

Re-imagining sustainable value: the Sustainable Development Goals gather pace

Annual Review of the State of CSR in Australia and New Zealand 2017

The longest-running study of CSR practices Down Under



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About this report

The *State of CSR in Australia and New Zealand Annual Review* is the largest ongoing research study of corporate social responsibility (CSR) capabilities and practices in Australian and New Zealand organisations. Our aim is to analyse key trends in CSR so that CSR managers can make evidence-based decisions that advance positive change in their organisations.

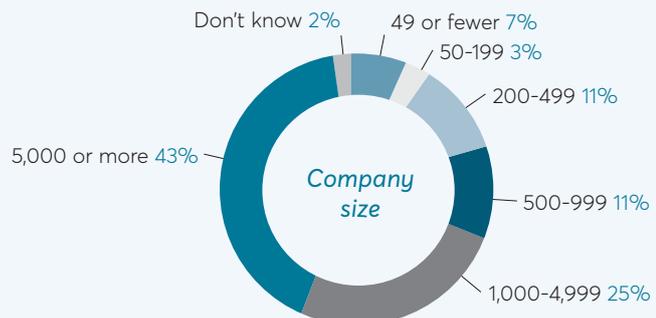
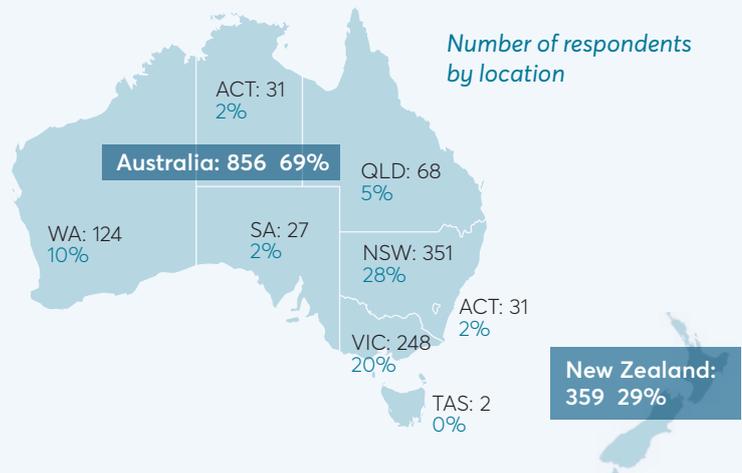
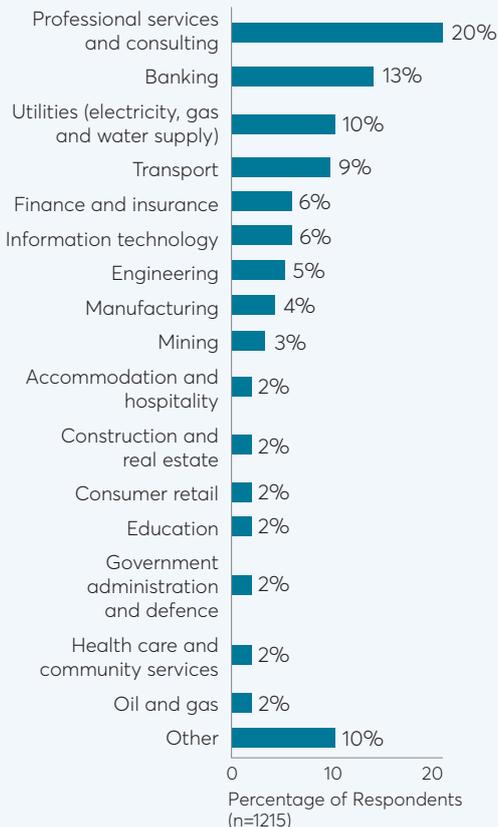
In this report, we use the terms CSR and sustainability interchangeably. We define CSR as the organisational practices that address the impacts of an organisation on business, society and the environment or seek to create positive societal value through core business.

Research and report writing has been co-ordinated by Felicity Richards, with support from our team: Dr Leeora Black, Jackie Allender, Stephanie Sterck, Rebecca Jinks, Josh Appelboom and Bob Kochen. We also thank our intern from RMIT University, Joshua Stevens for his valuable contribution. Our thanks go to our partners who have worked with us again this year: La Trobe Business School, Massey University, the New Zealand Sustainable Business Council, and Wright Communications. Finally, our deep gratitude to all the respondents to our survey who have made this year's *Annual Review* possible.

Methodology

One thousand two hundred and fifteen professionals completed the online survey between 30 January and 28 February 2017, our largest number of respondents to date. The respondents came from ACCSR's database as well as from mailing lists provided by organisations participating in the CSR Top 10 in Australia and the CSR Top 3 in New Zealand. Where a question has less than 30 responses, or a category of respondents to a question is less than 30, we have excluded this information. Previous surveys focused some questions on those working in CSR-related roles within their organisation. This year we have offered all questions to all respondents to expand the base for each question and achieve a broader sense of CSR in Australia and New Zealand.

Respondents' industries



CSR continues to advance in Australia and New Zealand

Welcome to the 9th Annual Review of the State of CSR in Australia and New Zealand, ACCSR's major contribution to the professionalisation of CSR through our not-for-profit arm, CSRConnect.ed.



This year we have focused on the Sustainable Development Goals (SDGs) and non-financial reporting, both of which have continued to increase in importance for organisations in our part of the world. The SDGs have been well embraced by business, as reflected in our results.

Last year, many respondents said they were cross-referencing existing strategies against the SDGs before formulating plans. This year, more than half of respondents report the SDGs have been mapped against business strategy as much as they have been against CSR strategies or reporting. Even better, organisations are assessing their impacts through the lens of the SDGs, setting targets, developing partnerships, and reporting performance. This augurs well for future improvements in Australia's scorecard as reported in the *Annual Sustainable Development Goals Report*.

A notable finding this year was that more than half the respondents think sustainability reporting should be mandatory. This would go much further than current reporting requirements in either

Australia or New Zealand, where the stock exchanges have taken the lead in encouraging broader reporting of environmental, social and governance (ESG) risks by companies.

Proposed updates to NZX's corporate governance best practice code, including requirements for ESG disclosures, most likely explains why managing regulatory impacts is the highest priority CSR issue for the year ahead in New Zealand.

In Australia, building stronger relationships with stakeholders appears to be the evergreen top CSR priority. Working to combat business corruption had the most significant increase in respondents who considered this a high or very high priority, albeit this remains a lower priority than most other issues examined in this study. All CSR issues were deemed higher priority by organisations this year than last year.

Participation in the Annual Review continues to rise and this year I am delighted that 1,215 people completed the survey on which this review is based. The growth of participation in New Zealand was especially strong.

Congratulations to CSR Top 10 and the CSR Top 3 organisations in Australia and New Zealand respectively. The assessment reflects the perceptions of employees in these organisations of their capabilities in stakeholder engagement, stakeholder values attunement, dialogue, and social accountability. We tightened requirements for participation this year by increasing the minimum number of respondents. Being perception-based research, this strengthens the validity of the results.

