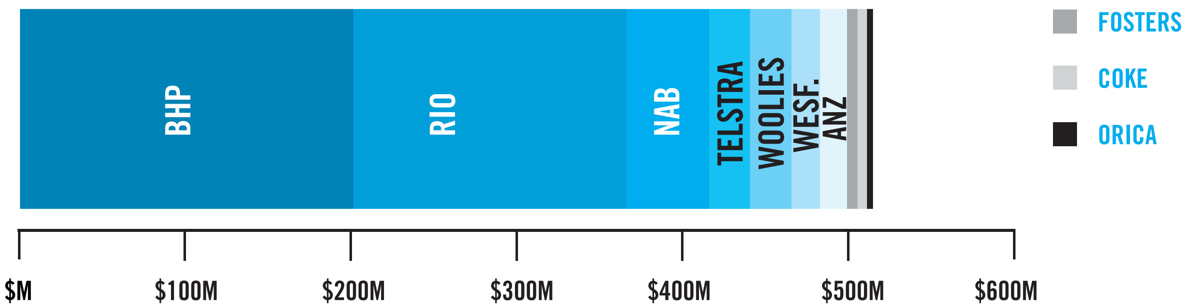
This section looks at numerous elements measuring the amount of community investment made by companies in the sample, including total dollar amounts, relative contributions, targets for investment, historical trends in contributions and additional contributions facilitated ("leveraged") by the company.

How much companies are giving is perhaps the most attention-grabbing aspect of this research. It is important to note, however, that the size of a company's investment does not necessarily indicate the quality or effectiveness of the program. Instead, the amount of investment must be considered alongside how the investment is made and its impacts (explored in sections 2.2 and 2.4).

Total contributions

Ten of the 12 companies in the sample reported the total value of their investment, and in 2010 together they contributed a total of over half a billion dollars to the community[7]. Figure 3 shows the total value of investment for each company.

Figure 3: Total contributions of companies



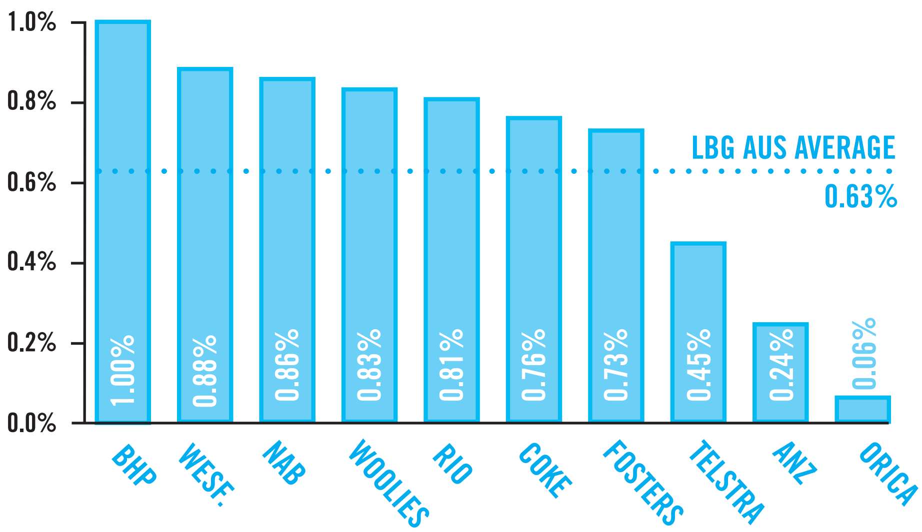
The two mining companies are responsible for over 70% of the total investment by the companies in the sample, not surprising given that they are by far the largest. In fact, the results show that five of the six most profitable companies were the biggest contributors overall. This suggests that the size of a company's profit influences the size of their contributions, and that 'relative' measures of contributions need to be considered.

Relative contributions

To take account of the impact of a company's size, levels of community investment across companies were compared as a percentage of their pre-tax profit[8]. The results for the ten companies which provided data are shown in Figure 4.

When compared in these terms, most companies had similar levels of investment. Six companies contributed between 0.7% and 0.9% of their pre-tax profit. This is higher than the LBG average of 0.63%. Only one company, BHP, gave 1% of their pre-tax profit – a level considered internationally as good practice[9]. On the other hand, three companies gave less than 0.5% of their pre-tax profit in contributions – below the LBG average.

Figure 4: Contributions as a percentage of pre-tax profit



Relationship between contributions and profit

The sample showed that there was a strong correlation between the levels of profit that a company made and the level of their community investments[10]. For companies in the sample, for every extra $2 billion in profit a company earns, their contributions increased on average by approximately $10 million.

Furthermore, analysis showed that over 50% of the difference in levels of community investments shown in Figure 3 above (total contributions) is determined by a company's profit alone. The remaining differences result from other factors, which could include the industry the company operates in, the culture of the company, the priorities of executives, etc.

Setting targets

A number of companies published targets for their community investment. The common approach was to set a target of a particular percentage of pre-tax profit (eg. BHP Billiton and Woolworths) or a similar measure such as cash earnings before tax (eg. NAB). Contrarily, Orica's target was expressed as a percentage of shareholder dividend.

The targets set by companies in this sample, and their performance in relation to them is shown in Table 3.

Table 3: Company targets

COMPANY	TARGET	PERFORMANCE
BHP	1% of pre-tax profit	Contributed 1%
NAB	1% of cash earnings before tax	Company reported that they contributed "0.95% of cash earning before tax" however our calculations show that conforming contributions represent 0.75% of cash earnings[11]
Orica	Up to 0.5% of total shareholder dividend	2010 investment is about 30% of target[12]
Woolworths	1% of pre-tax profit	Company reported that they contributed 1.15% of pre-tax profits according to LBG, however our calculations show that conforming contributions represent 0.88% of pre-tax profit[13]

In addition, though Wesfarmers does not have a company-wide target for their community investment program, on top of the community investment made by the various divisions, the Wesfarmers Board allocates up to 0.25% of the company's pre-tax profit each year to community investment. In 2010, 0.17% of pre-tax profit was distributed by the Board.

Setting and reporting targets is valuable in that it can make a company's level of giving consistent. However when the targets are relative (linked to measures such as those above) this can lead to amounts varying from year-to-year, and even lessening considerably if profits drop substantially. An alternative target could be to increase contributions by a set minimum amount each year. While this decreases flexibility for companies in years when conditions are tough, it would ensure that the amount of investment available to the community each year continues to grow.

Targets can also assist in transparency and help keep companies accountable – both in terms of the level of the targets companies set and whether they meet them. Publishing strong targets can also encourage other companies to publish and meet similar targets. However the disadvantage of this is that if companies fail to meet targets and receive negative publicity for this, they may be tempted to set low-level or 'aspirational' targets of reduced value to both the company and the community.

Historical trends

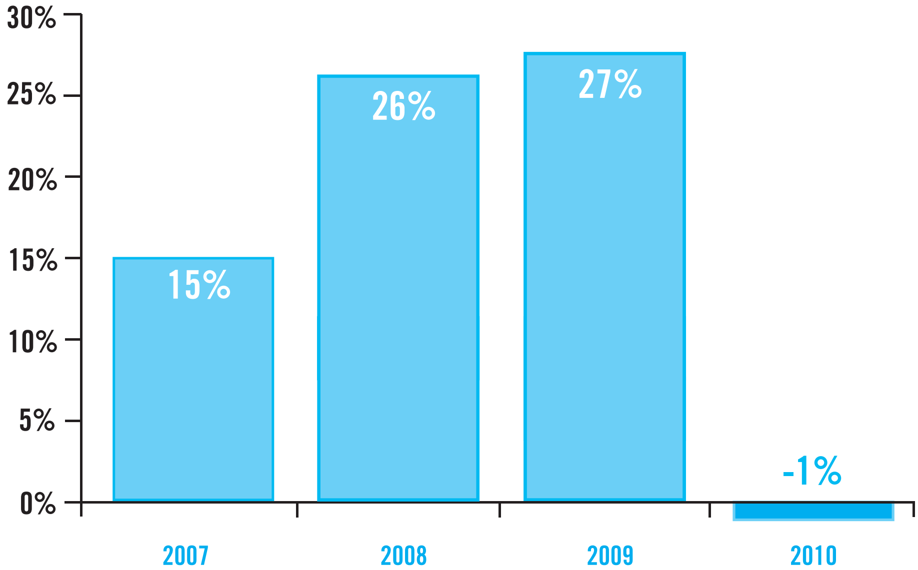
To investigate how community investments were influenced by external economic factors, average investments were reviewed over five years, covering the period of the global financial crisis.

Changes in total contributions

In looking at the dollar value of investments over the past five years, the results show the general trend was for companies to increase their contributions each year between 2006 and 2009. In 2010, however, the majority of companies either did not increase their investment, or in fact, decreased it.

The average of all companies' change each year is shown in Figure 5. Specifically the analysis shows that on average, contributions increased by a greater amount each year from 2007 to 2009, with the average year-on-year increase being 15% in 2007, 26% in 2008 and 27% in 2009. In 2010 however, there was an average decrease of 1%.

Figure 5: Average changes in contributions from previous years[14]

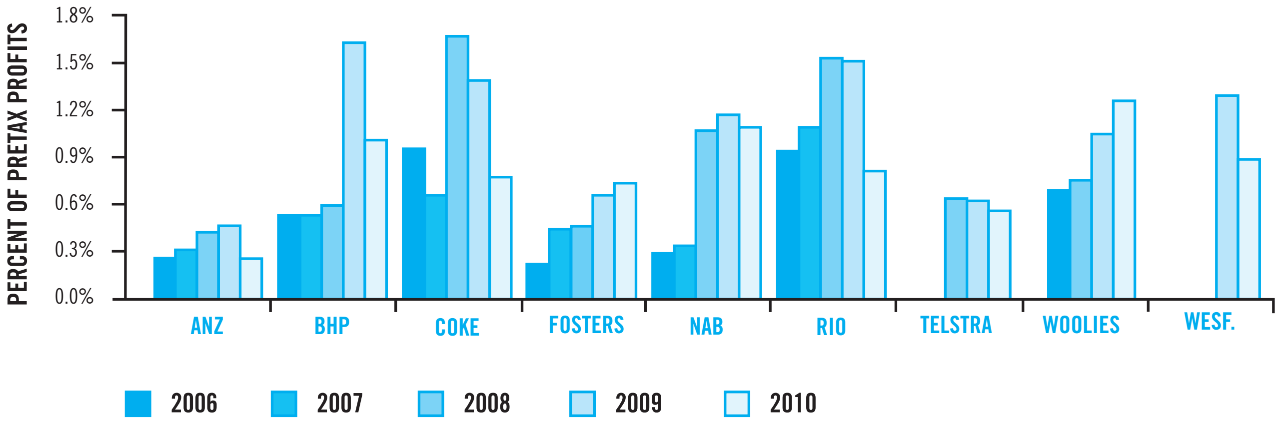


The decrease in 2010 by these companies reflects a more marked, Australia-wide trend: the LBG reported a decrease of 16% in 2010 from the previous year for its members.

Changes in contributions relative to pre-tax profits

Figure 6 explores the relationship between profitability and the level of community investments over five years. It shows that relative to profits contributions generally also rose between 2006 and 2009, before falling in 2010. This could reflect a limited, or delayed, impact of the global financial crisis. Australia also experienced two big national disasters in 2009 – the Victorian bushfires and the Queensland floods. In response to these events, business gave generously.

Figure 6: Level of contributions relative to pre-tax profit from 2006-2010



Facilitated contributions (leverage)

As well as the contributions made out of its bottom line, a company can also facilitate contributions by others. This is often referred to as 'leverage' – because companies are 'leveraging' their relationships with employees, customers, suppliers, etc. to raise additional funds for the community (see Box C for examples).

This is part of a company's total input into the community, because without the company's effort the additional contributions would not have been made. Thus even though contributions do not come from a company's bottom line they can be an important source of investment in communities.

BOX C. EXAMPLES OF LEVERAGE

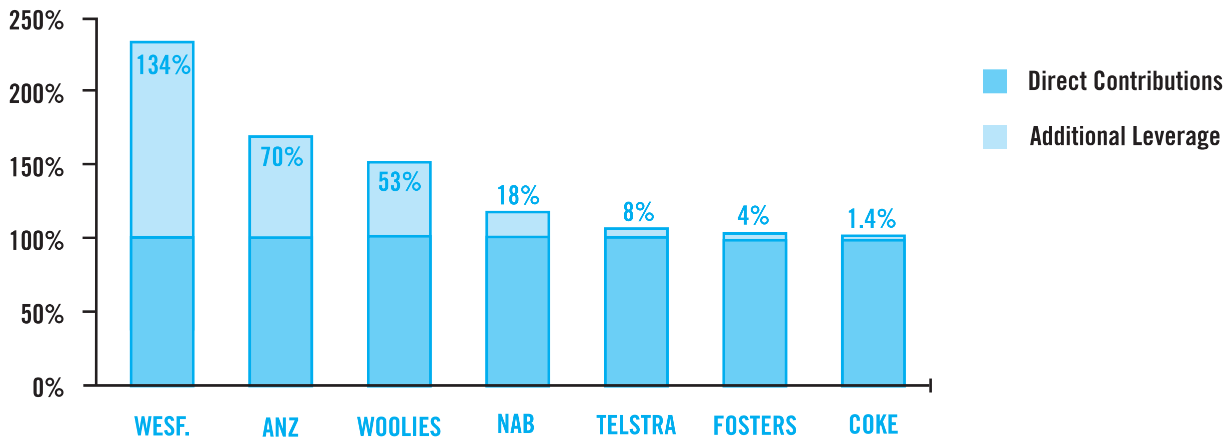
"Leverage" consists of the additional investments made by third-parties that were attracted to the activity or community organisation as a direct result of the company's initiative, ie. otherwise they would not have occurred. Examples include:

- **Counter charity boxes:** When a company places a charity's donation box or merchandise on a counter in a retail outlet, and customers make donations into the box or purchase the campaign merchandise, that money is considered leverage. Examples include Red Nose Day, Daffodil Day, etc. merchandise, or a Queensland Flood Appeal tin.
- **Supported community fundraising:** When a company gives approval and support for community organisations to fund-raise on the company's premises, the amount they raise is considered leverage. An example is the BBQs that community groups can hold out the front of Bunnings stores.
- **Staff payroll giving programs:** When a company creates the opportunity for staff to donate to charities directly out of their pay, the amount donated by staff is considered leverage.

Sources of leverage are further discussed in Section 2.3.

The results of this analysis are shown in Figure 7. Of the seven[15] companies that reported leverage and total contributions, three companies facilitated additional leverage of more than 50% of their own contributions, the highest being 134% for Wesfarmers. The leverage reported by the remaining four companies were less than 20% of their own contributions – the lowest being 1.4%. The average was an additional 41% on top of contributions.

Figure 7: Leverage as proportion of total contributions

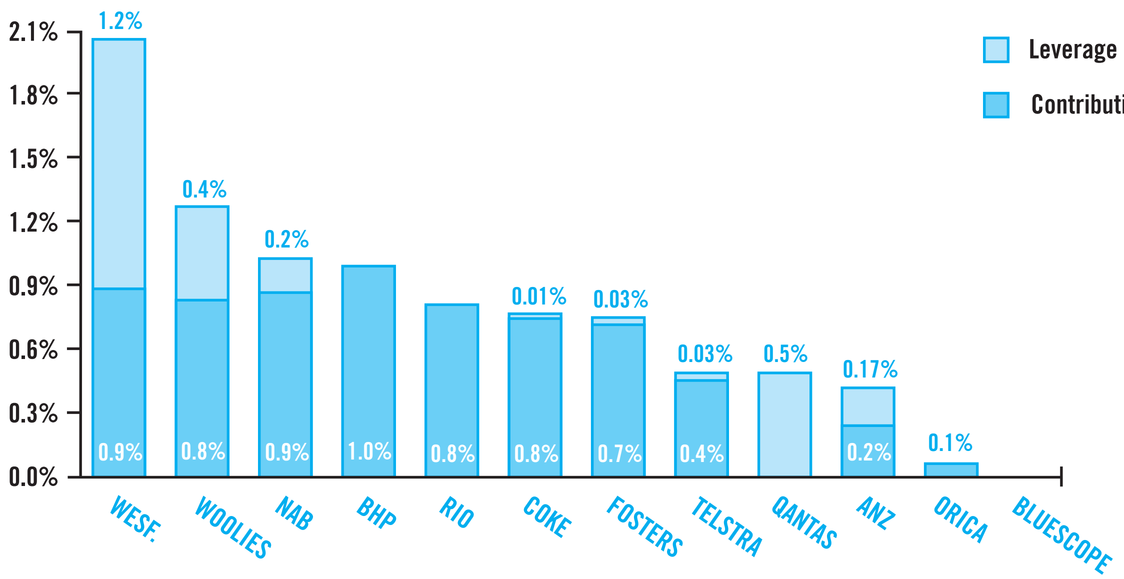


The four companies that did not report leverage are the mining and manufacturing companies. All but Bluescope confirmed that they do leverage, but do not measure, or are unable to report the amount. This confirms the results of a similar study which found that 40% of companies did not measure leverage[16].

Leverage can be substantial in comparison to the size of a company's own contributions, and therefore can significantly increase the company's total input into the community.

Figure 8 shows leverage and contributions together as a percentage of pre-tax profit and highlights how leverage can be a considerable source of support for the community. When leverage is added to the picture, the combined amounts for the two retail companies exceed all others. Also notable is Qantas, with leverage constituting the second largest amount relative to profit in the sample.

Figure 8: Combined contributions and leverage, as percent of pretax profit[17]



DISCUSSION: VALUING CONTRIBUTIONS

As different companies may define community investment in different ways, it is important to ensure that the same things are being compared across companies. This can be difficult when companies do not provide explicit details about how they define community investment or what activities have been incorporated in their figures. This means that some companies' investment figure may be inflated relative to other companies, because they include particular elements that the others exclude. Consistently aligning reporting to international standards is one way to address this issue, but this has its own complications (see discussion in Section 2.5).

Furthermore, companies may not able to value their investments precisely, and so may (knowingly or unknowingly) not report all contributions. Companies with more mature reporting processes may be more capable of tracking and reporting their contributions than those which have only recently begun to report.

In addition, the levels at which decisions are made on investments can also influence how well a company records their contributions. Where a company's head office controls all contributions they should be able to record all of their contributions. However companies with decentralised decision-making structures may struggle to adequately record details of all investments, and thus under-report their contributions.

A final issue in valuing contributions is how to ensure that information is comparable across companies. Reporting absolute dollar values is rarely useful when companies differ in size and profit margins. Transforming these dollar values into relative percentages based on company size or profits is one way to enable comparisons.

These issues also apply to contributions facilitated by the company from third-parties ('leverage').

2.2 HOW COMPANIES INVEST: METHODS

This section outlines the different methods that companies use to invest in communities. It identifies the forms that investment can take, the types of recipients and relationships that companies enter into with community groups, and the management costs of investment. It also looks at how companies leverage community investments.

