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Corporate Social Responsibility in the Food Industry.

Valuing the use of Corporate Social Responsibility in the Australian food industry.

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Abstract:

Since the last decade, there has been a growing interest in Corporate Social Responsibility (CSR) from stakeholders including customers and producers. The high exposure and reports of corporate abuse, thanks to the media's far reach, has made consumers realize the impacts businesses have on society and on the world. Some multinational well known brands such as Shell, Nike or McDonald's have already experienced the consequences of their unethical behaviour, leading to consumer discontent, boycotts, NGO reports, trials and increased media coverage of their actions.

As our world becomes increasingly interconnected and globalized the social and environmental business challenges have grown as well as the public's concern about society and business relationship; consequently consumers' are acting out and challenging unethical businesses. This results in further external pressures from NGOs and governments regulations. The increased exposure of corporate abuse combined with stakeholders' growing awareness of the importance of CSR has forced management teams to shift towards responsible corporate practices. As a result, having a pro social/environmental agenda is becoming more important for businesses. It seems that at this day and age, long-term profit maximisation is not the only success factor for businesses considering they are expected to fulfil their moral obligation to society.

CSR is a broad concept. There is no consensus on a common definition, and the debate about CSR's effectiveness in terms of reputation, financial performance and marketing capability goes on, as these assumptions have not been fully tested yet. It is therefore interesting to research this particularly recent subject of interest in the Australian market. According to the Australian Business purpose Study, Australians are highly apprehensive about corporate behaviour, ranking it as one of the top areas of concern amongst Australians[1], surprisingly before homelessness and human right issues. Consequently, we expect to notice a high CSR activity in the Australian market.

This research establishes an attempt at looking into CSR in order to understand if it can be a positive tool for an industry. In this paper, the general concept of CSR will be defined, and its application in the Australian market will be examined. Furthermore, the

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[1] H. Settineri, "Responsible businesses reap rewards", *Retail World*, (2014), p.36

analyses of this research will focus on the roles CSR plays in the food industry, examining what CSR aspects each company focus on, (this includes charities, local community support, environmental efforts…), detailing examples of two Australian food companies that have shifted their approach towards CSR. The data gathered will be analysed to better understand the ways each company implements CSR in to their marketing display and their business profitability to illustrate the implications and values CSR has for some industries and to disentangle different aspects that are usually mixed together in advertising and in marketing studies (as organic production and fair trade, and so on).

I will analyse companies supplying different products and different implementation of CSR in order to have an overall view of the Australian food industry.

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GENERAL INTRODUCTION

Corporate Social Responsibility (CSR) has become a very topical issue in contemporary time. The literature on this subject is quite recent and saw its peak in the 1990s and 2000s mainly with contributions from the United States. However, already six decades ago, Howard Bowen, an American economist and the « father of Corporate Social Responsibility[2] », published in 1953 his 'Social Responsibilities of the Businessman'. From Bowen's contribution, over the past sixty years, the literature on this subject has been controversial with many disagreements between scholars. « For a subject that has been studied for so long, it is unusual to discover that researchers still do not share a common definition or set of core principles (…) or even wether firms should have social responsibilities in the first place[3]».

CSR remains contestable. Even if CSR is widely discussed for its definitions, principles and effects (if positive at all) it has on businesses, it is undeniable that it has become a matter of high importance and it has induced discussions about the role of companies in the society. There is an ample evidence of this importance as CSR is now top priority for many worldwide corporations in very different sectors that are trying to minimise their impact on society, in an initiative of their own or pressured by governments, Non Governmental Organisations (NGOs) and other stakeholders. These industries include the automotive industry, with brands such as Mitsubishi and Ford, the petroleum industry (highly under NGOs pressures), the spirit industry (for instance, Bacardi and its sharp focus on sustainability with its CSR report "our spirit is clear"), the fashion industry (C&A and its current logo "today's look is sustainable" or H&M and its new "Conscious Exclusive"), the financial sector (Citigroup's 50 billion investment to reduce their carbon footprint), the high tech society (Nokia and its green phones), and the food industry (Nestlé or Coca Cola and its alliance with World Wild Fund for Nature (WWF)).

Its high diffusion in the past few decades must be placed in the context of our current globalized and industrialised society and in the crisis we are facing. In the Industrial Age, companies have been rapidly growing and have gained considerable influence. The

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[2] A.Carroll, "Evolution of a definitional construct", *Business and Society*, (1999), p.291.
[3] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, New-York, Oxford University Press, 2008, p.4.

expanding influence of corporate activity can easily be seen in the 2000 World Bank development report[4], in which 51 corporations stand in the World's hundred largest economic entities. If some companies exceed the actual GDP of countries such as Norway, Singapore, Ireland, or New Zealand, it is understandable that the question at the centre of CSR appears more and more often: what responsibilities do businesses have for their impacts on society? With this rapid growth of commercial activity and economic progress, businesses just have had to produce more, in a perspective of profit maximising and higher production level to meet the rising demand of market-supplied goods, in a competitive market, meanwhile mostly disregarding the overuse of natural resources or the impact their activity has on society and its community.

Before describing the evolution of CSR theory, it is interesting to cite the French translation of Corporate Social Responsibility: "*Responsabilité Sociétale des Entreprises*"; this French term encompasses well the responsibility companies have towards society. Societal responsibility includes, therefore, the social and environmental point of view. Given this understanding, my first point to fully comprehend CSR will be to understand the global challenges we are currently facing in our society, and how businesses are related to these.

A first crisis that we are confronted with is environmental. Environmental degradation is dooming as climate change, alarming Carbon Dioxide (CO_2) level, high pollution, melting of the Artic and rise of the sea level, dramatic species extinction and deforestation just keep getting worse. The considerable growth of business activities took place with little concern for the environment, therefore « an increase (in CO_2 emissions) has occurred in the atmosphere since the industrial revolution[5]» and, as reported by the Millennium Ecosystem Assessment (MA), « most ecosystems are being altered by human actions in unprecedented ways[6] », largely related to agriculture.

In this perspective, companies are in part responsible as they highly contribute to greenhouse gas emissions. If we take into consideration the food industry, it contributes to greenhouse gases and environmental degradation with actions such as deforestation («

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[4] Corporate Accountability Project, "Of the world's 100 largest economic entities, 51 are now corporations and 49 are countries", http://www.corporations.org/system/top100.html

[5] United States Environmental Protection Agency, "Overview of Greenhouse Gases", http://www.epa.gov/climatechange/ghgemissions/gases/co2.html

[6] Millennium Ecosystem Assessment (MA), *Ecosystems and Human Well-Being; opportunities and challenges for business and industry*, Washington, World Resources Institute, 2005, p.2.

overall, it accounts for one-fifth of all greenhouse gas emissions[7] »), logging and land clearing for agriculture, management of agricultural soils, food transportation, company's waste, etc. While businesses have prospered, nature has had to pay the price of this economic development. Companies also contribute to environmental deterioration by discharging their waste. « Seventy percent of the developing world's untreated industrial waste is dumped into river, lakes, oceans, or soil[8]». These pollutants disposed into water can travel far away and affect therefore the health (diseases such as asthma are diagnosed more often), water, food and air quality of a high number of citizens. According to a RMIT University recent study on food waste[9], in Australia, 4.2 millions tonnes of food waste is dumped, every year, in landfill; the food service industry is number one in landfill contribution (661,000 tonnes a year), followed by food manufacturing and food retail. The cost estimated for this waste is 10.5 billion dollars (in lost products and waste disposal charges). Not only this impairs the environment but it also has a financial cost to the company.

This environmental crisis is at the centre of attention of many governments and scientists. The Australian government, in a 2013 report, has identified 'living with a changing environment' as number one societal challenge for Australia and wants to « identify strategies to develop resilient natural (ecosystems) and built environments (people, communities and their utilities, and industry) that can all thrive in a changing climate[10]». Resilient ecosystems are indispensable to businesses as the MA report states: « Business cannot function if ecosystem and the services they deliver – like water, biodiversity, food, and climate – are degraded or out of balance[11] ». The declining health of the ecosystems is daunting for the food sector as it depends on regenerative resources (such as water, land, fish stock) that businesses are over exploiting following the Industrial Age strategy of maximizing short-term production and high profit. The issue is that, according to that same report, already two third of the ecosystems analysed are in precarious condition. However, businesses are increasingly recognising the risk of this loss and the need to respect ecosystems and their limits. With all these facts about environmental degradation and how the food system relies on natural resources, a question comes to mind: « how

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[7] Greenpeace International, "Forests-threats", http://www.greenpeace.org/international/en/campaigns/forests/threats/
[8] P. Senge,*The Necessary Revolution; Working Together to Create a Sustainable World*, New York, Broadway Books, 2008, p.16
[9] K.Verghese, H.Lewis, S.Lockrey, H.Williams, Final Report : The Role of Packaging in Minimising Food Waste in the Supply Chain of the Future, 2013, p.4.
[10] Australian Government, Strategic Research, Priority Settings: Key Message. Published Online: http://www.chiefscientist.gov.au/wp-content/uploads/STRATEGIC-RESEARCH-PRIORITY-SETTINGS-powerpoint-AC2-4.pdf
[11] MA: *Ecosystems and Human Well-Being*, cit., p.2.

do we meet the growing demand for food (projected to increase by 70–80% in 50 years) without further harming the environment or the integrity of the food supply chain[12] »? Indeed in 2050, according to the UN, the number of inhabitants will raise from the current state of six milliard and one half to approximately nine milliard, which will automatically result in a growing demand for food (and a greater stress on natural resources to which we have to add climate change pressuring the global food supply).

This is also top priority for the Australian Government (and in the international agenda), which included managing food and water asset in its societal challenges report[13] in order to increase Australia's capacity to answer the growing demand for food. There is still much place for improvement as the food security dilemma is becoming alarming. These contemporary challenges threatening businesses and society make CSR crucial in the attempt of solving these problems by balancing our needs for natural resource with the capacity of the environment to provide them.

This environmental crisis has an economic dimension as well. And the bill is steep! By looking at the macroeconomic dimension of ecosystem degradation in a 2013 study conducted by the Economics of Ecosystems and Biodiversity (TEEB)[14], we can understand better the monetary cost of environmental degradation. For instance, the direct economic cost of deforestation (for commercial agriculture or farming) is between 2 and 4.5 trillion every year, while the global industrial land and water pollution is around US$0.3 trillion. The study also notes that the combined damage of over 1000 global primary production sectors is around US$ 7.3 trillion in natural capital costs (due to land use, greenhouse gas emissions, pollution and waste). These multi trillion losses underline the urgent need for companies to become more sustainable and adopt CSR. Apart from the economic costs, climate change and its side effects (such as climate extreme, desertification, heat waves, temperature rise, and so on) also have social impact such as hunger and forced migration. It can also affect agricultural productivity, which has a negative effect on local communities living from harvest.

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[12] *Ibid.*
[13] Australian Government, "Strategic Research", cit.
[14] Trucost, Natural Capital at Risk: the top 100 externalities of business, 2013. Published online: http://www.naturalcapitalcoalition.org/js/plugins/filemanager/files/TEEB_Final_Report_v5.pdf

A second crisis that we are facing and that has affected businesses is the global financial crisis. Globalization and the 2008 financial crisis questioned our capitalist system and made CSR diffusion easier. Companies have to think of their own growth (profit) but also of societal growth; as they develop global value chains and transnational actions, their impact on communities is getting always more important but also more visible, thanks to the media far reach. As reported by the Organisation for Economic Co-operation and Development (OECD): « the global financial crisis has stressed the need to look at our economic growth model through new lenses and a much more critical approach to our consumption and production practices[15] ».

Capitalism crisis has raised questions about the system legitimacy and unsustainability and many see it as a threat to the developing world. The behaviour of businesses has been questioned as well, and social awareness about corporation's impacts has risen. It is a new reality for businesses; vanguard Bowen had already described in his times the high influence businesses had over our lives because of our economic system of free enterprise. In the last decades much has changed and companies are expected to do something more in a society in which they have such an important role, always more power but also more impacts. The near collapse of the capitalistic system made businesses, more than governments, at the fore-plan to solve societal problems, worrying citizens around the world.

By looking at the last poll by Globescan[16] carried out in 20 countries, pollution, climate change and rising cost of food were ranked by a majority of citizens as the world's most pressing problems, with poverty as number one. Globalization and economic growth, since the past few decades, have allowed many countries to develop and helped millions of people to have better standards of living, higher incomes, better education and employment, but these opportunities did not touch all the segments of society in the same way, therefore exacerbating social inequalities. Today, many people still live in precarious condition, with less than $1.25 per day[17] (63% of the population in Rwanda, 43% in Bangladesh, 16% in Honduras and Indonesia). Poverty and social inequalities, derived from globalisation and transnationalism, have put more pressure on companies,

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[15] OECD/C. Martinez-Fernandez. C, Hinojosa, G. Miranda, "Green jobs and skills: the local labour market implications of addressing climate change", CFE/LED, 2010, p.5.
[16] Globescan, "the World Speaks", http://www.globescan.com/news_archives/bbcWorldSpeaks-2010/
[17] Worldbank, "Poverty and Equity", http://donnees.banquemondiale.org/theme/pauvrete

especially on those established in developing countries, to respond to their human right abuses. Unfortunately there are several cases of worldwide corporations that have been involved in human right abuses. The food sector is usually subject of human right violations for products such as chocolate, fruits, fish, and oil produced in the developing world, at a cheap cost of land and labour force. Big bananas industries such as Chiquita have been accused of being complicit in massive war crimes while the chocolate industry is under scrutiny, especially in African territories, for child labour. The fishing industry, particularly the prawns' production in Thailand, has also recently been exposed for its low human rights standards and use of slavery.

These corporate-related abuses are made easier as « national jurisdictions have divergent interpretations of the applicability to business enterprises of international standards prohibiting gross human rights abuses[18] ». However, even if national jurisdictions vary on the matter, a State has to guarantee the security of its citizens, and as disclosed in Article 3 of the Universal Declaration of Human Rights; « everyone has the right to life, liberty and security of person[19] ».

There are also international human rights standards that have to be met by companies, such as the UN Guiding Principles on Business and Human Rights (UNGPS) implemented in 2011, or the OECD Guidelines for Multinational enterprises. The UNGPS offers a framework and some guidelines to States and businesses to remind States of their responsibility towards citizens and help businesses to implement practices to respect human rights. Forty-two governments, including Australia, are committed to follow the OECD Guidelines for Multinational enterprises. These guidelines are recommendations (social and environmental) to multinationals from the adhering governments, which offer standards of good corporate behaviours that companies are voluntary committed to. The Australian government narrowed down common effects businesses activities can have on human rights. The first impact is on fair working conditions. Fair working consists of adequate wage and number of working hours as well as the right to a safe work environment and non-discrimination of its employee. However we are still far away from these fair working conditions as, according to the International

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[18] J.Zerk, Corporate liability for gross human right abuses, towards a fairer and more effective system of domestic law remedies. A report prepared for the Office of the UN High Commissioner for Human Rights, p.2.
[19] United Nation, "The Universal Declaration of Human Rights", http://www.un.org/en/documents/udhr/index.shtml#a3

Labour Organisation (ILO), still 21 million people are now victims of forced labour. People health and security can also be affected by an unsafe work environment, use of petrochemicals for agriculture, or by contamination by industrial waste, which can impact land and water where local communities live and work. The Australian government adds as well that businesses can have a negative impact on indigenous communities living in its territory; minorities are affected by irresponsible business practices as developing corporations might use indigenous land for business upgrade or damage their cultural practices.

Businesses-related activities may also have a negative human right effect in the supply chains, where cases of child labour, unfair wages, forced work and slavery are often present. Big food brand Nestlé found out in 2011[20] that child labour was present in their cocoa production as much information on labour was lacking in their supply chain.

Finally, the last impact businesses can have is on housing and standard of living. A lot of industries that require large amount of real estate, such as the logging and mining industry in Australia, don't hesitate to force displacement on communities or to grab their lands. Even if governments and NGOs are increasingly addressing this human right problem, business involvement in human rights abuses are still present and workers rights compromised. The Bangladesh factory collapse of 2013 reminds us of the necessity to do something more in relation to business and its responsibilities towards human rights. Businesses can have many impacts on individuals and communities that is why CSR is thought to be a significant contribution to this matter. « Societal contribution is an area that CSR is traditionally more used to addressing, with its goal of stakeholder orientation [21] ». Indeed, stakeholder orientation, and mostly costumer orientation is relevant for industries as their labour practices and the integrity in their supply chain is under high scrutiny. The contribution of businesses in gross human right abuses has not gone unnoticed by the public, which thanks to the growth of information and media, is always more demanding of information regarding companies ethics.

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[20] The Guardian, "Child labour on Nestlé Farms : chocolate giant's problems continue", http://www.theguardian.com/global-development-professionals-network/2015/sep/02/child-labour-on-nestle-farms-chocolate-giants-problems-continue
[21] CSR International, "The Stage of CSR", http://www.csrinternational.org/about/stages

This social pressure shows that consumers increasingly care about the products they buy and are much more aware of the implications, and the power their purchases have for the society as a whole. Consumers, thanks to media and NGOs, are pressuring companies to be more sustainable, to promote workers safety, and are reacting against harm of communities and environmental damage. This tendency of consumers valuing more responsible and ethical products can be seen with Fairtrade (world's largest fair trade system) sales rise; consumers are increasingly recognising the importance of investing for community improvement, better working conditions, farmers training and economic security, women's right, and benefits for the environment. In 2013, consumers around the world spent € 5.5 billion on Fairtrade products, a 15% more than in 2012. Australia and New Zealand are in the top 10 of countries (after US, UK, Germany and France) spending the most, with nearly €190 million spent in 2013. The new Fairtrade global campaign has an interesting message; it addresses consumers and highlights the fact that our every purchase and everyday choices can make a difference: « You have the power to do something amazing. The power to help farmers build better futures for themselves, and improve working conditions around the world. The world needs more like you. Fighting for fairer trade, a fairer world. One purchase at a time[22] ».