My thanks also go to our valued partners on both sides of the Tasman: La Trobe Business School, Sustainable Business Australia, the New Zealand Sustainable Business Council, Massey University, and Wright Communications.

Thank you also to my brilliant colleagues at ACCSR who work tirelessly to make this project better each year.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Leeora Black', written in a cursive style.

Dr Leeora Black
Managing Director
Australian Centre for Corporate Social Responsibility

Message from La Trobe Business School



The La Trobe Business School is delighted to be a key sponsor of the 2017 Annual Review of the State of CSR, partnering with ACCSR to support ACCSR's thought leadership in CSR. The 2017 Review highlights the importance and recognition by CSR professionals of the UN Sustainable Development Goals (SDGs) in the progression of CSR in Australia and New Zealand. Congratulations to the CSR Top 10 organisations in Australia and CSR Top 3 organisations in New Zealand.

In 2017 ACCSR and LBS, along with the Global Compact Network Australia, and an advisory board made up of representatives from businesses, the not for profit sector and government, are working together to progress the SDGs through workshops, and research conducted across Australia. The 2017 Annual Review makes an important contribution on this theme.

This review focuses on the Sustainable Development Goals (SDGs) and, similar to last year's, finds that the continued focus of organisations is on Gender Equality, Good Health and Wellbeing and Industry Innovation and Infrastructure. This year though the goals that organisations find to be most challenging are Climate Change, Gender Equality,

and Decent Work and Economic Growth. Policy gaps in terms of climate change are a key consideration as is the continual exposé of poor labour practices and wage breaches. Gender equality continues to be a focus of organisations and, although many organisations are conducting important work, the 2017 Annual Review continues to show this remains a key challenge.

In working towards SDG implementation, the review demonstrates the processes organisations are using: namely stakeholder engagement and relationships, managing regulatory impacts, managing technology impacts, strengthening social licence to operate, building internal understanding and improving the supply chain (and in New Zealand developing environmental products/services). The important work of CSR professionals in actioning these processes is imperative to continued progress.

Research conducted by colleagues and myself¹ supports the finding of the Review: namely that Australian companies are not as progressed on Integrated Reporting as foreign owned companies; and that mandatory reporting is a key driver of this. Recent research² also supports the findings

highlighting the importance for investor groups of reporting on ESG impacts. We found that companies are likely to report more on dimensions that are imposed by law or regulation, including diversity, climate change and shareholder dialogue.

ACCSR's 9th Annual Review provides another excellent review of CSR in Australia and New Zealand and in particular the SDGs, with important work demonstrating both the progress and focus of organisations as well as the challenges they face.

Dr Suzanne Young

Head of Department of Management, Sport and Tourism and acting Head of Department of Entrepreneurship, Innovation and Marketing and Associate Professor (Governance and CSR), La Trobe Business School (LBS)

¹ Young, S. and Marais, M., 2012, "A multi-level perspective of CSR reporting: The implications of national institutions and industry risk characteristics", *Corporate Governance: An International Review*, Vol 20, Iss 5, pp. 432–450.

² Young, S., Marais, M. Marjoribanks, T., Durden G. & Douyen, R. 2015, "ESG Risk Reporting in Australia and France: A Post GFC Analysis", EURAM Conference, Warsaw, Poland.

Message from Massey Business School



In the backdrop of a world confused and divided on key global and human challenges, it is encouraging to see a notable increase in participation in the 2017 ACCSR State of CSR Annual Review, in both New Zealand and Australia. This is a welcome sign and signal of commitment and future engagement by Australia/New Zealand institutions representing a wide range of private and public sectors. My congratulations to all of the participants and in particular to the top three New Zealand awardees: Toyota NZ (for the second consecutive year), Air New Zealand and Westpac NZ.

The 17 Sustainable Development Goals represent an expanded view on sustainability and corporate social responsibility. They cover a broad range of social, economic and political imperatives in addition to the widely known natural and environmental effects. Achieving these goals requires a new level of collaboration on the part

of a wide range of private and public decision makers and stakeholders. For this to happen, a fundamental shift in perception and approach must occur as these challenges are squarely in the domain of complex "wicked" problems – they defy isolated disciplinary sciences and expert solutions. While in the past these imperatives may have been viewed individually and in isolation, a holistic and systemic view is now paramount for true transformational change. In the words of an Australian public commissioner "Tackling wicked problems requires thinking that is capable of grasping the big picture, including the interrelationships among the full range of causal factors underlying them. They often require broader, more collaborative, and innovative approaches."

It is interesting to note that while "Partnership for the Goals" is part of the SDGs, ironically, it has received the least

level of attention by the participating organisations (Figure 3). Yet partnership and collaboration are requisite and powerful "leverage" areas to effect fundamental shifts in this global enterprise. This is recognised in the Australian responses for the need for engagement and building stronger relationships with stakeholders. When taking a systems approach to the SDGs, it is apparent that these goals are not independent, but form powerful "feedback" loops which can either enhance or hinder progress. It is time for the decision makers to understand these as complex interrelated issues needing deep and genuine collaboration.

Prof. Kambiz Maani

Professor of Systems Thinking & Science and Associate Pro Vice-Chancellor (Research) for Massey Business School

Key Findings

The Sustainable Development Goals



- Senior executives are much more aware than other managers of the SDGs.
- 43% of respondents reported a behaviour change in their organisation as a result of mapping the SDGs to reporting or strategy.
- The top 3 SDGs being addressed by respondents' organisations are Gender Equality, Good Health and Wellbeing, and Industry, Innovation and Infrastructure.
- The most challenging SDGs to address are Climate Action, Gender Equality, and Economic Growth and Decent Work.
- Organisations are more likely to set targets for Gender Equality than any of the other SDGs.

Reporting

70% say their materiality assessments are extremely or very valuable.

53% say sustainability reporting should be mandatory.

35% say their organisation's reporting has improved their engagement with investors.



Issues for the year ahead

Managing regulatory impacts is the top priority in New Zealand.

Stakeholder engagement remains the top priority in Australia.

Assessing impact and performance is the most common action organisations will take to respond to their priority issues.



CSR management capabilities

IT industry tops the industry ranking for the first time, banking continues to slide.

Transport and engineering show the biggest improvement.



The Top CSR Awards

This year 30 organisations participated in the Top CSR assessment by offering the State of CSR survey to their employees. We measured employee assessments of the extent to which CSR management capabilities are embedded within their organisation.

The Top CSR organisations in 2017 received an overall CSR management capability score of 78 percent or more for Australia and 75 percent or more for New Zealand, and had at least 20 respondents.

Thank you to the employees who made it possible for us to rate their organisations by responding to *The State of CSR* survey. The following organisations received the Top CSR Award.

See page 18 to find out more about the capabilities we measured.

Top 10 Australia:



Top 3 New Zealand:



Sustainable Development Goals

Less than two years ago, the United Nations adopted the 2030 Agenda for Sustainable Development accompanied by 17 Sustainable Development Goals with 169 associated targets.

We asked respondents which Goals their organisations are addressing and which Goals are proving difficult.