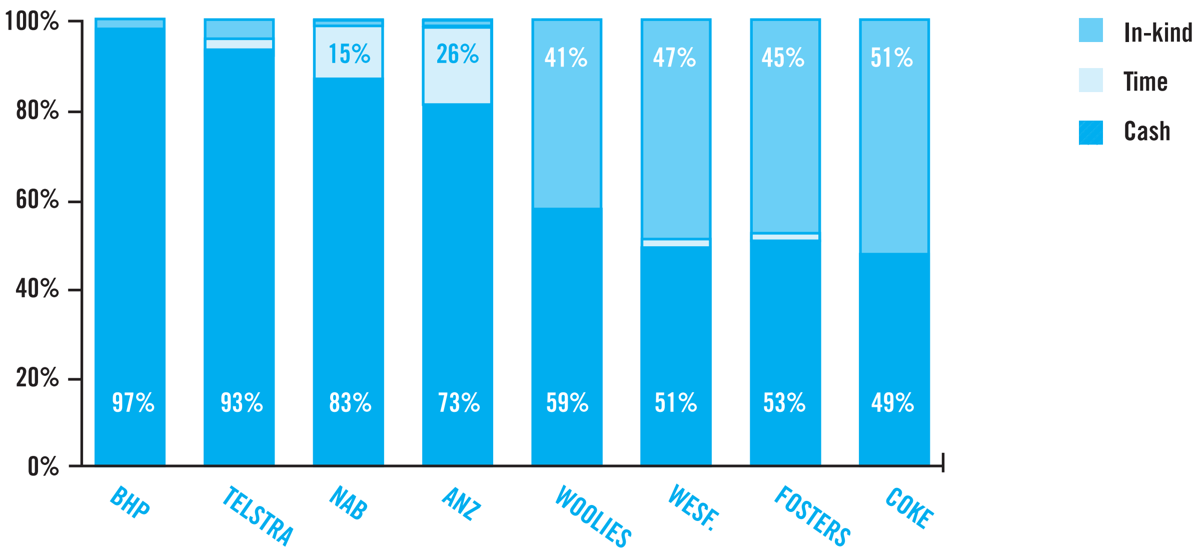
Forms of investment

The main forms of contributions to the community are cash, time and in-kind. These are described in Box D.

> **BOX D – FORMS OF INVESTMENTS**
>
> **Cash:** the total monetary contributions that a company pays to support community organisations or projects.
>
> **Time**: the value of paid working hours contributed by employees to community organisations/activities.
>
> **In-kind:** the value of non-cash resources provided to the community such as products, equipment or services. The value is calculated based on the cost to the company, not the general market value of the resources[18].

Figure 9 shows the proportions of the companies' community investment programs given in cash, time and in-kind. Cash is the main form of contributions, making up at least 50% of the total value of contributions for all eight companies for which relevant data was available, and considerably more for four. Time is generally the smallest proportion of contributions, constituting no more than 3% of the total value of contributions, except for the two financial services companies, where it accounted for 15% and 26% respectively. In-kind made up almost half the total contributions for four companies – unsurprisingly, these were the FMCG and Retail companies. (The other four companies gave less than 5% of contributions as in-kind.)

Figure 9: Proportion of investment delivered as cash, time and in-kind [19]



No data is provided by the manufacturing companies, but both report that they give substantial in-kind contributions. Some companies advised that their in-kind amount under-represents the value they provide to the community as it is based on the cost to the company. Standards in the US calculate in-kind using 'fair marketing value' – how much the product/service would cost on the market[20].

Unsurprisingly, these results suggest that the sector of a company is closely related to the different forms of community investment it gives. Research with a larger sample of companies would confirm and further explore this relationship.

In 2009, LBG reported that cash was declining as a proportion of total investment, and that this reflected *"a strategic approach by members to move away from cash donations and find ways of making use of their own resources and capabilities to benefit the community…"* While increasing non-cash contributions such as time may allow companies to make use of their staff's skills and expertise, it appears that time contributions are generally made up of unskilled volunteering. This is discussed further under the section on *Extent of volunteering* below.

Foregone revenue

One form of investment closely related to in-kind donations, particularly for Services companies, is foregone revenue. Rather than donating products, companies provide services for free (ie. they forgo the revenue from the service). See Box E.

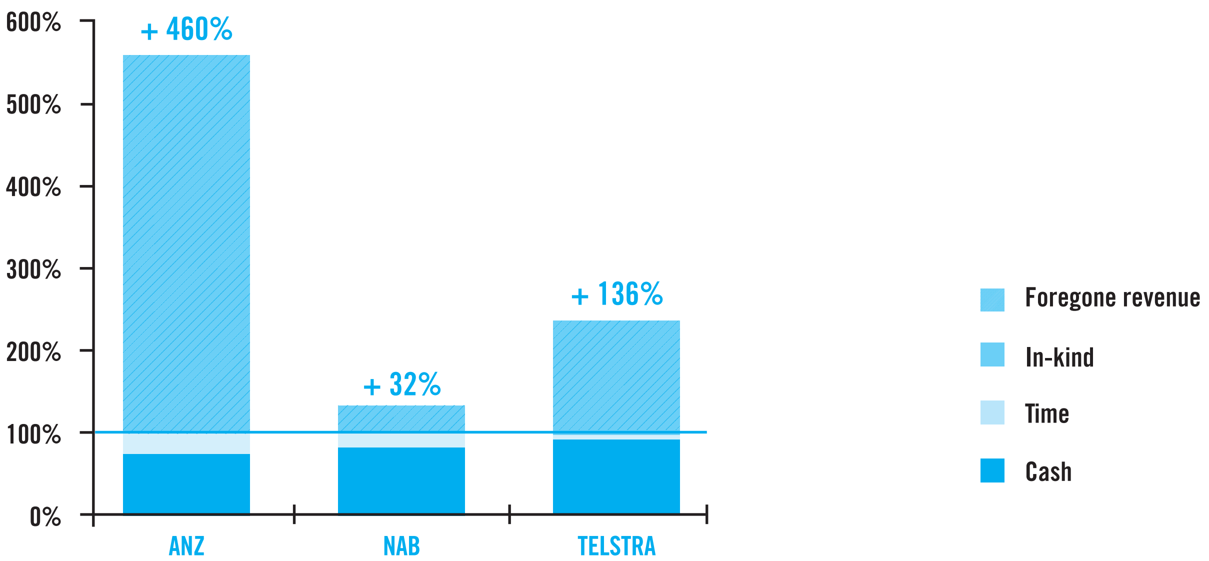
BOX E – FORMS OF INVESTMENTS (CONTINUED)

Foregone revenue: Revenue that the company would otherwise have received, except that they chose to waive or discount the fee for using a good or service.

This category of contributions is mostly excluded from being counted as community investment by LBG guidelines[21] (which this framework is based on). For this reason foregone revenue has not been included in the analysis of the companies' total community investment. However certain companies voiced concerns about this exclusion, particularly the financial and telecommunication services companies. Following this feedback, foregone revenue was compared to the accepted forms of community investment considered in Figure 9 above.

Figure 10 shows forgeone revenue, cash, time and in-kind for the three companies which provided data. It reveals that for these companies, forgone revenue is major in comparison to their community investment, and if included in their total, particularly for ANZ and Telstra, would dramatically change the size of their investment relative to other companies,

Figure 10: Foregone revenue relative to cash, time and in-kind



The issue of foregone revenue is considered further in the discussion box on Conforming with standards in section *2.5 Quality of Disclosure.*

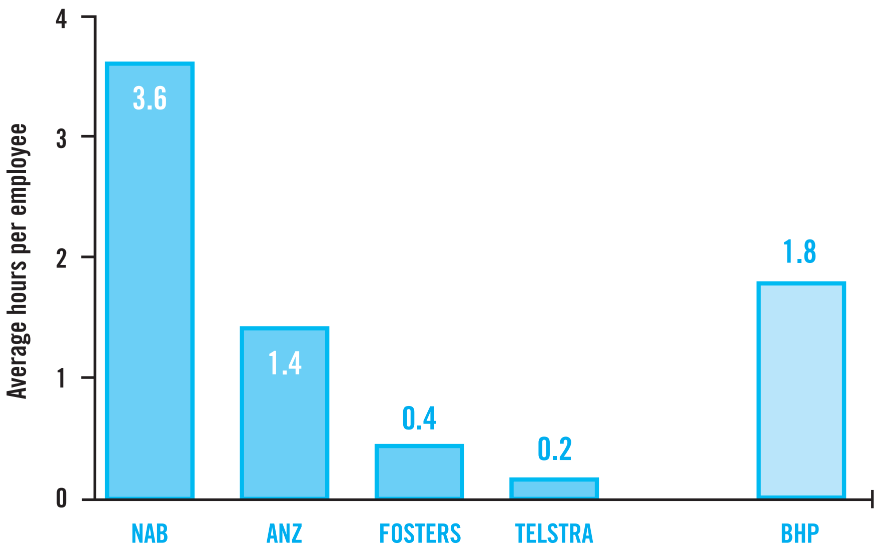
Extent of volunteering

While time was a small proportion of most companies' community investment, volunteering is a strong topic of interest for companies and community organisations. Most companies report in some way about their staff volunteering arrangements or activities.

There are many ways of reporting volunteering time – the challenge is finding a measure that is comparable across different companies. In Figures 9 above, the proportion of time was based on the dollar value of volunteered time – this however is not sensitive to differences in average pay rates for employees across different companies, and therefore the dollar values cannot be compared directly. Another popular measure looks at the average hours per volunteer, however this does not take account of the number of non-volunteers, ie. those who volunteer zero hours.

The project therefore developed a measure that allows better comparison of the uptake of volunteering amongst companies, by averaging the total number of hours of paid volunteering time across the total number of employees who could potentially volunteer. Figure 11 shows the average volunteer hours per employee, for four of the seven companies which provide paid time for volunteering. Data for BHP is also presented here – though BHP does not provide paid time to volunteer they do match employee volunteer hours through their matched giving program[22].

Figure 11: Average volunteer hours per employee



NAB has the most volunteering by far, with an average of 3.6 volunteer hours per staff member, which is probably a reflection of its generous volunteering policy of allowing staff up to two days of paid volunteering leave with the community organisation of their choice. ANZ, with an average of 1.4 hours per employee has a similar policy of allowing staff at least one paid day of volunteering. (These numbers equate to 31% of NAB staff who volunteered an average of 11.6 hours each, and 23% of ANZ staff volunteering an average of 6.3 hours each.) BHP on the other hand does not provide paid time to volunteer, but does reward staff for volunteering on their own time, by matching the volunteering with a contribution from the company. Community organisations that benefit greatly from corporate volunteering may wish to advocate to other companies to encourage implementation of similar policies.

Skilled and unskilled volunteering

According to a study on the relationships between corporations and community organisations, there is high demand among community organisations to access the professional and management skills that companies can offer, transfer and embed[23]. Volunteering therefore has the potential to play a large part in capacity building and skills transfers to community organisations.

None of the companies in this sample reported the percentage of volunteering classed as 'skilled' in their 2010 reports[24]. However comments on the companies' websites suggest that most volunteering by employees appears to be generalised and unskilled. This is confirmed by community organisations who currently describe 70% of employee volunteering as unskilled[25].

Understanding the needs of recipients and orienting volunteering programs towards capacity building and skills transfer could dramatically increase the value of volunteering to community organisations. At the same time, enhanced reporting distinguishing between skilled and unskilled volunteering would enable better tracking of trends towards skilled volunteering.

In suggesting this, a current debate in the international development area about the value of short-term, unskilled volunteering overseas is noted. Many international development practitioners argue that while unskilled volunteering provides many benefits to the volunteer, particularly a 'feel good' experience, it can provide few lasting benefits and even cause difficulties for recipient communities[26]. This issue warrants further consideration in the corporate, domestic context.

Management costs

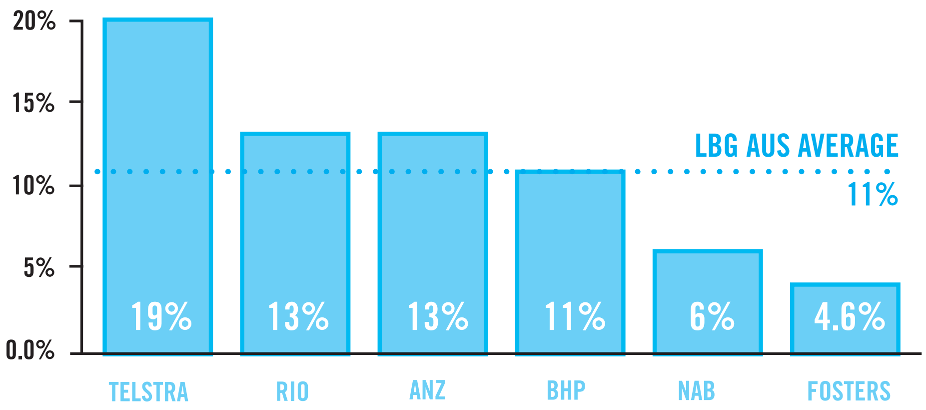
Management costs are those costs incurred to undertake community investment. Costs include the salaries, benefits and other overheads of staff involved in the program, the running costs of the program and any research and communications spending designed to help the community engage with the company.

These costs are generally counted as part of a company's total community investment . It is therefore interesting to see what proportion of the companies' community investment is spent on managing their investment program[27].

Only half of the sample companies reported or provided to us the level of their management costs. This is consistent with a study of companies participating in the Corporate Responsibility Index[28] which found that 44% of companies did not measure their management costs.

Figure 12 shows management costs as a proportion of total community investment for each company, ranging from a high of 19% to low of 4.6%. This variation is apparently not unusual – the LBG reported sector averages ranging from 27% for Resources to 3% for Retail.

Figure 12: Management cost as proportion of investment



The average management costs of the six companies is 11%, which is consistent with the 2010 average reported by the London Benchmarking Group (LBG) for Australia and NZ. This average is much higher than the global average of 5% reported by the LBG in the UK, suggesting some differences in administration practices or economies of scale.

Curiously there does not appear to be any relationship between the total size of the community investment program and the proportion that is management costs. The two resources companies with by far the largest community investment programs are at or just above the average, while Fosters, with one of the smallest community investment programs has the lowest proportion of management costs.

There was no evidence in the literature review of what constitutes an appropriate level for management costs, but it is important to note that lower levels of management costs are not necessarily better than higher levels. While it can be assumed that the more money that reaches the community the better, the costs associated with planning and delivering effective investment programs need to be taken into account. However these should be as cost-effective as possible so that companies' community investment totals are not inflated by unnecessary management costs.

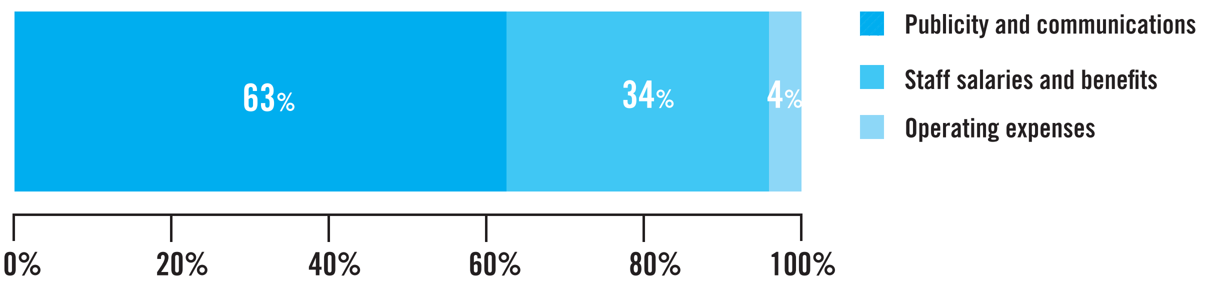
Further research about how spending on management affects the efficiency of community investment programs would illuminate this area. In the meantime, companies should supply more details of their management costs, particularly the reason for any large disparities between the level of their costs and the LBG average.

Breakdown of management costs

The breakdown of management costs is particularly poorly reported. Elements that can be counted as management costs include: salaries of staff managing the community investment programs; operating expenses including overheads, training and research; publicity and communications, including promoting opportunities to the community and reporting on community investment; and payroll giving programs, including administration and promotion costs.

Helpfully, Telstra published its 2010 Individual LBG Report which included the breakdown of their management costs. This transparency is unique and commendable, a good example for other companies to follow. Figure 13 shows the breakdown in Telstra's management costs, with publicity and communications making up almost two-thirds of the amount, whilst staff salaries and benefits make up one-third. Operating expenses were a very small component and payroll giving costs did not feature. Unfortunately without other companies for comparison, it is impossible to know whether these proportions are common.

Figure 13: Break down of Telstra's management costs



The above figure shows that Telstra expended a lot of effort on its communications in 2010. This category includes both communicating opportunities for support to the community and informing people about Telstra's activities and impact. As will be shown later in section *2.5 Quality of disclosures*, Telstra receives excellent ratings on the main elements of its community investment disclosure, which may relate to this spending.

Interestingly, from Telstra's 2009 LBG report it appears that this category has increased significantly since 2009. It would be interesting to see whether this increase reflected an expansion in Telstra's programs, the number of recipients or quality of reporting from the previous year.

Types of engagement with recipient organisations

Stakeholders consulted throughout this project had an interest in learning how companies formed relationships with community organisations, and whether these relationships were long-term and enduring, or ad hoc and responsive to specific requests from community groups.

There were three main ways that companies engage with community organisations: ongoing partnerships, one-off grant or sponsorship requests and participation in staff giving programs.

BOX F – ENGAGEMENT TYPES

Partnerships: Ongoing, formalised relationships between companies and community organisations, which would include obligations on both sides.

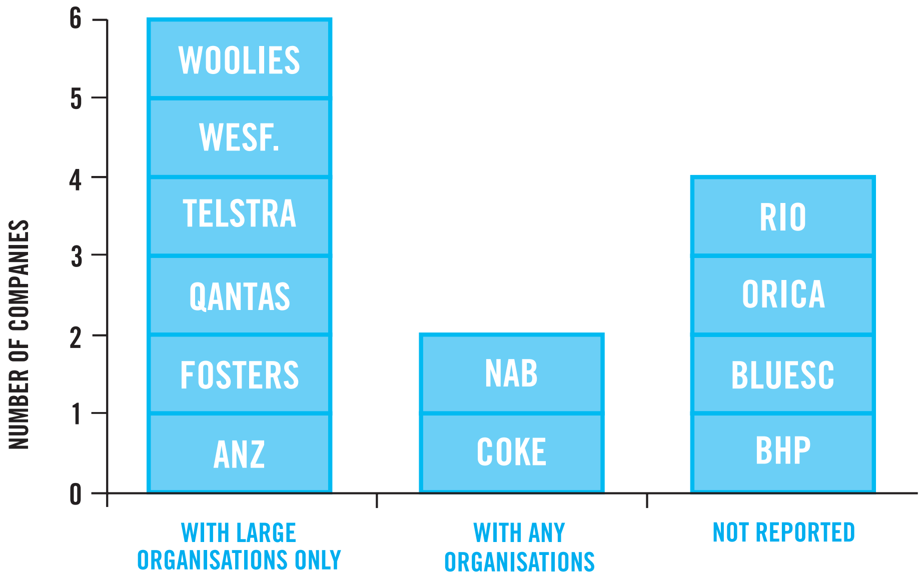
One-off request: A transactional relationship on the basis of a grant application or in response to an ad hoc request for sponsorship or support.

Staff giving programs: A generally ongoing relationship that gives staff access to the community organisation to make regular donations.

Partnerships

Figure 14 shows that eight of the 12 companies reported long-term partnerships with community organisations. The four companies which did not report any partnerships were all Resources and Manufacturing companies.