Consumers are aware of their purchasing power and of the effects they have on the external world, which appears to reduce the demand for certain kind of goods/brands, perceived as non-sustainable and increases the one for sustainable products. According to the OECD[23], consumers are increasingly considering environmental damage in their purchasing behaviour, which will result in a reduced demand for product considered as harming the environment.

A recent example that supports this statement is Greenpeace actions and inspired-boycott on oil giant Shell in 1995 that provoked the sells to drop of 50% at some Shell Stations in Germany[24]. Thanks to the NGO and public pressure, Shell had to rethink its ethical responsibilities and completely transform its environmental approach. We can see that NGOs are important and their numerous campaigns against businesses, supported by the public, also show that our present society does care more. And their actions are very

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[22] Fairtrade, Annual Report 2009. Published online: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2013-14_AnnualReport_FairtradeIntl_web.pdf
[23] OECD/C. Martinez-Fernandez. C, Hinojosa, G. Miranda, "Green jobs and skills", cit.,p. 7.
[24] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p. 285.

important; « Global NGOs such as Greenpeace, Oxfam, Amnesty International could, in some realms, match the power of global corporations in ways that even government could not. They had the credibility and media savvy to rally public concern[25] ». Even if their financial resources are limited compared to big corporations ones, their influence on stakeholders is high. It is interesting to note that most NGOs are concerned with companies and their CSR issues. Greenpeace, for instance, keeps a close eye on corporations and do not hesitate to pressure many industrial sectors. Their actions towards companies are numerous, and mostly centred on environmental protection and management. They act against petroleum industries such as Shell and BP damaging the Artic, against the agri-business, highly responsible for deforestation for soy and palm oil plantations and against the fishing industry for overfishing, using destructive fishing methods and for catching vulnerable species at risk of extinction. Greenpeace also creates some scaling to judge companies for their environmental footprint. The most widespread rankings include canned tuna and seafood, IT companies (mobile phones, computers), and fashion brands. These rankings are important as they are highly diffused among consumers and they allow them to be better informed about companies' standards.

Oxfam International, one of the world's largest NGOs, actively promotes CSR in the food sector. Their campaign, 'Behind the Brands', launched two years ago, is a report analysing some famous food and drink companies and their policies around supply chain and sustainability. This report covers women inequalities, workers and farmers right, land grabs, transparency and climate change contribution, which, such as Greenpeace rankings, shares information with shoppers around the world and adds pressure to companies for improving their policies regarding the matter. Thanks to social media, NGOs can easily and rapidly reunite activists and unsatisfied shoppers to boycott certain products and manifest against unethical companies, which makes these last ones always more vulnerable to shoppers' opinions. Not only do NGOs rally against disturbing companies behaviour, they have also recently started to form associations with businesses in order to help them reach a better environmental standard, reduce their wastes, improve their supply chain level and their impact on communities. For instance, WWF made an alliance with Coca-Cola for a water preservation program and Costco with Oxfam and CIAT (Latin American NGO) for a better food value chain. This new phenomenon of

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[25] P.Senge, *The Necessary Revolution*, cit,. p.358.

partnership between NGOs and businesses is promising as in order to deal with sustainability issues and CSR implementation, collaboration is fundamental; « no entity alone- no individual government, corporation, or NGO – can address the sustainability issues we face[26] ». All the crisis we are experiencing are interconnected and so should we.

Consumers and NGOs are not the only once concerned about companies' disastrous impacts; governments around the world are also trying to minimizing, or at least regulating businesses and are increasingly promoting CSR. From the EU with CSR reporting and its Compendium of Member States CSR policies, to the US and their implementation of a CSR team in the Bureau of Economic and Business Affairs, up to the Australian Human Right Commission addressing the issue of CSR, or even the G20 commitments to CSR, everything shows the growing concerns of the international political sphere. The same applies to diverse international organizations which have contributed to the diffusion of CSR, with prominent examples of international initiatives such as the World Bank's action to strengthen CSR in developing countries and control industrial pollution, the ONU and the Human Rights Norms for Corporations, the OECD and their guidelines for businesses and the ILO and Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Governments, NGOS, international organization and public actions demonstrate that, over the past decades, corporations' impacts on society have become central in all these stakeholders agenda.

After having seen these international actions, we can assert that CSR is a global tendency. Although it is global, exploring it in Australia gives the opportunity to understand CSR in a country which economy is one of the leading in the world, ranked number twelve[27] by the Centre for Economics and Business Research (CEBR) for the past two years; it is one of the strongest economy in the Asian Pacific. It is interesting to study CSR in Australia, in my opinion, as most publications come from the USA, where the CSR debate has started. As CSR is spreading internationally, studying it in Australia will maybe give a new perspective on the matter as CSR application, as noted previously, changes from one national jurisdiction to another. Australia is the first country in the world in which

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[26] *Ivi*, p.93.
[27] CEBR, "World Economic League Table", http://www.cebr.com/reports/world-economic-league-table-2015/

climate change was the number one issue during the 2007 national election[28], which shows that Australians are much well aware of the environmental crisis. As I was myself in Australia, I could not help notice the amount of organic, free range eggs/chickens, and fair trade products while I was shopping in Coles or Woolworth supermarkets. I was also impressed by the quantity of charities related to every-day products, even in fast foods such as Grill'd. This could demonstrate that Australians are also well aware of our social inequalities and are trying to give back to communities living in their country, which makes it appealing to study CSR.

Having understood these bewildering problems listed before, we must think of the impact businesses have on our planet and societies. All these social, financial, and environmental crisis we are actually experiencing show that CSR is in a tough context and businesses are currently at the centre of the attention It is certain that our world needs some solution and CSR does look like a part of it. However, even if CSR does look appealing in term of environmental/social/companies performances, extensive research on CSR's has been undertook to understand CSR value, to relate it with financial performance or brand reputation, or to study CSR national differences with a result of a continuing debate and many disagreements. So is Corporate Social Responsibility really as valuable for companies as many scholars assert or is it just « three words, two lies[29] »?

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[28] P. Senge, *The Necessary Revolution*, cit,. p.3.

[29] N.Cuckier, "Corporate Social Responsibility, three words, two lies", http://www.cukier.com/writings/cukier-CSR-8dec08.html

Chapter 1

1. THEORETICAL OVERVIEW OF CORPORATE SOCIAL RESPONSIBILITY

1.1 An Imprecise Concept

Even though CSR has been employed for decades by an increasing number of corporations around the world and is promoted by governments and NGOs, its definition remains vague and its implementation uncertain. Finding one clear definition of CSR is basically impossible. However, this does not mean that there are none, on the contrary, there is fierce debate among scholars on CSR definition and implementation bringing a high amount of different definitions and leading to confusion over the term.

The first question that comes to mind approaching the CSR theory is: why is it so difficult to find one common definition of CSR after decades of study? According to the Australian Centre for Corporate Social Responsibility[30], the reasons why there exist no agreement on CSR definition are, on one hand, the diversity in disciplinary approaches undertaken by the scholars, and on the other hand the fact that the approach to CSR differs from a national point of view.

The ambiguity in CSR is due to the fact that it is an interdisciplinary concept straddling between many disciplines such as management, economics, corporate strategy, ecology, law and international relations. Dirk and Jeremy Moon in their conceptual framework for understanding CSR, define it indeed as « a cluster concept, which overlaps with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility. It is a dynamic and contestable concept that is embedded in each social, political, economic and institutional context[31] ».

This inter-disciplinarity/cluster concept can easily be seen with the high amount of academic journals dedicating issues on CSR. For instance, CSR articles can be found from the Journal of Banking and Sciences to the Journal of Business Ethics, Journal of Marketing Sciences or in the Journal of Environmental Management. Each of these

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[30] ACCSR, "What is CSR", http://accsr.com.au/what-is-csr/
[31] D. Matten, J. Moon, "Pan European Approach. A Conceptual Framework for Understand CSR" in W.Zimmerli, K. Richter, M. Holzinger, *Corporate Ethics and Corporate Governance*, Berlin, Springer, 2007, p.179.

journals will obviously treat CSR in different ways according to its relevance to their subject of studies. While the Journal of Environmental Management will focus on the environmental CSR issues such as waste management, firm pollution and relationship between environmental and financial performance, the Journal of Marketing Sciences will centre its CSR research on the consumer buying decision, cause related marketing and firm reputation. This diversity of academic journals shows well the many disciplines CSR is part of.

Matten and Moon do not just define CSR as an interdisciplinary concept but also as a notion influenced by national and cultural factors such as politics and economics. This makes sense since business values and ethical perspectives vary from one country to the other, as do the social and environmental challenges. Dennis Masaka supports this idea by stating that « the complexity of coming up with a universally agreed characterisation of CSR is partly a result of the fact that social problems differ from society to society and this tend to define the role that business has to play in society[32] ».

 These different CSR national perspectives have been studied by Wayne Visser, founder and director of CSR international, who made an impressive attempt in reducing the CSR gap in theory in his book: "The World Guide to CSR". He travelled around the world in order to study the CSR practice in fifty-eight countries, including Australia. According to him the CSR agenda differs from one country to the other because societies have different ways of dealing with social, economic, governance and environmental issues as no universal norm exists to deal with these. This tends to define business role in society and, through CSR, businesses will try to contribute to resolve some of the social, environmental or ethical problems in these countries. Not only does the degree of CSR implementation vary from region to region, from the poorest in Africa, where CSR is still in its early stage, to the highest in western societies, but CSR priorities also vary due to socioeconomic, political and environmental factors and so does therefore CSR trends.

For instance, if we take Argentina, Visser notes that the major actual trend in CSR there is philanthropic; i.e. companies make an effort to be "good citizens" by promoting community activities, making donation, etc.; CSR is then revolved around community investment and this is because of the economic crisis that hit Argentina in 2001, which

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[32] D.Masaka, "Why enforcing Corporate Social Responsibility (CSR) is Morally Questionable", *Electronic Journal of Business Ethics and Organization studies,* Vol.13, (2008), p.14.

made companies take part into poverty alleviation. As Visser remembers: « in 2001, Argentina suffered a severe economic, political and social crisis (…) generating mistrust in all institutions. In this context companies developed philanthropic activities to meet basic community needs[33] ».

Visser notes that in South Africa, CSR program will be revolving around three priorities: Broad-based black economic empowerment, skills development and healthcare such as HIV/AIDS relief. According to the Economic Development Department of South Africa, « Broad-Based Black Economic Empowerment (B-BBEE) aims to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels through skills development, employment equity, socio economic development, etc.[34] ». Corporation are being involved by government to empower disadvantaged black people in South Africa. A South African dairy company Clover is a good example of business response to these socio economic challenges. The company implemented, in 2004, a program called "Clover Mama Afrika project"which aims to teach African women some skills that would help them become self-sustaining and therefore help fragile people such as orphans, HIV patients and seniors.

As for Australia, according to a research from the ACCR, the priorities, in 2009, were 'building an internal understanding and support for CSR' in their companies and 'reducing or eliminating the negative environmental impact of the business' was the second priority as well as understanding climate change consequences on the business. There is therefore a strong focus on the environment in the Australian CSR agenda, probably due, in part, to some dreadful environmental crisis such as the 1990 BHP's failed mine tailoring dam, writes Visser. Australia's BHP was 52% owner of OK Teddy Mine, named after the Teddy River in Papua New Guinea where the mining company used to discharge millions of tons of its waste. Recently some natural disasters have hit Australia raising the degree of awareness of the impact human activity has on the environment. In 2011 Brisbane suffered from some heavy flooding, hitting as well the other cities in Queensland and extending until the state of Victoria. The NCCARF (National Climate Change Adaptation Research Facility) linked these flooding to climate change and are

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[33] W.Visser, N. Tolhurst, *The World Guide to CSR*, Sheffield, Greenleave Publishing Limited, 2010, p. 60
[34] Economic Department, Republic of South Africa, "Broad-based Black Economic Empowerment",
http://www.economic.gov.za/about-us/programmes/economic-policy-development/b-bbee

expecting these to be more frequent. Bush fires in the State of Victoria also appear to be more recurring. Therefore, the NCCARF stresses the importance of divulging knowledge to communities, government and industries as well. Some organisations, such as the Environmental Protection Agency (EPA), set some environmental standards for businesses to achieve, assist them in monitoring their waste, and work with these so they can reduce their environmental impact and use their resources conscientiously. Companies are therefore required to monitor their business activities and pollution for the EPA.

With these observations around three different regions, we see that CSR priorities will differ depending of the different national priorities, which makes a universal definition of CSR practically impossible due to its interdisciplinarity and national convergences.

1.2 The Emergence of CSR in the 20th Century; a Brief History

Even though authors have stated that there is no universally agreed and non-contested definition of CSR[35], most CSR scholars seem to have one common strand in CSR: Archie Carroll important contribution to its definition.

Matten and Moon state that: « Despite the variety of definitions, probably the most widely accepted and referred to conceptualisation of CSR found in the business and management literature is that of Archie Carroll, who sees CSR as a construct relating to four different areas of business-society relations[36] », and Elisabet Garriga and Domènec Melé do not hesitate to call Carroll « one of the most prestigious scholars in this discipline[37]».

Carroll's 1979 pyramid model is used by numerous influent CSR scholars (such as Windsor[38]) and has also been transformed and revisited by others (i.e. Steven Wartick and Philip Cochran[39], Mark Shwarts and Carroll[40] himself).

What is sure is that of all the CSR works available, Carroll's way of approaching CSR has received the most attention and is therefore a good approach to study the evolution in definition of the concept as his works highlight important CSR scholars and achievements from the 1950s to the 1990s. Carroll's focus is on the United States, but as Australia is considered to be « a lazy back-water when it came to corporate social responsibility[41]» and implemented CSR after it was born in the US, following its trend, there is no interest in this present studies to analyse CSR in Australia before its modern era, which is why I will study the current state of CSR in Australia in the next chapter.

The middle of the 20th century, when Carroll starts its work, is agreed to be the starting point of CSR theory, which is linked to the pioneer H. Bowen and his 1953 publication:

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[35] A.Carroll, "Evolution of a definitional construct", cit.

[36] D. Matten, J. Moon, "Pan European Approach. A Conceptual Framework for Understand CSR", cit., p.181.

[37] E.Garriga, D. Melé, "CSR theories, mapping the territory", *Journal of Business Ethics*, Vol.53, (2004), p.52. http://fr.scribd.com/doc/203179837/GARRIGA-and-MELE-CSR-Theories-Mapping-the-Territory#scribd

[38] D. Windsor, "The Future of Corporate Social Responsibility", *The International Journal of Organizational Analysis*, Vol.9, (2001), pp.225-256.

[39] S..Wartick, P. Cochran, "The Evolution of Corporate Social Performance Model", *The Academy of Management Review,*Vol.10, (1985), pp.758-769.

[40] M. Shwarts, A. Carroll, "Corporate Social Responsibility, a Three-Domain Approach", *Business Ethics Quarterly*, Vol.13, (2003), pp.503-530.

[41] W.Visser, N. Tolhurst, *The World Guide to CSR,* cit., p. 73.

"The Social Responsibility of the Businessman".

However, Carroll reminds that CSR ideas can be traced back in the USA before the 1950s. « CSR ideas in the United States emerged in the early decades of the 20th century – coming from the corporate sector itself, especially the top executives of some major companies[42] ».

Indeed, already in the early 20th century, some statements from business leaders can be found. Henry Ford, founder of Ford Motor Company, reminded that maximising profits was not the only goal of a company and quoted in 1919 that « a business that makes nothing more than money is a poor business[43] ». Also George Perkins, leading executive of Steel Corporation and close associate of JPMorgan stated already in 1908: « the larger the corporation becomes, the greater becomes its responsibilities to the entire community[44] ». These statements come in a time when, following a capitalist idea of market economy, large-scale enterprises were spreading in the US at the beginning of the 20th century and gaining an increasing power. America was living a rapid industrialisation, which effects were badly seen from the population, protesting against its social and economical consequences. It was for sure a period of rapid economic growth but it had its downsides as the US were struggling to keep up with an increasing arriving of immigrants and suffered from many recessions. At these times, « there were few regulatory constraints and firms were free to pursue profits and economic expansion[45] ». Businesses, while focusing on profits, did not put employee wellbeing in their agenda and workers conditions were degrading (especially among the migrants). The bad working conditions made unions react and workers went on strike or quit their job to show their discontent. As the criticism mounted and strikes escalated, businesses leaders had to take these protests into account in order to avoid these strikes or union manifestations. This justifies the social values corporations started embodying, slowly going beyond their traditional responsibility limit. Companies began to voluntarily adopt some practices including life insurance or other workers benefits.

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[42] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.524.
[43] Forbes, "21 quotes from Henry Ford on business, leadership and life", http://www.forbes.com/sites/erikaandersen/2013/05/31/21-quotes-from-henry-ford-on-business-leadership-and-life/
[44] G. Perkins, Corporations in Modern Business, *the North American Review*, Vol.187, (1908), p.394.
[45] I. Kristoffersen, P. Gerrans, M. Clark-Murphy, The Corporate Social Responsibility and the Theory of the Firm, School of Accounting, Finance and Economics, 2005, p.5, https://www.ecu.edu.au/__data/assets/pdf_file/0020/40736/wp0505ik.pdf

We understand therefore that « the original central forms of CSR (…) targeted their employees ; but as CSR practice expanded to include other stakeholders, (…) CSR developed the second front of corporate philanthropy [46] ». We move here from a paternalist perspective, forerunner of CSR, with companies being concerned about their employees, to a broader conception of responsibility extending to the community and society.

The CSR discourse was starting to come to life, until an important development intensified its development: H. Bowen publication, who marks « the beginnings of the modern period of literature on this subject (CSR)[47] ».