The top five goals in 2016 remain unchanged in 2017. Climate Action is the most challenging Goal to take action on for most organisations in Australia and New Zealand. It is also the Goal most likely to be the object of impact assessment (Figure 3).

Gender Equality and Good Health and Wellbeing are the top two priorities, showing the centrality of employees as a key stakeholder in organisational approaches to social responsibility.

Responsible Consumption and Production is the fourth most-challenging Goal and organisations are most likely to be assessing impact and reporting progress on this one (Figure 3).

Sustainable Cities and Communities rounds out the list of the most challenging Goals. We can expect to see leadership from electricity, gas and water utilities, and the engineering profession, on this Goal (Figure 2).

We have identified that some industries find addressing certain Goals significantly more challenging than others. These include:

- Manufacturing on Clean Water and Sanitation
- Government on Affordable and Clean Energy
- Healthcare and community services on Reduced Inequalities
- Information technology on Reduced Poverty.

Respondents said barriers to progress on the Goals include budgetary constraints, limited awareness of the link between sustainability and business strategy amongst decision-makers, poor identification of appropriate partnerships, low prioritisation for resource allocation, regulatory restraints and conflicting stakeholder interests. Limited government action represents another perceived barrier to progress.

However, some industries say none of the Goals are proving difficult to achieve. Around a third of respondents from banking, finance, insurance, professional services, transport, and utilities held this view.

"Our organisation understands the SDGs and has aligned our CSR objectives to the SDGs. It is difficult for us to take the next step to actually use the SDGs to inform planning. It would be great to see leadership from the government around national specific SDG targets so business can be more strategic in their approach and contribute towards realistic and measurable goals for our region."

– State of CSR survey respondent

Which of the Sustainable Development Goals is your organisation addressing or planning to address? (n=740)



Which of the Goals or targets are proving most difficult to take action on? (n=710)



Figure 1. Respondent perspectives: Risks and opportunities identified in relation to addressing the SDGs

Risks

"Risks include reducing our attention on other SDGs where we have the potential to make a positive impact."

"Risk is losing audiences – I fear the SDGs make sustainability appear even more lofty/unachievable/unrealistic. How they are socialised within a corporate will be key."

"Another layer of information to be aligned to and the risk in creating more complexity in an already complex space."

"Government policy changes and/or inaction."

"The cost involved with measuring the targets has to be offset by the advantages."

Opportunities

"Meet community and government expectations on our industry's sustainability record."

"Risk mitigation strategies for loss of community trust in government regulators."

"It's another engagement opportunity with stakeholders."

"It's an opportunity to engage and mobilise staff to work towards a common and fulfilling purpose."

"An inclusive and diverse workforce provides better agility and innovation opportunities to meet future challenges including digital disruption, energy changes and responding to social licence concerns."

"We led the industry by mapping our GRI report to the SDGs."

"Opportunity for engagement with multiple sectors and individuals."

"Adjust existing projects in line with the SDG targets we want to lead on."

"There is a great opportunity for strategic partnerships with other businesses and NGOs who are working towards the same goals."

"We have clear targets, can partner with more businesses and have the opportunity to lead the way in some of these topics."

"Become a thought leader, increase brand preference, improve the environment for future generations and build long term business robustness."



"Opportunities lie in the guidance provided by the goals to become a company that is working with the rest of the world to improve practices and outcomes for all."

– State of CSR survey respondent

Figure 2. Five most top-of-mind Goals per industry

Industry*	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
Engineering (n=47)	Industry, Innovation and Infrastructure	Sustainable Cities and Communities	Clean Water and Sanitation	Gender Equality	Affordable and Clean Energy
Banking (n=70)	Gender Equality	Decent Work and Economic Growth	Climate Action	Good Health and Wellbeing	Industry, Innovation and Infrastructure
Transport (n=71)	Gender Equality	Industry, Innovation and Infrastructure	Climate Action	Decent Work and Economic Growth	Good Health and Wellbeing
Professional services and consulting (n=152)	Gender Equality	Good Health and Wellbeing	Industry, Innovation and Infrastructure	Quality Education	Sustainable Cities and Communities
Information technology (n=41)	Gender Equality	Decent Work and Economic Growth	Good Health and Wellbeing	Quality Education	Responsible Consumption and Production
Finance and insurance (n=40)	Gender Equality	Climate Action	Decent Work and Economic Growth	Industry, Innovation and Infrastructure	Good Health and Wellbeing
Utilities (electricity, gas and water supply) (n=69)	Sustainable Cities and Communities	Clean Water and Sanitation	Good Health and Wellbeing	Gender Equality	Industry, Innovation and Infrastructure

* Industries with less than 30 responses to this question are not shown.

We asked respondents about six types of actions their organisations may be taking in relation to the SDGs. The most likely actions are assessing organisational impacts relative to Climate Action and engaging in strategic partnerships to Reduce Poverty. Policy commitments relating to sustainable cities and communities are the least likely action. Fifty-seven percent say their organisation is setting organisational targets for Gender Equality. Compared to 2016, reporting progress and assessing impact remain the most common actions being taken by organisations, but fewer are planning to make policy commitments.

Figure 3. Strategic actions organisations plan to undertake in relation to the Goals



(n=519)

Figure 4. Where organisations are mapping the SDGs

Question: Against which of the following have you mapped the SDGs your organisation is planning to address? (n=508)

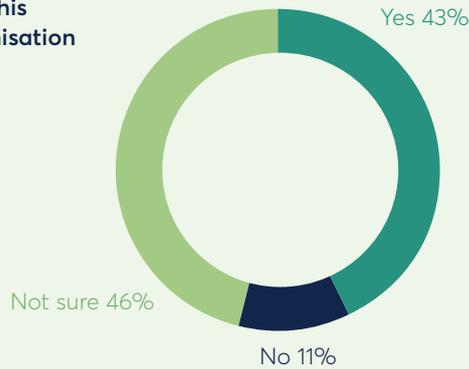
Over half the respondents said their organisations were using the SDGs when formulating their CSR or sustainability report, business strategy and CSR strategy. CSR strategies were mapped mostly by foreign-owned companies, reflecting the efforts of head offices in Europe, UK, and North America. Australian listed companies and State governments were among the lowest proportion to map the SDGs to their business strategy.

Respondents could select multiple options.



Figure 5. Proportion of those who mapped the SDGs that saw a behaviour change

Question: As a result of this mapping, has your organisation experienced a behaviour change? (n=459)



Industry guide:

- IT sector is mapping its *CSR strategy* against the SDGs more than any other industry
- Oil & gas is mapping its *business strategy* against SDGs more than any other industry
- Manufacturing and Oil & gas are mapping *value chains* to SDGs
- The SDGs are being used for sustainability reporting by transport, IT, engineering, and consumer retail

Figure 6. Awareness of the SDGs according to seniority of role

Executives are more aware of the SDGs than other managers. Executives were defined as those who develop the strategic direction and/or have responsibility across the business.