Figure 14: Long-term partnerships



The number of companies involved in long term partnerships amongst our sample is slightly higher than reported by the LBG US, which found that just under 60% of companies had 'signature' partnerships[29]. Generally, our companies partnered with large, well-recognised not-for-profit organisations. This may be because:

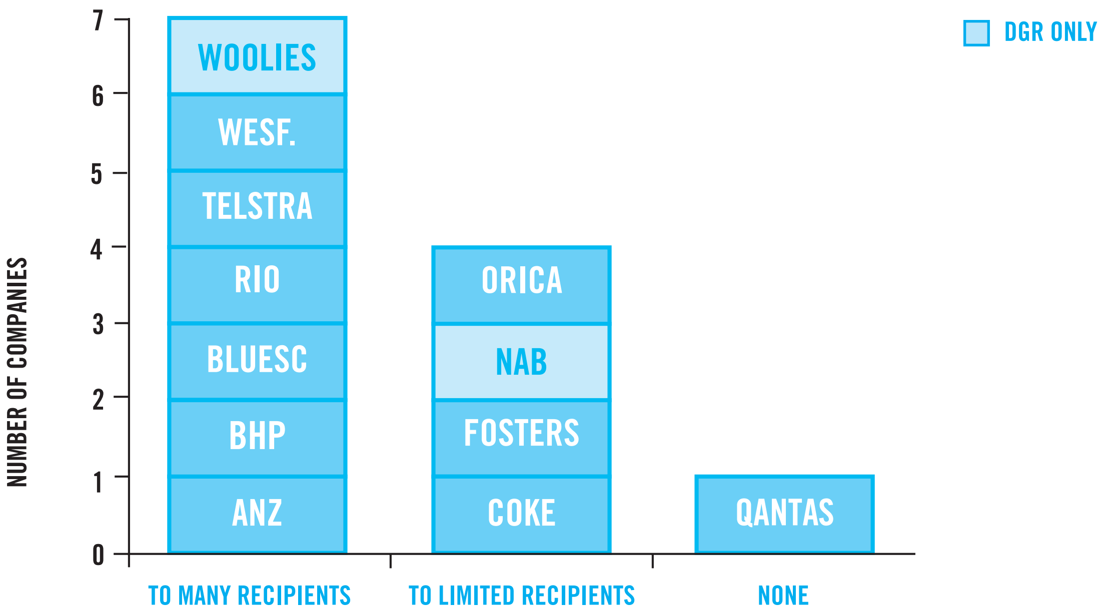
> *"Larger companies frequently find it easier to partner with medium and large [community] organisations, because, amongst other things, these organisations tend to have a capacity and capability to report [back] adequately."* [30]

Partnering with larger organisations which can operate across multiple priorities and geographic areas may reduce the time and administrative costs involved[31].

One-off requests

Figure 15 shows that all but one company responded to one-off requests from community groups and organisations. Seven of these provided a large number of opportunities, while three granted only a limited number of requests (less than 50 a year). Two of the ten companies (NAB and Woolworths) only allowed ad hoc requests from community organisations with Deductible Gift Recipient (DGR) status.

Figure 15: One-off donations



The two companies that did not report processes for responding to ad hoc requests were Orica and Qantas.

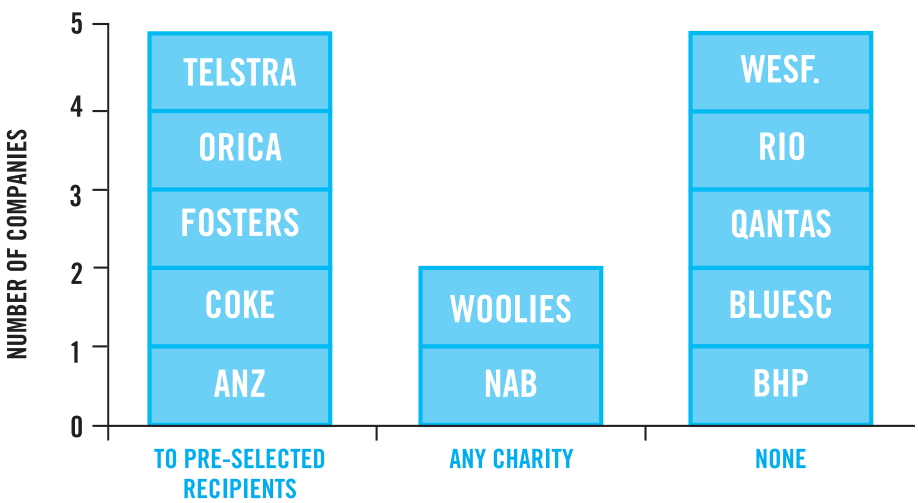
Some companies have specific grant/sponsorship guidelines that detail the types of eligible recipients for one off requests. Examples of types of criteria include the status of the recipient (community group, community organisation, registered charity, etc) and the size/reach of the recipient: (locally-based, national, etc.) In many cases the criteria excluded smaller or informal groups from applying. If this practice became more widespread, this could disadvantage smaller, grass roots organisations.

Staff giving programs

Many companies provide an opportunity for their staff to contribute to community organisations through payroll giving and volunteering programs.

Figure 16 shows that eight of the 12 companies encourage staff to contribute directly to community organisations by organising payroll giving programs. The recipient organisations are charities with DGR status.

Figure 16: Staff giving programs



Five companies had a pre-selected list of around ten to fifteen organisations on their staff giving program. In most cases, the companies were chosen by staff at the beginning of the program. Two companies, NAB and Woolworths, allowed staff to donate to any charity with DGR status. This process is commendable where appropriate, as it enables greater choice for staff and allows more organisations with DGR status to make use of company-provided infrastructure for giving. One company, BHP, did not report its approach.

Types of recipient organisations

Publicly available information about recipient organisations was scarce. Disclosure is reviewed below, as well as presenting available information about the number and location of recipient community organisations.

Reporting of recipient organisations

Catalyst was interested in whether companies reported the actual organisations receiving funds. Transparency around specific recipient organisations is important because it allows stakeholders to analyse in detail how community investment in Australia is distributed across the community sector. This also makes it possible to review whether this has any impact on government investment in community activities.

Three levels of disclosure of recipient organisations were identified – extensive, partial and limited. These are explained in Box G.

BOX G – DISCLOSURE OF RECIPIENT ORGANISATIONS

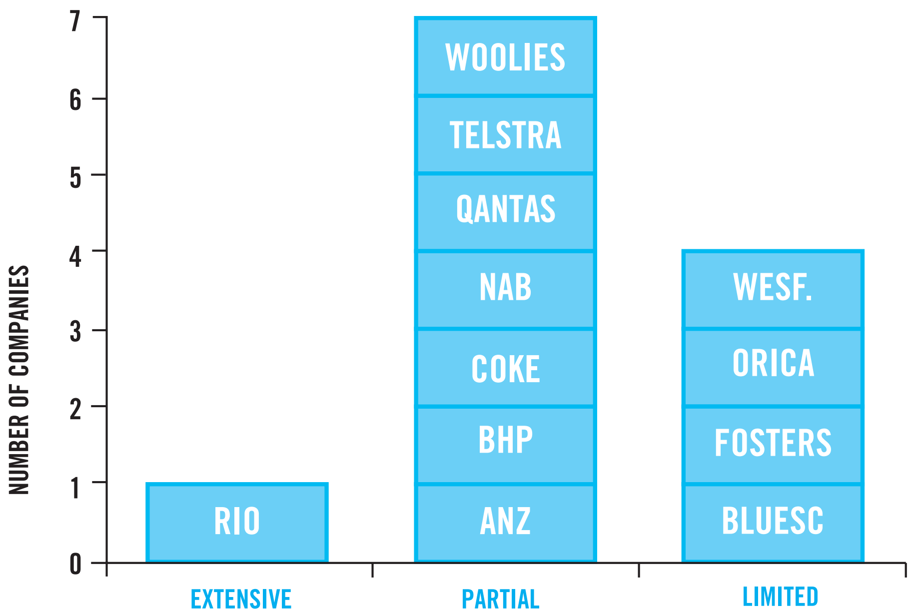
Extensive: Discloses names and activities of all/most recipient organisations with the amount of contribution included.

Partial: Discloses names and activities of major recipient organisations with the amount of contribution included.

Limited: Discloses few recipient organisations and/or no meaningful details.

Figure 17 shows that all companies provided some information, but in the main this information was partial at best. Only one company, Rio Tinto, extensively disclosed this information.

Figure 17: Level of disclosure of recipient organisations



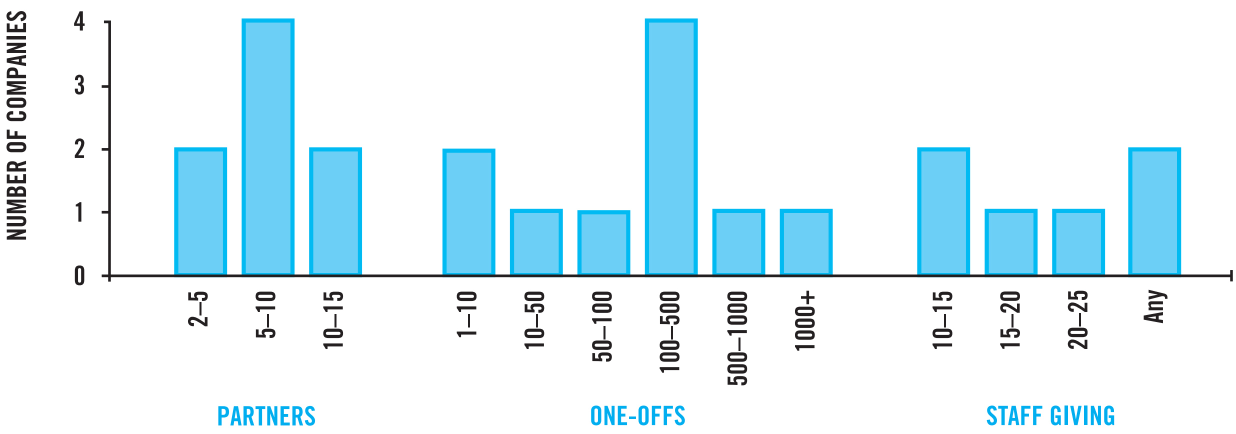
The majority did provide the names of major partners and charities involved in staff giving programs. As well, case-studies were often presented on one or two other recipients, but generally companies chose to selectively showcase this information rather than report it fully or consistently. For the seven companies receiving a partial rating, the contribution amount was also reported for around five to ten recipient organisations each. This contrasts with Rio Tinto, which provided a filtered search by year[32] including organisation name, project description and contribution amount. This is an example of best practice that other companies would do well to follow.

Telstra also provides a high level of disclosure for one particular grant program – it publishes the name of all recipients of its $1,200 Telstra Kids Fund grant in its Foundation report. It does not however provide similar levels of detail for other grants. Similarly, Coca Cola lists the names of recipients of grants from its Australian Foundation on the foundation website. While Telstra gives a link to its foundation website, Coca Cola does not, and in both cases no indication is given of the additional information on the foundation websites.

Number of recipients

Figure 18 shows the number of recipients for each type of relationship. It shows that most companies have 5-10 ongoing partners and between 100-500 one-off request recipients.

Figure 18: Number of recipients



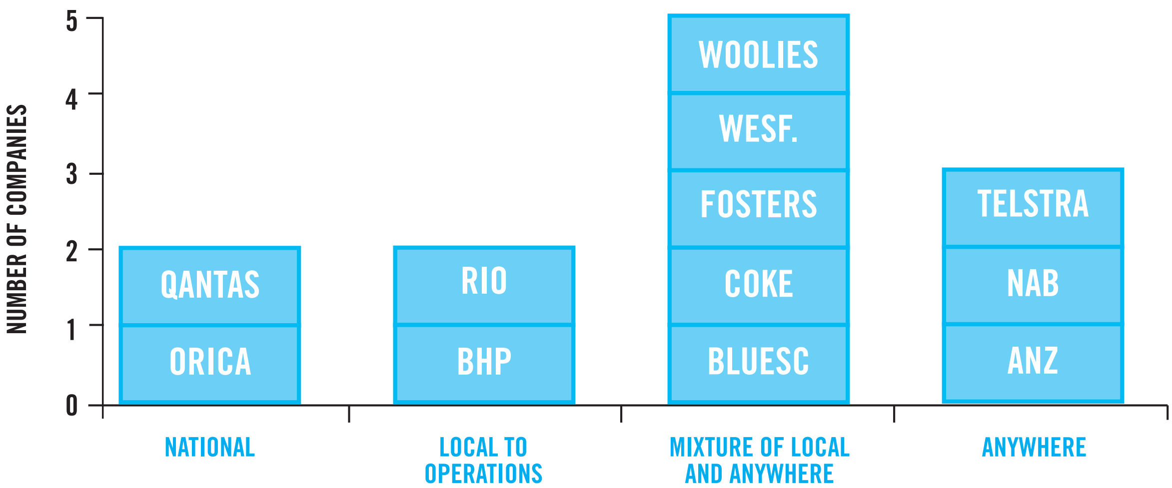
Surprisingly, only three companies, Fosters, NAB and Orica, had specific policies to focus on only a small number of relationships, despite findings of a broader Australian studies that this is an increasing trend:

> *"There is a strong trend to fewer, deeper, relationships with NFP organisations. For a variety of reasons companies are seeking closer and more sustained engagement. The more sustained and less ad hoc nature of this engagement helps achieve...goals while giving more certainty and sustained support through business cycles."* [33]

Location of recipients

Figure 19 shows the main locations of recipients of companies' community investment. Four companies have the majority of their recipients either local to their operations or national in reach. Five companies have a mix of specifically local organisations and organisations from anywhere, while three companies appear to have no requirements about location.

Figure 19: Locations of recipients



Interestingly, sector lines were very strong. The two resources companies supported community programs local to the sites of their operations, reflecting how important these relationships are to their operations. The four retail and fast moving consumer group companies plus one manufacturing company, Bluescope, had a mixture of explicitly local-only recipients and general ones, while three companies (the finance companies and Telstra) accepted recipients from anywhere.

The only two disparities in sector trends were Orica and Qantas, that only supported nation-wide community organisations. This may partly explain why Qantas does not respond to one-off requests, which tend to be made by smaller community organisations.

Sources of leverage

As explained previously, companies can facilitate or 'leverage' additional contributions to the community to complement their own community investment programs. Among the numerous sources from which companies can leverage contributions, the main ones are staff, customers, and the public. Examples of leverage from different sources are set out in Box H.

BOX H - SOURCES OF LEVERAGE

The main sources of leverage are:

Staff: Companies can leverage staff through such things as payroll and matched giving, internal fundraising campaigns for and/or by staff, staff volunteering on their own time, etc

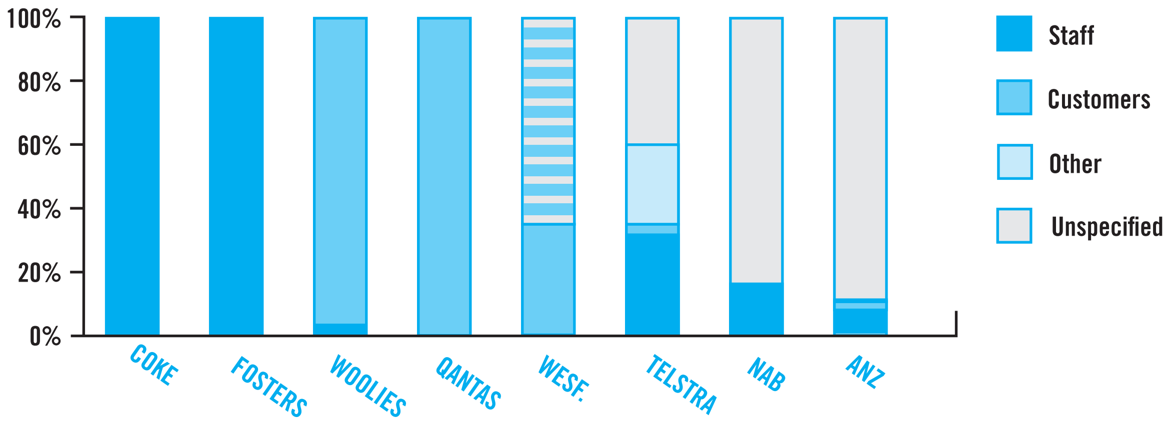
Customers: Companies can leverage customers through such ways as point of sale fundraising campaigns like counter charity boxes, and community group fundraising activities outside company premises, such as BBQs outside stores.

Public: Companies can leverage the public using methods like advertised fundraising campaigns and public foundations.

Other sources include shareholders, franchises, suppliers, partners and government.

Figure 20 displays the proportion of total leverage attributed to each source and shows a fairly large variation between companies. It also highlights that while some companies obtain the majority of their leverage from just one source – either employees or customers – other companies obtain leverage from multiple sources.

Figure 20: Proportion of leverage from different sources



Perhaps not surprisingly the companies that don't have direct access to their customers, Coca Cola and Fosters, appear to raise all of their leverage from their staff. Companies like Woolworths, Qantas and presumably Wesfarmers[34] which have main operations involving interacting with customers, mostly leverage from this source. Both Woolworths and Wesfarmers have a higher than average part-time, casual workforce, which presumably accounts for their low leverage from staff.

ANZ, NAB and Telstra are more mixed in their sources. All three companies have good access to customers, face-to-face and online, and large numbers of permanent staff. However, the amount attributable to these sources is small. At the same time they also contain large amounts of 'unspecified' leverage[35]. This category probably includes leverage from both staff and customers. Tracking the source of leverage is difficult when there is more than one source, and particularly, as companies advised us, when leveraging campaigns are open to multiple sources at the same time.

The large amounts of 'unspecified' leverage point to the difficulties companies face in tracking and reporting on the contributions they facilitate from third-parties. This detracts from meaningful comparisons between companies leveraging more than one source.

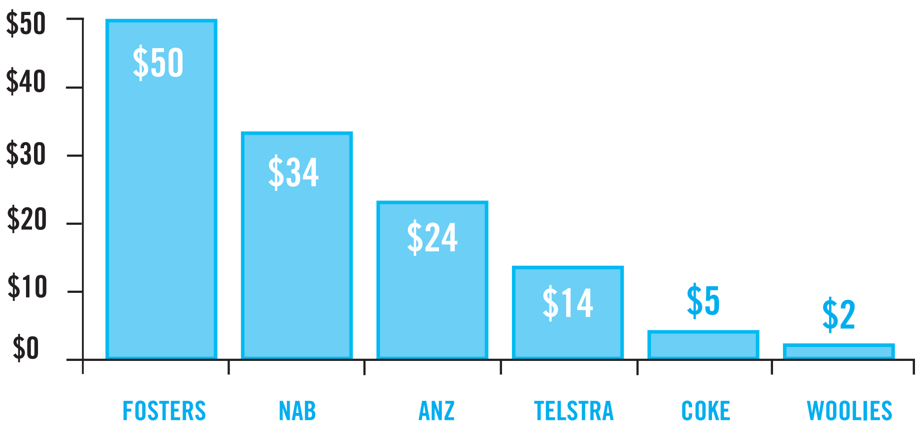
Interestingly, both Telstra and ANZ facilitate leverage from uncommon sources - ANZ from shareholders, and Telstra from 'partners'[36]. This suggests some possible leveraging opportunities out there not currently being taken up by all companies.

Effectiveness of leveraging sources

To quantify how well companies were leveraging their different sources, a measure was developed to look at the total amount of leverage from a particular source[37] averaged across the total number of people in that source.

Figure 21 shows shows reported staff leverage averaged across all staff members for each company. It reveals a large variation, from $2 to $50 per staff member. This indicates that some companies are making good use of their potential for staff leverage.