Bowen, in his book, proposes a definition of the social responsibilities of businessmen in which he emphasises business relationship to society: « the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society[48] ». In the 1950s, and still in the 1960s, CSR was often mentioned as Social Responsibility and not Corporate Social Responsibility.

Business supremacy was well noted back then and H. Bowen himself acknowledges the « great power and influence[49] » of the businessmen, which is why he justifies the fact that they have responsibilities toward the improvement of society. Bowen states that, during this decade, « social responsibilities of business has become (…) even fashionable (in leading business circles)[50] ». Many business leaders, in that time, have made statements on their responsibilities to society welfare and called themselves « servants of society[51]».

Businesses and population were realizing the effects businesses have on society and communities, which is certainly why P. Murphy, in his CSR era classification[52], calls the 1953 to the 1963 the 'awareness period'.

Even if awareness was rising and there was much talk about social responsibility in the

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[46] M.Eichar, *The Rise and Fall of CSR*, New Jersey, Transaction publishers, 2015, p.2.
[47] A.Carroll, "Evolution of a definitional construct", cit., p.269.
[48] H. Bowen, *Social responsibilities of the businessman*, Iowa City, University of Iowa Press, 1953, p.6.
[49] *Ivi*, p.6.
[50] *Ivi*, p.44.
[51] *Ibid.*
[52] P. Murphy, "An Evolution, Corporate Social Responsiveness", *University of Michigan Business Review*, (1978), pp. 20-22.

corporate circle, this does not mean that there was much action in the CSR field.
W. Frederick acknowledges that fact while formulating three central CSR ideas in the 1950s, namely « corporate managers as public trustees, balancing competing claims to corporate resources, and philanthropic support of good causes[53] ».

Managers, with their newly gained economic power and influence, were seen as public trustee and carrying a 'mission' to contribute to society; they were expected to conduct business in a way that would contribute to the society and communities and be therefore a beneficial corporation with social return. The directors were, in other words, bound to look into the public interest and not just the business interest as their responsibilities extended outside the company.

This follows the idea of the economist P. Drucker, « For management is the organ, the life-giving, acting, dynamic organ of the institution it manages. (…) The institution, in turn, is itself an organ of society and exists only to contribute a needed result to society, the economy, and the individual[54] ». He believed managers from the private sectors had responsibilities toward the society they worked in and that seemed to be the general belief in that decade.

Bowen joins that thought in his 'Social Responsibilities of the Businessmen'; he questions the relationship between society and business, and particularly the relationship between the free economic system and general wellbeing. He writes that decisions taken by managers have macro economic consequences and that voluntary managerial decisions in compliance with social responsibility should meet social and economic objectives of the society; in a free enterprise system where businessmen have a lot of decisional power, they should align these decisions with the wellbeing of society. It was therefore a time of questioning the balance of power between these corporations getting always bigger, more powerful and important while trying to find a way of changing the inadequate structure of the enterprises.

Frederick's second CSR point of balancing competing claims is related to the conflicting priorities businesses had. Managers in the early 1950s were trying to achieve a healthy

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[53] W.Frederick, *Corporation, be good ! The story of Corporate Social Responsibility*, Indianapolis, Dog Ear Publishing, 2006, p.8.
[54] P. Drucker, *Management ; Tasks, Responsibilities, Practices*, New York, Truman Talley Books, 1986, p.3.

balance between employee welfare, fair price of their products, costumers satisfaction and equitable treatment of their suppliers while pursuing their profit targets. This was a more difficult task than expected and in the process of pursuing this ideal image, which was highly regarded by the public, they overlooked the fine details of how it could be achieved. In front of the difficulty to balance out all the contradictory plans, this managerial plan stayed on hold since they realised giving to charities, hospitals or local communities was more feasible.

In short, managers had the embryonic ideas for CSR but failed to address them. Except for some philanthropy actions from businesses, « the decade of the 1950s was one of more 'talk' than 'action' with respect to CSR (…). There were very few corporate actions -beyond philanthropy, to report, that stood out in terms of accommodating this new theme[55] ».

Bowen realizes the difficulties of his time in adopting socially responsible business practices as there was still a lack in economic, social and technical expertise in order to answer the main question of his book: "what are the social responsibilities which businesses may be expected to assume", and more importantly, how could they be implemented in the managerial team? His forerunner book is a product of a time when CSR talk starts appearing and when there was still the belief that private interest could match society's.

In the 1950s, the corporations' image was high as after WWII the USA were living an age of prosperity and « productivity was growing by an average of 3.4 percent between 1946 and 1966, (while) GNP grew two and a half times in real dollars from the end of the war to the end of the 1960s[56] ». Companies were seen positively by the population as they provided funds to the government and population in need during and in the aftermath of WWII. Their reputation was boosted, the economy was thriving, so there was not really any outside call or pressure for CSR (in fact, the discussion mainly came from the business world). This low external CSR demand is not surprising since it a certainty that when the public confidence in business is high, the CSR impact decrease, while it increases when the confidence is low.

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[55] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.26.
[56] M.Eichar, *The Rise and Fall of CSR*, cit., p.184.

Carroll states that we have to wait till 1960-1970 to see a real call for CSR, as « CSR would grow in popularity and take shape during the 1960s, driven largely by the social movements that defined the times, especially in the US[57] ».   This external call for CSR seems to be triggered by two external factors: first, as noted by Carroll, a high public pressure coming from different social movements, and second, the rise of NGO's in the international scene, with two noteworthy organizations created in 1961, WWF and Oxfam that will start pressurising businesses.

The period during these two decades had seen a considerable rise in the number and size of enterprises accompanied with an antibusiness sentiment from the American public. « While in 1946, there were roughly 526,400 active corporations (…) in 1965, there were nearly 1.5 million[58] ». In less than twenty years, companies' number had tripled; MNE's were constructing efficient oligopolies and starting to settle in developing countries to exploit their economies. Americans looked at these big corporations with high suspiciousness and some groups started targeting corporations on issues such as racial discrimination, consumers' rights, environmental resources limit and pollution problem so that business leaders realized they were expected to do something more than mere philanthropic actions.

P. Murphy characterizes the period from the 1968 to 1973 the 'issue era' when companies began to focus on specific problems (as mentioned above) and so broadened their philanthropic horizon. This sudden concern for these particular problems was due to some social groups challenging business increasing power, including the environmental movement, civil rights leaders, women's right activists and consumers advocates who made their preoccupations heard loudly in the US. As a result, of course, « (…) business perceived expectations being communicated which eventually had to be addressed. Thus, the foundation for CSR was being developed by a quickly changing social environment and pressures from others, especially activists, to adopt CSR perspectives, attitudes, practices and policies[59] ».

W. Frederick gives an interesting CSE definition in 1960, which highlights the importance of the public and the need of contribution from companies: « [Social

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[57] A. Carroll, M. Shabanna, "The business case for Corporate Social Responsibility: a Review
 of Concept, Research and Practice", *International Journal of Management Review* (2010), p.87.
[58] M.Eichar, *The Rise and Fall of CSR*, cit.,p.188.
[59] A. Carroll, M. Shabanna, "The business case for Corporate Social Responsibility", cit., p.87.

responsibilities] mean that businessmen should oversee the operation of an economic system that fulfils the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare[60]». The awareness of socially responsible practices from the community was important in CSR development, and less is to say that public expectation had changed; the day when business managers were only expected to think of profit for their company was over for that decade; the public wanted more responsibilities.

The appearance of NGO's that promoted the population concerns, especially the new environmental disquietude, helped CSR to develop. It was all over the news in the 1960; the rhinoceros, elephants and giant tortoises were endangered. Thanks to Victor Stolan, a businessman reading this shocking article about endangered species in the UK's Observer newspaper, the WWF project was on its way. It is usually forgotten that the actual idea for one of the biggest NGO worldwide was one of a businessman! It is indeed him who gave the idea of the creation of a fund for species conservation, WWF in 1961. Looking at WWF in 2015, we can note that a CSR progress is definitely on its way as this NGO does not anymore receive just funds from businesses as it did back in the 1960; it currently collaborates and work with them in order to elaborate strategies to cut down their environmental impact. Companies such as Sofitel, Volvo Group and Coca Cola are currently involved in active partnership with WWF and are committed to matters such as emissions reductions, deforestation regulations, consumers' information disclosure and use of renewable energy.

We can see that the 1960s was a decade of increasing public participation in CSR related matters, embodied in a strong popular discourse, fighting for their rights. Scholars, such as Frederick or K. Davis[61], were trying to understand what CSR meant and were emphasizing in their theories the need for socially responsible practices within businesses, with responsibility extending beyond Shareholders. However, businesses remain mainly focused on philanthropic actions while exercising their CSR, in addition to employee improvements (such as working conditions) as well as costumers and stockholder relations.

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[60] W.Frederick, *Corporation, be good !* cit., p.20.
[61] K.Davis, "Can Business Afford to Ignore Social Responsibilities" ? *California Management Review*, Vol.2, (1960), pp.70-76.

But it was not enough! The general opinion at that time was that companies will not adopt socially responsible practices voluntarily and that more control was necessary. Frederick calls CSR from the 1970 '*Corporate Social Responsiveness*'; this responsiveness « refers to the capacity of a corporation to respond to social pressure[62] ». The 1970s is important in CSR history as the public, especially the pressure groups from the 1960 had started a demand-driven CSR. This is a notable evolution from the decades earlier, when CSR drivers were the corporations and the businessmen. These social groups « came to insist upon regulation rather than the voluntary social responsibility of corporate managers[63] ». They were aiming at more regulation for these powerful corporations, convinced that it was time for the government to take action and regulate MNE's. As the government was already perceived in a rather negative way by the population (with the highly criticized Vietnam War), it is not surprising to see some attempts to regulate businesses that did appear in the decade of 1970s such as the OECD guidelines for MNE's, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy or the United Nations Code of Conduct on Transnational Corporations. A real international effort was born with a strong intent of increasing effort to regulating businesses by means of mandatory regulation. Probably one of the most complete international standards coming from that decade is the OECD Guidelines for Multinational Corporations. According to the ACCSR, it is the most familiar and relevant standard in Australia, which is an active member of the OECD since 1971. The OECD Guidelines, adopted in 1976, is a CSR international instrument to promote responsible practices from MNEs. Some important CSR issues are addressed in these guidelines including human rights, community development, law abiding, consumers' rights, environmental and labour standards, companies' disclosure and transparency.

These codes of conduct previously cited, remained voluntary and this was because, corporations and governments, in a neoliberal optic, resisted any compulsory regulation, preferring that an alternative of company self-regulation be put in place with voluntary CSR standards. A good example of this is the 1970s UN and UNCTAD failed attempt of drafting an international compulsory code of conduct for transnational corporations. Negotiators had to admit the failure of this plan in 1992, mostly due to a disagreement between member-nations on the crucial question of the legal order of the framework

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[62] *Ivi*, p. 40.
[63] M.Eichar, *The Rise and Fall of CSR*, cit.,p 13.

(compulsory or non-binding). However, a couple of years later, the UN would launch the Global Compact project comporting a set of voluntary principle around the environment, labour standards and human rights for companies to follow. The Global Compact is important for CSR related activities but it remains however a voluntary set of principles such as many other projects aiming at corporations regulations or restrictive commercial practices (the OIC had an entire chapter dedicated to these but it never saw the day)…

As businesses were strongly against any mandatory regulation but had anyway to respond to the 'CSR regulation call' of the 1970 from the public and NGO, many companies set themselves their own codes of conduct, and for instance, a large group of TNCs represented by the International Chamber of Commerce, introduced the Guidelines for International Investment in 1972. It is common still now that companies create their own standards, such as, for instance, the notable Marine Stewardship Council sustainable Fisheries Standard that was developed in consultation with the fishing industry, which aims to achieve a sustainable seafood market.

Regulation of transnational business activities is still a current challenge to the international law as no law could impose on these powerful economic actors. In the twenty-first century, no agreement has been made yet on a compulsory set of standards for companies to obey. It is left to the company's choice to adopt or not, a legal framework. These gaps in regulation on the international level have had therefore to be filled by managers engaging in CSR actions. It is interesting to note that even now, the Australian government for example, does not support a mandatory standard for corporations but promotes rather a voluntary one as it declared in its 2006 report on CSR; « The committee strongly supports further successful engagement in the voluntary development and wide adoption of corporate responsibility. The committee has formed the view that mandatory approaches to regulating director's duties and to sustainability reporting are not appropriate. Consequent on the recommendations of this report, the committee expects increasing engagement by corporations in corporate responsibility activities. This would obviate any future moves towards a mandatory approach [64] ».

The 1970s were therefore important in the creation of codes of conduct but we also saw a development in CSR understanding. An increasing CSR set of issues appeared, more

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[64] R. Broomhill, "Corporate Social Responsibility, Key issues and Debates", *Dunstan Papers*, (2007), p.17.

than just corporate philanthropy and community benefit. Finally, CSR took shape and firms started getting engaged in matters such as ecology, human rights, transparency, support of education, minority hiring and social issues.

Not only did CSR set of issues expanded, but also its meaning started to get clearer thanks to many scholars debating over the subject. In 1979, Carroll gives probably the 'best' and most complete definition of CSR, which will be used for decades by scholars; « The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time[65] ». With this definition, Carroll gives a tool to understand CSR better, assigning four precise categories to CSR; the traditional economic responsibility that companies hold to their shareholders in a capitalist system, adding the legal, ethical and philanthropic to businesses' responsibilities. We will come back to this definition in our next point in order to develop CSR core areas.

While Carroll and other scholars such as H. Johnson[66] were for the first time, studying CSR and firms' performance, economic gains, benefits and business power, starting to build a kind of "business case" for CSR, others had taken a critical position. An intense debate between profit biased theoreticians and CSR proponent arose in the decade of the 1970s. The CSR history remains famous for one tough critique on CSR from Nobel Prize Milton Friedman, who reaffirmed loudly that the objective of companies is profit maximisation. Friedman is definitely the leading voice of that opposition, which he expressed in his article in the New York Times 'The social responsibility of the firm is to increase its profits'. Friedman's idea was that engaging in CSR matters such as pollution reduction would be against the interest of its shareholders, as it will cost money to the company for a general society purpose. Corporate executives are before all agents serving the company and not « civil servants[67] » so that money spent on social purposes at the expense of shareholders and employees cannot be justified. According to him, CSR is a trend that undermines the very foundation of our free society. Friedman and his advocates thought that the sole responsibility of businesses was to make as much profit as possible for its shareholders and it is on that note that he finishes his article; « there is one and only one social responsibility of business, to use it resources and engage in activities

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[65] A. Carroll, "Evolution of a definitional construct", cit., p.283.
[66] E. Johnson, *Business in Contemporary society: Framework and Issues*, Belmont, Wadsworth Pub.Co., 1971.
[67] M. Friedman, The Social Responsibility of Business is to increase its profits, *The New York Times Magazine* (1970).

designed to increase its profits[68] ». However, other famous economists of that same decade, such as Paul Samuelson, disagreed with Friedman and reacted to his ideas saying that « a large corporation these days not only may engage in social responsibility, it had damn well better try to do so[69] ». Going against Friedman's conception of CSR is the theory of the social contract that gained popularity in the 1970s. As Carroll reminds in his CSR theory work, the majority of the public opinion in this decade was definitely sustaining the idea of a relationship between society and business, the latter being morally obliged to improve the quality of life of the society it operates in. This is the basis of the social contract theory that became really popular in the 1970s and supported by the Committee for Economic Development (CED). In 1970, the CED issued a report on the Social Responsibilities of Business Corporations[70]. The report starts stating that businesses had made huge economic progresses and had helped provide the population with a better life standard, wage and opportunities, but it warns now that times have changed and so have the expectations of the society. This is the reason why CED has decided to focus on the social rather than economic aspect of business responsibilities. While the main goal and preoccupation of businesses was, in the past century, to provide the society with goods and services, in the decade of the 1970s, society's expectations have risen. Businesses were expected to broaden their responsibilities beyond the economical ones and act towards the improvement of society. This shift in business strategy towards CSR is seen as the result of changing expectations of society as a whole, as the CED states: there was « a growing consensus in our society that higher priority than ever before must be given to the nation's social problem[71] ». Public opinion polls in that decade indicate that « a clear majority of the public thinks corporations have not been sufficiently concerned about the problems facing our society (…) two third believe businesses now have moral obligation to help other major institutions to achieve social progress, even at the expense of profitability[72] ».

The public believed corporations had broader responsibilities than the mere economic one, and were expected to contribute to the improvement of social-wellbeing. The problems perceived by the public during this decade for which corporations were seen

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[68] *Ibid.*
[69] P.Samuelson, Love that Corporation, *Moutain Bell Magasine*, (1971).
[70] CED, Social Responsibilities of Business Corporations, cit., p.15.
[71] *Ibid.*
[72] *Ivi*, p.15.

accountable for were ranging from pollution, poverty, black people integration, education, health care funding, ghetto cleansing, and so on.

It is interesting to note the CED change in focus in its 1970 report, from an economic to a social one. This is not only a national focus but also an international one as the 1970s were the years marking the prominence of the human rights movement.

Human rights were a top priority in this decade and this because of number of human right crises unfolding in these years including the Apartheid in South Africa, Pinochet military government abuses in Chile, Israeli's occupation of Palestinian territories and the Vietnam War, all raising awareness on the issues. In this decade, some important international efforts on human rights protection advanced. We can cite amongst these, the American Convention on Human Rights signed in 1970, followed by the creation of the International American Court of Human Rights as well as the shift in American foreign policy under Carter administration promoting human rights. Also during this decade, the Helsinki Declaration was signed at the term of the Conference on Security and Co-operation in Europe where all the participating countries reaffirmed their respect for human rights and fundamental freedoms. In addition to these developments, the worldwide human rights organization Amnesty International was awarded the Nobel Prize in 1977.