(n=1215)



Insights from some of the CSR Top 10



Greg Taylor, CEO, on achievements in the past 12 months:

"Internally this year we have further developed our culture by fitting our CSR philosophy The Abergeldie Way into the UN Sustainable Development Goals. This gives our staff the opportunity to learn about the Goals and come up with innovative ideas on ways we can add to them. We hope that by using this framework we will encourage other businesses to think about their impact on the sustainability of the world. This has been best reflected in the partnerships we have developed with key water authorities to improve the efficient use and re-use of water to maximise natural water flows in our river systems."



Simon Bradwell, Managing Director and **Caroline Bommers**, Head of Marketing at ebm-papst A&NZ on the key to success in CSR:

"Since making the Top 10 last year, a key thing for us to realise was the impact of our internal communication, the language we use and how we engage with each other. We have seen that everybody here is on board with what we are doing – in our work with charities, fundraising and community involvement but also in terms of how we talk to our clients, the relationships we have with our customers and the types of clients we aim to do business with."



Matt Brennan, Head of Sustainability on how Transurban has gained value from non-financial reporting:

"To ensure we remain a partner of choice for governments and deliver on our vision to 'Strengthen communities through transport', it is vital that we share details of our non-financial performance. Employees, Board Directors, governments, investors, industry partners and communities more broadly are very interested in hearing about our progress towards sustainability. Preparing concise and informative sustainability reports and sharing the results widely through a range of communication and engagement methods has generated significant interest in and support for our sustainability program which is crucial for our long term success. It also allows us to seek feedback on where we can improve our performance and invites ideas from other organisations and sectors."



Karen Iles, Head of Corporate Social Responsibility at Tata Consultancy Services on how Australian companies can drive the SDGs:

"There are two opportunities for companies. Both rely on us driving an understanding of the SDGs as well as the narrative around why the planet and humanity needs them. It begins with individual action. We are starting to encourage our staff to consider their own community engagement, volunteering, and workplace giving and how that aligns to the SDGs. On a company level, businesses need to work out their areas of impact and seek out new partnerships, commitments, investments, and programs that address the SDGs. The message around the SDGs is that this needs to go beyond business as usual."



Mark Thomas, Corporate Relations Manager, on the key to embedding CSR at WaterAid:

"WaterAid was born out of a socially conscious group of water professionals who felt morally responsible to share their knowledge and resources by providing what we see as basic human rights – access to at least a basic level of safe water and sanitation. The duty of care and the desire to help create a better, fairer world for all drives our policy, strategy and organisational culture. It's also a deep driver of WaterAid's focus on collaboration within and across sectors."



TJ Viljoen, CEO of LexisNexis Asia Pacific comments:

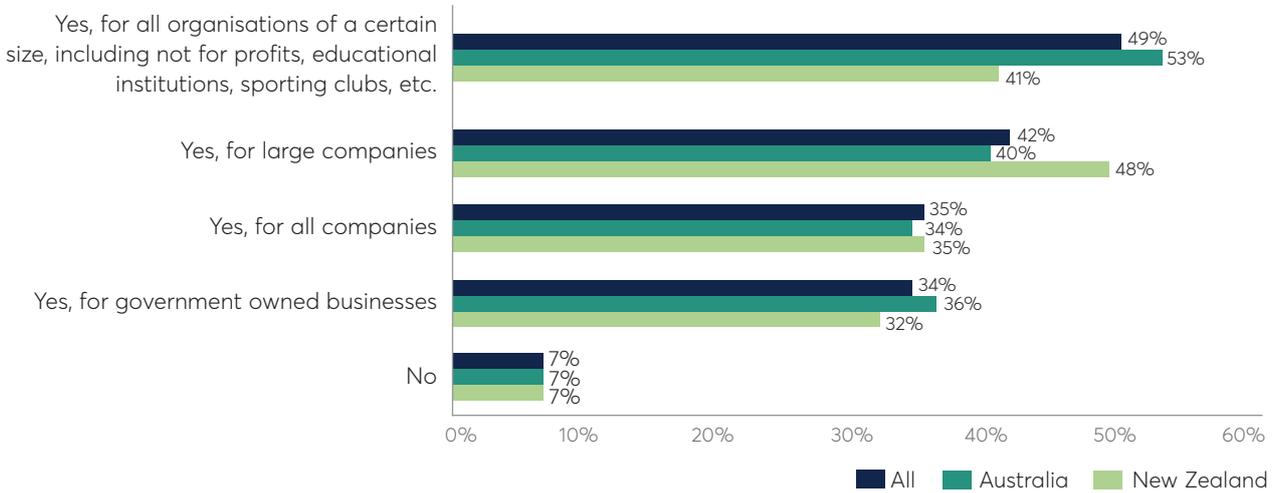
"As a company whose purpose and values are rooted in the rule of law (which is subsequently our CSR), we find our drive to make a difference holds us to the highest ethical standards. This can be challenging if a business considers its profit motives as disjointed from CSR. Instead, CSR should underpin business strategy, to leverage skills and assets in market to deliver improved outcomes for all under a shared value approach. This approach is largely how LexisNexis has managed to have a considerable positive impact on advancing the rule of law across Asia Pacific so far, and we hope we can continue to do so well into the future."



Reporting context and frameworks

What's measured is managed.

Figure 7. Mandatory sustainability reporting



Question: Do you think sustainability reporting should be mandatory?

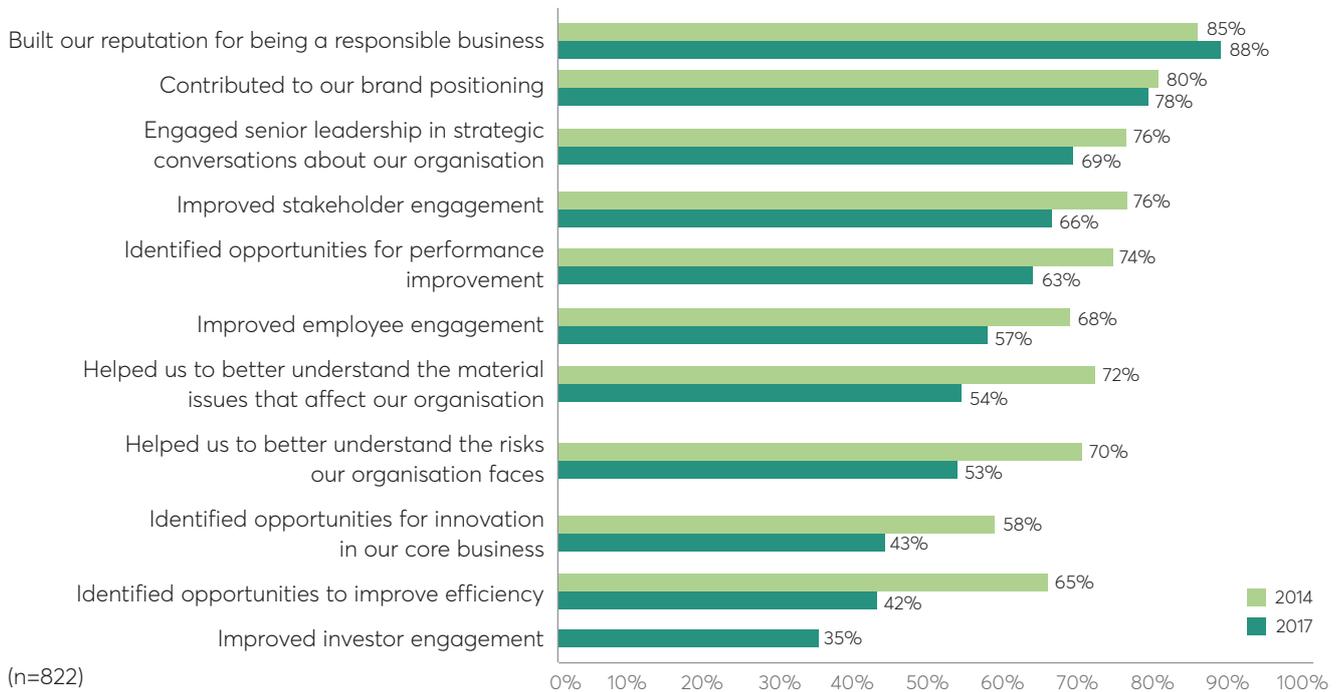
(n=1159)

