

the CSR Citizen

September 2005



"Corporate Social Responsibility (CSR) is when a company achieves sustainable development not only in the economical dimension, but also in the social and environmental dimensions"



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Governance and Values

A focus on corporate governance has never been more important than in today's business environment, where public confidence in companies is no longer based strictly on financial performance or products and services.

Rather, confidence increasingly is based on a company's structure, its board of directors, its policies and guidelines, its culture and the behaviour of its officers and employees.

The term **corporate social responsibility** in a governance context is used to refer to corporate decision-making, management, practice, performance and reporting which is:

- **ethical;**
- **sustainable;** and
- has regard to **local, social, community and environmental** interests as well as financial considerations.

Recent events such as what occurred with HIH, James Hardie, One-Tel and Enron have illuminated how integral good governance is to profitability, sustainability and sound business operations. Due to this recent media attention and resulting public debate, the issue of CSR in governance has become a popular subject of policy analysis and consideration.

There are current [CAMAC](#) and [PJC](#) inquiries into the nature and extent to which organisational decision-makers should have regard for the interests of stakeholders other than shareholders, and the broader community. Further, [APRA](#) has proposed a

new prudential framework focused on the independence of directors and based on some of the *ASX Principles of Good Corporate Governance and Best Practice Recommendations*.

And this week, the federal government has asked the Australian Stock Exchange's Corporate Governance Council to consider developing a [standard for sustainability reporting](#), in a significant expansion of the corporate governance debate.

This growing interest by the federal government demonstrates the importance of corporate social responsibility in governance.

Case Study: Laboratories Credit Union

Laboratories Credit Union (LCU) has a dynamic and successful governance model which features non-executive officers in training to become directors.



The training of non-executive officers is part of a deliberate strategy LCU has employed for 10 years. Fifty percent of LCU's current directors are graduates of the non-executive officer training program, including the current Chairperson. LCU advertises the program amongst its membership, through its newsletter. Members of LCU can self-nominate to become a non-executive officer and on occasion LCU directly approaches members they think will be appropriate and encourages them to apply.

The non-executive officers attend all of the training that directors attend, such as the training sessions presented by AICUD. Non-executive officers are invited to board meetings, whereas directors are



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expected to attend, and non-executive officers do not exercise voting rights. However, non-executive officers are very much involved in the functionality of the board, and also sit on board committees. They are given an honorary payment for each board meeting they attend.

There are multiple benefits to the program.

It allows non-executive officers to get a very good feel of the nature of the commitment of being a board member, in terms of time, skill requirements and personal compatibility with the board. The board can also make a similar assessment of the non-executive officer. If a director reaches the end of their term or resigns, LCU can bring on board a non-executive officer who has working knowledge of the boards functions and LCU. Michael Sinclair, General Manager of LCU, has stated *"it works out so a non-executive officer knows that they really want to be on the board"*. In some instances, a non-executive officer will choose not to progress to director status because they realise they will not be able to make that degree of commitment. This way, both the individual and LCU benefit in having well trained and committed board members.

Bob Steele, a director of LCU's board since 2003, was a non-executive officer from approximately 2001 – 2002. He states *"I'm impressed with LCU both in its training of the board and its staff. The training provides the board and staff with the confidence to perform their jobs well, but also, everyone feels valued by LCU. The ongoing training acts as a form of recognition of the board and staff's contributions to the credit union."*

Extracts from the Toolkit...

This section features a number of ideas on **what your credit union can do** if it is interested in seriously committing to corporate social responsibility at a governance level.

Credit unions may want to consider having:

- processes for determining the expertise board members need to guide the strategic direction of the organisation in issues related to environmental and social opportunities and risks
- a director with expertise in CSR that drives socially responsible, environmental and ethical initiatives from a governance level, or selection criteria to select board members with such expertise

- a CSR committee under the board of directors that is responsible for setting the 'social responsibility' strategy and oversight of the credit union
- training for directors and senior management on CSR matters.

Sustainable Finance Forum

Green Capital is a Corporate Social Responsibility program run out of the Total Environment Centre in Sydney.

Green Capital conducts quarterly debates on CSR issues and the next one is titled **Sustainable Finance: Shareholders, Stakeholders, Values and Value**.

The issues which will be debated at this event include:

- Consumer debt and financial literacy
- Change to corporations law (currently subject to the PJC and CAMAC inquiry)
- Active Management of Investments
- Principles for Responsible Investment
- Market Adjustment. Financial incentives and dis-incentives to help create a stronger business case for sustainability initiatives. This includes taxes and levies, investment incentives and market based mechanisms.

The dates for this event are:

- Sydney 9/11/05 7am to 10am at the Wentworth Hotel 61 - 101 Phillip St
- Melbourne 17/11/05 7am to 10am at the Hilton Hotel 192 Wellington Pde.

If you are interested in learning more about Green Capital or this event go to:

http://www.tec.org.au/member/tec/project_intros/gco.html

Potential Community Partnership with Cancer Voices NSW



Cancer Voices NSW is a peak advocacy organisation providing a **unified** voice for all people affected by cancer in New South Wales.

Cancer Voices NSW is seeking out either a *core supporter* or a number of *supporters* to maintain and develop a database of cancer specialist services.

If your credit union is interested in obtaining more information, call John Newsom on (02) 9810 4388 or via email on jnewsom.unwired@bluetie.com



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