This human right focus on the international scene helped CSR gain its social responsibility trait, which extend to the global question on human rights with issues such as non-discrimination in the workplace, women's rights, child labour, and so on. It is therefore logical to find many definitions focusing on the social trait of CSR during the 1970s, such as Fitch definition where CSR is defined as « the serious attempt to solve social problems caused wholly or in part by the corporation[73] ».

In the decade of the 1980, CSR set of priority issues included « business practices with respect to environmental pollution, employment discrimination, consumer abuses, employee health and safety, quality of work life, deterioration of urban life, and questionable/abusive practices of multinational corporations[74] ». According to Carroll, in

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[73] H. Fitch, "Achieving Corporate Social Responsibility", *Academy of Management Review*, Vol.1, (1976), p.38.
[74] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.36.

the 1980s some supplementary theoretical issues appeared on the agenda such as business ethics theory and corporate social performance.

During the 1980s, business ethics gained extreme popularity; a decade later businesses would spend more than a billion dollars per year on ethics consultants[75] and codes of conduct would blossom. However, despite this apparent high enthusiasm, many ethical scandals were reported, probably helping as well business ethics to gain such popularity in that period. The most noteworthy scandals of that decade include the 1984 Union Carbide Bhopal explosion in India, Nestlé infant-formula scandal in Africa and the Apartheid grand corruption with companies supporting the regime.

Carroll defines ethical responsibilities as embracing « a range of norms, standards, or expectations of behaviour that reflect a concern for what consumers, employees, shareholders, the community and other stakeholders regard as fair, right, just, or in keeping with stakeholders' moral rights or legitimate expectations[76] ». And his CSR definition, he wrote in 1983 that « CSR is composed of four part: economic, legal, ethical and voluntary or philanthropic[77] ».

Ethics are comprised in the CSR concept; in order to be socially responsible companies are not only expected to fulfil their legal and economic responsibilities but also their ethical ones. They have to conduct an acceptable behaviour and make business decisions between what is right and wrong, just like we do every day as individuals. CSR in itself is a kind of ethical behaviour; socially responsible companies are the ones that can operate in an ethical manner regarding their economic, environmental and social actions, in addition to 'be good' to the society by being charitable. Businesses started elaborating numerous codes of ethics on a voluntary basis to display a positive image to the public and set a behaviour expected to be followed by their employees. However, business integrity has been and continues to be shattered by ethical scandals they generated leading to bad reputation and tensed public relations.

Ethical behaviour have been studied by many scholars to determine whether it is a factor

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[75] P.Morgan, R.Glenn, *The Appearance of Impropriety: How the Ethic Wars Have Undermined American Government, Business, and Society*, New York, The Free Press, 1997.
[76] Carroll, "Ethical challenges for businesses in the New Millenium; Corporate Social Responsibility and Models of Management Morality", *Business Ethics Quaterly*, Vol.1, (2000), p.36.
[77] A. Carroll, "Evolution of a definitional construct", cit., p.286

relative to business success and in the 1980s, they actively tried to link CSR to Corporate Financial Performance (CFP).

The discourse of profitability and responsibility was on the topic in the 1980s; « scholars were becoming interested in the question of whether socially responsible firms were also profitable firms[78] ». Being able to prove that responsible firms made profits would have been a good incentive for executives to shift to a CSR approach. Numerous scholars researched the field of Corporate Financial Performance (CFP), although they have not reached any agreement on the positive or negative relation between CFP and CSR. P. Cochran and Robert Wood[79] studied the relation between financial performance and CSR (if there was any). In their work, they reviewed some past studies on the matter and noticed the inconsistency in the results obtained by the scholars. They concluded that this was due to CSR hard measurement, difference in methodology, measures and sectors analysed. At the term of their research they admitted that they did not find much link between CSR and financial performance, concluding by stating that being socially responsible does not seem to impair investors in any way. This branch of CSR continues on with passionate scholars debating on the question of CSR profitability.

In the 1990s, the CSR concept had developed into auxiliary themes inherent to CSR theory, including corporate social performance and business ethics from the previous decades with the appearance of sustainability and corporate citizenship on the CSR agenda. Since then, the CSR concept has been associated with the notion of sustainability and corporate citizenship, to the extent of even being interchangeable and synonymous terms.

Carroll states that « the 1990s and 2000s became the era of global corporate citizenship[80] ». According to him, in order to be a good corporate citizen, a corporation has, to « magnify its profits (responsibility to self), while fulfilling its citizenship obligations to others (law, ethics and philanthropy)[81]». The main idea of corporate citizenship is that corporations are seen as members of the society, accountable for their actions as any other citizen. Wood goes even further in his 1991 CSR analysis, defining

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[78] *Ibid.*
[79] P. Cochran, R. Wood, "Corporate Social Responsibility and Financial Performance", *Academy of Management Journal*, Vol. 27, (1984), pp.42-56.
[80] A. Carroll, M. Shabanna, "The business case for Corporate Social Responsibility", cit., p.88.
[81] A. Carroll, "The Four Faces of Corporate Citizenship", *Business and Society Review*, (1998), p.7.

business and society's relation « as interwoven rather than being distinct entities[82]».
« Corporations, as legal entities, have the same duties and obligations as other members of civil society: to obey the law, contribute to the commonwealth, participate in governance, and demonstrate respect for other citizens[83]».   This concept of citizenship became really important in the 1990s as globalisation heightened the responsibilities of businesses. In this decade, the negative effects of globalization became more and more apparent with the expansion of technological innovation, which lead to a heightened scrutiny and mistrust from the public and NGOs of the corporate world regarding issues such as corporations' effects on the environment or MNE's impact in the developing world. The reports of environmental scandals perpetrated by companies were quite high in that decade and we can cite, for instance, the Nigeria oil spills committed by Shell or the Boliden collapse in Spain. These scandals were widely publicised by the press and NGOs (such as Greenpeace), helping mobilize the public opinion and raising awareness on such issues, sometimes leading to very powerful boycotts. It is not surprising therefore that « corporate environmental reports first appeared on the scene in Europe in significant numbers in the early 1990s[84] » and that a rise in prominence of CSR can be noted, not just with reporting starting to grow; thousands of businesses will adhere to the UN Global Compact, an initiative which Kofi Annan, the then Secretary-General proposed in 1999 with the aim of implementing universal sustainable principles in business practices. In his proposal for the Global Compact initiative, in 1999, Kofi Annan addressed the World Economic Forum: « We have to choose between a global market driven only by calculations of short-term profit, and one which has a human face (…) Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership[85] ».

The second theme that gained popularity in the 1990s is sustainability. This rise of awareness on the subject in this decade was probably triggered by the 1992 Earth Summit in Rio de Janeiro. This UN conference got an unprecedented publicity; leaders from all over the world participated and of course many journalists (according to the UN, they were 10 000 on site)[86]. The global of this global meeting goal was to coordinate

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[82] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p. 53.
[83] *Ivi*, p.527.
[84] *Ivi*, p.389.
[85] UN, "Secretary General proposes global compact on human rights, labour, environment",
http://www.un.org/press/en/1999/19990201.sgsm6881.html
[86] UN, "UN Conference on Environment and Development", http://www.un.org/geninfo/bp/enviro.html

governments' action toward a sustainable future; thanks to this conference, sustainable development entered the public discourse in that decade. This summit was held after the UN revision of the 1987 Brundtland Report that gave the first 'classic' definition of sustainable development, still the most commonly used today: « Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs[87] ».

Sustainability is concerned with the future of our planet; it is the admittance of the relationship between environmental degradation and socioeconomic development. The capacity of our ecosystem is finite and we have to work toward a sustainable future in order not to impair future generations. Nowadays, sustainability has not lost its importance. It is probably the main challenge for businesses. Basically every corporation now mentions sustainability in their strategy and most of them issue sustainability reports. The downing issue of climate change, constant rise in greenhouse gas emissions and ecosystem resources depletion are a high priority for governments, international organisations and NGOs. The 2015 talk in Paris (COP21) where more than 190 nations are gathered to find a global agreement on climate change actions showed that sustainability is a top priority, and even more a matter of urgency. Some islands, such as the Maldives or Marshall islands might disappear due to climate change, resources of the ecosystem and biodiversity are declining dangerously in terms of wood, fish stocks, water, or cultivable lands and while the talk of COP21 is taking place, China, the world's largest CO_2 emitter, is suffering from severe air pollution in some of its capital cities.

Sustainability is also at the centre of the concept of CSR; so much that CSR and sustainability have now interchangeable meanings. Even if the scope of CSR can vary, most definitions include the social, economic and environmental responsibility. Socially responsible firms have therefore to think of how they can deliver goods and services in order to grow, while considering environmental issues in the process. Volkswagen 2015 sustainability scandal on emissions cheating seems to have accentuated the CSR debate. On one hand, it shows a weak CSR and sustainability report as a joke. The whole concept is now being defamed (as it is based on self-assessment reports) and

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[87] UN, Sustainable Development from Brundtland to Rio 2012. Prepared for consideration by the High Level Panel on Global Sustainability at its first meeting, 19 September 2010, http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf

was called for instance, by the Telegraph « a racket[88] ». The public is wondering if sustainable reports can be trustworthy or if it is simply a company show-off since the German company was recognised by the Dow Jones Sustainability Indices as one of the most sustainable companies, in addition to winning some sustainability and CSR awards in the previous years. On the other hand, this irresponsible business practice seems to have cost to Volkswagen dearly, both in terms of financial consequences (investors have dumped their shares following the scandal and the EPA will fine the company) and public trust. It is interesting to note that it took only a few days for the CEO to resign and for Volkswagen shares to fall due to its unethical actions.

Even if CSR remains a contested concept, we cannot deny its existence and importance in the current century. More companies than ever before are now shifting towards a CSR approach and are integrating the concept into their strategy, numerous universities around the world offer CSR courses, and international organizations as well as worldwide governments are promoting it, such as the European Enterprise 2020 initiative or India CSR mandate. However, even if CSR is now mainstream, it is still a new concept, in the sense that much still needs to be achieved in both theory and practice. CSR is a deep change in our traditional conception of business, which can partly explain why this is such a contested idea. CSR is not only a programme or a strategy that a company can follow step by step, it is also a way of behaving ethically, of trying to have a positive impact on the society and of thinking not just of personal interests. Corporate social responsibility could be called only social responsibility, dropping the 'corporate' because we all have, as human beings, a responsibility to the environment we live in, to our society and to our fellow human beings. However, change is never an easy thing to do. As Albert Einstein stated in 1954, « we shall need a substantially new way of thinking if humanity wants to survive ». I am not suggesting that only CSR is this 'new way of thinking' but it is definitely on the right track to be a positive change in the way of doing business.

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[88] The Telegraph, "Corporate Social Responsibility has become a racket, and a dangerous one", http://www.telegraph.co.uk/finance/newsbysector/industry/11896546/Corporate-Social-Responsibility-has-become-a-racket-and-a-dangerous-one.html

1. 3 CSR Core Principles

Before we enter into the specific analysis of CSR in Australia and in particular, the food industry, we need to understand what areas CSR operates in.

As we saw in this chapter, CSR is often defined according to Carroll's research. Carroll, in 1991, elaborated a classical model of CSR including its core components within a pyramid that we will analyse scale by scale below.

He focuses on four points for the basis of CSR; « the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time[89] ». In other words a company that is socially responsible is profitable and complies with the laws, while it carries out its ethical responsibilities and contributes to the wellbeing of society through philanthropy.
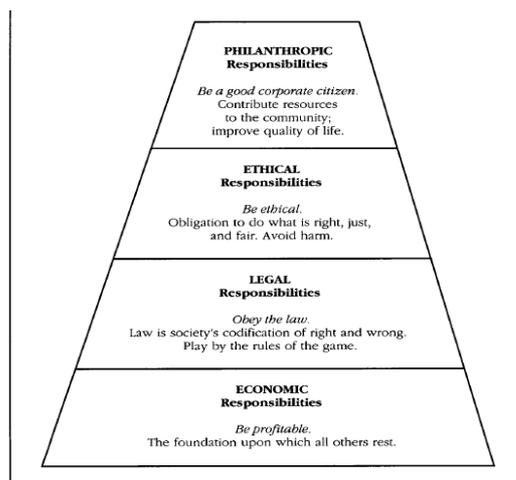

Fig 1: The Pyramid of Corporate Social Responsibility[90]

This pyramid has to be read from the bottom up, in increasing order of importance. The bottom of the pyramid consists of the economic responsibility, which is actually the foundation and basis of CSR. Without an economic profitability the business simply cannot exist so CSR will not make any sense. It is logical that a company's main responsibility, as an organisation conducting commercial activities in a free-enterprise system, is to be profitable.

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[89] A. Carroll, "Evolution of a definitional construct", cit., p.283
[90] A. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", *Business Horizons*, (1991), p.42.

According to Carroll, « good corporate citizens earn enough money that their investors receive a strong return on their investments, and that other stakeholders are assured of the continuity of the business and the flow of products, services, jobs, and other benefits provided by the company[91] ».

A responsible company therefore, provides products and services, which are profitable to the business while contributing to economic growth. Historically, businesses were expected to supply products and services wanted by the population as well as to provide jobs and economic growth, but now there is a general belief that this is not enough and that businesses also have to contribute to social value in conducting its operations. In an interview by the University of St. Thomas in Minnesota[92], Carroll reminds that public expectation has been the primary driver for CSR existence. In brief, public expectations have broadened and so have businesses responsibilities.

The high unemployment and poverty rates, the level of pollution, health care deficit, social inequalities, etc. are all problem our society is facing and « the public (…) feels large corporations possess considerable resources and skills that could make a critical difference in solving these problems[93] ». So there is an expectation that businesses have to sometimes, renounce its profit for social interest.

A company cannot exist without being profitable to its shareholders but this has to be done without neglecting or compromising the other blocks of the CSR pyramid.

The second block of the pyramid deals with the legal component of CSR. A company has to comply with basic laws in order to be responsible. The state can contribute to the implementation of CSR through laws but a universal regulation on the matter is difficult to achieve, therefore, universal enterprise regulation usually goes through soft law such as codes of conduct (i.e OECD Guideline for MNEs) or compendiums (UN Global Compact) as well as company self-regulation.

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[91] A. Carroll, "The Four Faces of Corporate Social Responsibility", cit., p.2.
[92] Interview available at: https://www.youtube.com/watch?v=k5HANkhPEmQ
[93] CED, Social Responsibilities of Business Corporations, cit., p. 16.

National governments make laws and policies in order to ensure that businesses comply with certain standards (i.e. environmental) and do not violate specific rights (i.e. human rights).

The Australian government has, for instance, an independent human rights commission called the "Australian Human Rights Commission" which has passed laws to protect human rights; these rights have to be implemented by businesses. We can cite the 2004 Age Discrimination Act which « ensures that people are not treated less favourably on the ground of age[94]» when applying for a job for example, or the Convention Concerning Discrimination in Respect of Employment and Occupation (ILO 111).

Australian employment is also regulated by local and state legislation[95]. An example of national laws that have an effect on Australian workplaces is the 2009 Fair Work Act, which ensures fair condition of employment and gives minimum national employment standards (i.e. working hours, annual and parental leave, termination of contract). State legislations include the Queensland, Northern Territory, Victoria and New South Wales Work Health and Safety Act or the 1984 Industrial Relations Act of Tasmania.

However, in some realms, national legislation is not sufficient as to guarantee optimal rights. For instance, the Australian government reminds that « Australian company that complies with Australian laws (or the local laws of a country in which the company operates), does not necessarily satisfy its responsibility to respect human rights. Companies should use a due diligence process to assess and address the human rights impacts of their business activities, and provide remedies when human rights breaches occur[96] ». The diligence process and remedies are both explained in the UN Guiding Principles on Businesses and Human Rights, which Australian companies are including in their strategies, as we will see in next chapter.

It is important, in light of this information that businesses go above regulatory requirements in order to implement an optimal CSR strategy, as law compliance is not

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[94] Australian Human Rights Commission "Legislation", https://www.humanrights.gov.au/our-work/legal/legislation
[95] More information available at: https://www.awu.net.au/employment-legislation
[96] Australian Human Rights Commission: "Corporate Social Responsibility", available at: https://www.humanrights.gov.au/our-work/rights-and-freedoms/projects/corporate-social-responsibility

enough in many cases. This leads us to the third block of the pyramid: the ethical responsibility.

The ethical responsibility is really emphasised at this day and age, and is also expected by stakeholders whether they'd be employees, investors, consumers or suppliers. The certain thing is that there is no shortage of morally reprehensible practices coming from businesses, i.e. the depletion of natural resources, waste generation, mistreatment of animals, corporate fraud, unfair treatment of employees or abuses of power. These are examples we all hear of too often. Business ethics is now at the centre of the media attention in Australia, as not only has the Volkswagen scandal raised questions on corporate ethics, but also, during the end of last year, the convenience chain 7/Eleven (which has around 600 stores in Australia) has been accused of exploiting and underpaying workers, treating them close to slaves.

Ethical responsibilities encompass many aspects of CSR from the social component (fair treatment to stakeholders) to the environmental one (respect of the environment). « Business ethics is concerned with the distinction between corporate behaviour that is good versus bad, fair versus unfair[97] ». Business enterprises are expected to demonstrate integrity and 'do the right thing'; they are seen as a moral actors. Businesses' common strategy to include ethics in their operation is to adopt a code of conduct within their company and to be transparent by releasing sustainable reports.

The problem here is that doing the right thing usually has a cost. It is cheaper to dump some waste in the nearby river than to pay for proper disposal! While acting ethically has a cost, an unethical behaviour might cost much more in the long run for all of humanity, both financially and in terms of reputation.

The top block of Carroll's pyramid deals with the philanthropic responsibility. He states, « good corporate citizens give back to the communities in which they reside or maintain offices[98] ». At the corporate level, philanthropy can be done by proving funds or by volunteering, which we will examine more closely in the next chapter as well as the Australian trends in this subject.

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[97] A. Carroll, "The Pyramid of Corporate Social Responsibility", cit., p.4.
[98] *Ivi*, p.5.