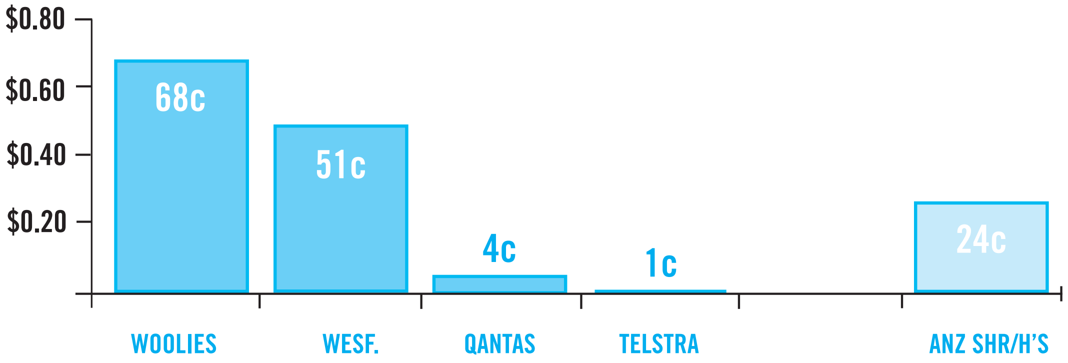
Figure 21: Average leverage per staff member



For example, while Fosters leverages only a small amount of contributions compared to its revenue, it has the highest average leverage per staff member out of the six companies providing data. Further exploration of Fosters' approach and whether it is broadly applicable would be useful. Understanding and sharing particularly effective approaches can help other companies leverage various sources.

Figure 22 shows average customer leverage per customer for each company. Like average staff leverage, there is a large variation here from $0.01 to $0.68 per staff member.

Figure 22: Average leverage per customer



Unsurprisingly, the two retail companies which have direct, face-to-face access to a large number of frequent customers leverage higher average amounts that the two services companies. Again further research would be useful to explore this variation, and whether there are successful leveraging approaches that can be shared across companies, or advocated by community organisations.

Included above is also the same measure for ANZ's shareholders, which sits somewhere in between the ranges of customer leverage. As mentioned previously, this is a source of leverage that more companies could well explore.

2.3 HOW COMPANIES INVEST: STRATEGY

Strategy is important in guiding a community investment program and enhancing its effectiveness. While this is confirmed in the literature, little guidance is provided on what sort of approaches should be taken and what constitutes an effective strategy. To help shed some light in this area the project looked at company motivation, presence of community investment policies, the levels of decision-making, selection of focus areas and approach to distributing funds.

Company motivation

To evaluate motivation for undertaking community investment, company statements were analysed and the main elements summarised into different motivation types, such as altruism, enlightened self-interest, licence to operate, reputation, etc. These were then placed on a scale with community benefit at one end, and business benefit at the other, with mutual benefit in between. These categories and their accompanying motivations are set out in Box I.

Where companies did not make explicit statements about the motivation for their community investment, their motivation were inferred from statements on their broader corporate responsibility or community engagement approach.

BOX I – MOTIVATIONS FOR INVESTMENT

COMMUNITY BENEFIT

Altruism: Giving because it is a good thing to do, with no expectation of benefit, either direct or indirect.

"Our strength is in choosing to do what is right." (Bluescope)

MUTUAL BENEFIT

Enlightened self-interest: Knowing that investing in communities will be good for the company in the long-term, even without direct benefits in the short-term.

"These programs bring real benefits to participants and the community as a whole, while also delivering long-term benefits to our business and our shareholders" (ANZ)

Shared value: Believing that community investment can bring about benefits to both the community and the company.

"Our community investment strategy… guides us in making strategic investments that will benefit both our communities and our business." (Woolworths)

COMPANY BENEFIT

License to operate: Community investment is part of gaining/maintaining the support of the people that live or work in the area of particular operations.

"Good management of community relationships is as necessary to our business success as the management of our operations." (Rio Tinto)

Reputation: Attempting to improve one's reputation by being seen to do good.

"Supporting Australia's economic development, tourism and communities…to enhance the Group's brand and reputation as a good corporate citizen" (Qantas)

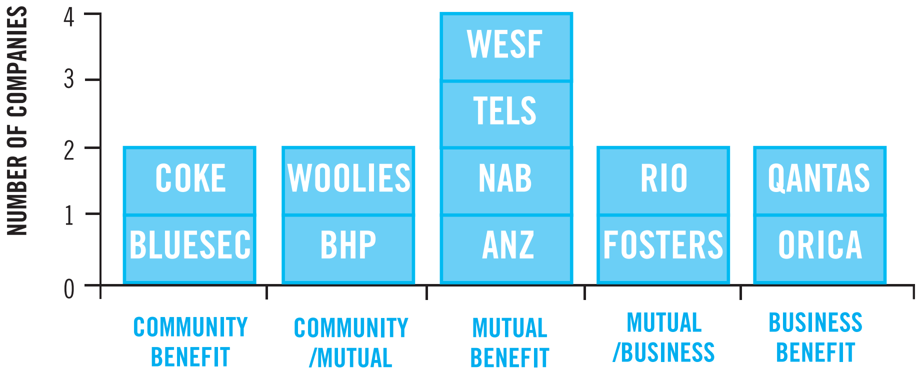
Employee engagement: Giving for other benefits that accrue to the company, such as employee engagement and skill development.

"Our social responsibilities ...are a critical component of both our license to operate in all regions of the world and our ability to attract and retain the best." (Orica)

In applying this model to the companies, it was found that some companies did not fall neatly into these categories, as their statements contained elements of different types of motivations simultaneously. This reflects the fact that the reasons for undertaking community investment are complex.

Figure 23 shows the placement of companies along the scale is quite even. Two companies had motivations that were predominantly related to community benefit and two to business benefit. The remaining eight companies fell somewhere in the middle with elements of mutual benefit, though two companies highlighted the community side and two companies highlighted the business side.

Figure 23: Types of motivation



This is not too dissimilar to results of a survey reporting that 12% of companies said they sought no benefit (philanthropic motive only), 44% said they sought generalised benefit for their companies (enlightened self-interest), and 44% said that a focused business case was required or assumed (specific business benefits). The study also found that company self-reports of their own motivation are at odds with the perceptions of recipient community organisations – 90% of community organisations in a 2008 study listed marketing/PR benefits and reputation as the main reason companies engage with them.[38]

The community places a high value on altruistic motivations, and yet at the same time there was some distrust of purely altruistic statements amongst our stakeholders. They were concerned that in some cases this could be whitewash aiming to bolster a company's reputation.

Business or commercial motivators can also be important drivers for delivering effective community investments. When the company has a stake in the outcome, or a clear business case has been made on the benefits to the company, it may be more likely to ensure that the outcome is valuable. For example, if a company sees its contributions as part of ensuring its licence to operate in a particular community, there may be a stronger motivation for consistent and well-planned giving than, say, a philanthropic approach, which may be generous in good times, but cut back when times get tough. Similarly an approach guided by enlightened self-interest may attempt to balance short- and long-term company interests. It is important that companies are transparent about their motivations, particularly disclosing the value they hope to achieve at the beginning of community investment ventures[39].

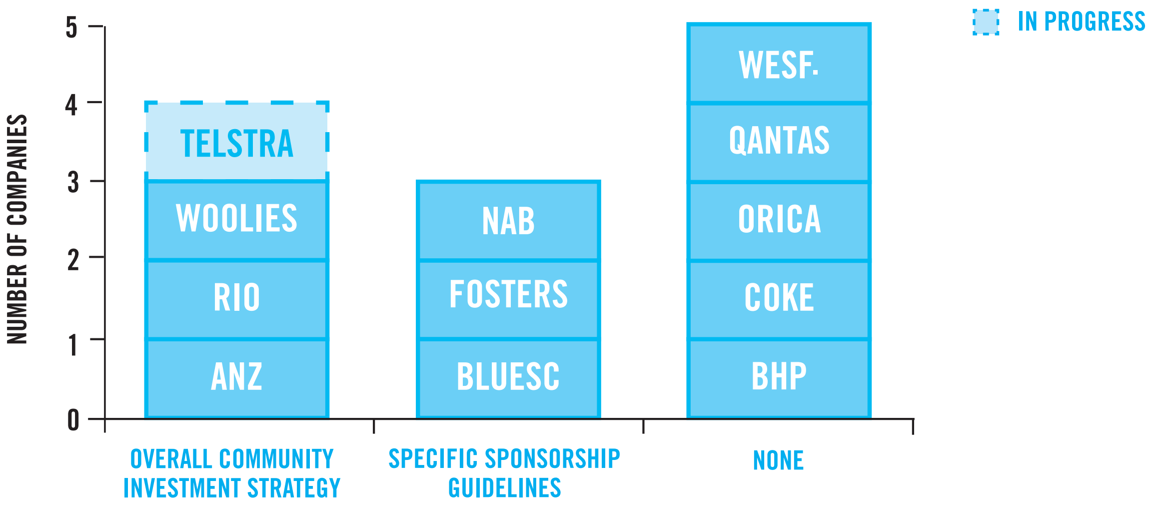
Community investment policies

Some companies chose to formally develop and document the policies underlying their community investment. A study on community investment by leading Australian companies states:

> *"Firms that take a strategic approach to [community investment] apply professional management principles to their corporate philanthropy and community investment initiatives as they do to any other field of business… This requires that [community investment] activities are implemented through a clear set of written policies, plans, objectives, targets and procedures."* [40]

Figure 24 shows that three of the companies in the sample (ANZ, Rio Tinto and Woolworths) have published a Community investment strategy while a fourth company (Telstra) has publicly committed to implementing such a strategy[41]. An additional three companies have public guidelines for sponsorships or donations.

Figure 24: Community investment policies published



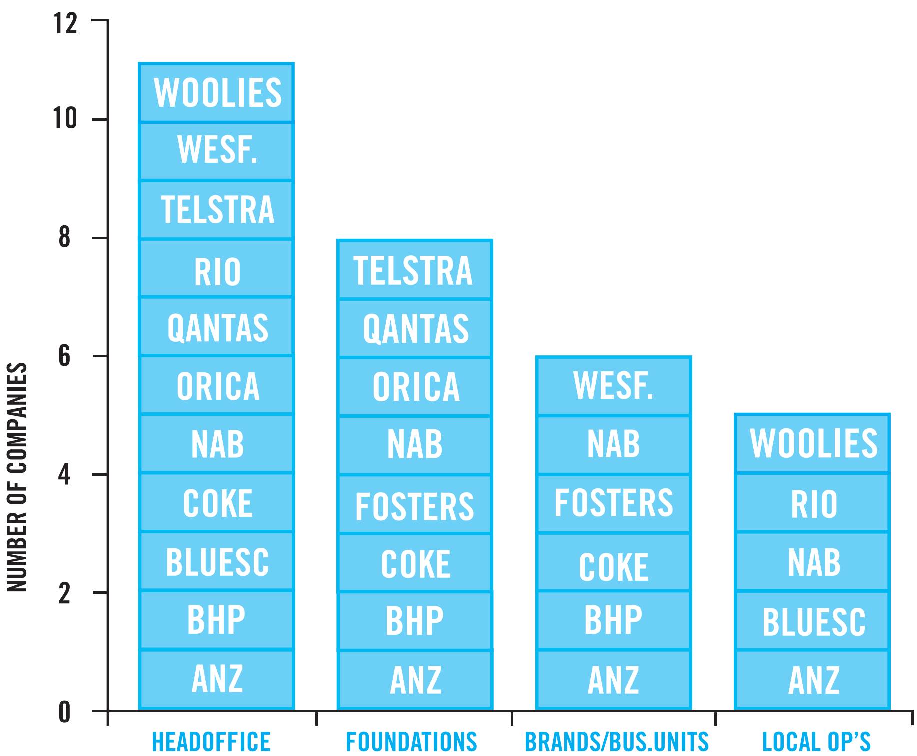
There was little consistency between the published documents. Of the six, four contained criteria for partnerships/donations/sponsorships, three set out the company's focus areas, and two summarised the overall aims of the community investment program. Other elements in the documents included: guiding principles, oversight responsibilities, a community investment target, policies for disaster relief and the process for deciding recipients. Interestingly, none of the community investment strategies appeared to be linked to a clear business case for the community investment program.

Levels of decision-making

To explore how community investment decisions were made by companies in the sample, the project examined differences in the level or location at which decisions were made. Four main levels were identified: company head office, charitable foundations, major brands/ business units, and local operations – with the first two being more centralised and the second two more decentralised. Company information was then analysed to determine at which levels the companies made their decisions.

The results are shown in figure 25 below. Of the 11 companies that provided data, all made decisions on at least two levels, while one company, ANZ, made decisions across all four levels. Three companies, Orica, Qantas and Telstra, made decisions mainly at the centralised levels, while the remaining eight companies were a mix of centralised and decentralised.

Figure 25: Levels of decision-making



While LBG Australia does not report on this type of indicator, this finding does reflect similar findings by LBG Associates in the US, which found that about 60% of companies had a 'combination' structure[42], where there is a company-wide strategy but grant approvals can be made at the local/regional level. They consider this structure to be best practice. This also reflect an international trend of companies trying to adopts a *"combined 'top-down' and 'bottom-up' approach to …community investment"*. In part, this is to ensure that a centralised approach does not *"threaten the 'bottom-up' nature of many innovative projects, which succeed in large part because they are tailored to local conditions, societies, and markets"* [42].

This could be an important area for future research in Australia. In particular, it would be interesting to explore how centralised and decentralised decision-making impacts on a company's ability to invest strategically whilst meeting the needs of local communities. A further important question is whether decentralised decision-making disadvantages proper tracking and measurement of a company's community investment activities.

Selection of focus areas

An important aspect of this research involved looking at how companies select the areas they will choose to invest in. Three main approaches were identified: community driven, business driven, or issues-based. These are set out in Box J below.

-

BOX J – SELECTION OF FOCUS AREAS

Local community driven: Specific community needs are identified through research and consultation and programs which meet these needs are selected.

"Ideally, all of our programmes are based on socio-economic baseline studies [and] respond to community priorities…" (Rio Tinto)

Business driven: The company decides those areas it wishes to invest in, based on either the expertise or needs of the business, and activities that fall within these areas can be selected.

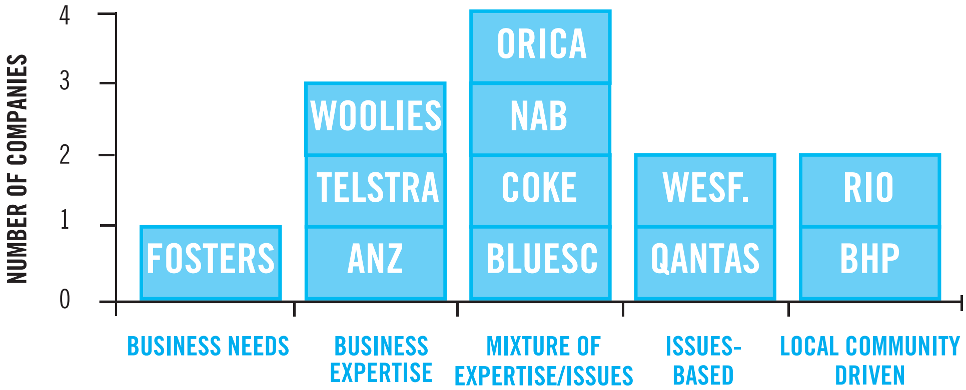
"[Our businesses support] initiatives in our core focus areas in a manner that is relevant to their business objectives, strengths and skills." (Woolworths)

Issues-based: Specific areas are chosen as priorities with no direct relation to business expertise or community needs. For example they may be chosen based on an assessment of national priorities, or the personal interests/agenda of company leaders or staff, etc.

"In deciding the distribution of these funds, the Board gives preference to activities focused on medical research and health, Aboriginal partnerships and education and the Wesfarmers Arts program." (Wesfarmers)

Figure 26 shows the results of the analysis. Two companies took an issues-based approach to selecting focus areas. Four companies took a business-driven approach, one focusing on business needs and three on business expertise. A further four companies had a mixed approach of business expertise and issues-based. The two resources companies were the only companies to take a local community driven approach.

Figure 26: Approach to selecting focus areas



The results show that companies with significant operations in a limited number of well-defined communities and which require a social licence to operate are more likely to take a community-driven approach than companies with operations spread more widely across diverse communities. This makes sense given the difficulty for these latter companies in defining who their 'community' should be, and what its needs are.

For companies operating within diverse communities, the research shows that in most cases, selecting focus areas based on business expertise is the most effective approach:

> *"The more closely tied a social issue is to the company's core business, the greater the opportunity to leverage the firm's resources and capabilities, providing benefits to the community as well as the company…"* [43]

However it is important to recognise that this can put pressure on the community sector to *"comply with business priorities and react to market forces"* [44].

There are some cases where business activities are not easily aligned with particular local or national community needs, and in these cases, taking an issues-based approach can be valuable. In these cases , partnering with community organisations with expertise in addressing the issue is vital in ensuring the long-term effectiveness of the investment.

An issues-based approach can also be valuable, where it focuses on important topics that are not specifically related to any particular type of business, eg. Indigenous issues. However when this is not coupled with a careful consideration of how their core areas of business can be used to add value to the investment, it is clear that companies may be missing out on opportunities for more effective community investment.

Areas of Government responsibility

Arising from this analysis it was discovered that some companies have developed a position on undertaking activities in areas that are (or should be) under the purview of Government. Four of the companies (Bluescope, Rio, Telstra and Woolworths) made explicit statements that they would not undertake activities in Government areas.

This recognises that community investments by companies can sometimes have a distorting effect on publicly funded services. Top help address this, all companies should make their position clear. In cases where companies choose to invest in areas that could potentially intersect with public funding, they should ensure they assess the long-term impacts of their activities on available public funding.

Approach to distributing funds

Companies can categorise their community investment by how the funds are distributed across the categories of: charitable gift, ongoing community investment or commercial initiative – see Box K for descriptions.

BOX K – APPROACHES TO DISTRIBUTING FUNDS

The LBG developed the following categories to help companies better understand why their community contributions are spent.

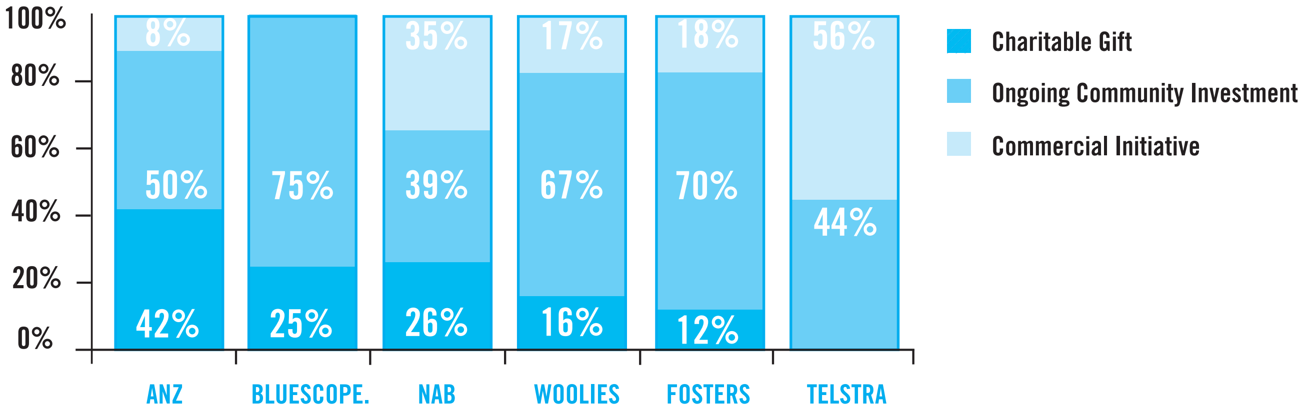
Charitable gift: Intermittent, generally reactive/ad hoc support in response to appeals for help from community groups/orgs, or in response to natural disasters. They tend to be contributed, not because of any strategic aim, but essentially because it's the right thing to do.

Ongoing community investment: Long-term involvement with community groups to address social issues identified by the company as relevant to both the company and the community. Community investments tend to be more proactive and strategic than charitable gifts and centre on a smaller number of large scale, long-term projects.