Half of those surveyed believe that sustainability reporting should be mandatory for all organisations of a certain size, including not-for-profits, educational institutions, and sporting clubs. This sentiment is particularly strong among Australian respondents while New Zealand respondents strongly believe sustainability reporting should be mandatory for all large companies.

This is consistent with trends revealed in the 2016 Carrot & Sticks report (www.carrotsandsticks.net) which shows increases in mandatory sustainability reporting around the world. The 2016 report said governments in over 80 percent of the 71 countries studied had introduced some form of regulatory sustainability reporting instrument.



Figure 8. How reporting has helped organisations



Question: How has reporting helped your organisation?

Figure 8 suggests that reporters are generating less value from reporting in some areas compared with 2014, or possibly, they have higher expectations as reporting has matured. Despite this, 88 percent of respondents said reporting had helped build their reputation for being a responsible business. Differences between Australia and New Zealand are shown in Figure 17.

"The business values what it measures. By measuring sustainability indicators, the business places more importance on relevant decision making." – Respondent

Figure 9. The value of materiality assessments

Question: How valuable was your materiality assessment? (n=238)

Eighty-two percent of those surveyed work for organisations who completed a materiality assessment.

Materiality assessments are opportunities to help your organisation reach its strategic potential, while determining the most relevant topics for reporting. Survey participants cited ways to make materiality more valuable including engaging a wider group of stakeholders, employing the use of interviewing to gain richer insights, disseminating the results more effectively within the business and cascading the conversation to lower levels of the business.

We recommend that materiality results should be integrated into company risk profiles, performance management systems, business practices and strategy discussions. Some organisations will think about their material issues not only at the local level where their impact is felt, but apply a global lens to their material issues to consider global issues.

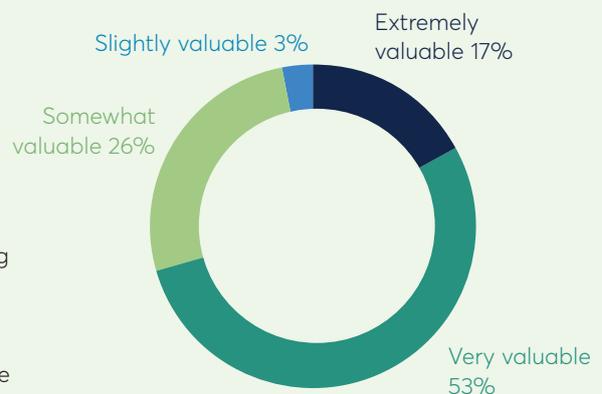
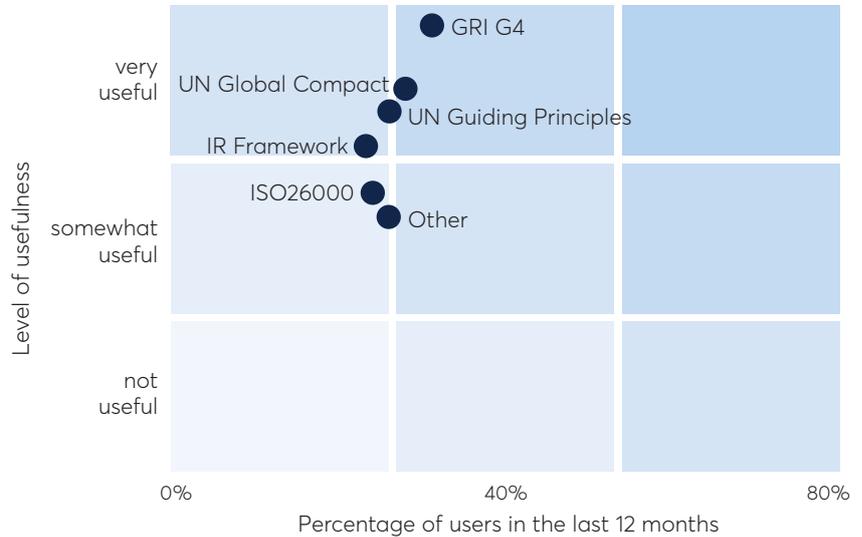


Figure 10. Level of use and usefulness of sustainability frameworks

Question: Has your organisation used this framework in the last 12 months? How useful have you found this framework? (n=822)

SDG Target 12.6 encourages companies to integrate sustainability information into their reporting. Reporting helps organisations measure what matters to them and reach toward achieving targets and goals, such as those under the Sustainable Development Agenda to 2030. The 2016 Carrots & Sticks report notes that alignment and harmonisation must be a key goal for those setting reporting instruments. Reporting organisations are moving toward broader corporate disclosures of non-financial information in light of increased regulatory requirements. In the global context, the focus on social information disclosure has almost doubled that of environmental disclosures. Tax disclosures are also required in some countries in which our respondent organisations have operations.

The Global Reporting Initiative (GRI) G4 remains the most widely used reporting framework. In 2016, GRI transitioned its reporting guidelines to a Standard. Figure 10 shows a slight decrease in use of the G4 since 2016, most likely due to uptake of the Standards. The UN Global Compact and the