To conclude this short analysis of Carroll's model, the first two blocks of the pyramid (economic and legal responsibility) are what businesses are required to meet as to function properly and be 'legal'. They have to go beyond these two responsibilities and voluntarily include ethical behaviour and philanthropy to be responsible. A correct CSR practice has therefore to include all the four blocks of the pyramid as « each of them is but one facet of what it means to be a good corporate citizen[99]».

After having reviewed the theory of CSR, I wanted to give my own understanding of CSR and provide a graph to get a visual representation of what it is. In my opinion, CSR is first assessing and understanding businesses' impact on the environment as well as its effect on social welfare (i.e. elaborate a complete risk management), secondly, reaching a right balance between the social, economic, legal and environmental responsibilities a company has; and thirdly, it is the integration of all level of these responsibilities with the addition of ethical value into the business strategy before a business can call itself socially responsible.

Fig 2: Corporate Social Responsibility four part framework

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[99] *Ivi*, p.6.

Chapter 2

2. THE STATE OF CSR IN AUSTRALIA

As my work focuses on Australian food companies' implementation of CSR, I will try to give in this chapter an overview of the current state of CSR in Australia. Most CSR studies seem to focus on USA and Europe, therefore, as a result, little seems to be known about the state of CSR in other nations, including Australia. In order to get answers on the state of CSR in Australia, I will use the ACCSR annual revues (from 2008 to 2014) on the state of CSR in Australia and New Zealand, as this report is the most important ongoing research on CSR in Australian organisations. It is conducted by the ACCSR, which releases every year, since 2007, the annual state of CSR based on a survey compiled by participants working in different Australian industries. I will complete this report with the Manpower 2009 Corporate Social Responsibility Survey [100], which interviewed up to 3669 HR professional both in Australia and New Zealand in order to understand the current Australian trend and practice of CSR as well as CSR practices.

By reviewing the ACCSR annual revues from 2008 to 2014, we can deduce that Australian businesses have focused mainly on three components of CSR, namely the environment, philanthropy and building a better understanding of CSR.

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[100] Manpower, Corporate Social Responsibility: Current trends in Australia and New Zealand, 2009, available at:
http://www.manpower.com.au/Documents/White-Papers/2009_CSR%20White%20Paper.pdf

1.1 Focus Area: Environmental Sustainability

The environment is a hot topic in Australia and Australians are well aware of the consequences of climate change. Almost every state in Australia has suffered from natural disasters in the last few years; Queensland suffered major flooding, The Northern Territory suffered from cyclones, Victoria, New South Wales, Tasmania, South Australia and Western Australia suffered from bushfires. The general public believe, these natural disasters are linked to climate change because they are intensifying in terms of severity and frequency. As a result, there is a strong public opinion that governments and businesses need to do more to save the planet. The Australian Bureau of Meteorology's latest report on the state of the climate[101] shows that there is reason to be concerned. It highlighted an increase in temperature in Australia (extreme heat is more frequent), as well as drought, floods, bushfire and greenhouse gases. The effects of drought and heavy rainfall have been catastrophic for certain Australian communities as droughts are also blamed for severe bushfires, which have become more frequent and devastating.

The ACCSR 2014 annual report states that in the last decade, businesses have been focusing on the environment. In 2008, it was even, after building a better understanding of CSR, the second top priority for managers[102] in their CSR agenda.   The report states that companies first wanted to better understand the impact of climate change on their operations, second, reduce or eliminate their negative environmental impact and third, improve their sustainability reporting. It is even said that climate change has even eclipsed social issues in corporate CSR agenda[103].

Reducing their carbon footprint, resource management and waste reduction have been crucial in the CSR agenda of Australian businesses. Examples of these initiatives include reduction in energy consumption and water usage, increased recycling of waste streams, and better utilisation of materials increasing yield of production. Government legislation and pricing may be the main drivers behind these initiatives. For example, if we talk about these areas separately, we will notice that there have been different factors that forced businesses to adopt these initiatives.

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[101] Australian Government, "State of the Climate 2014", http://www.bom.gov.au/state-of-the-climate/
[102] ACCSR, The State of CSR in Australia: 2008 Annual Revue, p.8.
[103] W.Visser, D. Matten, M. Pohl, N. Tolhurst, *The A to Z of Corporate Social Responsibility*, Wiltshire, Wiley, 2010, p. 29.

Regarding energy, businesses have to report their fossil fuel/electricity usage on an annual basis and these numbers go into the national reporting of carbon emissions. The general public has access to these reports and they also get mentioned in mainstream media, drawing a bleak view of how Australia compares against other developed nations on the per capita emissions in Australia. There are amongst the highest in the world[104] thanks to the nature of the economy, the affluence of society and the reliance on coal for power generation; almost every time these reports are released, environmentalists demand action, political parties attack each other and businesses scramble to communicate initiatives to the public.

Scientific observations suggest a direct correlation between CO_2 emissions and global warming, hence it is difficult for the public not to be convinced that the lack of leadership by the government and the failure to implement policies to control and reduce greenhouse emissions are one of the reasons behind the catastrophic consequences of climate change such as droughts and bushfires. According to the ACCSR annual reports, respondents in the corporate world are hoping for more governmental support and leadership for CSR practices, especially in the sustainability area. Most of them seem to look at the Australian government as an anti-environmental government and are hoping for a strong environmental policy, which would ensure a better environmental performance from Australian companies.

In the Australian government, there is a bipartisan dynamic where there are two major parties – Labour and Liberal, who control the majority of the House of Representatives, in addition to a small presence of the Greens and a few independents. In 2007 elections, both major parties promised to introduce legislations to reduce greenhouse gas emissions, Labour won majority at the house, forming government, which issued a white paper on 15 December 2008 outlining its targets for the reduction in Greenhouse Gas emissions. There was concern amongst the business sector that there will be a significant cost impact on industries to meet these targets. The opposition leader at the time, Malcolm Turnbull (who is pro-business and a wealthy businessman himself) negotiated some terms with the Prime Minister, Kevin Rudd, who had to agree to some changes to his proposed scheme; these changes included compensation for some heavy polluters such as the Aluminium and Coal industries. The bill failed to pass at the senate in November 2009, which forced

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[104] The World Bank, "Data", http://data.worldbank.org/indicator/EN.ATM.CO2E.PC

the Prime Minister to withdraw the bill and later announce that it will be delayed, drawing criticism from environmentalists. In early 2011, the following Labour government announced another bill called the "Clean Energy Bill", to replace the previous scheme proposed by the earlier government, paving the way for a carbon price (or carbon tax) that would be introduced later. On the 1st of July 2012, the Carbon Tax took effect. This tax made the 500 biggest polluters of the nation, such as mining and electricity generating companies, pay a CO_2 emissions permit (23$ per tonne of emissions[105]) but it made prices explode for gas and electricity.

Consumers of energy, whether it be households or businesses, tried to reduce their bills by using more efficient appliances and light globes or utilising off-peak pricing, forcing suppliers to change their pricing strategy by increasing their daily "supply charges" which are fixed costs charged to the account regardless how much energy is used, making it harder to reduce the overall bill although there had been a reduction in consumption. However, not even two years after its implementation, Prime Minister Tony Abbott, usually called a Climatosceptic by the international media, cancelled the carbon tax.

The above shows how difficult it is for the federal government to pass national environmental legislations through the House of Representative, which explains the reason why state governments were forced to come up with very specific legislations regarding the environmental management.

This absence of national legislation for climate change adding to the refusal of the Australian government to ratify the Kyoto Protocol (until late 2007), forced local governments to react. For example, in mid-late 2000s, the government of South Australia imposed water restrictions on farmers who were using the water of the Murray River, not necessarily reducing the amount of water they can take, but charging them more, forcing a number of them to sell their assets and leave the industry. In 2003, the State of New South Wales implemented a scheme called Greenhouse Gas Abatement Scheme (GGAS) which aim was to reduce emissions linked to electricity by retailers. The State of Victoria followed New South Wales and implemented the 13% scheme and so did other states in Australia, which carried out their own greenhouse gas emission measurement scheme (such as Tasmania or Queensland). Other local initiatives to preserve the environment is

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[105] OECD, C. Kauffman, C. Tébar Less, D. Teichmann, Corporate Greenhouse Gas Emission Reporting; a Stocktaking of Government Schemes, OECD Publishing, 2012, p.59.

the banning of plastic bags in grocery shopping in South Australia, or the introduction of a 10cent deposit for every portion pack can /bottle of drinks in the Northern Territory and South Australia. This multitude of schemes made it difficult for businesses that had operations in different states to comply with the different legislations across the country and, adding to this difficulty, there was also the problem of different terminology and reporting requirement used amongst these standards leading to confusion and an extra-cost for businesses.

The national government had to take action on these inconsistencies in the reporting framework on Greenhouse gas emissions, and in 2007 the National Greenhouse and Energy Reporting (NGER) Act was introduced. It was definitely a step in the right direction as it allowed having a single and complete protocol for Greenhouse gas emissions. The Scheme's legislated objectives are « to inform policy-making and the Australian public, meet Australia's international reporting obligations and provide a single national reporting framework for energy and emissions reporting[106] ».

The lack of government leadership in environmental practice, the pressure of social media and the ease of access to information by consumers made it challenging for businesses to manage perception and they definitely saw an opportunity to show they are good corporate citizens, and started adopting and communicating programs to reduce their carbon footprint and appear to be "Green". However, there is no doubt that, even if the carbon tax got repelled by Prime Minister Tony Abbott, this tax can explain the major focus on environmental practices from Australian companies in the last decade who wanted to get ready for the implementation of this latter and avoid any additional cost by implementing CSR and mitigating their environmental impact.

A worth-mentioning national agreement regarding environmental waste reduction is the Australian Packaging Covenant. There are nine hundred signatories part of this covenant, a large amount of which is food and beverage companies as we can see in the next graph.

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[106] Australian Government, Department of the Environment, "National Greenhouse and Energy Reporting",
https://www.environment.gov.au/climate-change/greenhouse-gas-measurement/nger
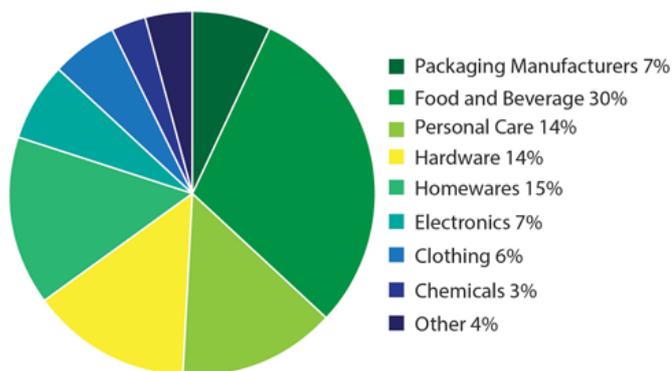
Fig. 3: APS signatories industry spread (2013)[107]

The goal of this project is « designing packaging that is more resource efficient and more recyclable (while) increasing the recovery and recycling of used packaging from households and away-from-home sources and taking action to reduce the incidence and impacts of litter[108]».

It is interesting to note that once becoming a signatory of this covenant, the obligations that arise therefrom are compulsory. In case of failing one of these obligations, companies risk therefore a lawsuit. The signatories obligations include elaborating an action plan to meet with the covenant's goals, write an annual report and publish it on the company's website, follow the sustainable packaging guidelines (such as being resource efficient in transportation or in water use), etc.

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[107] Australian Packaging Covenant "Signatories", http://www.packagingcovenant.org.au/pages/signatories.html
[108] *Ibid.*

1.2 Sustainability Reporting and Useful Frameworks in Australia

As we mentioned above, the improvement of sustainability reporting was amongst the priorities regarding corporate environmental practice for CSR managers. Sustainability reporting is crucial to companies as it contributes highly to reach a good social and environmental performance. It allows corporations to build an understanding of their social and environmental impacts and helps find them solutions to deal with new upcoming challenges. As companies keep gaining more power on the international scene, there is a general opinion that more transparency is needed, which can be achieved thanks to sustainability reporting.

Sustainability reporting is now a common practice in the international corporate world and it is gaining a lot of importance. KPMG issues every three years since 1996 the state of sustainability reporting at the international level. According to its latest report[109], the average reporting rate worldwide is of 73%, and Australia is ahead with 80%. There has been a strong increase in corporate reporting in Australia as in 2005, the reporting rate was only 23%, in 2011, 57% and in 2015, 80%! Aside from any moral obligations to preserve the environment, there's a general statement in Australian business community that says "If you can't measure it, you can't fix it". It is known that there are significant cost savings to be made in energy consumption and waste generation, businesses had to build data collection modules to be able to determine where those savings are and what can be done differently to achieve them. Examples of these include measuring how much raw ingredients are brought in and how much finished product goes out, the difference is simply money wasted and it is in the best interest of the business to find more efficient practices to minimise this waste stream. We also saw a significant improvement in the recycling habits of manufacturing businesses, almost every operational facility uses packaging materials, these can be compressed and picked up by waste collectors on a less frequent basis, providing cost saving for the business which can then be promoted internally and externally.

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[109] KPMG, Currents of Change: The KPMG Survey of Corporate Responsibility Reporting 2015,
https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/kpmg-survey-of-corporate-responsibility-reporting-2015-O-201511.pdf

However, the initial enthusiasm of corporate reporting has been tainted with corporate scandals elaborating reports that were too positive. The Volkswagen scandal that we mentioned in the previous chapter is the perfect example of a company "cheating" on its sustainability report. This recent scandal has been a hard hit for CSR reporting as the public trust has been undermined. Scandals like this raise a number of questions regarding the integrity of reporting, people think that if a big well known company like Volkswagen is willing to cheat on its environmental figures to make its product look "greener", surely a number of other industries and well-known brands are doing the same. This was a very sad moment for business and unfortunately it only takes one big scandal for the public to lose its confidence in business

In order to make these sustainability reporting, companies use a 'model' to do so and the reporting frameworks that are used the most by Australian companies[110] are the GRI/G3, the UN guiding principles on Businesses and Human Right and the UN Global Compact.

The GRI/G3 sustainability reporting guidelines were launched in 2006 by the Global Reporting Initiative Organisation (GRI). It is used by many corporations worldwide and gives specific reporting rules taking into account different sectors as well as the size of the company; it understands the difficulties of reporting for companies and sets up a standard of generally accepted reporting guidelines. There are three parts in the GRI/G3: the first one are the reporting principles, which explain to the companies on what exactly they have to report on (i.e. stakeholders, sustainability, etc.) and how to be as precise and reliable as possible. The second part gives a guidance on reporting which unfolds on three points ; the strategy and profile of the company, its management approach and its performance indicator (which includes the social, environmental and economic performance), while the last part is on standard disclosures.

In 2011, the UN launched the UN guiding principles on Businesses and Human Rights[111], which comports three pillars. The first one is in regards to government responsibility to protect human rights and reminds that it is the state responsibility to protect human rights within its territory. The second is about human rights respect by companies that have to ensure minimum rights to their workers and communities, and the third one is about the

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[110] ACCSR, The State of CSR in Australia and New Zealand, Annual Revue 2014, p.13.
[111] Business and Human Right Centre, "UN Guiding Principles", http://business-humanrights.org/en/un-guiding-principles

legal process in case a company does not respect human rights. These principles got unanimously approved by the UN Human Rights Council, and since then they got endorsed by many governments and companies worldwide. The second pillar about companies' respect of human rights (as expressed in the International Bill of Human Rights and in the International labour Organization's Declaration on Fundamental Principles and Rights at Work) sets out some principles that business should implement. In brief, first, businesses should have a policy commitment that « stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services[112] » ; this policy must be available to all the relevant parties (i.e. employees, investors, external stakeholders, etc.). Second, corporations should have a human right due diligence program so that they can assess the human rights impact of their operations; these impacts can be potential or actual and may vary from time to time so a re-evaluation and an open dialogue with the (potentially) affected stakeholders is strongly advised. Third, companies should have a tracking system implemented (through surveys, reviews, etc.) to make sure that their human rights policy is effective.

The third favoured reporting framework in Australia is the UN Global Compact, popular for its simplicity. The UN Global Compact enumerates ten important principles responsible businesses should practice in order to meet with a bare minimum set of values. It is a useful framework, the world's largest CSR initiative and counts more than eight thousands worldwide company members of Global Compact with 35750 reports published. These principles promote four important areas that responsible companies are expected to follow according to the UN standard: human rights, labour, environment and anti-corruption. The UN calls these four points "basic responsibilities to people and planet".

The first responsibility is the one of human rights, which is the social component of CSR. Business members of the Global Compact have to respect human rights as declared in the Universal Declaration of Human Rights and subsequently cannot be complicit in any human right abuses. Human rights abuses from businesses remain a high concern, especially after the 2013 collapse of the Bangladesh factory that killed more than one

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[112] United Nations Human Rights Office of the High Commissioner, Guiding Principles on Business and Human Rights, 2011, HR Pub, p.17. Published online: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

thousand people. Human rights abuses are unfortunately still present in the supply chain; these can range from basic human rights denial, such as child labour and slavery, both highly condemned in the Universal Declaration of Human Rights, to unfair working condition, population displacement, forced labour, lack of security, and so on.

These last points fall under the labour responsibility, which is the second responsibility in the Global Compact with the addition of the riddance of discrimination in the workplace. With globalisation and the resulting increase of business operations in developing countries, some with less strict labour standards, human rights abuses in the supply chain remain quite frequent and highly publicised by NGOs activists and the media. « In an environment of heightened transparency through digital media, civil society and consumer activism, Australian businesses not only increasingly recognise their responsibility to do the right thing, but also the risk of *not* doing the right thing [113]». It is clear that businesses are held accountable for human rights abuses they might be complicit for and have to include it in their strategy.