Commercial initiative: Activities, usually by departments outside the community function (e.g. marketing, R&D), to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations. Only the proportion of costs that directly benefit the community are included.

Figure 27 shows the breakdown of community investment by type for the six companies in the sample who provided data. For four companies, ongoing community investment makes up the bulk of their contributions, while for the remaining two, the majority is split roughly equally between ongoing community investment and commercial initiatives. For all but one company, charitable gifts made up approximately one-quarter or less of their contributions.

Figure 27: Proportions of funds distributed by approach



A 2007 study found two-thirds of the companies surveyed contributed less than 20 percent of their community investment in response to requests for support. This, they said represented a major decline from the decade before when it *"was common for the large bulk of corporate [giving] to be …distributed by one-off, and ad hoc responses to requests from worthy causes"* [46] (ie. charitable gifts) .

2.4 HOW COMPANIES MEASURE

Stakeholders of the project were understandably interested in the effectiveness of community investment programs by companies. However during the scoping exercise the research showed a lack of publicly available data on effectiveness and impact, limiting any analysis on the value of companies' programs. This section therefore focuses on how much companies try to measure the impacts of their activities, the types of measurement techniques they use and the level at which they publicly disclosure the results of their measurement.

Measuring impact is important, as it enables companies to make strategic decisions about their investment programs. As the LBG in the UK says:

> *"Effective measurement drives better management. It enables companies to allocate money, time and other resources to where they are most efficient and generate the highest social value."*[47]

However it can be difficult to link long-term impacts to particular activities and programs. A recent study on measuring impact found:

> *"Most of the [corporate responsibility] guidelines, standards and reporting frameworks that have been developed over the last decade provide little guidance on measuring or assessing social impact..."*[48]

Companies therefore tend to look at what they put into community investment, and immediate outputs of activities, rather than their long-term impacts. These terms are defined in Box L. Yet internationally, *"it is no longer sufficient to report on activity measures such as volunteer hours or dollars donated. More and more, stakeholders want to understand the impact of these dollars and resources."*[49]

BOX L—DEFINING 'IMPACT'

There are a number of levels at which community investment can be measured:

Inputs: the resources that a company puts into its community investment activities, usually grouped into cash, time and in-kind donations, as well as management costs.

Outputs: the direct and tangible products or services produced by the activity, eg. booklets produced, workshops held, people trained, etc.

Outcomes: immediate to short-term changes in the participants as a result of the activity, eg. increased skills/knowledge/confidence, received a promotion or new job, completed tafe course, etc

Impacts: the longer term, sustained changes across participants, their immediate contacts and their broader networks, eg. lower unemployment rate, higher literacy rate, etc.

Inputs and outputs are directly controlled by the company, while outcomes and impacts are not. They include positive and negative, direct and indirect, and intended and unintended changes.

Companies can also attempt to measure the impact of community investment to inform an internal business case. Such an approach demonstrates how contributions to the community benefit the company. The presence of an internal business case can be useful in strengthening a company's commitment to community investment, particularly in harder times where companies may have to cut back on unnecessary activities. However understanding the impacts of community investment on companies is outside the scope of this report, and the following sections focus on the measuring the community impacts.

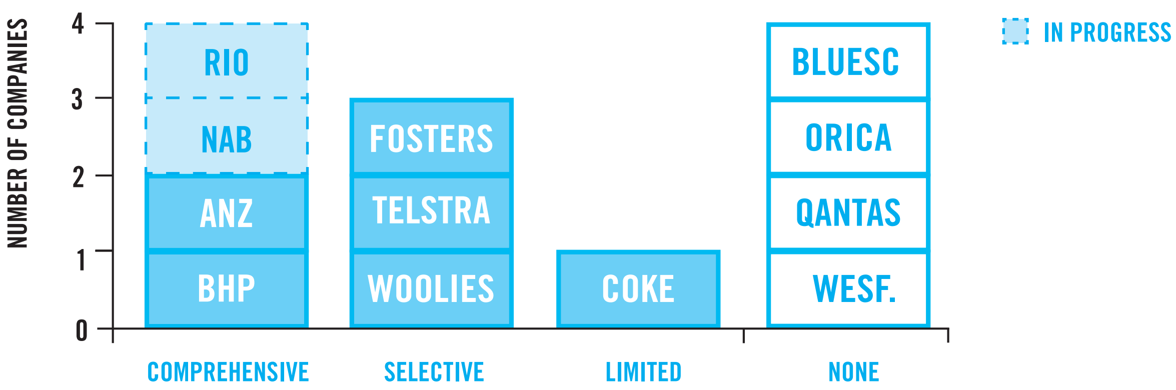
Extent of measurement

To understand how extensively companies are trying to measure their impacts Catalyst analysed their statements on websites and the contents of relevant reports. From this, four levels of current measurement were identified: comprehensive, selective, limited and none, set out in Box M.

> **BOX M - LEVELS OF MEASURING IMPACT**
>
> **Comprehensive:** Company attempts to comprehensively measure impacts across all major investment programs using an accepted impact measurement tool.
>
> **Selective:** Company attempts to comprehensively measure the impact of one particular or 'flagship' program using an accepted impact measurement tool.
>
> **Limited:** Company attempts to formally measure some sort of outcomes of investment activities.
>
> **None:** No evidence of company attempt to measure the impact of any community investment programs.

The results of the analysis are shown in Figure 28. Three companies, ANZ, NAB and BHP, were assessed as currently undertaking comprehensive evaluation of their major community investment programs, including attempts to measure their impact. Additionally one company, Rio, is currently rolling out comprehensive impact measurement across all of its operations to a 2013 deadline. This is a better result that than that of a study in 2010, which found that nearly 90% of Australia's 50 largest publicly listed companies failed to comprehensively measure the benefits of their community investment programs[50].

Figure 28: Level of impact measurement



Three companies were undertaking impact measurement, but selectively on one major program only. Two companies, Telstra and Woolworths, described these as pilot assessments[51]. Assuming that the work is conclusive and the impact assessment was rolled out more broadly, it would increase the number of companies attempting comprehensive measurement from four to six, comprising 50% of the sample.

One company, Coca Cola, advised they measured their impacts by requiring recipients to undertake comprehensive impact assessments and report these back to the company board. However examples of the impact assessments of the recipients could not be provided. Considering the difficulties explored in the literature that even more mature companies face in measuring impacts, it is likely that attempts by the community groups would not constitute comprehensive impact measurement, but would probably use anecdotal feedback, or focus on inputs and outputs.

This assumption is strengthened by the results of a study that found that while 46% of the companies participating in the Corporate Responsibility Index reported measuring community benefits to a 'great extent' (compared to 42% that did not measure community benefits at all, and 11% that measured them partially), it turned out that *"those that do claim to measure…community benefit rely primarily on anecdotal information to demonstrate these benefits"* [52].

Type of measurement tools used

During Catalyst's literature review, various techniques were found for measuring the social impacts of programs. These included: academic research studies, logic models, social accounting, and audit and social return on investment. During the analysis of companies, Catalyst's researcher also came across a fifth type, changes in indicators, and particularly in the sample, changes in socio-economic indicators. These are described in Box N.

BOX N - TYPES OF IMPACT MEASUREMENT

Independent evaluation studies: An external consultancy or academic centre is commissioned to undertake a wide-scale evaluation of a program and report on various aspects, including outcomes for participants. Longer-term studies may also try to capture long-term impacts. Results are generally both quantitative and qualitative. Independent studies are valuable as they use the expertise and experience of the group carrying out the evaluation. However there is room for considerable variability in the effectiveness of assessing impacts, as the studies are guided by the scope set out by the company.

Changes in indicators: The company chooses a suite of quantitative indicators and regularly measures changes against them. Where the indicators are high-level, socio-economic indicators, using data sources such as the Australian Bureau of Statistics, the data indicates the existence of long-term impacts. However it cannot prove that the changes are attributable to specific activities by the company, as opposed to other factors.

Logic models: The company develops a diagrammatic representation of the logical (theoretical) relationships between the resources that are invested, the activities that take place, and the intended benefits or changes. Evidence is then gathered to verify that each step took place as intended. This method is useful in that it encourages companies to think strategically about their community investment activities and how they will bring benefits. Models do not generally provide guidance on how to gather the evidence to test the model.

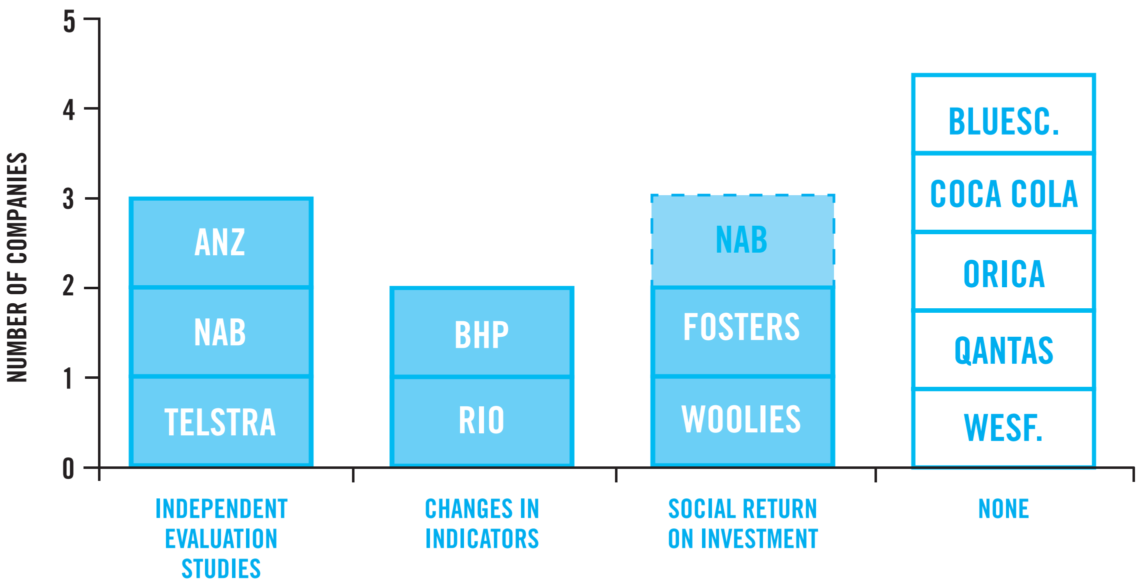
Social accounting and audit (SAA): A process mimicking the financial accounting method, quantitative data and qualitative information is collected over a period of time and input into a 'Social Account,' which aims to give the organisation a clear understanding of what it has achieved, how much it has cost and how different stakeholders regard what it does. The Account is audited by an independent group.

Social return on investment (SROI): A variation on the financial 'return on investment' method which aims to understand how certain activities can generate social value, and importantly, offers a way to estimate that value in monetary terms. However it is important to take into account more than just the ultimate dollar value. SROI can still be useful in showing how the value is created.

In 2010, LBG Australia members discussed and trialled a number of different impact assessment tools including academic research studies, Social return on investment and the LBG Output Impact Assessment tool (similar to a logic model, along with guidance on the most likely types of impacts to be found, and how to measure the degree of impact).

Figure 29 shows the techniques used by the sample companies. Remarkably, only three techniques appeared: independent evaluation studies, changes in indicators and social return on investment (SROI), and these seemed to be divided along industry lines.

Figure 29: Type of impact measurement [53]



The financial services companies and Telstra all commissioned independent evaluation studies on their major programs, though NAB's study included SROI. The two resources companies measure changes in socio-economic indicators, and the two other companies employing SROI both come from the FMCG/retail sectors.

The variation in the findings reflects the fact that currently there is no consensus amongst companies on the best way to measure impact, which probably partly reflects the lack of conclusive evidence in the literature. A recent study concluded:

> *"Taken together, these findings suggest that the demonstrable impact of [community investment] on both the company and the target community beneficiaries remains elusive and appears to be a significant challenge for companies, even among this '[corporate responsibility] aware' group. While a lack of time, resources and interest within companies to measure the social (and business) impact of the community-based projects they support may explain some of this 'measurement gap', a more likely explanation is that the current standardised frameworks and measures around [corporate responsibility] performance and reporting do not generally focus on … measuring social impact."* [54]

It is worth noting that the three companies that commission independent evaluation studies will also be shown later to receive the highest ratings for their overall reporting – further exploration to confirm if this is an actual or spurious connection would be interesting.

Disclosure of impact

When companies try and measure the impact of their community investment programs, it is important for them to make this information publicly available for reasons of transparency and accountability. Inevitably the quality of impact reporting will reflect the quality of impact measurement. Given the previous findings that many companies are in the early stages of developing their impact measurement, the quality of impact reporting was not expected to be exceptional. Disclosures were evaluated based on the scale set out in Box O (next page).

BOX O - LEVELS OF DISCLOSING IMPACT

Comprehensively report: Companies publish detailed information on the process by which impact was measured, the relevant inputs and the outcomes and impacts.

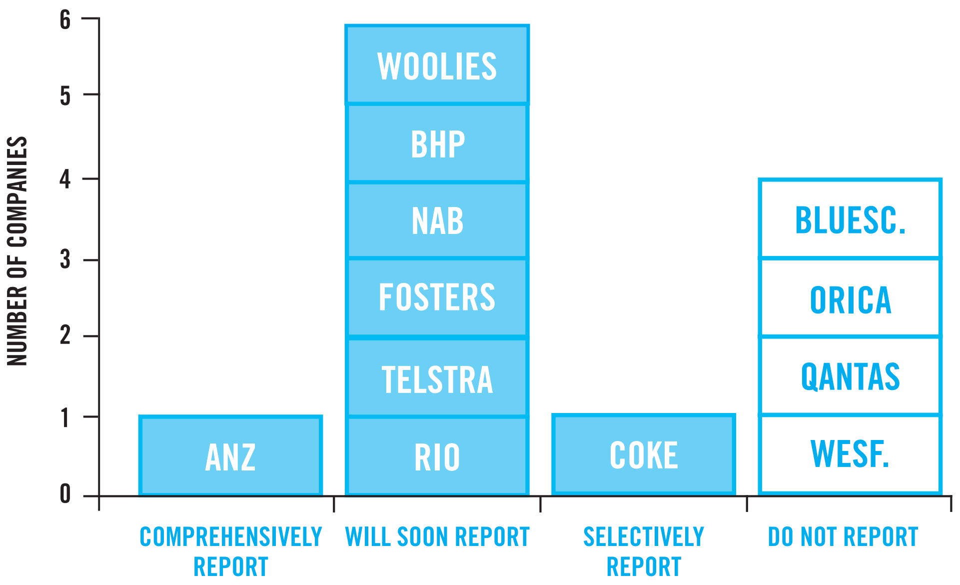
Will soon report: Companies have indicated intention to comprehensively publish impacts in the near future.

Selectively report: Companies publish limited details of impacts or simply outputs, generally for case studies only.

Do not report: Companies do not measure, or do not publish information on the impact of their community investment activities.

Figure 30 shows that while only one company (ANZ) comprehensively reported the results of their impact measurement, over half of the sample companies attempted or are moving towards reporting the results of their impact measurement[55].

Figure 30: Reporting of impact measurement



While this current finding is similar to the results of a study of companies participating in the Corporate Responsibility Index, which found that, *"while most companies publicly report on their [community investment], the content remains on inputs rather than outputs and impact…"*[56] there is encouraging evidence of a shift to measuring and reporting impacts. Even more encouraging is the finding that all of the companies identified in Figure 29 above as attempting to measure impacts are also making some attempt to report them.

At the same time, no companies reported (or indicated a commitment to report) negative impacts or drawbacks to programs[57]. This is an important element of impact reporting, necessary for full transparency. In developing their approach to impact measurement, companies should investigate and disclose all impacts: positive and negative, direct and indirect, and intended and unintended.

Equally, for those companies measuring impact through changes in socio-economic indicators, Catalyst recommends that this measurement include disclosure of targets where set, and any areas of non-progress.

Where is impact being reported?

No similarity was found in location of reporting of impacts. ANZ publishes their evaluation reports in an area of the website separate to the community investment information, under *"Research Reports"* in the *"CR Library"*. However the evaluation reports don't appear to be mentioned in their sustainability report or mentioned and/or linked from the relevant Community pages of the website. Telstra publishes their evaluation reports under an obvious "Reports and Downloads" menu in their Sustainability section, while NAB publishes evaluation reports on the webpages of the specific programs with which they are associated, with no obvious index of all reports.

Fosters includes the ultimate value of the Social Return on Investment analysis it undertook in its 2011 sustainability report in a description of a particular program, but does not report any further information, eg. how it was calculated, or what it includes. Similarly, amongst its case studies, Coca Cola includes sporadic descriptions of outputs. Telstra publishes their evaluation reports under an obvious "Reports and Downloads" menu in their Sustainability section, while NAB publishes evaluation reports on the webpages of the specific programs with which they are associated, with no obvious index of all reports.

2.5 QUALITY OF DISCLOSURE

Publicly reporting information about community investment not only promotes these activities and contributes to a company's reputation, it enables the community and research sectors to evaluate practices and trends in community investment:

> *"Reporting is critical if companies are to be transparent and ultimately accountable for their policies, practices and impact in this area."* [58]

There is however, large variation in the quality of current disclosures. Numerous factors can influence the quality of disclosure, including: the relative maturity of reporting in the company, the reason for disclosure, the intended audiences, commitment to transparency and signup to reporting standards.

This section looks at three different aspects of disclosure: overall quality of reporting, alignment of reporting to standards and external verification of reporting.

Overall disclosure

Following the desktop review of company websites and reports, the community investment information provided by companies was evaluated against three elements of disclosure: Accessibility, Comprehensiveness and Clarity (see Box P for descriptions). The basis[59] of each company's rating is shown in *Appendix 2: Company information.*

BOX P – ELEMENTS OF DISCLOSURE

Accessibility: Measures whether information can be easily found and whether it is contained in one place or spread across numerous locations.

Comprehensiveness: Measures whether the desired information is included and whether there is enough detail for meaningful analysis.

Clarity: Measures how clearly the information is delivered, whether the presentation of information aids comprehension (ie. whether numbers are presented in tables/graphs, or only in narrative), and whether any information is obscure or confusing.

Accessibility

To begin with, companies were rated on how easy it was to find the community investment information on company websites and in reports. The basis of these ratings is shown in Box Q.

BOX Q – RATINGS OF ACCESSIBILITY

More accessible: Information is easy to find by navigating the website. Necessary information is contained in a limited number of obvious and clearly linked places.

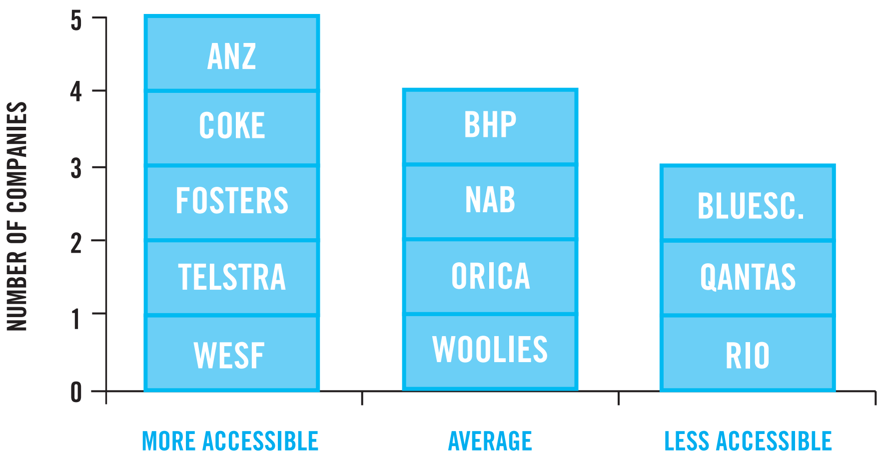
Average: Information can be found by a combination of navigating the website and websearch. Information may be in various places and may not be clearly linked.