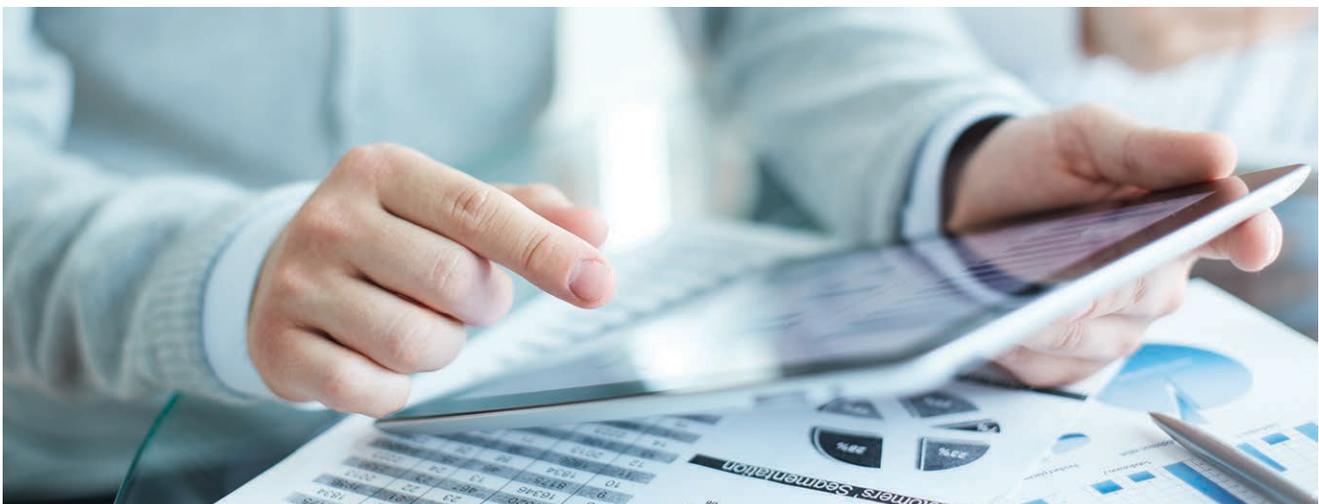


UN Guiding Principles for Business and Human Rights remain very useful to reporting organisations in 2017. The UN Global Compact is considered more useful this year, compared to last year.

Integrated Reporting (the <IR> Framework) is often used in combination with the GRI. While there is not yet great traction for integrated reporting in Australia and New Zealand, our data suggests that many Australian and New Zealand organisations are looking at the <IR> framework.

We also note the small difference between the minimum percentages of users against the maximum number of users across frameworks. This indicates that reporters are using multiple frameworks.

The GRI Sector Supplements and the Natural Capital Protocol were often mentioned as sector-specific frameworks used in the last 12 months. Reporting organisations also mentioned using ISO 14000 and the SDGs.



Insights from Global Reporting Initiative (GRI)

Sandra Genee is the Senior Coordinator of Corporate and Stakeholder Relations at GRI. We asked Sandra for her insights into the current reporting landscape, the impact of the new GRI Standards and how GRI is supporting private sector engagement with the Sustainable Development Goals.



There is no doubt that sustainability reporting has become common practice among the world's largest businesses. It may not yet be universal, and the quality still varies, but stakeholders expect companies to disclose sustainability information, and the number of reports is growing each year.

The launch of GRI's Sustainability Reporting Standards (GRI Standards) marks a new phase for sustainability reporting. The GRI Standards are the first global standards for the disclosure of an organisation's broader economic, environmental, and social impacts. They give businesses the flexibility to use one set of standards to report to all of their stakeholders, in any format they choose. This could be in the form of a standalone annual sustainability report, an integrated report or mandatory disclosures to a regulatory body.

The GRI Standards build on GRI's 20 years of pioneering work in corporate responsibility and reporting. With a continued focus on materiality, we are seeing companies focus more on their most important impacts, rather than creating a tick-box list of all their sustainability-related initiatives. More seasoned reporting organisations understand that the reporting process is much more than a compliance or PR exercise. As a result, sustainability reporting is becoming a more useful and strategic tool for both businesses and their stakeholders. Ultimately, the reporting process should serve as a vehicle to integrate sustainability into decision-making processes, business models, and value chains.

At GRI, we recognise that the fragmented reporting landscape presents challenges for companies. The proliferation of frameworks, benchmarks, and mandatory

reporting requirements means there is a need for harmonisation, to reduce reporting burdens and to make the practice more effective at producing change. Collaborating with other reporting organisations is a top priority for GRI, which is why we have longstanding partnerships with the UN Global Compact, CDP, IIRC and many others.

Finally, we see that many companies are engaged with the Sustainable Development Goals (SDGs) and GRI is working to stimulate the private sector action needed in order to reach them. We have recently kicked off the Reporting on the SDGs Action Platform with UN Global Compact. The ultimate goal is to produce concrete guidance for businesses on how they can best contribute to the achievement of the SDGs.



CSR priorities

Stakeholder relationships and regulatory impacts the key priorities for 2017

Since 2008, we have asked organisations to share their CSR priorities for the year ahead. In doing so, we have been able to track how priorities have changed over time and identify the issues that organisations consistently focus on.

As in recent years, building stronger relationships with stakeholders remains the highest priority for organisations overall, with 83 percent of Australian organisations and 76 percent of New Zealand organisations scoring this issue as a high or very high priority.

For the first time, Australia and New Zealand diverged on the top CSR priority. Australian organisations voted for stakeholder relationships

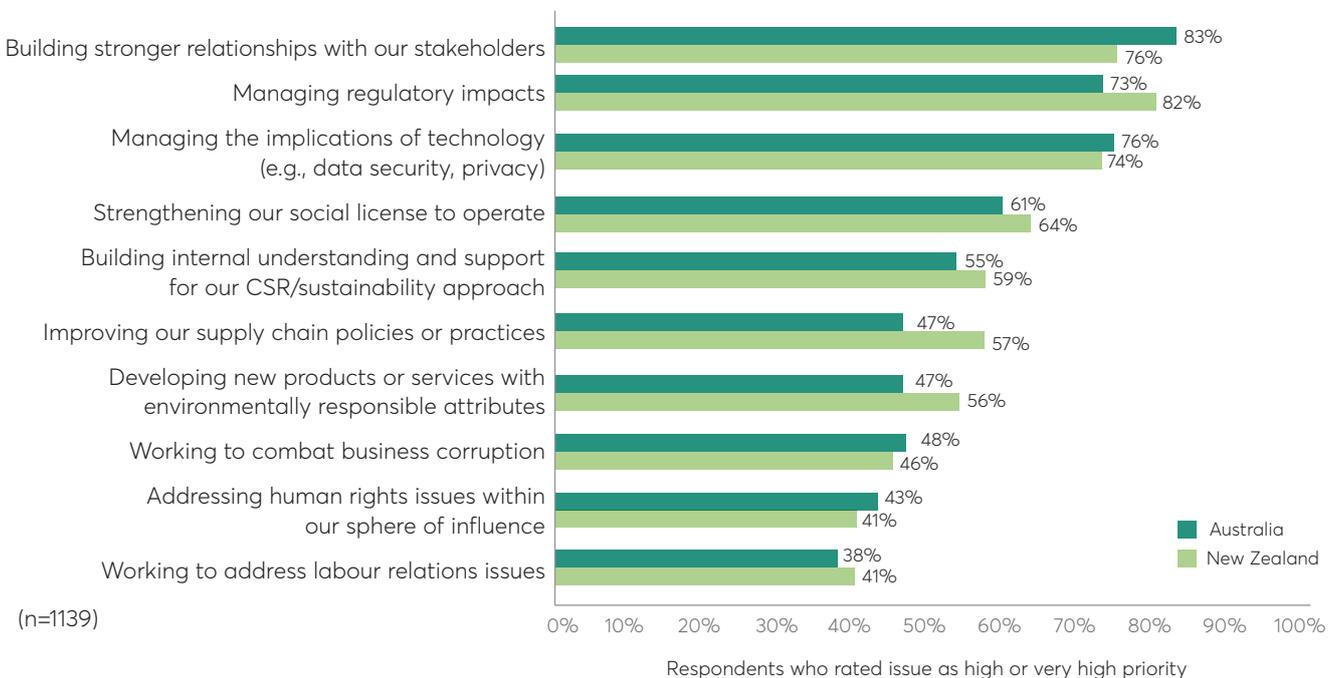
while New Zealand organisations considered the management of regulatory impacts to be the most important issue for the year ahead. This highlights a changing regulatory environment in New Zealand that includes a review of the New Zealand Stock Exchange corporate governance reporting requirements to improve corporate disclosure about ESG risks and mitigating factors.