The third point of the Global Compact is the environmental responsibility, which includes the use of environmental friendly technology and innovation in the matter as well as the « precautionary approach to environmental challenges[114]». Businesses are not usually inclined to use financial resource in order to make sure that the operation they are undertaking will not cause any damage to the environment. However, the UN reminds businesses that while prevention might come with a cost, remediation is even more costly! Prevention measures vary from sustainable production method, research, hiring staff for environmental risk assessment and establishing a code of conduct for good environmental practices. Both these UN documents are a good effort for an international control of enterprises; it is, however, very difficult to enforce the international law due to the increasing power of these subjects. Both agreements remain voluntary so there is no real sanction in case of non-compliance (except in the case of human right abuses). The most efficient agreement in the matter remains regional, with the EU leading the way with laws such as the new 2014 directive on 'disclosure of non-financial and diversity information by large companies and groups', which will enter into force in December 2016; it will

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[113] AHRC, ACCSR, GCNA, Human Rights in Supply Chains: Promoting Positive Practices, Melbourne, 2015, p.2
http://accsr.com.au/wp-content/uploads/2015/12/WEB_HR_in_supply_chains.pdf
[114] United Nations Global Compact, "The Ten Principles of the UN Global Compact", https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-7

definitely have repercussion in the reporting programs of European businesses operating in Australia and will improve the disclosure of social and environmental communication.

The last responsibility in the Global Compact is the anti-corruption principle. In light of the numerous corporations' scandals, this point is really important for business reputation. A corruption scandal not only makes the business reputation decrease dramatically, but comports also a high legal risk. Companies can take actions against corruption by adopting internally corruption policies and externally by sharing their best practices in the matter. However, according to the ACCSR 2008 report on the State of CSR in Australia, « in 2008, working to combat business corruption is the issue that CSR managers gave the least priority to[115] ». There are of course corruption scandals in Australia but it seems that they are not of the same significance to the general public as environmental and social issues are.

When a company releases a sustainability report, it has an effect on many levels.
It is beneficiary for staff as they get more familiar with the CSR concept by reading the report and can draw a link with what they do on a day-to-day basis at the operation and how their actions translate into the numbers listed in the report. This is really effective as without seeing the results of your work, as an employee, you are less likely to want to challenge yourself and try to improve the numbers in later reports.
This is something that appears to be crucial in Australia as much more internal awareness is still needed there. It also helps build a constructive dialogue with external stakeholders and a better relationship with these as it gives the company more credibility and trust. Thanks to a better dialogue, corporations will understand better the needs of external stakeholders, fostering innovation in the corporate world. This will also, without any doubt, raise the business reputation as a responsible business and contributes to the brand positioning of the corporation by raising its competitive advantage.

We will, in the last chapter of this present work, analyse the sustainability reporting of two Australian companies in more detail.

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[115] ACCSR, The State of CSR in Australia, 2009 Annual Revue, p.1.

1.3 « Giving is Caring »

One component of CSR that has had major focus in Australia is without any doubt philanthropy. CSR has for long been synonymous with philanthropy for many Australian companies that enthusiastically adopted it in their CSR practice. Most reports on the state of CSR in Australia agree with this overall focus on Corporate Community Involvement (CCI).

The Manpower Survey on CSR in Australia and New Zealand found that « in general, donating money to charities is the most common CSR practice reported by surveyed HR professionals in Australia[116] ». The 2014 ACCR report on the state of CSR in Australia[117] supports this idea as we can find that most of the CSR budget in that year went to community investment, which clearly underlines the priority companies give to this. In addition, the conclusion of the Deakin survey is that in Australia « corporate citizenship is interpreted as predominantly about corporate community activities and investment[118] ».

This philanthropy tradition is really important in Australia, which has a strong community focus. A good example of this propensity to support communities and predominance of CCI in Australia can be observed even when buying a burger! Grill'd, an Australian company selling burgers implemented a donation system worth mentioning for its simplicity and effectiveness called "Local Matters". Every time a consumer buys a burger, he is given a token and gets to decide in which of the three jars to put it into. Each jar supports one community group or charity and gets changed every month. At the end of each month, the tokens get counted and 300$ are given to the "winner" while the other two get a 100$.

CCI encompasses part of the social component of CSR; it is the company strategy in relation to the community « to provide financial and in-kind assistance (e.g. corporate philanthropy and partnerships) as well as contributions of time and expertise (e.g. employee volunteer programs) to the wider community[119] ».

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[116] Manpower, Corporate Social Responsibility, cit., p.6.
[117] ACCSR, The State of CSR 2014, cit., p.12.
[118] D. Birch, Corporate Citizenship in Australia, Some Ups Some Downs, Deakin University, Adelaide, 2002, p.79.
[119] C. Cronin, G. Zappalà, "The Coming of Age of Corporate Community Involvement: An Examination of Trends in Australia's Top Companies", The Smith Family, 2002, p.1.

Financial support to community and non-profit organisation, or corporate philanthropy is the traditional aspect of CSR, a practice that has been going on over decades. A survey on the nature of CCI in Australia[120] found that all the companies that they had analysed (top 100 companies in Australia) had given financial support to non-profit organisation. It is actually difficult to find an Australian company that does not have a donation system in place. Amongst the biggest food companies of the continent we can cite Bega Cheese for instance, which donates cheese baskets to communities in need or financially assist organisations related to sport, health, education or art. Simplot Australia also has a community food program supporting local not for profit organisations and Australians in need (i.e homeless people). The Arnott's biscuits ltd has created a foundation (the Arnott's foundation) that supports various projects such as Foodbank and Camp Quality, a charity for child suffering from cancer in Australia.

A recurrent donation from food companies in Australia is to one particular non-profit organisation called Foodbank. It « currently draws on donations from 700 companies, the majority of which are Australia's top food companies[121] ». Foodbank is a hunger relief organisation that distributes the food it got from donation to community group and to charities. Companies can donate on a regular basis to this organisation. For instance, Kraft foods, producers of Vegemite, one of Australians favourite product has an ongoing partnership with Foodbank. For their 90th anniversary, the company made a significant donation. They launched a campaign on Facebook and donated one jar of Vegemite for every "like' they received on their page for the whole month of October (their birthday month). They ended up donating up to 90 000 jars to Foodbank.

The areas Australian companies give the most financial support to are « children and the youth, community services, culture and the art, the environment and medical research»[122]. As we saw above, there are numerous examples of Australian companies that donate money to charity; most of the time they will chose a local charity and the information will be displayed on their website.

It is difficult to understand how much a company will give annually to charities but there is a logical « positive relationship between company size in term of employees and

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[120] *Ibid.*
[121] Foodbank, "FAQS", http://www.foodbank.org.au/about-us/faqs/
[122] C. Cronin, G. Zappalà, cit.*,* p.19.

revenue and the value of financial support [123] ». Some companies will give money accordingly to a percentage of their pre-tax profit while others use a budget from a specific area (i.e. marketing budget). To have an idea of the amount spent by Australian companies, a governmental study on Australian business philanthropy from the Community Business Partnership, called « Giving Australia[124] » concluded that in the 2003-2004 financial year, 67% (525.900) of all businesses gave around $3.3 billion, an average of $5700 per business.   The Australian government promotes business philanthropy and established in 1999 the Prime Minister's Community Business Partnership[125]. The Partnership is composed of leaders from businesses and community sector and its aim is to promote philanthropic giving. These leaders' role is to give advice to the government in order to consolidate the philanthropy and volunteering in Australia. This latter performs research in the area and tries to render corporate giving easier by breaking down any institutional obstacles.

There is also a new trend in corporate financial support; instead of providing funds on a short time scale (i.e. a one-time donation to a charity), companies are shifting toward a new long-term approach and are engaging in partnership with NGO's. The most recent study in the matter was performed by C&E, which studies the NGO-Corporate partnership and releases a report every year[126]. This new trend is likely to gain importance in the near future as « 90% of respondents state that partnerships will become more or much more important over the next three years[127]».

These partnerships are beneficial both for the organisation and business. While, according to this report, businesses are mainly driven by the reputational benefits this collaboration brings, NGO's motivation is the funding they will get out of it. It is a more collaborative approach that leads to a long-term impact for businesses and allows them to understand better social and environmental issues they are facing or might be facing in the future. This collaboration also allows NGOs and businesses to share their knowledge and expertise on these issues in order to set clear goals for improvement of businesses' impact on the society. Some notable NGOs-Australian corporations' partnerships include:

[123] *Ivi*, p.16.
[124] Australian Government, Department of Family and Community Services, Giving Australia; Research on Philanthropy in Australia, Summary of Findings October 2005. Published online:
https://www.dss.gov.au/sites/default/files/documents/05_2012/givingaustraliareport.pdf
[125] Australian Government, "About the Community Business Partnership", http://www.communitybusinesspartnership.gov.au/about/
[126] C&E, "Corporate-NGO Partnership Barometer 2014",
http://www.candeadvisory.com/sites/default/files/Final_C%26E_Corporate-NGO_Partnerships_Barometer_2014.pdf
[127] *Ivi*,p.6.

Oxfam Australia and Thankyou group that collaborates to provide population with a hygiene education and safe water; John West and WWF are working together to improve the sustainability of the company's supply chain, and Save the Children Australia is currently collaborating with the National Australian Bank (NAB) which supports economically its campaign and provide a workplace giving program for this organisation.

The non-financial contribution to the community (time and expertise) is the second components of CCI and is quite popular in Australia. The Manpower survey found that 81% of the Australian companies surveyed donated to charities, 71% for natural disaster and 62% supported community through volunteer projects[128]». According to this survey, including staff in this CSR strategy is beneficial both for the employee and company as they feel very enthusiastic about donating their time to communities in need and it has a positive effect on their engagement to the company they work for as well as their morale. Furthermore, « Australian employees are increasingly demanding that their workplaces are safe, ethical, environmentally sound and socially responsible[129]».

It is a common practice for businesses to raise money for natural disasters in Australia. For instance, after the flooding in Queensland in 2010, a number of businesses donated money to communities to help them get back on their feet quickly after they suffered substantial losses; these included farming communities, for example, many dairy farmers lost their herds and as we know it takes a number of years to re-establish a business of that nature, so instead of breeding calves and waiting until they are at the productive age, farmers were able to purchase fully grown cows that allowed them to generate income pretty quickly.

There are a few options available to companies to include their staff in their philanthropic strategy. Most common are to have a workplace-giving program, which allows employees to give money to charities on a regular basis. In order to build a company-volunteering program, a company will usually chose a focus area (such as education, art, etc) that its employees are passionate about. The government in Australia also facilitates donations by individuals and these amounts are tax deductible. At the end of the financial year, individuals can recover the amount of tax they paid for the payment they made to charity,

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[128] Manpower, Corporate Social Responsibility, cit., p.7.
[129] C&E, "Corporate-NGO Partnership Barometer 2014", cit., p.63.

this helps people reduce their taxable income.

Another option is to allow staff to volunteer for some non-profit organisations though an employee volunteer program (EVPs). EVPs can be managed by a company by training its staff to be able to volunteer in a specific area, providing some fund to the volunteering staff (i.e. transport cost reimbursement) or simply by giving information to its employees about the possibility of volunteering (through emails, newsletters, meetings).

There are many reasons why a company can adopt a CCI strategy, which includes: « altruistic, economic and public image considerations[130]» as well as the employees' benefits that we saw above. The altruistic reason includes the traditional idea of philanthropy: companies give money to the local communities they operate from because « it is the right thing to do ». Fonterra, a leading New Zealand dairy company with high activity in Australia, summaries well this idea on its website: « as part of the communities where we live, work, and farm we have a responsibility to nourish, care and protect[131] ». Companies support the wellbeing of communities around them because they might feel that some disadvantaged communities do not have enough governmental support, and also because it makes them build good relations with external stakeholders as well as a better trust.

When a company is under criticism from the media and has a negative public opinion, starting to implement a volunteering program and supporting charity can help boost its reputation and portray a better image for its external stakeholders. It is therefore logical that « the overwhelming majority (89%) of companies that responded to our survey stated that they communicated their CCI policies to the general public[132] ». Non-profit organisations usually support causes, which have good backing from the public. Giving money to causes such as environmental protection, health (cancer), and children can be very effective in improving the company's image as these are quite sensitive topics and the public sympathises with them as most people have a family member/friend who had passed away from cancer, or had witnessed natural disasters whether it be in person or through the media.

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[130] C&E, "Corporate-NGO Partnership Barometer 2014", cit., p.7.
[131] Fonterra, "Supporting our communities", https://www.fonterra.com/au/en/Sustainability+Platform/Supporting+our+communities
[132] C&E, "Corporate-NGO Partnership Barometer 2014", cit., p.9.

Australian companies have adopted the philanthropy element rather than having an overall CSR strategy including the social, economic and environmental component. As it is true that philanthropy is part of the social component of CSR, if applied by its own it can lead to a narrow and insufficient view of CSR as it is just one aspect of CSR. Ms Kelly, the international director at Salesforce puts companies in guard regarding the misinterpretation of their CSR practice; « A lot of firms make the mistake that CSR means just writing a big cheque once in a while, or a company boss asking his secretaries to do voluntary work once a year at Christmas[133] ».

However, Australian companies seem to be expanding their CSR strategy as, when asked by the ACCSR about their priorities relating to CSR for 2015[134], most companies answered that they will focus on building a stronger relationship with their stakeholders as well as shifting their focus internally, on their own management. This last point shows, however, that CSR is still a new practice and that some companies in Australia need to expand their employees' knowledge on the subject, hire CSR staff, and still manage internal constituents related to CSR such as having greener offices, promote diversity and fight discrimination in the workplace or simply understand the benefits of CSR initiatives and build internal support for it.

There is a general opinion that Australia is lagging behind in terms of CSR but Australian companies are embracing the concept and are slowly but surely adapting to it. As Dr. Leoora Black, ACCSR's managing director reminds, « the issue lies with the nature of the CSR function itself: probably the most cross-functional, cross-silo business discipline to emerge so far in the history of management. It requires a profound level of cross-business functionality and integration to be effective[135] ».

In order to be fully implemented, CSR needs different departments to work together such as marketing, finance, sustainability, leadership team, legal, etc. as well as including external stakeholders in the process (i.e. suppliers) and this can lead to some technical difficulties. In brief, every one in the organisation has to be on board the CSR journey. However, the fact that respondents to the ACCSR 2014 report on the state of Australia said they would shift their CSR focus internally is a good thing as it will provide

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[133] BBC News, "Do Firms Really Need a Social Policy ?", http://news.bbc.co.uk/2/hi/business/6102108.stm
[134] ACCSR, The State of CSR 2014, cit., p.10.
[135] CSR International "The State of CSR 2011", http://www.csrinternational.org/the-state-of-csr-in-australia-2011/

companies with a better CSR understanding that is still much needed in Australia, as well as solutions to achieve an effective CSR integration throughout the company's operations.

It looks like Australian company still need some time before CSR will be fully integrated into their strategy.

Chapter 3

3. FOOD INDUSTRY CHALLENGES AND CSR RELEVANCE

3.1 Supply Chain Problems

« CSR threats and opportunities are more and more shifting from the single-firm level to supply chains and networks. As a consequence, large retailers and food processors are increasingly confronted with additional responsibilities[136]». Many problems can arise from a food supply chain at all its stages, from the beginning of the chain with the farmers or towards its end with the retailers.

Before we analyse the problems that can be encountered in the food supply chain, we need to understand what a supply chain consists of.

The food supply chain is a term that describes the process of moving a product from the source to the consumer, this seems simple on the surface, but it is, in fact, one of the most complex set of activities that businesses have to work with, especially when dealing with a natural product that can deteriorate over time with an inability to "pause" the production on farm or in the field. With complexity comes major challenges and problems that can arise because the process has to work in harmony and any failure along the way could break this chain and create a number of issues.
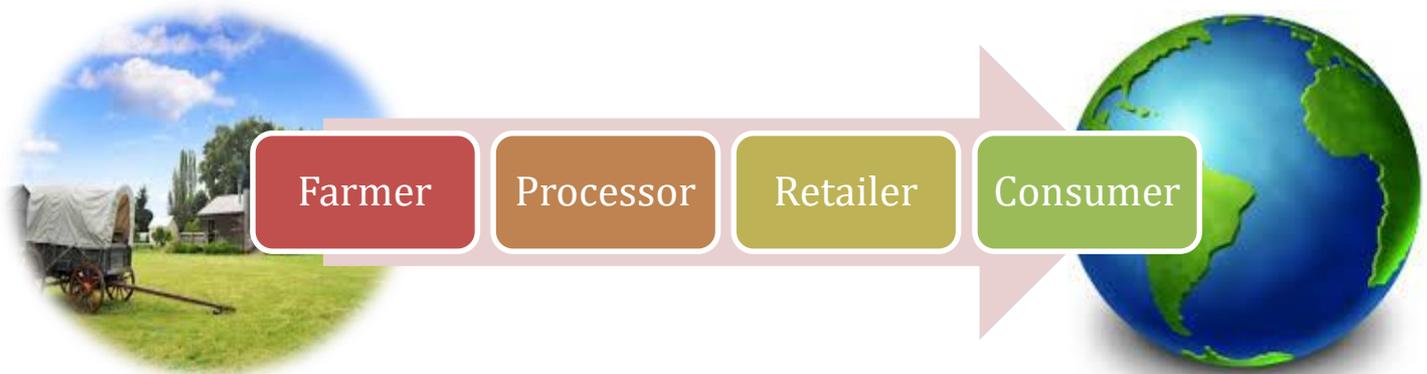
The food supply chain begins with product grown or produced on a farm, which involves using natural ecological resources such as water and soil to produce, this may also require the use of imported goods or services such as fertilizers, pesticides, foreign expertise or even seeds, and all of these has its own complex supply chain where things can also go wrong, making the modern supply chain a cross continental affair, introducing increasingly difficult challenges for businesses to manage.