Less accessible: Information is difficult to find by navigating the website or websearch. It is fragmented across numerous non-obvious locations. (Note however that 'less accessible' does not mean poor quality information.)

Figure 31 shows that three-quarters of the sample companies made their community investment information fairly accessible to the public via their website and various reports.

Ten companies have a section labelled 'Community' on their website sitting under a 'Corporate Responsibility' or 'Sustainability' navigation item, which is either visible from the Homepage or sits under 'About Us'[60]. Seven of these ten companies have a clear link from the main Community page to their sustainability report[61], and all but one of the 12 companies published their community investment data in their sustainability report. Interestingly, while ANZ provides some community investment data in its sustainability report, the bulk of its detail sits on its website.

Figure 31: Accessibility of information



Three main issues were identified that affected the accessibility of data: fragmentation, web-based reporting and integrated reporting.

Accessibility issue: fragmentation

The main barrier to accessing information was that it was fragmented across several different locations, making it time-consuming to gather, and difficult to confirm that all possible information had been collected. There were a number of different ways that information was fragmented:

> **Multiple websites.** For example, both Coca Cola and Woolworths have brief information on their consumer websites, and much more detailed information on their shareholder websites, but do not link from the first to the second. Coca Cola also has a separate Foundation website, as does Telstra. Both Foundation websites contain further detail on foundation-related community investment, and though links may exist to the Foundation website, its additional contents are not mentioned.

> **Information separated between websites and reports.** In most cases, companies had brief information on their website and then more detailed information in the report. However as noted above, not all companies gave clear links to the report, and many did not say that there was more detailed information in it – presumably they assume that interested users will know to look for a report.

> **Multiple sustainability reports.** For example, BHP, NAB, Qantas and Telstra have multiple sustainability reports: a main report and then one or more supplementary reports. The companies generally place the reports together so that users are aware of the supplementary information. Similarly Rio Tinto and Wesfarmers have a main sustainability report and then numerous separate reports for divisional businesses. Some individual business areas of Rio Tinto also produce specific community investment reports but these are not mentioned on, or linked from the community investment page.

In most cases, the fragmentation of information results from trying to provide an appropriate amount of information to different audiences; however this causes difficulties in gathering all the information together.

Companies should ensure that links to reports are obvious from all content sections of the corporate responsibility/sustainability sections of their websites, and that their their *Community* section specifies where to find further information.

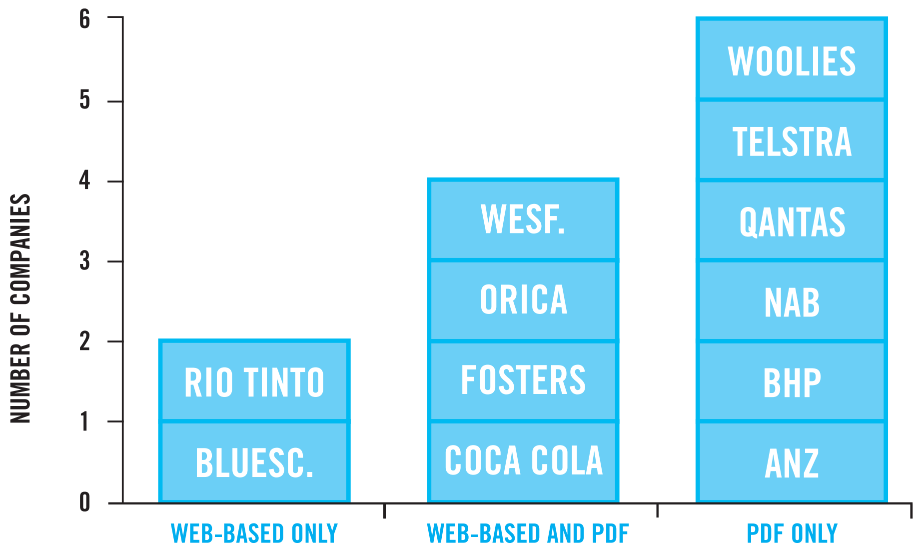
Accessibility issue: web-based reporting

Another issue was the increasing trend of ‘web-based’ sustainability (and other) reports contained in mini-websites instead of, or complementary to, a downloadable pdf report. A web-based report may be easier for inexperienced users, as it guides them to the location of information - however only to the information that the company thinks is relevant. At the same time, without a clear Table of Contents, you cannot know if you have found all of the available information. Furthermore, when the web-based report is integrated into the company’s normal website structure, it can be confusing to have some information in one part of the website, with the remainder in another part of the website – particularly when there are no clear links or distinction between them.

On the other hand, while pdf reports may be easier for the more experienced user (as they can skim contents to search for what they need) the amount of information they contain may overwhelm the inexperienced user.

Figure 32 shows the distribution of report formats across the sample. Half of the companies provided only a downloadable pdf report, while two companies supplied only a web-based report. Four companies offered both a web-based report and downloadable pdf.

Figure 32: Format of sustainability reports



Of the four companies supplying both types of reports, Orica and Fosters provide a clear “Download report” link, while Coca Cola and Wesfarmers have a small download icon at the top of their mini-website – this may be harder to find for inexperienced web users.

Where companies use web-based reporting, they should provide an obvious link to the pdf to give users their choice, and the report mini-website should should have a different look and feel to the main website content.

Accessibility issue: integrated reporting

The trend towards integrated reporting is expected to improve the accessibility of information. However, for the companies which have adopted an integrated approach to reporting (ANZ, NAB and Qantas) there was no clear trend of markedly better information – the three companies spanned the full range of accessibility ratings.

Moving to integrated reporting gives companies a chance to focus on improving the accessibility and clarity of information for multiple users, but it can also increase the risk of fragmentation. Therefore companies should guide users to the different locations of information.

Comprehensiveness

Companies were rated on how complete their community investment information was, and whether it provided the required content. The basis of these ratings is shown in Box R.

BOX R – RATINGS OF COMPREHENSIVENESS

Comprehensive: Information covers all/most required areas, and gives enough detailed breakdowns to be meaningful.

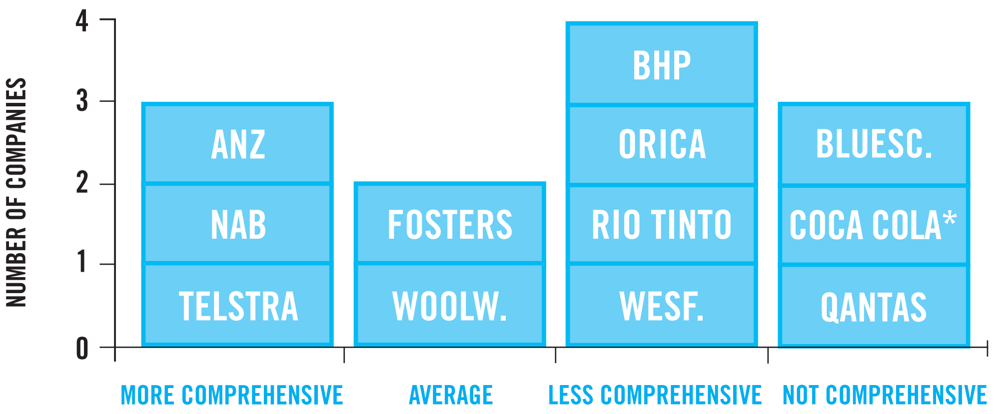
Average: Information somewhat limited, either in the range of topics covered or the level of detail provided.

Limited: Very limited range of information available. Generally only top-level information. Possible cherry-picking of information.

None: Practically no meaningful data available.

Figure 33 shows that less than half the companies received positive ratings on this indicator, and one-quarter of them received a rating of 'None', because they did not provide enough information to be meaningful[62]. Only three companies supplied comprehensive information.

Figure 33: Comprehensiveness of information



* *Coca Cola's 2010 data was not available at the time of review. If it had been, Coca Cola would have received an 'average rating.*

This contrasts with similar research which found that just under two-thirds of companies participating in the Corporate Responsibility Index (CRI) extensively reported on their community investmen[63]. This may be explained by differing interpretations of what is considered extensive, rather than differences between the sample and the larger group of CRI participants. This raises questions about what is considered best practice.

Interestingly, there appear to be slight sector trends in comprehensiveness of information, with the financial and technology-based services companies rating above average, three of the four retail and FMCG companies (when Coca Cola is included) receiving an average rating, and three of the four resources and manufacturing companies being below average. This may reflect different beliefs about stakeholders and their priorities.

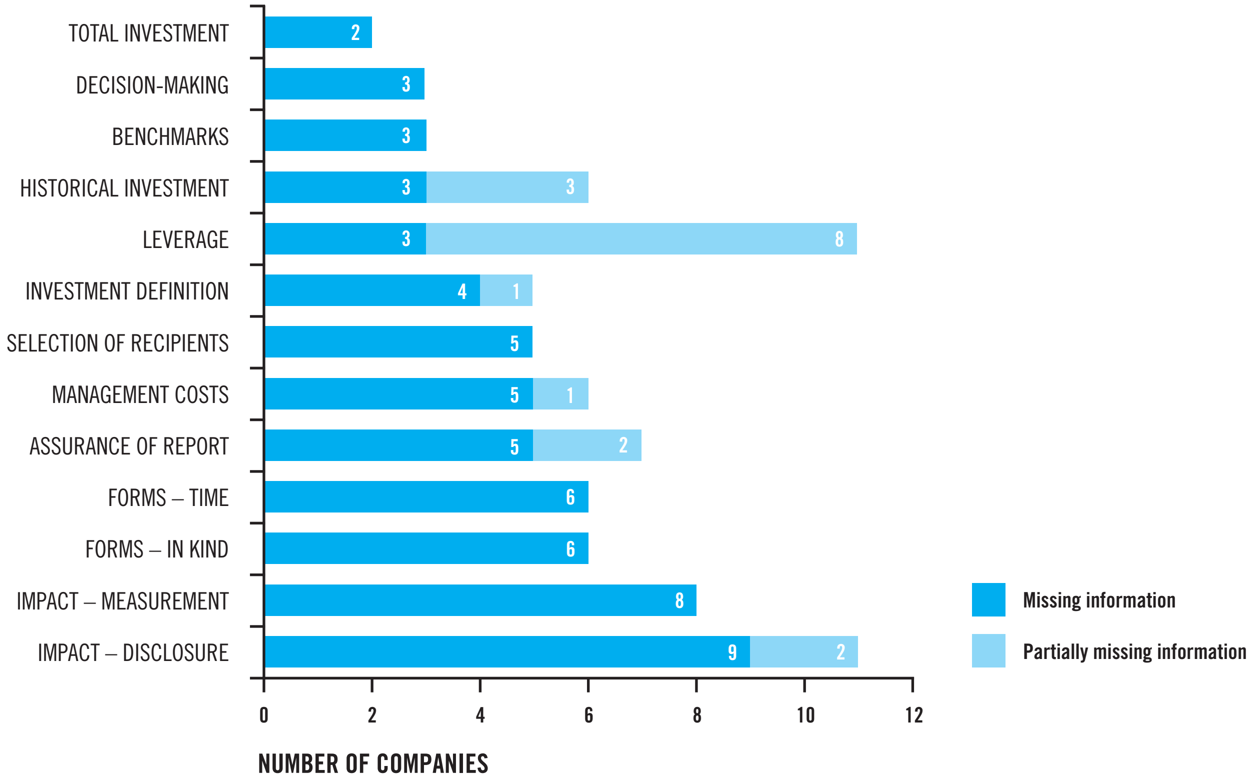
Gaps in information

As explained in *Section 1.2 Methodology*, the suite of indicators went beyond what is included in any existing reporting standard, so companies were not expected to publish all the desired information.

In most cases, companies reported the main elements of their investment, such as their total contribution, with a comparison to the previous year, amount of leverage, and breakdown of investment by cash, time and in-kind, and then chose one or two other specific pieces of information to report.

Figure 34 shows the types of information that could not be found in the initial desktop review.

Figure 34: Gaps in information



Given that Catalyst set the benchmark high, the researcher gave companies the opportunity to supply the missing information to be included in the analysis.

When the list of gaps was presented to each company, seven companies provided further information not published on their website or in their reports. Three of these (BHP, Fosters and NAB) were able to supply all desired missing information. The remaining four (ANZ, Telstra, Wesfarmers and Woolworths) provided some of the missing information. This shows that companies collect more information than they publish, and are selective about what they make available. This may relate to the earlier finding that companies attempt to balance being transparent with providing appropriate amounts of information.

The research found that numerous companies also published additional community investment information which was not used in the analysis but which they provide to LBG, such as types of activities supported and the geographic spread of activities[64]. This raises the question of the appropriateness of standards, particularly for community stakeholders.

Clarity

Clarity of information is an important objective in any public reporting exercise. Companies in the sample were rated on how clearly they presented their community investment information, drawing on how well organised the information was, how easily figures could be obtained, whether graphs and tables were used to organise information, and whether information was duplicated in different locations. The basis of the ratings is shown in Box S.

BOX S – RATINGS OF CLARITY

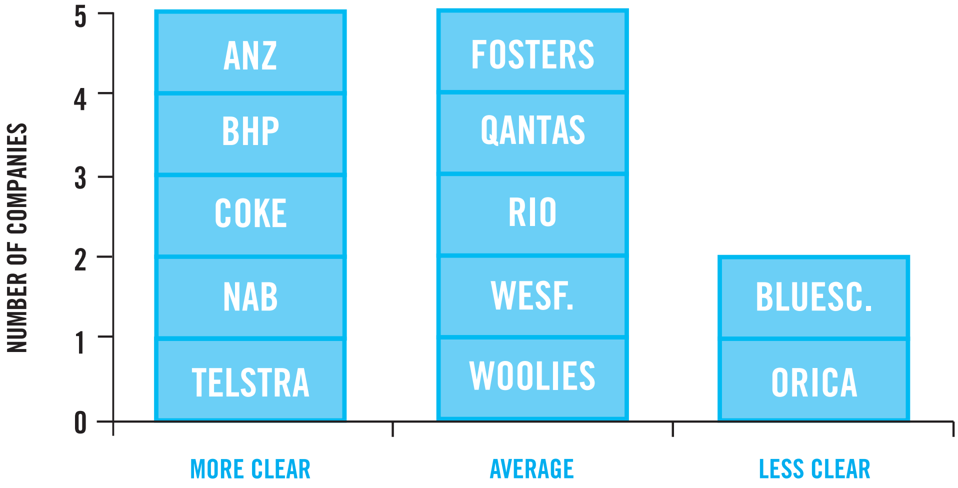
More clear: Information was well organised and easily understood. Wording and layout aided comprehension and data was provided in well-presented tables and graphs.

Average: Information could be understood, though some effort may be required to decipher certain elements.

Less clear: Information confusing and difficult to understand. Relevant points may be unclear.

Figure 35 shows that the majority of companies received positive or average ratings for clarity of information. Five companies' information was considered clearer than that of the other companies surveyed. These companies presented key data and information in clear tables and/or graphs.

Figure 35: Clarity of information



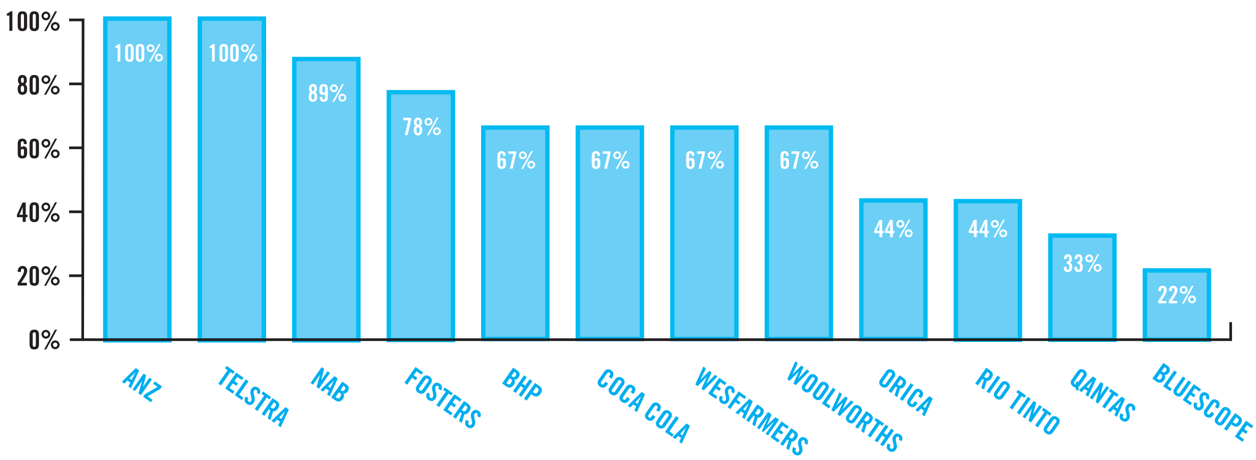
Across the group of companies with an 'average' rating the research found that information was delivered in a narrative style, resulting in important figures and details getting 'buried' in prose. This group also tended to provide only 'headline' figures for particular case studies or actions, without complete data to provide context.

Of the two companies rated 'less clear', Bluescope offered its information in video format only, while Orica provided most of its information piecemeal through its various case studies. Both approaches are highly selective and do not enable public evaluation or assessment.

Composite disclosure rating

Figure 36 shows the composite of accessibility, comprehensiveness and clarity ratings as a proportion of the highest possible rating score for each company[65]. Two companies, ANZ and Telstra, lead the way, receiving the maximum possible rating for all three elements.

Figure 36: Composite disclosure score [66]



It is important to note that while the overall ratings are fairly positive for most companies, there is definite room for improvement – even for the two highest scoring companies. This is because the assessment evaluates performance against the general standard of the sample, rather than against best practice. This contrasts with recent research on social investment disclosures, which rated companies against set criteria and found that, *"[d]isclosures are not yet comprehensive or detailed. The ASX 50 average score against our criteria is 28%… The average score for the Top 10 performing companies was 59%."* [67]

Interestingly, the findings on the quality of disclosure of community investment information contrast noticeably with findings in the last Full Disclosure report[68], which rated the same companies on their communication of general sustainability information. Comparisons show that while some companies may be good at reporting on their community investment activities, their broader approach to sustainability reporting may be lacking. Conversely, while some companies may be good at reporting generally on sustainability or corporate responsibility, they may not provide enough detail on their community investment program.