The greatest disparity on an issue between Australia and New Zealand was improving supply chain policies and practices. Of New Zealand respondents, 57 percent considered this a high or very high priority compared with 47 percent of Australian respondents.

Changes from 2016

- Every issue recorded a greater proportion of 'high' or 'very high' priority ratings in 2017.
- Working to combat business corruption had the most significant increase in respondents who considered this a high or very high priority (+24.5%) despite remaining a lower priority relative to other issues.

Figure 11. The year ahead: key priorities



This year all survey respondents were asked to allocate priority ratings to CSR issues. Previously this question was only offered to CSR managers.

For the second consecutive year, we asked respondents to indicate how they intend to address their CSR priorities. As shown in Figure 12, organisations will focus on assessing impact and performance as well as reporting their progress for the year ahead.

These results are consistent with last year's findings and reflect the current state of CSR practice with organisations eager to first understand their social,

environmental, and economic impacts then demonstrate their progress towards addressing them.

One factor driving this is the investor community with global asset managers increasingly focused on companies' social and environmental impacts. Other factors include the heightened expectation of transparency, particularly around corporate tax reporting and corruption, as well as climate risk, highlighted by the emergence

of the Financial Stability Board's Task Force on Climate-related Financial Disclosures Recommendations Report.

In line with 2016 results is the continued focus on engaging in strategic partnerships. Partnerships allow companies to more effectively and efficiently address their impacts, achieve CSR goals and seize opportunities.

Figure 12. Strategic actions on key priorities

CSR Priority	Announce policy commitment	Introduce action plan	Engage in strategic partnerships	Assess impact and performance	Report progress
Building stronger relationships with our stakeholders	17%	34%	66%	61%	57%
Managing the implications of technology (e.g., data security, privacy)	22%	44%	40%	70%	57%
Managing regulatory impacts	19%	32%	41%	66%	58%
Strengthening our social license to operate	22%	33%	56%	63%	58%
Building internal understanding and support for our CSR/ sustainability approach	26%	44%	45%	62%	63%
Developing new products or services with environmentally responsible attributes	19%	35%	55%	63%	51%
Improving our supply chain policies or practices	22%	39%	55%	63%	51%
Working to address labour relations issues	17%	27%	38%	61%	55%
Addressing human rights issues within our sphere of influence	24%	30%	44%	54%	47%
Working to combat business corruption	22%	26%	28%	56%	51%

(n=1105)

Percentage of respondents undertaking the action: 20-29% 30-39% 40-49% 50-59% 60-69% 70-79%

CSR Management capabilities

The CSR management capabilities score measures how embedded CSR processes and values are across an organisation. CSR capabilities reflect the extent to which an organisation considers stakeholder needs and values in decision making, holds open and honest dialogue, and is accountable for its social impacts. CSR management capabilities scores are used to determine the CSR Top 10 in Australia and the CSR Top 3 in New Zealand (see page 6).

Stakeholder engagement

People in our organisation understand the linkages and interdependencies between us and our stakeholders. Our staff or members routinely consider stakeholder needs in business decisions.

Stakeholder dialogue

We engage in open dialogue with or stakeholders, treating them as equal partners in issues of mutual concern. We have clear processes for stakeholder dialogue and encourage equal control over the discussion agenda and communication process.

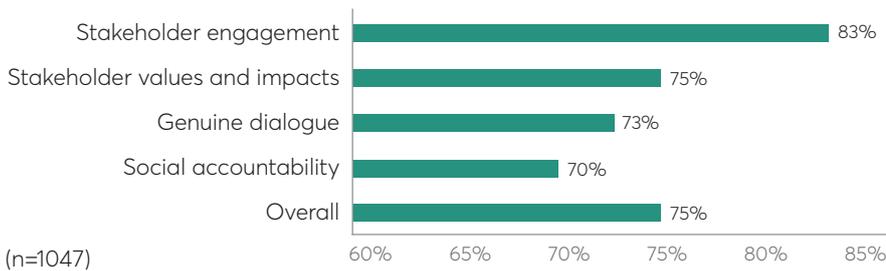
Integrating stakeholder values

Managers are able to effectively detect and transmit value-pertinent information about stakeholders to all parts of the organisation to assist in business decision making.

Social accountability

Our people believe that our organisation is accountable to stakeholders for the firm's social impacts and we effectively report or social performance, even when the news is not all good.

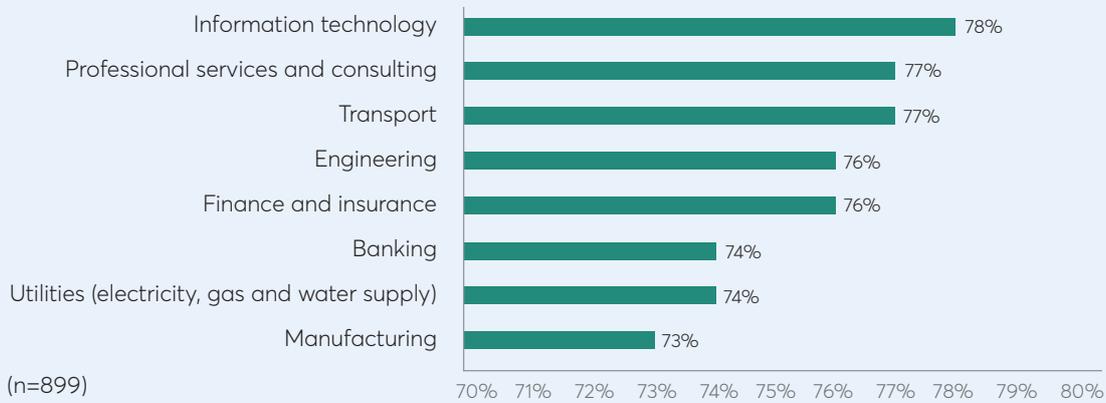
Figure 13. Average CSR management capabilities



Consistent with previous years, stakeholder engagement was the highest CSR management capability score (83 percent), demonstrating the continued focus on strengthening ties with stakeholders across each level of the organisation. Despite registering the lowest score, social accountability (70 percent), recorded a slight increase from 2016 (68 percent).