After that point, the product can then be subject to further processing by one or more third parties before making it to the point of consumption. In recent times, the food supply chain has become very complex and tricky to manage, as consumers are now expecting their goods to be available to them all year round despite the fact that some agricultural

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[136] M.Hartmann, "Corporate Social Responsibility in the Food Sector", *EU Review of Agricultural Economics*, (2011) p.311.

products can be seasonally produced such as mangoes or watermelon, on top of that, and with the rise of social media and the changing socioeconomic dynamic of many emerging markets, consumers around the world have visibility and became familiar with products that had historically been unavailable to them; that created a demand for new products and a need for goods to move around the world; a perfect example of this is the rise of the middle class in China and the entry of western-style food items into the Chinese diet such as cheese, milk and cereal.

This new demand now requires an even more complex supply chain where goods are being moved around the world, from raw ingredients, to packaging materials, finished goods, etc..

Schematic food supply chain

It is impossible to name all the challenges that can face the food supply chain due to the complexity and the number of different parties involved. However, I will analyse the major challenges that the food sector is facing in its supply chain, focusing on the Australian environment and its particularities.

3.1.1 Retailers Power Abuse

A first issue that challenges the food supply chain is the power yielded by major retailers. « According to power dependence theory the more suppliers (for example, small food processors) depend on their customer (for example large retailers), the higher the power of the latter to control and influence the former. As a consequence of this power structure, suppliers will likely adjust to the requirements of the customer[137] ». Small food processors depend on large retailers, which can control and influence them; this power abuse is an important problem that arises in the supply chain and can lead to unfair practices. This matter is relevant in the Australian retail sector as it is generally considered as a duopoly where two main retailers, Coles and Woolworth, control between 55 and 80% of the market[138]. With so much power, these two retailers simply control the food grocery market, and as Bob Katter (MP) said « The Americans are screaming blue murder because Wal-Mart and their competitor have now reached about 23% market share. Here we have two supermarkets with a market share of over 80%, so if they decide to cut down the amount of money they are going to pay farmers and jack up the price to the consumers, they can, because there is no competition[139] ».

One of the practices of these Australian retailers that has had a major impact on farmers and processors is the introduction of privately owned brands which are products packed under the supermarket own brand name and are usually cheaper alternatives to branded product. The supermarkets pressure manufacturers to make these brands for them on a contract pack basis at very low prices, incentivising consumers to purchase these cheaper products and moving them away from purchasing branded alternatives, eroding the margins that manufacturers and distributors used to make. Consumers are seeing more and more products being introduced under these private labels with Milk and Bread being at the centre of the "price war" in the retail sector in Australia. In January 2011, Coles supermarket announced that it is reducing the price of milk to $1 a Litre[140], attracting shoppers to come shop at their outlets.

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[137] *Ivi,* p.312.

[138] The Greens, "Tackling Supermarket Duopoly", http://greens.org.au/tackling-supermarket-duopoly

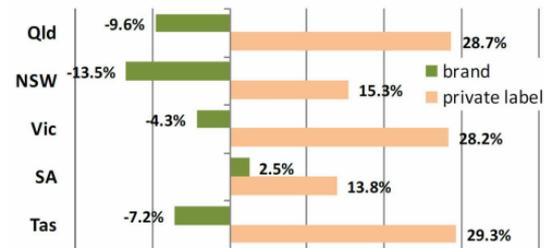[139] Bob Katter, "Laws smash supermarket giants' stranglehold on Aussie industries, communities",
http://www.bobkatter.com.au/media/letters/view/255/laws-smash-supermarket-giants-stranglehold-on-aussie-industries-communities/media-releases

[140] BRW, "'Milk wars' still meaning losses for dairy farmers, claims mid-market producer Longwarry Food",
http://www.brw.com.au/p/business/longwarry_wars_still_meaning_losses_mUD25QfK06r3hyhcGisgKN

Figure 4.6: March 2011 fresh white milk sales volumes (change from March 2010)

Figure 4.7: March 2011 fresh modified milk sales volumes (change from March 2010)

The early impact of milk discounting on brand share volume[141]

To put it into perspective, an average bottle of 2L branded milk at Coles or Woolworths used to sell for between \$2.80-3.20, Coles reduced the price to \$2, Woolworths quickly matched it, and the loss of margins was shared between the retailers and the processors. In this instance, processors had no say in this matter, they had to continue to supply the supermarkets with milk at the agreed price, and consumers (as per the above graphs) moved towards the cheaper milk. Supermarkets claim this had no effect on farmers, but in fact, as margins are reduced for processors, they are less likely to invest in equipment, incentivise farmers, or even contribute to their community. It is believed that even three years after this milk price reduction, « Australian dairy farmers are still producing milk "at loss" (…) after Coles and Woolworths introduced \$1 milk across the country[142] ».

These strategies had a significant impact on farmers, local manufacturers and suppliers, reducing their profit margin. On the grocery retail landscape in Australia, a number of corner shops couldn't compete and were forced to close down. This can have a disastrous effect on the Australian economy as local shops "employ approximately five million Australians[143] ».

The title of an article dated 12/01/2012 in the Sydney Morning Herald could not summarise better the impact on farmers: « Milk Wars leave sour taste in farmers mouths [144] ». While big processors such as Parmalat and Lion are under increased pressures because of a loss in branded sales as we saw above, farmers are suffering the

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[141] Dairy Australia, Dairy 2011: Situation & Outlook, 2011, p.32.
[142] BRW, "Milk Wars", cit.
[143] The Greens, "Tacking Supermarket Duopoly", cit.
[144] The Sydney Morning Herald, "Milk Wars leave sour taste in farmer's mouths", http://www.smh.com.au/business/milk-wars-leave-sour-taste-in-farmers-mouths-20120120-1q9st.html

most from these price cuts. As mentioned by the Australian Dairy Farmers president Chris Griffin: « The last time milk was valued at $1 was in 1992. No one can live on the same wage they did in 1992. Why should farmers have to [145] »? Australian farmers, as a consequence of this 1$ milk earn a reduced income and have therefore less money to invest in their machinery while they are struggling to pay for their feed, water, fuel and power bills which continue to go up with the natural increase in the CPI. The chief executive of the Food and Grocery Council, Kate Carnell warns that this « has caused real problems for Australian farmers and producers in terms of their profitability (…) A significant chunk of their business has moved from a 4¢ margin per litre to a 1¢ margin per litre. At 1¢ to 2¢ margins you can't run a business. You are not making a profit[146] ». This raises question for the future of many farmers in Australia and illustrates at his best how damageable the influence of power bargaining by big retailers can be in the food supply chain.

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[145] *Ibid*.
[146] *Ibid.*

3.1.2 Food Safety

A second worrying issue that happens throughout the supply chain is food safety incidents. This problem can arise from many levels of the supply chain: from the agricultural production, to manufacturing, transporting ending with the sale of the product. The WHO stated in a 2001 report on food safety strategy that « Global trends including changing practices in agriculture, increased urbanisation, changing food consumption patterns, (…) and the globalization of the food trade, seem to have contributed to the increased risk of foodborne disease[147] ». Indeed, there are numerous examples of cases of foodborne diseases that happened in Australia such as listeria or salmonella outbreaks, which cause concern to businesses and the public.

A good example to illustrate this danger of uncontrollable supply chain in the food sector is last year's mixed frozen berries issue. In 2015, Hepatitis A virus was detected in a batch of mixed frozen berries in Australia, which triggered a chain reaction within the industry. Upon investigating the issue, it was identified that the supply chain of the ingredients was very complex, the berries were grown in South/North America, they then went to China for further processing, then to Australia to be sold as retail products, this complicated the investigation because the source of the contamination may have originated in four different continents. « There is very strong evidence that consumption of Nanna's 1kg fresh frozen mixed berries led to an increased risk of developing hepatitis A infection in this outbreak[148]» a department statement to the ABC news network said. This scandal made headlines in the media due to the severity and the consequences of this contamination as hepatitis may lead to liver failure and potentially have devastating effects on the patient. In the heat of the moment and with all the media attention on this issue, consumers bought into the scare campaign and started looking for Fresh Australian berries instead of imported/frozen products, retailers quickly pulled imported berries off shelves and replaced them with Australian grown berries, clearly labelling them as such, and this ultimately pushed the prices up without necessarily passing profits further down the supply chain.

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[147] WHO, "Food Safety Strategic Planning Meeting", *Food Safety Programme*, (2001) p.1.
[148] ABC Rural, "Further tests of frozen berries negative for Hepatitis A, though Health Department says 'very strong evidence' Nanna's brand was the cause", http://www.abc.net.au/news/2015-04-16/patties-testing-clears-berries-of-hepatitis-a/6396330

Looking further into the complexity of the supply chain, the Australian Government department of health issued the below on their website dated the 12th of March 2015:

- « Nanna's Mixed Berries (frozen) 1kg pack, with a best before date up to and including 22/11/16 have been recalled. The product is packed in China, containing raspberries, strawberries and blackberries grown there. The blueberries in the product were initially thought to have come from Chile, however, Health is now advised that they were sourced from Canada.

Additionally the following products have been recalled as a precaution:

- Nanna's Raspberries (frozen) 1kg pack, with a best before date up to and including 15/09/16.

- Creative Gourmet's Mixed Berries (frozen) 300g pack, with a best before date up to and including 10/12/17.

- Creative Gourmet's Mixed Berries (frozen) 500g pack, with a best before date up to and including 06/10/17[149] ».

The fact that it couldn't be determined straight away where the Blueberries had come from, and the additional batches that were recalled as a precaution have a use by date earlier than and after the affected batch, raises serious questions around the ability of the company to clearly identify and trace back their incoming product in an uncontrollable and globalised supply chain. This particular incident reminded Australian consumers of the issues around food safety in Asia and the inability to properly control the supply chain of imported product, this made people not only look for Australian Berries, but for other products as well such as seafood and fresh produce.

Businesses try to keep their cost of ingredients low by shifting their production to developing countries (China in this example), increasing the chances of being confronted by food safety issues. This cooperation between Australian and Chinese businesses regarding the production and procession of Australian food raises concern not only for food safety, as China has suffered from major incidents in the matter such as the 2008 melamine milk scandal, but also for poor working conditions that are well-known in some of the Asian countries. Also, cheaper goods sourced from developing countries have

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[149] Australian Government, Department of Health, "Factsheet for Patients and Consumers, Hepatitis A and frozen berries products recall", http://www.health.gov.au/internet/main/publishing.nsf/content/ohp-hep-a-fact-sheet-consumers-frozen-berry.htm

relatively low cost of production, which keep the business profitable in a competitive market, on the environmental level; it has a much larger carbon footprint due to the complexity of logistics.

However, there are solutions adopted by governments and businesses to ensure a proper health and safety of the food chain. There are five food standards implemented by the Australian government, and two of these are mandatory for all Australian businesses, namely the Food Safety Practices and General Requirements and the Food Premises and Equipment Standard[150]. The danger is that « the management of international supply networks poses particulars problems since suppliers in different countries are subject to different regulatory regimes, which may or may not be enforced[151]». Even if Australia has tough legislation in health and safety, it is not immune to other countries' regulation, probably less strict (in this case China), which can be a cause of food safety issue

Not only is food safety under control by governmental legislation that businesses have to follow, but CSR can be a safeguard in such issues. An understanding of the whole supply chain by the business is important in order to minimise the risk of foodborne disease and maximise the safety of the products. A good risk management tool used by Australian food manufacturers is internationally recognised Hazard Analysis Critical Control Point (HACCP)[152], which requires risks to be assessed and proper controls put in place to ensure product is made in a safe manner and does not pose any health or safety risks to the general public.

Businesses can also reach optimal standard by providing education and training to members of the supply chain (i.e. employees and farmers) on the subject. Examples include training farmers on food safety such as for the sterilisation of milk that they might not be familiar with, or training employees in such topics as food and personal hygiene or food handling practices (i.e. food storage).

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[150] Food Standards Australia New Zealand, "Food safety standards Australia only",
http://www.foodstandards.gov.au/industry/safetystandards/pages/default.aspx
[151] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.364.
[152] Australian Institute of Food Safety, "The Seven Principles of HACCP", https://www.foodsafety.com.au/2013/02/the-seven-principles-of-haccp/

3.1.3 Social Issues

Whereas international supply networks lead to difficulties in ensuring the safety of the product as we saw above, this implies another significant problem; social issues. These are numerous and range from child labour, workers' exploitation, forced labour, displacement of population, poor working condition, people trafficking, discrimination, etc. The recent 7/Eleven retail chain scandal in Australia that we mentioned in the previous chapter shows that social issues and human rights violation are not only present in Asian or African countries, but in a developed western economy such as Australia. According to the AHRC, ACCSR, GCNA latest report on Human rights in the supply chain, in Australia, « business focus their human rights efforts where they have direct operational control. Consequently, they place high importance on traditional workplace issues such health and safety, non-discrimination, and diversity and inclusion[153]».

Workplace safety in Australia is a hot topic; there are national and local safety legislations to protect workers such as Safe Work Australia as well as penalties imposed on businesses and individuals who fail to provide a safe workplace for their employees. Safe Work Australia[154] was established by the Safe Work Australia Act of 2008. It has developed a national policy in Occupational Health and Safety (OH&S) as well as some code of practice in the matter with an effective performance measurement of the OH&S in businesses.

All employees have, under the Safe Work Act, to participate in safety programs. Some employers might take shortcuts due to the high cost of implementing a proper safety program, forcing workers to operate under poor safety conditions. Inspectors can come in unannounced to a workplace and conduct an inspection, this could be a result of a complaint or a tip off by the public or a particular worker. The main issue for the industry here is the cost of their annual insurance cover but the less injuries they report, the higher the premium will be, so there is a financial incentive for businesses to reduce the occurrence of injuries. A proper safety record is seen as a positive attribute of the business as it shows how serious it is about protecting its workers and meeting its obligation to provide safe working conditions; some businesses even display some safety statistics for the public to see, while Safe Work Australia publishes reports available to the public on

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[153] AHRC, ACCSR, GCNA, "Human Rights in Supply Chains", cit., p.3.
[154] Safe Work Australia, "About Safe Work Australia", http://www.safeworkaustralia.gov.au/sites/swa/about/pages/about

its website. It goes without saying that while implementing these programs might be costly, Safe Work Australia reminds that « A workplace that is not healthy and safe may have to face insurance claims, medical bills, higher insurance premiums, replacement labour costs and lost productive time[155] ».

Although it appears as if Australia does not have any Human Rights violations, it does, in fact, have some hidden issues. These range from poor pay to poor working conditions, long hours, and sometimes even unsafe working environment especially in Agribusiness. There are workers who suffer from human rights abuse; Australia has a "Working Holiday Visa" program where young people from around the world can apply to stay in Australia for twelve months and work to earn a living. Unfortunately, a lot of these applicants do not have the required skill to work in business so they end up finding jobs in hospitality and a lot of them end up working on farms as fruit and vegetable pickers. The same applies to foreign students where they are willing to do any job for some cash. Employers may exploit these young people and offer them low cash payments and poor working conditions. An ABC article on the Four Corners TV program that uncovered human rights abuse in Australia, reported that « Migrant workers from Asia and Europe are being routinely abused, harassed and assaulted at work. (…) Women are also being targeted sexually, with women being propositioned for sex and asked to perform sexual favours in exchange for visas[156]". This shows that even in a developed country like Australia, there are examples of human rights abuse and exploitation.

 Il Corriere della Sera exposed as well this exploitation issues as it has an effect on many young Italians travelling to their 'dream destination' and ending up being threatened about visa renewal and being exploited on a daily basis, picking fruit and vegetable for long hours. The Italian chair of the Italians Abroad committee in Brisbane, Mariangela Stagnitti, stated that last year she has « collected 250 reports from young Italians on the conditions they faced on Australian farms. Some were awful[157] ».

Unfortunately, a number of these employers are independent farmers who have no association to big business so they are unlikely to have a CSR program in place. This

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[155] Commonwealth of Australia, *Organizing Health and Safety Training for your Workplace,* Australian Government Publishing Service, Canberra,1996.
[156] ABC NEWS, "Labour exploitation, slave-like conditions found on farms supplying biggest supermarkets", http://www.abc.net.au/news/2015-05-04/supermarkets-food-outlets-exploit-black-market-migrant-workers/6441496
[157] Corriere della Sera, "Young Italians exploited in Australia", http://www.corriere.it/english/15_maggio_06/young-italians-exploited-australia-2d3f6f46-f3d6-11e4-8aa5-4ce77690d798.shtml?refresh_ce-cp

places the responsibility onto grocery retailers, needing to make sure they source product from suppliers that demonstrate they are meeting their obligation to protecting human rights.

Woolworths have a "sustainability strategy" where they talk about human rights expectations from their suppliers: « We have a responsibility to ensure that the items on our store shelves are produced in a manner that respects and upholds the human rights of workers, and that the environmental impacts of production are managed in line with relevant Australian and international standards [158] ». This may be included in their sustainability document, but enforcing the expectation might be difficult, as proven by the Four Corners report, which directly linked Woolworths and Coles to the human rights abuse, accusing them of sourcing product from those who have been abusing the human rights of their workers.

This gets even more difficult with overseas suppliers. The major supermarkets have been impacted by an ABC report[159] that accused a Thai prawns supplier of using child and slave labour. The report mentions that: « Australian supermarket chain Coles issued a statement that said that they sourced some frozen prawns from Thai Union via an Australian agent[160] ». This suggests they don't have full control over their supply chain, which demonstrates how difficult it is to enforce the respect of human rights in the food supply chain.