Alignment to standards

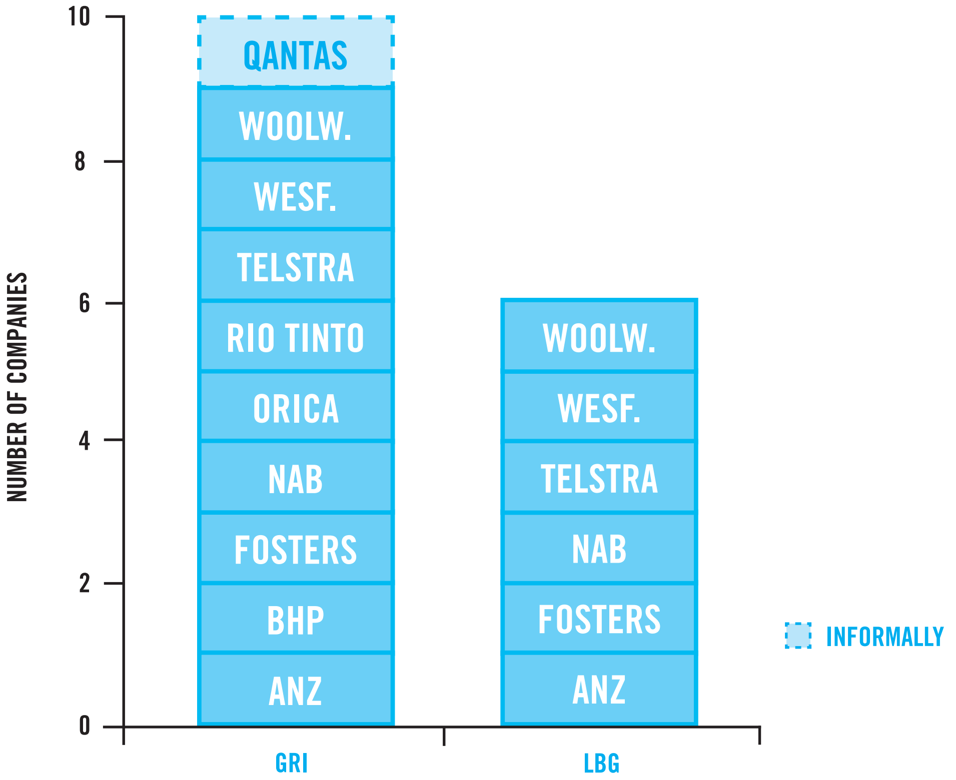
The methodology highlighted two reporting standards that inform community investment reporting: the Global Reporting Initiative (GRI) and London Benchmarking Group (LBG). (The LBG is not explicitly a reporting standard, but a benchmarking process whereby companies submit data to be compared to other companies. Given the lack of detailed community investment standards, Catalyst has adopted it as a standard for how companies should report.)

This section looks at whether companies formally sign up to these standards and assesses how well their reporting on community investments meets them.

Signup to standards

Figure 37 shows the companies that have signed up to the GRI and LBG [69] . Nine companies formally reported against the GRI in 2010, while one company referred to GRI indicators, but did not formally report against them. Six companies, half the sample, signed up to the LBG.

Figure 37: Subscribing to standards



Two companies, Bluescope and Coca Cola are not signed up to either standard. Coca Cola advised us that this was because their international parent company has developed their own detailed, internal reporting standard, which is regularly assessed against the GRI for gaps. In addition to these two, none of the resources or manufacturing companies in the sample have signed up to LBG.

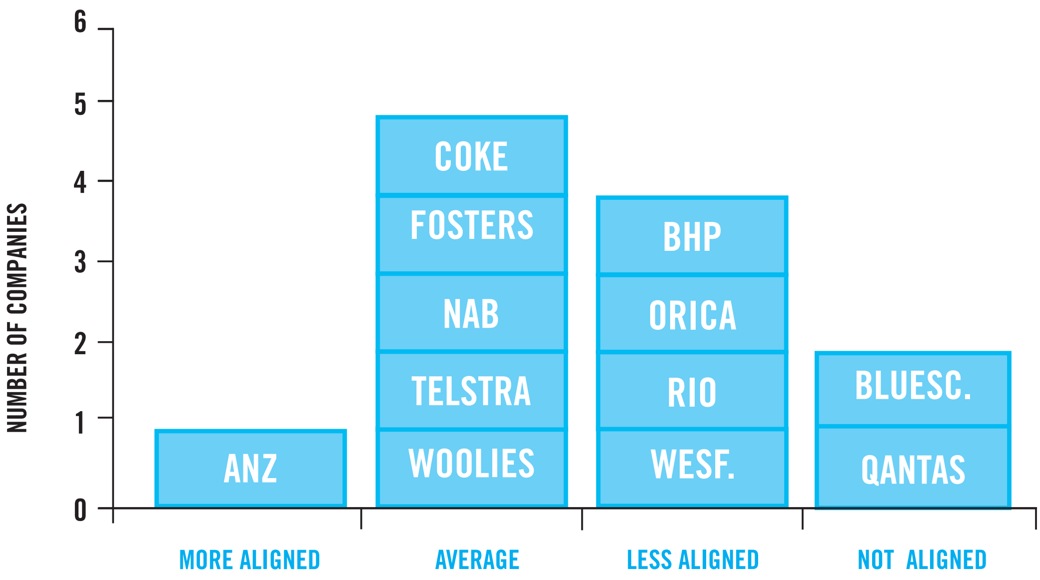
The companies surveyed are relatively mature reporters, thus if generalised, these results may overstate the extent of signup to the LGB and GRI. For example, a 2010 study by the Australian Council of Superannuation Investors found that only 20% of ASX 200 companies reported formally against the GRI or were guided by it[70].

General alignment to standards

As reporting against standards is voluntary, this can lead to companies self-selecting how they apply the standards. Further half our companies are not signed up to the predominant community investment standard, the LBG. Thus a scale was developed to assess how well companies align their reporting to the GRI and LBG standards (shown in Box T). The scale was applied to all companies, regardless of whether they were signed up to the standards or not.

Figure 38 shows that as expected the chosen standard is quite high – only one company is closely aligned to it[71]. Half of all companies received an average rating, while three fell under Less Aligned and a further two were considered Not Aligned. None of these latter five companies are signed up to the LBG.

Figure 38: Overall alignment of information to standards



That the majority of companies signed up to the LBG received only an average rating probably reflects that companies are currently not expected to publish the information they give to LBG, and are therefore selectively choosing which measures to report.

Curiously, of the nine companies that formally reported against the GRI, seven companies (BHP, Fosters, NAB, Rio, Telstra, Woolworths and Wesfarmers) did not report their community investment as part of an Economic Value Generated and Distributed table as recommended by GRI – only ANZ and Orica do so.

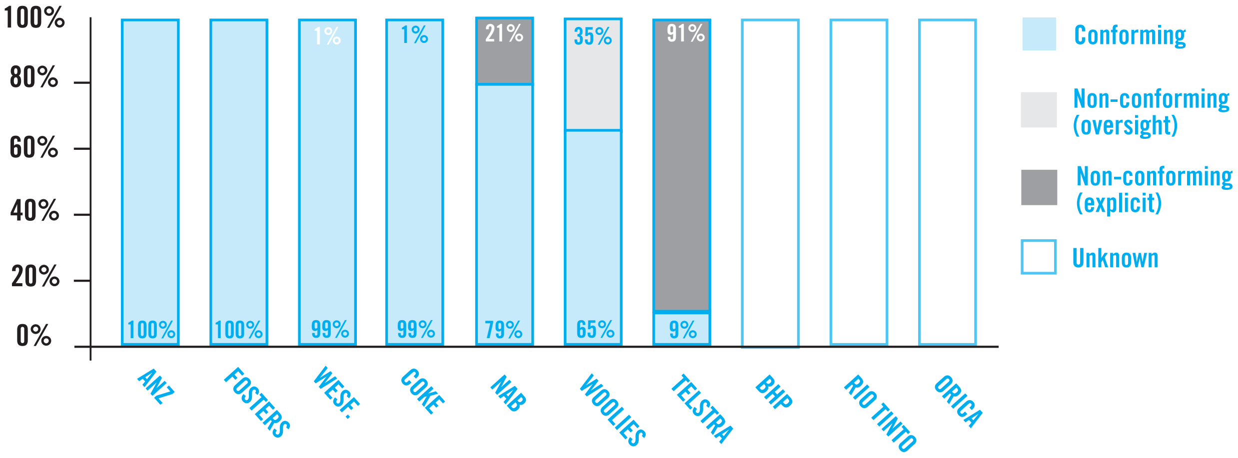
Surprisingly, Coca Cola (which does not sign up to either the GRI or LBG) still received an average alignment rating, suggesting that well-developed internal standards can produce similar results - though without the reassurance that signup to a standard provides.

Adherence to community investment definition

As mentioned in Section 1, where additional amounts not constituting community investment were identified, they were manually excluded from the analysis. Figure 39 shows the proportion of contributions by each company that does not conform to our definition of 'community investment' (based on the LBG guidelines) and was which was therefore excluded from our analysis.

It shows that of the seven companies for which conformity was confirmed, only two companies (ANZ and Fosters) fully conformed. Five companies included spending that was outside the LBG definition, and three companies did not provide enough detail to determine if their investment conformed. For two companies (Coca Cola and Wesfarmers) the disrepancy is minimal - only 1% of less of their total reported contributions.

Figure 39: Adherence to LBG definition of investment[72]



Of the five companies which did not fully conform, the actions of two companies (Coca Cola and Woolworths) was judged to be an oversight. Coca Cola included staff leverage for one brand, but not for the others. Woolworths also included its full leverage under total investment, but in discussions said they thought this was the LBG practice.

For two of the explicitly non-conforming companies (NAB and Telstra), their decision most likely reflects a view that the LBG standard is not adequate or appropriate to their situations. Though they both acknowledged the deviation, the practice is concerning, and is discussed further in the discussion box below. Wesfarmers included political donations, but said they had stopped making these halfway through the year.

For the three companies that did not supply enough detail to determine conformity, two companies (BHP and Rio) report against the GRI. LBG reports that the GRI EC(1) guidelines for reporting community investment are aligned to LBG's valuation methodology and therefore these companies' contributions should be conforming.

DISCUSSION: CONFORMING WITH STANDARDS

In some cases, companies may consider certain contributions which do not conform to prevailing definitions of 'community investment' to still be valuable and worth reporting. Companies took two different approaches to this situation:

Example 1: Contributions not included, but mentioned in postscript (ANZ)

> *ANZ chose to conform to the LBG guidance when reporting on its community investment, and did not include non-conforming elements such as foregone revenue in its calculations for total contribution. Instead they added a postscript at the bottom of the relevant webpage, stating that numerous contributions did not conform to the LBG definition, but were considered important by the company. These were then listed, but not reported elsewhere. ANZ also communicated that they were attempting to address issues with the LBG.*

Example 2: Contributions included, but with a note (NAB and Telstra)

> *NAB chose to include foregone revenue in its main table presenting the major components and total value of its community investment, but in the text discussing the table it mentioned that some components did not conform to the LBG definition. Telstra published its LBG report which gave the total conforming amount, but in its Corporate Citizenship Report included the additional amounts, noting that these were not in line with LBG guidelines. (In their 2011 report, the amounts were again included, but under 'Social investment' and without the note.)*

While both approaches attempt transparency, the approach taken in Example 1 provides all relevant information while clearly delineating between what is accepted by the prevailing standard as community investment and what is additional to this. On the other hand, the approach in Example 2 provides all relevant information, but expects people to make their own calculations if they want to know the conforming figure. It also assumes that people will read through all of the explanatory text surrounding a table, rather than taking the table on its own – a risky assumption given the scanning/skimming methods that most people use when searching on the internet.

External verification

External verification of company disclosures, such as assurance and benchmarking, increases the quality of information and the public's confidence in the veracity of the data. This is a particularly important aspect of disclosure because the public can highly value companies that promote their community investment activities.

This section looks at both assurance of reports and participation in external benchmarks.

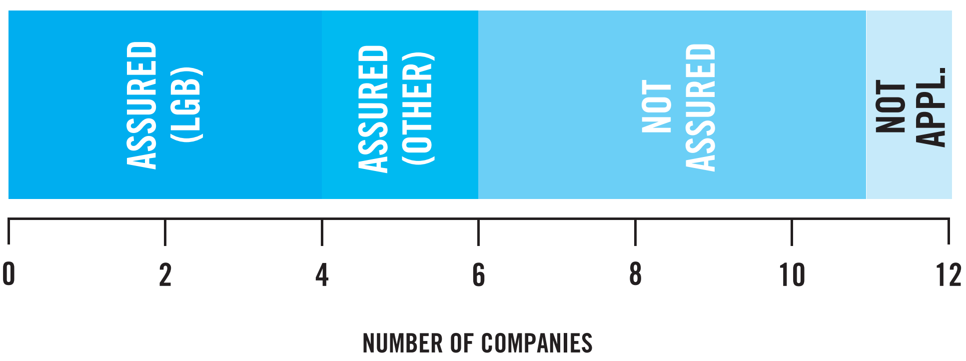
Assurance

Assurance involves an auditor reviewing a report to verify the process for handling data and/or the data itself, to ensure validity of the reporting. Where assurance of the actual data is undertaken, this is completed on a small subset of data as a sample for the full report. Independent assurance is a good method for giving credibility to reporting:

> *"Credibility is a prerequisite for effective sustainability reporting. Credibility can be considerably enhanced through independent external assurance, using accepted professional standards. Reporting organisations and their stakeholders increasingly accept that robust independent external assurance is a key way of increasing the credibility and effectiveness of their reporting, and ultimately their performance."*[73]

Figure 40 shows that half of the companies had external assurance of the community investment section of their sustainability report.

Figure 40: Assurance of community investment reporting



An additional two companies, BHP and Rio, did get assurance of their overall report but in 2010 did not include the community investment section in the scope for the auditor. Orica advised that they are considering moving to external assurance of their future sustainability reports.

The findings are higher than those identified in other surveys. For example, only one-third of companies participating in the CRI had an assurance process involving independent audit or third-party verification[74].

Benchmarks

In addition to external assurance, companies can participate in external benchmarks to increase the quality and credibility of their information.

Benchmarks usually work by having companies submit their data to an external organisation, which then checks the data and ranks the companies against each other. In most cases only aggregated results are reported, but in some cases the full rankings with company details are made public. In these cases, the benchmarks increase the transparency and accountability of companies.

The usefulness of benchmarks also depends to some extent on the quality of the data required and provided. They can often include very general measures, for example, 'processes in place to measure impact' without considering what the processes are, or if they really measure impact. Also, as benchmarking usually works through companies self-reporting it can be quite subjective, even though company claims must be backed up by documentation. However participation is important, as it shows a commitment to disclosure.

A range of benchmarks are available for companies to use – some relevant corporate responsibility ones are set out in Box U.

BOX U: BENCHMARKING SYSTEMS[75]

Corporate Responsibility Index (CRI): A benchmarking tool that aims to assist companies to measure, monitor, report and improve their impacts on society and the environment. It is based around a voluntary self-completion survey, with about 100 questions, where the company chooses which elements to answer.

Includes: Measurement of inputs, measurement of outputs, business and community benefits, and reporting.

Dow Jones Sustainability Index (DJSI): a set of global indexes tracking the financial performance of leading sustainability-driven companies worldwide. Inclusion in the indices is based on an analysis of economic, social and environmental performance.

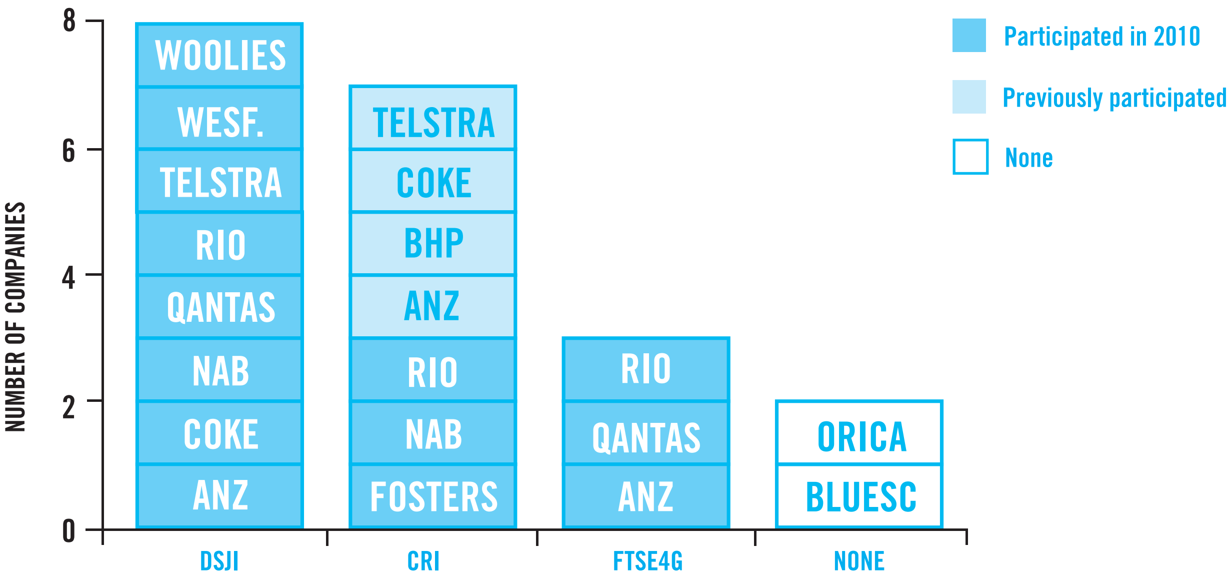
Includes: Strategy for contributions, Business drivers (motivation), Type of contribution (charitable/partnership/commercial), Type (cash, time, in-kind, management), and Measuring impact.

Financial Times London Stock Exchange for Good (FTSE4Good): A financial index series that measures the performance of companies that meet globally recognised corporate responsibility standards.

Includes: No specific community investment criteria.

Figure 41 shows that ten companies participated in at least one of the three related benchmarking systems in 2010. Only one company, Rio, participates in all three, while two companies, ANZ and NAB, participate in two[76]. Bluescope and Orica do not participate in any benchmarking systems.

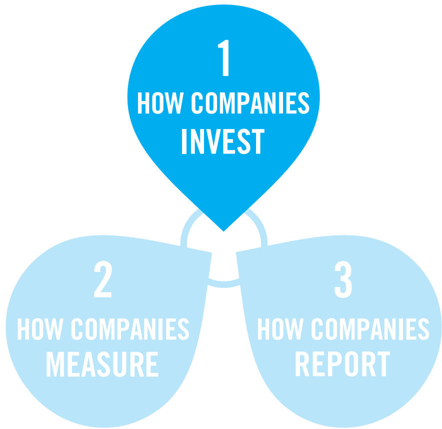
Figure 41: Participation in benchmarks



The DJSI is the most popular benchmark amongst companies in the sample, with participation in the CRI waning over the past few years.

CONCLUSIONS AND RECOMMENDATIONS

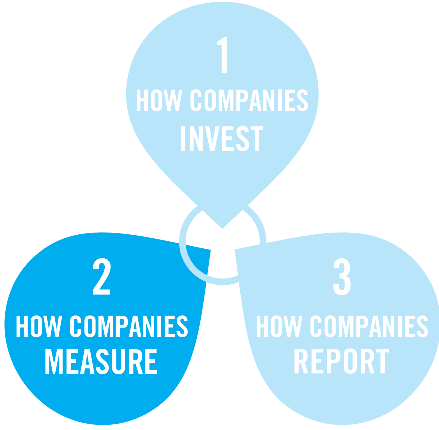
CONCLUSIONS



One of the main themes arising from this work is that the vast majority of relevant literature was silent on what was considered best practice, or even good practice, in community investmen[77]. This meant that while Catalyst's researcher could report in detail about the different elements of companies' community investment, in most cases it was not possible to relate these to better or worse outcomes for the community. It also means that ***companies are making decisions on community investment without a shared understanding of what constitutes good community investment practice.*** This has obvious implications for the effectiveness of the programs that companies provide or support and, ultimately, may prevent programs reaching their full potential for communities.

In addition, the area of community investment strategy was found to be very poorly developed. Firstly, there is not much published information about the strategies informing companies' approach to community investment, and secondly existing benchmarking and measurement tools do not have well-developed indicators to assess the strategies and motivations behind community investment decisions. ***More work is needed to improve the understanding of the links between community investment strategies, policies and activities.***

At the same time, the research identified some ***strong sectoral trends in community investment approaches, indicating particular cohorts of companies are adopting similar approaches to investing.*** For example, white-collar companies (services, banks) in this (albeit small) sample appeared to embrace volunteering more than other sectors. Similarly, retail firms appear highly skilled in leveraging community contributions from customers. These sectoral findings suggest that benchmarking good practice from within and also between sectors could be beneficial.