Figure 14. Average CSR management capabilities in 2017 by industry*



*Industries with less than 30 respondents to these questions have been removed.

Figure 14 compares CSR management capabilities across industries, revealing the relative maturity in integration of social sustainability within the various sectors. This year the range of scores was narrower than in the past, indicating that previously poorer performing industries are catching up.

The IT industry recorded the highest CSR management capabilities score (78 percent), closely followed by professional services and consulting, and transport (both 77 percent). Previously a leader, banking has steadily fallen from 82 percent in 2008 to 79 percent in 2012 and 74 percent in 2017.

Engineering and transport recorded the most significant jumps, adding eight per cent and seven per cent respectively. We welcome this result; given these two industries have vital roles to play in developing solutions to societal challenges such as overcrowding of urban centres, heightened pressure on natural resources and the transition to a low carbon economy.



New Zealand

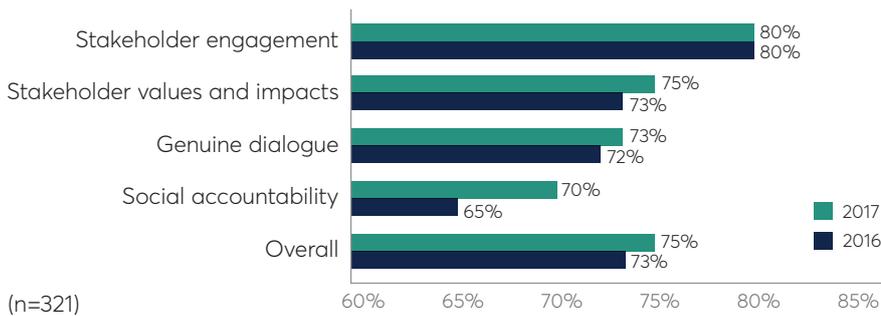
This year there were 359 survey respondents from New Zealand, the highest survey response to date, surpassing last year's 226. In most statistical categories, New Zealand organisations did not differ significantly from Australian organisations with the following notable exceptions:

- New Zealand's top CSR priority is the management of regulatory impacts as opposed to strengthening stakeholder relationships.
- SDG 8 Decent Work and Economic Growth was ranked the second highest SDG by priority by New Zealand businesses compared with sixth by Australian organisations.
- SDG 11 Sustainable Cities and Communities was ranked 14th by New Zealand businesses compared with fourth by Australian businesses.

CSR Management Capabilities

New Zealand organisations showed a slight improvement across the four CSR management capability categories, raising the average from 73 percent to 75 percent. Stakeholder engagement remained the top capability, while the strongest progress was made in social accountability. This result indicates increased internal engagement with CSR across organisations and reflects the strong prioritisation for building stronger relationships with stakeholders, with 76 percent of New Zealand respondents regarding this as a high or very high priority (see Figure 11).

Figure 15. CSR Management Capabilities in New Zealand





Grant Fleming, Head of External Relations, on the key to embedding CSR at Westpac NZ:

“Three key things stand out. We have strong leadership and commitment from our CEO, Board, and our Executive Team, who oversee our strategy and progress. We also have an External Stakeholder Panel, which provides us with additional challenge and direction. Secondly, our business is focused on building a strong service culture, which supports our vision to help our customers, communities, and people prosper and grow. The third aspect is listening to our stakeholders – including our customers and our people – and responding to the issues that really matter to them.”



Sustainable Development Goals in New Zealand

Through our research, we observe that over the course of 12 months, the SDGs prioritised by New Zealand businesses has changed slightly. Since 2016, Industry Innovation and Infrastructure has been replaced in the top five by Responsible Production and Consumption.

Naturally, businesses have put forward Goals that are most directly under their operational control. The emphasis on Gender Equality, Decent Work and Economic Growth, Climate Action and Good Health and

Wellbeing all sit within economic, social and environmental functions of a business.

Gender Equality was the highest ranked Goal, with 66 percent of respondents declaring their organisations are planning to address this issue. Gender Equality remains a strong focus for businesses with the number and proportion of women in senior leadership positions across the private and public sector firmly in the public discourse. This result may also be a response to the growing body

of research suggesting that more diverse boards and workforces lead to improved outcomes for businesses.

The move to responsible production and consumption may be seen as embedded within resource efficiency, particularly from an environmental perspective. It is also considered a function of procurement teams, with greater expectation of decisions that promote social and environmental values in purchasing.

Figure 16. Top five Goals for New Zealand

NZ 2017

- Gender Equality
- Decent Work and Economic Growth
- Climate Action
- Good Health and Wellbeing
- Responsible Consumption and Production

NZ 2016

- Climate Action
- Gender Equality
- Decent Work and Economic Growth
- Good Health and Wellbeing
- Industry, Innovation and Infrastructure

Value of reporting

Figure 17 shows that New Zealand organisations see significant value from reporting in establishing a reputation for being a responsible business and contributing to brand positioning. The relative value of each benefit is comparable between New Zealand and Australia, however, nearly half of New Zealand organisations considered improved investor engagement to be positive outcome of reporting compared to just under a third of Australian organisations.

Figure 17. Value of Reporting

Question: How has reporting helped your organisation?





Air New Zealand case study

Christopher Luxon, Chief Executive Officer on how Air New Zealand will advance the SDGs:

"I firmly believe that the defining quality that unites all enduring, great companies is a core purpose bigger than just the company itself.

Air New Zealand's company purpose enshrines this broader view of the role of business in society, and commits Air New Zealand to "supercharge New Zealand's success socially, environmentally and economically". This purpose places Air New Zealand in a strong position to advocate for the Sustainable Development Goals, as we recognise that strong business is inextricably linked to a strong society.

Air New Zealand first advocated for the Global Goals in 2016, when sustainability thought leader Sir Jonathon Porritt and former New Zealand Prime Minister and UNDP Administrator the Right Honourable Helen Clark both highlighted their significance at a sustainability breakfast event we hosted for business leaders. It was critical to communicate that all nations should be on the path of sustainable development.

Going further, from 2017 Air New Zealand will be aligning sustainability reporting with the Global Goals, including for our reporting to the United Nations Global Compact. 'Sustainable Consumption and Production' and 'Climate Action' are just two of the areas where we see significant synergies between our own sustainability strategy and the Global Goals, and we look forward to taking this agenda forward with our partners and other New Zealand organisations in the years to come."

"I firmly believe that the defining quality that unites all enduring, great companies is a core purpose bigger than just the company itself."





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About ACCSR

The Australian Centre for Corporate Social Responsibility helps organisations create lasting value through responsible business strategies and productive stakeholder relationships. We are Australia's leading management consultancy wholly dedicated to building competitive advantage and stakeholder wealth through corporate social responsibility.

Our advisory services help organisations take their next steps in creating value for all their stakeholders, building organisational capability. Our learning programs underpin the professionalisation of the corporate responsibility management function, building individual capability. Leading-edge research is the foundation of our work. Together with our clients, we create lasting value.

Our not-for-profit arm, CSRConnect.ed, is dedicated to advancing the professionalisation of the CSR management function.