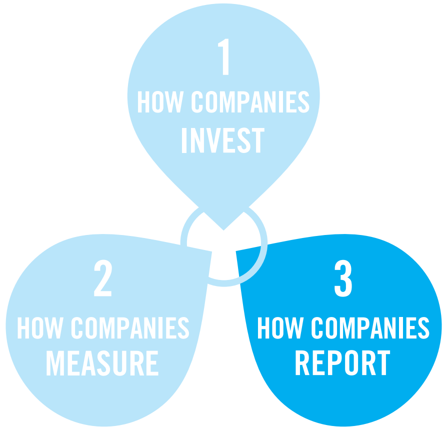
Impact measurement is a growing area of emphasis in community investment and one where Australian firms could take a lead. The stakeholders were especially interested to see how impact measurement was progressing.

The research showed that ***few companies are currently comprehensively measuring and reporting the impact of their community investment*** and its contribution to long-term and sustainable outcomes for communities. For example when a company invests in a literacy program, it could measure that its investment actually resulted in higher literacy for the participants and led to further education or employment. A further problem encountered was a lack of understanding about what constitutes impact, with some companies describing outputs or results of community investment activities as 'impacts'. This needs to be addressed through improvements in reporting standards, as recommended below. At the same time, existing benchmarks do not have well-developed indicators to assess how well companies are measuring and reporting their impact.

It was encouraging that ***a number of companies are currently piloting approaches to impact measurement*** together with external research consultancies or with the LBG. These pilots are generally concerned with major 'flagship' programs or partnerships. It is important that this work continue to refine ways of measuring major programs, as well as cost-effective measures for smaller investments and the various activities funded through donations and sponsorships. Once companies have determined the most appropriate method for measuring their impacts, ***they should move quickly to roll out impact measurement across their investment activities and integrate impacts into their data collection and reporting processes.***

This is an area where ***companies need to be supported by further research and by the development of clear indicators and refined measurement tools.*** It is hoped that consultancies involved in impact assessment pilots ensure that the findings of the trials are shared broadly with other companies and with the LBG, (particularly companies' attempts to implement the methods and any obstacles or complexities they encountered). Cooperation in reviewing the advantages, disadvantages and difficulties of various methods, particularly for different contexts, could result in the development of a comprehensive guide on the best ways to measure impact in different situations.

Once impact measurement is developed, a further step is for ***companies to begin evaluating the overall effectiveness of their community investment program by analysing the relative amount of resources contributed to different activities and the impacts that are achieved.***



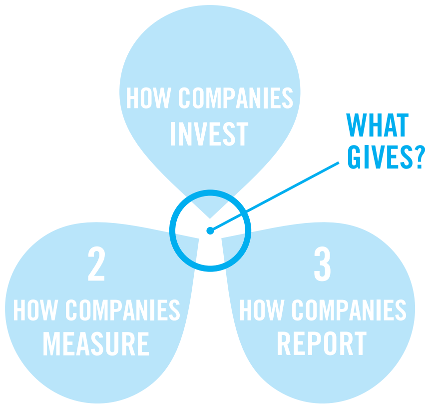
Much contemporary research on sustainability reporting in the Australian context has identified a low uptake by companies of international indicators and benchmarks. The project reviewed two such instruments that guide community investment - the GRI and the LBG – both of which are considered ‘best of breed’ reporting tools. Significantly Catalyst’s analysis identified several gaps in each of these instruments. As a result, ***many aspects of community investment that were of interest to this project – and identified as important to companies and community stakeholders – were not covered in the standards or in company reporting, or not in sufficient detail.*** This is concerning as companies may choose to ignore, or only selectively use reporting standards, if they feel that the existing standards do not meet their needs.

While the use of standards is meant to bring consistency to reporting[78], ***the voluntary nature of sustainability reporting gives companies the choice to selective apply the standards or not to follow them at all.*** The resulting differences make cross-company comparisons difficult. This is particularly so when companies adopt different methodologies or definitions that contrast with existing standards. Thus, while Catalyst was pleased to find a strong uptake of the GRI amongst its sample firms, numerous companies did not present their community investment information in a manner recommended by the GRI. Similarly, some companies that are members of the LBG included elements in their total community investment that do not conform to the LBG definition of community investment. It should be noted however that there are currently no guidelines by the LBG, or any expectation from stakeholders or the public that companies will publicly report all the information that they give the LBG for internal benchmarking.

In responding to these inconsistencies the researcher developed indicators to facilitate meaningful comparisons between companies’ information. As explained in section 2.5, the disparate presentation of company material across sustainability reports, websites and annual reports made this very challenging. While analytical studies such as this one can approach comparison through the development of indicators and statistical tools, ***the general public and interested community stakeholders are unlikely to be able to make accurate or meaningful comparisons.*** This raises an important public policy issue about improving the quality of disclosures by companies. Disclosure is a means to an end. It provides transparency and promotes 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. ***It is therefore critical that stakeholders can locate and evaluate material if they are to hold companies to account for their performance.***

As with other reports in Catalyst’s Full Disclosure series, this research emphasises that reporting and benchmarking systems need robust and transparent processes for identifying and involving stakeholders from the community sector, practitioners and the academic sphere. Equally important is that ***those with an interest in community investment proactively engage with reporting and benchmarking systems and contribute their expertise to developing them further, ensuring that they are clear, practical and relevant for a broad constituency.*** Given the importance of funds to communities, and the growing reach and emphasis on community investment by leading firms, this is a vital area for partnerships and collaboration at a peak and national level.

RECOMMENDATIONS



1. A high level consultation group of leading companies, unions and community organisations should be convened by the London Benchmarking Group (LBG) to develop its community investment measurement framework into a reporting standard that can be broadly applied in the Australian context.

   Issues for consideration by this group should include, but not be limited to:

   a. A requirement that all LBG members publicly report information using the same methodolog they use to submit it for benchmarking,

   b. The development of guidelines on mandatory and recommended elements to be included in companies' community investment reporting, and

   c. The expansion of its suite of elements to better meet stakeholder needs.

2. The LBG should capitalise on its extensive experience and expansive dataset to develop standards of best practice in community investment for companies to implement and be benchmarked against. This should include the development of sector standards. Community organisations, unions, researchers and sustainability practitioners should support best practice standards by contributing vital knowledge and investigating the links between community investment strategies, approaches.

3. Companies should ensure their community investment is underpinned by clear and effective strategies and policies. To do this, companies should establish which internal practices and program approaches deliver the best outcomes, in consultation with their community recipients. As part of this, measuring impact should be given a high priority.

4. Companies should ensure that their approach to reporting provides accessible, clear and comprehensive public information about community investment. To improve current practice, community should not only actively evaluate material, but also become involved in shaping innovative new approaches.

5. Civil society organisations should actively interrogate company information and agitate for improvements in reporting and benchmarking systems as noted above. Peak union and community organisations should coordinate whole-of-sector responses to the issues identified in this report

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END NOTES

[1] Two companies in the sample did not report the total value of their investment. These were Qantas and Bluescope.

G. Zappalà & M. Lyons (2009), Recent approaches to measuring social impact in the Third sector: An overview, Centre for Social Impact.

[2] This definition is based on that developed by the London Benchmarking Group (LBG), described in the following section. To the LBG definition, the exclusion of political donations was explicitly added.

[3] Companies report their community investment activities in a variety of different reports (eg. sustainability reports, Corporate Responsibility Reports, Community Reports, combined reports, etc). In the reporting of results these will be referred to collectively as sustainability reports. A full list of the reports reviewed for each company is contained in Appendix 2: Company information.

[5] In some cases it was not possible to detect whether these items were included as some companies provided only aggregate figures.

[6] AccountAbility (2008), AA1000 Assurance Standard.

[7] As noted in the methodology, where certain types of contributions by a company fell outside the report's definition of community investment, these amounts were excluded from the analysis.

[8] In this case, the researcher has found profit is a better indicator of a company's size than revenue, as it reflects the amount of money at a company's discretion.

[9] Eg. CommunityMark in the UK and LBG Associates in the US.

[10] Results of bivariate regression calculations: Pearson's $r = 0.728$, $r2 = 0.530$, $F(1,7)=10.343$, $p<0.05$, Regression equation: Contribution = \$4,008,965 + 0.005 x profit (excludes BHP and Rio as outliers).

[11] As shown in section 2.5 the company included forgone revenue (which is excluded by LBG guidelines) in their total reported value.

[12] In 2010 the dividend was \$0.95 per share. Based on a total of 362,100,430 shares, the target is equivalent to \$1,719,977. The actual contribution was \$500,000, which is 29% of the target. (Refer to Orica, 2010 Annual Report, pages 5 and 130).

[13] As shown in section 2.5 this number mistakenly includes the company's leverage, which should be separate to company contributions. In the researcher's opinion, the company will address this next year.

[14] The 2007 figure excludes Fosters, where contributions increased by 109%, and the 2008 figure excludes Coca Cola, where contributions increased by 165%. If these figures were included, the 2007 average would be 30% and the 2008 average 46%.

[15] Qantas reports leverage but not total investment.

[16] G. Zappalà & D. Arli (2010), Corporate Community Involvement among leading companies in Australia & New Zealand, Centre for Social Impact.

[17] BHP, Orica and Rio confirm that they do leverage additional third-party contributions but do not report on the amount. Qantas did not report total contribution. Catalyst was unable to confirm if Bluescope leveraged any additional third-party contributions.

[18] In discussions with one company, they expressed concerns that this method for valuing in-kind under-represented the value provided to the community.

[19] The percentages for Wesfarmers, Fosters and Coca Cola are estimates based on other information reported by the company or 2011 figures. See Appendix 2: Company Information for details of how calculations were made. Woolworths provides figures for In-Kind and Cash, but includes Time as part of one figure for 'Management Costs and Time'. Therefore percentages for cash and time may be slightly overstated relative to other companies.

[20] Committee Encouraging Corporate Philanthropy (2009), Giving in numbers: Corporate Giving Standard 2009 Edition.

[21] LBG guidelines allow the inclusion of foregone revenue only when it can be proven that the company would have otherwise received revenue from elsewhere, if the community contribution was not made. An example of this would be a company that provides a training facility to a community organisation and has to turn away a potential paying hirer, or a company which makes a consultant available to the community and has to turn down work they could otherwise bill to the consultant. This guideline is based on the idea that goods or services are limited in number and their use excludes others from using them. When companies provide services for free that are not limited in number (eg. telecommunications or financial services, the use of which does not stop others from also using), they are generally unable to count these as community investment.

[22] BHP's matched giving program matches the efforts of employees who volunteer, fund-raise or donate to not-for-profit organisations, by making an equivalent contribution. The value of BHP's volunteering is therefore captured under BHP's leverage, rather than community contributions.

[23] Centre for Corporate Public Affairs (2008), Relationships Matter: Not-for-profit community organisations and corporate community, Centre for Corporate Public Affairs.

[24] In its 2011 report, NAB back-reported that 9.3% of its 2010 volunteering was skilled.

[25] Centre for Corporate Public Affairs (2008), op cit.

[26] See for example: Dickson, M. & Dickson, G. (2005). "Volunteering: Beyond an Act of Charity" in Journal of Canadian Dental Association, 71(11); Gran, M. (2007). All Volunteer Vacations Are Not Created Equal, Global Volunteers Network.

[27] Telstra (and Wesfarmers) explicitly don't include management costs in the reported total value of their community investment program. In Figure18, Telstra's proportion has been calculated by dividing the reported value of management costs by the sum of management costs plus the total reported value of community investment.

[28] G. Zappalà & D Arli (2010), op cit.

[29] LBG Associates (2011), A Snapshot of Select Community Involvement Trends: What's Changed, What Hasn't.

[30] Centre for Corporate Public Affairs (2008), op cit.

[31] World Vision International and Netbalance Foundation (2012),Common Ground: A practical guide for innovative corporate/cause partnerships.

[32] Though at the time of investigation recipients for 2010 had not been added to the recipient database.

[33] Centre for Corporate Public Affairs (2008), op cit,

[34] Wesfarmers stated that "approximately 35% of its leverage comes direct from donations by customers to Wesfarmers-run campaigns, with the large proportion of the rest raised by community groups and partners with Wesfarmers support". An example would be the bbqs that community groups run outside of Bunnings stores. Presumably though, much of this leverage would still be from customers visiting the stores.

[35] Though the amount leveraged by ANZ and NAB from staff appears to be low, ANZ stated that this amount included only their formal staff giving programs. Other amounts were donated by staff in response to general fundraising campaigns and emergency relief appeals, and so can't be traced back to them, and appear in the 'unspecified' category – the same is probably true for NAB.

[36] Where companies approach other organisations to partner on a joint community investment activity or program.

[37] As discussed previously, some companies (particularly Telstra, NAB and ANZ) were unable to track the source of a considerable proportion of their leverage. This means that the amounts for the effectiveness of leveraging from different sources may be understated for these companies.

[38] Centre for Corporate Public Affairs (2008), op cit.

[39] World Vision International and Netbalance Foundation (2012), op cit.

[40] G. Zappalà & D. Arli (2010), op cit.

[41] Rio Tinto has a general Community policy and standard that guides all their interaction with communities - it includes a small section on guidelines for community contributions.

[42] LBG Associates (2011), op cit.

[43] World Vision International and Netbalance Foundation (2012), op cit.

[44] G. Zappalà & D. Arli (2010), op cit.

[45] World Vision International and Netbalance Foundation (2012), op cit.

[46] Centre for Corporate Public Affairs (2008), op cit.

[47] LBG UK & Corporate Citizenship (2009), Making a difference: Corporate Community Investment - a whole programme approach to measuring results.

[48] G. Zappalà & M. Lyons (2009), Recent approaches to measuring social impact in the Third sector: An overview.

[49] World Vision International and Netbalance Foundation (2012), op cit.

[50] G. Zappalà & D. Arli (2010), op cit.

[51] In the case of Fosters, the scope of the impact measurement was limited to one year of one program, with no public commitments to increase this.

[51] G. Zappalà & D. Arli (2010), op cit.

[52] Where companies are transitioning to or piloting comprehensive measurement, the type they are moving toward is shown.

[53] G. Zappalà & D. Arli (2010), op cit.

[54] NAB, Fosters, Telstra, Rio Tinto and Woolworths are currently rolling out or piloting their first major impact assessment. Rio Tinto has made a public commitment to reporting the impacts, while Fosters and Telstra indicated to us its intention to report the outcomes of the assessment. NAB has published previously commissioned reports and Woolworths publicly stated the impact assessment is being undertaken, so we think it likely that these two companies will report the impact. BHP advised that they are "Likely to disclose this more in next year's sustainability report."

[55] G. Zappalà & D. Arli (2010), op cit.

[56] NAB's 2012 evaluation report of their Microenterprise Loan program, included references to negative impacts: "It must be noted that there are a number of positive and negative impacts that have not been possible to quantify and include in this model." They do not provided further details on the negative impacts. It does however note some areas of learning for NAB and its partner organisations.

[57] G. Zappalà & D. Arli (2010), op cit.

[58] This is a similar approach to that of the Centre for Corporate Governance at UTS in their report The Governance of Sustainability. Unlike other elements in this report however, these ratings were applied after the initial search and based on Catalyst's own experiences in searching for information. They were not updated if it was later found that the company had disclosed particular information. This is because the analysis was undertaken by a researcher familiar with company websites and the structure and content of sustainability reports. The researcher therefore considered it likely that if they were unable to easily locate the relevant information, then other stakeholders would have similar difficulties.

[59] Coca Cola and Rio are the two companies which do not have a main community section on their website. Coca Cola simply has a sustainability section with a direct link to their sustainability report. Rio has a 'Social' section under the main navigation item 'Our Approach', which has a 'Community' heading, but this link takes you directly to the Community section of the web-based sustainability report.

[60] Bluescope does not publish a formal sustainability report. Instead they have a mini-website that is an 'online report'. In the website is a 'Community' section, but the only content is a video – no information is published.

[61] Of the three companies receiving a rating of 'None', two companies, Bluescope and Qantas, did not publish the total amount of investment and therefore had no breakdown of how the investment was spent. Qantas advised that no information was reported because the company had not measured total investment to date. They did publish the amount of two specific donations and one amount of leverage, but without any further information these figures could not be put in context for this report. In 2011 the total amount of investment was measured and published. Coca Cola on the other hand received a rating of 'None' because its 2010 data was not available at the time of the desktop review in August-October 2011. It was later released in December 2011. Had the information been available at that time, the company would have received an 'Average' rating.

[62] G. Zappalà & D. Arli (2010), op cit.

[63] These measures were not included in the report because they did not provide enough detail to draw any meaningful conclusions.

[64] For each of the three measures, an above average rating received 3 points, average 2 points, and below average 1 point. No points were awarded for a 'none' rating. The sum of these scores is shown as a percentage out of nine.

[65] As noted above, Coca Cola's 2010 information was not available at the time of the desktop review. Had it been, Coca Cola would have received a composite score of 89%.

[66] Association of Chartered Certified Accountants Australia (2010), Disclosures on Social Investment,

[67] Centre for Corporate Governance UTS and Catalyst Australia (2010), The Governance of Sustainability.

[68] Signup to the GRI means companies publicly state that their corporate responsibility reporting uses the GRI framework and have a GRI Index table for 2010. Signup to LBG means that they were members of LBG Aus/NZ in 2010.

[69] Australian Council for Superannuation Investors (ACSI) (2010), Sustainability Reporting Practices of the S&P/ASX 200. This report refers to all areas of sustainability reporting, not just community investment.

[70] In 2010, Telstra published its LBG Benchmarking report, containing all main LBG elements, verified to be in line with guidelines. However on their website they reported elements not in line with guidelines, particularly regarding the total value of the investment. Discussions with the company confirmed that they wanted the website information to be the basis of Catalyst's analysis.

[72] 'Oversight' indicates that the company applies the same definition of community investment, but some non-conforming contributions were included by mistake. Alternatively, 'Deliberate' indicates that the companies knowingly included non-conforming elements.

[73] AccountAbility (2008), op cit.

[74] G. Zappalà & D. Arli (2010), op cit.

[75] The LBG is also a benchmark, but as discussed previously under alignment to standards, Catalyst chose to use it as a standard.

[76] ANZ has previously participated in the CRI, but in 2010 it did not.

[77] A number of commercial consultancies offer advice but do not publish information in the public domain.

[78] See Catalyst (2010), How corporations tell their story for a full summary of sustainability reporting in the Australian context.

APPENDIX 1: PEER REVIEW STATEMENT

BANARRA STATEMENT

25 June 2012

Banarra is an Australian-based firm that enables organisations in their pursuit for a more sustainable future. We achieve this through listening to our clients and their stakeholders; having heard their issues and concerns, we apply thoughtful analysis that results in constructive and frank advice and opinions.

Banarra was approached by Catalyst to provide independent expertise on community investment for the research report '*What Gives? How companies are investing in communities*'. Banarra was involved from the early stages of the research and provided feedback on the design of the methodology and indicators developed by Catalyst. We also contributed practical input from our community investment experience and expertise in the corporate sector in Australia and beyond. We are satisfied that Catalyst undertook a research process which is appropriate to the aims of this report.

Banarra's involvement on this project did not involve collecting data or analysing the findings of the research and no specific checking or verification work was undertaken. However, Banarra offered a general sense-check of the report itself and the pertinence of its findings. This involved indicating to Catalyst where additional background, context or explanations would be beneficial to stakeholders in order to help provide a clear, balanced and reliable report. Banarra's comments and feedback have been taken into account and responded to by Catalyst in the final report.

Rita F. van Vlissingen

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Consultant, Banarra

Banarra