Businesses, in order to avoid any human rights violations, follow mostly international standards such as the UN Universal Declaration of Human Rights or the ILO Declaration on Fundamental Principles and Rights at Work, and in Australia, there are strict rules that govern the use of labour such as the Safe Work act that we mentioned above. It has been noticed that « food companies increasingly use standards and codes to promote environmentally and socially responsible practices not only internally but throughout their supply chains[161] », as a result of poor legislation in the matter in some developing countries. A widely implemented standard in the matter is the ISO 26000, which helps the company to achieve a good social responsibility standard by providing guidance and

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[158] Woolworths Limited, Doing the Right Thing; Sustainability Strategy, 2007-2015,
http://www.woolworthslimited.com.au/icms_docs/130514_Doing_the_Right_Thing.pdf

[160]ABC, "Australian Supermarket Implicated in Slave Labour Accusations Against Giant Seafood Company",
http://www.abc.net.au/news/2015-12-15/major-australian-supermarkets-implicated-in-child-labour/7031350
[161] M.Hartmann, Corporate Social Responsibility in the Food Sector, cit., p. 311.

explanation of issues that may arise in the supply chain in addition with how to integrate at best social responsibility in business activities. ISO 26000 begins with the risks linked to human rights and how to avoid them, then it addresses a set issues regarding human rights such as discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights, as well as rights at work and labour practices.

The problem is that « adopting formal CSR measures such as environmental and social management systems certification or providing formal and third party audited CSR reports requires time, money and expertise and thus resources[162] ». The price of this ISO 26000 standard varies on a national level but in Australia it would cost around $126[163]. There are more than fifty ISO standards available for companies on a wide list of subjects so if a company was to buy all of them it will for sure cost a significant amount of money, if we add other certification systems or experts involvement.

A good solution to gain expertise on social issues is Ethical Trade. « Ethical trade (…) aims to ensure that conditions within mainstream value chains meet basic minimum standards, thus eradicating the most exploitative forms of labour[164]». Ethical trade is not a certification but it can be useful to businesses as it gives them access to expertise and training in the matter as well as useful strategies in order to achieve a good social standard in complex supply chains. The Ethical Trade Organisation states on its website that: « Public campaigns and consumer pressure can play an important role in raising awareness about issues and driving changes in business behaviour. Consumers hold a great deal of power; they can communicate directly to the brands they buy from, telling them what they expect. They can also call for brands to fully engage in ethical trade and communicate their efforts and progress to customers[165] ». Ethical consumerism is a growing phenomenon that is creating a demand for ethical products, which companies have to take into account. This consumer power in food purchasing leads us to another challenge that the food sector is facing: the societal concern.

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[162] *Ivi,* p. 313.
[163] BSI. Shop, "BS ISO 26000 2010" http://shop.bsigroup.com/en/ProductDetail/?pid=000000000030140726
[164] IBLF, Food for Thought, Corporate Social Responsibility for food and beverage manufacturers, *Commdev* (2002), p.8, http://commdev.org/files/1329_file_Food_for_Thought.pdf
[165] Ethical Trading Initiative, "Faqs", http://www.ethicaltrade.org/faqs

3.2 Societal Concerns; A Challenge for Food Companies

« As food covers basic human needs people have strong views on what they eat. This leads to a complex set of requirements for the food sector regarding the production of the raw materials (animal welfare), the environmental (e.g. energy and water use; waste) and social (labour conditions) conditions along the whole value chain[166]».

They do say: 'you are what you eat' and responsible consumers are becoming more present. According to a recent study by Nielsen, « Fifty-five percent of global online consumers across 60 countries say they are willing to pay more for products and services provided by companies that are committed to positive social and environmental impact (…) The propensity to buy socially responsible brands is strongest in Asia-Pacific (64%)[167]». Australians consumers are willing to spend more money on responsible products than Europeans by (40%) according to this survey. We are in an increasingly self-aware society about food implications, probably because the mainstream media and NGO's keep exposing inadequate working conditions, animal mistreatment, waste dumping scandals, etc., which renders the public more informed and not wanting to support any 'cruel system'.

The Age, in the article we saw above about forced labour, asks a pertinent questions to consumers; « How do you feel about eating food directly supplied by someone who has been underpaid, deceived and subjected to abuse[168] »? Some consumers obviously feel strongly about certain issues but each industrial sector is faced with different concerns worrying its consumers. « The food sector is linked to several societal concerns. Some of those are sector specific – e.g. animal welfare – while others with relevance in other areas of the economy also have a specific bearing for the food sector – for example labour rights[169]». The Nielsen survey found that « fifty-two percent of global respondents say (…) they check the labelling first before buying to ensure the brand is committed to positive social and environmental impact[170]». There is definitely a 'selection' of issues that consumers are more passionate about and these seem, for the food sector, to be revolving around social and environmental preoccupations with the addition of animal

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[166] M.Hartmann, Corporate Social Responsibility in the Food Sector, cit., p.298.
[167] Nielsen, "Global Consumer are willing to put their money where their heart is when it comes to goods and services from companies committed to social responsibility", http://www.nielsen.com/us/en/press-room/2014/global-consumers-are-willing-to-put-their-money-where-their-heart-is.html
[168] The Age, "Companies must ensure suppliers don't use forced labour", cit.
[169] M.Hartmann, Corporate Social Responsibility in the Food Sector, cit., p.310.
[170] Nielsen, "Global Consumers", cit.

welfare and the origin of the raw materials.

Sometimes, consumers' pressure might have consequences for businesses as they may have to modify their production processes, switch products or change strategy. A good example of this is the pressure from Australian consumers and NGOs to put an end to battery-hen egg production in Australia. Caged eggs are usually associated with hens not being able to move as they are locked up in large number in cages (battery cages), with artificial lights for most hours of the day so they lay more eggs.

Animal Australia, an animal welfare group, started a campaign in 2012 to ban cage eggs production in Australia. This campaign was strongly supported by consumers who boycotted caged eggs, having a significant effect on the industry.

Australia's big retailers switched or started to switch from caged to free range eggs; Coles removed all caged eggs from its store in 2013 while Woolworth stated they would follow this lead by 2018. According to Coles Head of Responsible Sourcing and Quality, Jackie Healing ; « Animal welfare issues continue to be one of the major concerns customers raise with us – they want to know that animals have been properly treated[171] ».

Another interesting consequence of the Animal Australia campaign is how they managed to make McDonald's Australia shift to free range eggs. It is believed that McDonald's uses around 91 million eggs every year[172] so the NGO tried for years to persuade the fast food Giant to switch to free range eggs. As the NGO could not manage to reach the decision makers on this issue, after a few years, they decided to go public and expose the issue to Australian consumers. An uncontrollable reaction followed. Australians started writing numerous posts on McDonald's Facebook page and this lasted for nearly three consecutive months! It became so viral at a point that « the most common theme on the McDonald's Facebook wall has been concern for hens and encouragement for the fast food giant to free them from cages[173] ». The NGO then aired an advertisement funded by consumers, which was broadcasted for two weeks and touched many Australians.

[171] Australia Food News, "ALDI switches to 'sustainable' fish while Coles dumps cage eggs", http://ausfoodnews.com.au/2013/03/25/aldi-switches-to-'sustainable'-fish-while-coles-dumps-cage-eggs-2.html
[172] Animal Australia, "Victory, McDonald's agrees to dump caged eggs", http://www.animalsaustralia.org/features/mcdonalds-to-dump-cage-eggs.php
[173] *Ibid.*

Eventually, in light of this growing NGO and public pressure, McDonald's announced that it would stop using caged eggs by 2017.

Finally, this major NGO and public concern over caged eggs has had another serious consequence, on eggs producers. We saw above that both main Australian supermarkets decided to sell free-range eggs in their store. While this decision was, of course, acclaimed by animal defendants and consumers, the Australian Egg Corporation chief executive, James Kellaway, said that it was made without involving or considering the suppliers or thinking of how they would manage the demand. And that « It's very hard to do that when retailers make short-term decisions for what might be a long-term outcome and unfortunately we can't supply if we haven't got that investment in place[174]».

Last year's, « free-range eggs made up about 40 per cent of the retail market and the category is growing by nearly 20 per cent a year[175] » but knowing that Australians consume around 13 million eggs daily, it does not look feasible to switch all caged eggs facilities to free range as this system of production would not be able to keep up with an increasing demand; especially if we consider that Woolworth will be selling free range eggs by 2018 increasing that demand even more. According to the New South Wales government 2015 poultry egg industry overview, « In addition to cage-laid eggs, consumers are increasingly willing to pay a premium price for other products. These include barn-laid eggs, free-range eggs, and smaller niche products such as organic eggs and omega-3 eggs. While price remains the key influence (with caged eggs the cheapest), barn-laid and, in particular, free-range eggs have grown their share of the market in response to consumer perceptions and attitudes towards animal welfare[176]».

Consumers are willing to pay more for free range eggs, and this increasing demand has had an effect on the eggs supply chain that needed to adapt to this demand by transferring their production to a free-range system where production is focused on meeting consumers demand and less on cost management. We saw in this example of free-range eggs, societal concern (in this case, for animal welfare) at his best and the weight it had on the industry players. We can also note that there are still TV commercials, radio and newspaper ads promoting free-range eggs and asking the public to move away from

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[174] ABC, "Free-range egg producers call for national standards, definition to give booming industry certainty",
http://www.abc.net.au/news/2015-04-18/call-for-national-standards-in-booming-free-range-egg-industry/6401694
[175] *Ibid.*
[176] NSW Government, NSW Poultry Egg Industry Overview 2015, NSW Department of Primary Industries, Yass, 2015,
http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0010/578422/poultry-egg-industry-overview-2015.pdf

purchasing caged eggs. The fact that the category is growing means that more and more Australian farmers are expanding or adopting free-range production, which is making more consumers (and hens) happy!

There are two types of strategy that consumers can adopt in order to modify corporate behaviour they are opposed to: the positive and negative strategy.

« Positive strategies are concerned with the growth of green markets and socially responsible consumption and this is reflected in the development of the 'organic market' and social labels such as Fair Trade which provides a commitment to decent working conditions and a fair price (…) negative strategies are concerned with the withdrawal of consumers support for particular products[177] ».

According to the 2014 Australian organic market report[178], the Australian organic industry, in that year, was worth 1.72 billion dollars with an average annual growth rate of 15% since 2009.

	2009	2010	2011	2012	2013	2014
Value $M	845	1042	1156	1276	1467	1728
CAGR %		23	11	11	15	18

Fig.4: Value of Australian organic industry[179]

The report found that Australian consumers' most purchased organic goods are fruits and vegetables, followed by non-alcoholic beverage (especially coffee), dairy products (the fasted-growing organic category in 2014), bakery and eggs. Nearly half of the consumers interviewed said the most common reasons for them to purchase organic was to be healthy, while « thirty-two per cent first bought organic for environmental reasons, (and) twenty-five per cent because of animal welfare[180] ».

This organic market share in Australia reflects consumers' preferences for cruelty free products (i.e. free range), as well as biodiversity friendly (i.e. no GMO's, hormones or antibiotics) and overall socially responsible goods produced in a sustainable way.

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[177] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.368.
[178] Australian Organic Ltd, Market Report 2014. Published online: http://austorganic.com/wp-content/uploads/2014/11/AO_Report_2014_web.pdf
[179] *Ivi*, p.2.
[180] *Ivi*, p.38.

The purchase trend is expecting to rise as the households' major grocery purchasers (and not just 'green' shoppers) are buying organic products: « In 2014, 69% of primary food shoppers claim to have bought at least one organic product in the past 12 months[181]».

While these numbers are promising for the Australian organic industry, North America and Europe are far ahead with an industry value of 44 and 35 billion dollars respectively which shows that organic is a worldwide phenomenon.

This organic purchase trend from consumers has definitely been acknowledged by big food businesses operating in Australia as they try to offer, in addition to their 'traditional' branded product, an organic alternative. Examples of this include the Lactalis group, with Parmalat Australia selling many variants of organic milk (i.e. Paul's Pure Organic) and introducing more organic products, Lemnos Foods introduced organic cheese to its range (i.e. Haloumi, Fetta or Ricotta Organic), as well as Capilano Australia, a major honey company, which has a range of organic honey. This demand for organic Australian food is also growing in Asia, with Australian organic exports becoming increasingly in demand, putting extra pressure on the industry to meet this demand.

« Consumers use negative strategies to express concern over socially or environmentally irresponsible practices by choosing not to purchase particular brands or products or through participation in consumers' boycotts[182]». This strategy is often backed up by NGOs, another important stakeholder able to influence corporate behaviour. Negative strategies from consumers and NGOs can have a big impact on the food company as we saw above in the free-range eggs category. These NGO's have « seen CSR as an opportunity to draw business into their causes, be it human rights (Amnesty International), famine and poverty relief (Oxfam), or the environment (the World Wild Fund for Nature)[183] ».

NGOs do not hesitate to publicize irresponsible corporate behaviour on their website in order to call for a general boycott of a product, influence consumers for signing petition, stop purchasing a brand or just to inform them of the 'truth' behind their every-day products purchase. For instance, Greenpeace Australia has launched a campaign in 2012 to change John West's (Simplot Australia) fishing practices, seen as destructive. « In

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[181] *Ivi*, p.40.

[182] A. Craine, A.McWilliams, D.Matten, J.Moon, D.Siegel, *The Oxford Handbook of Corporate Social Responsibility*, cit., p.368.

[183] J. Moon, *Corporate Social Responsibility: A Very Short Introduction*, New York, Oxford University Press, 2014, p.18.

December 2012, Australia's largest tuna company (John West) caved to consumer pressure and changed their tuna[184]». Twenty thousand of Australians consumers took part in this campaign to change the company fishing methods as it used to use FADs (Fish Aggregating Device), which are detrimental for fisheries. This impressive number highlights consumers' awareness on the importance of sustainable seafood in a critical time for the fish stock and their willingness to 'make things right'. Greenpeace has brought fisheries issues in the spotlights and is offering, for instance, a Tuna ranking guide to help consumers choose the most sustainable product. Other NGOs are also raising public awareness on the issue with WWF and its SOS (Save Our Seafood) campaign. According to the Marine Stewardship Council (MSC) demand for sustainable Seafood is increasing globally and « nine consumers out of ten believe ocean sustainability is important[185]». Consumers are more aware of the threat the fish stock is under, which provides them with an incentive to demand sustainable fish products, which the companies have to adapt to.

NGOs' exposure is a risk for the company's reputation as it can go out of hand very quickly. For instance, John West UK made the same promise as Simplot Australia but failed to meet its promise of adopting sustainable fishing practices by 2015, which resulted in Greenpeace calling for a boycott of this English company.

When stakeholders start pressuring a company for a behavioural change, it means that they have found a vulnerability (usually on the social or environmental level) in the business 'strategy. « (Social) risk arises when a vulnerability exists within an organization's operating system in the absence of effective controls and countermeasures [186] ». These social and environmental malpractices arise from an ineffective management of the supply chain, or when a company does not respond to societal expectations. A good CSR implementation can tackle these issues by using CSR as a risk management tool.

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[184] Greenpeace, "Yes we can, How Australian got John West to change its Tuna", http://www.greenpeace.org/australia/en/news/oceans/Yes-we-can-John-West-commits-to-ending-destructive-fishing-practices/
[185] MCS, "New research shows increasing appetite for sustainable seafood", https://www.msc.org/newsroom/news/new-research-shows-increasing-appetite-for-sustainable-seafood
[186] B. Kytle, J. Gerard Ruggie. "Corporate Social Responsibility as Risk Management: A Model for Multinationals." Corporate Social Responsibility Initiative Working Paper No. 10. Cambridge, MA: John F. Kennedy School of Government, Harvard University, p.5.

A risk management program needs to include basic steps, these can differ from one system to another depending on the type of the operation, but we can list the basic steps as follows:

1. Identify the activities/procedures/processes that are involved in the operation.

This is simply a step-by-step list of processes and procedures that are followed by the organisation. It normally starts from the receive of raw materials, going through processing, ending with delivering the finished product to its target consumer

2. Identify the risks associated with each of these steps

Traditionally, risk management procedures in the food industry focused mainly on economic risks (i.e. maintain profits) and on identifying food safety risks; these were categorised into biological (e.g. bacterial contamination), chemical (e.g. cleaning chemicals in the finished product) and physical (e.g. screws or glass contamination of the finished product). This evolved into including legal risks such as making product that's non-compliant to standards (e.g. weights are lower than claimed) and in a modern system, these should include CSR risks associated with conducting the business operation.

CSR risks can be many, but the obvious ones are environmental and societal. For example, an environmental risk could be having a mechanical failure in a piece of machinery, resulting in spilling oil or fuel that could potentially contaminate the environment.

Societal risks can arise from any form of failure within the operation. We discussed the frozen berries contamination and the McDonalds caged eggs issue, both were heavily publicised through traditional media and on the internet. Both businesses probably didn't see the risk of this exposure coming and may have underestimated the severity of the consequences, if they did, they may have put different controls in place to manage their suppliers or ingredients. These societal issues can be detrimental to the business as they can result in loss of sales and devaluation of the brand name. It could take years to recover from a scandal that made it into the public domain.

3. Give a risk score to each of these activities using a simple risk matrix

The most commonly used risk matrix is a 2-dimensional tool that takes into account the occurrence and the severity of the consequences. Both dimensions can have a scale from 1 to 5 (where 1 is the lowest risk and 5 is the highest).

The X-Axis represents the severity where a negligible consequence could be, for example, a small scale spill of sugar on the floor of the factory, and a catastrophic consequence could be a leak in the refrigeration system, releasing Ammonia into the environment which can cause death to those who inhale high doses of it.

The Y-Axis represents the occurrence or the frequency of the event, for example, there could be a valve at a juice factory that fails every week, resulting in spilling of concentrated juice down the storm-water drainage system, making its way into a river or into the sea; this can be classified as highly likely.

Severity / Likelihood	1 Negligible	2 Minor	3 Significant	4 Major	5 Catastrophic
1- Highly Unlikely	1	2	3	4	5
2- Possible	2	4	6	8	10
3- Probable	3	6	9	12	15
4- Likely	4	8	12	16	20
5- Highly Likely	5	10	15	20	25

Fig.5A: A simple 2-dimensional Risk Matrix

Once the likelihood and the severity have been identified, a score can then be determined, and it is up to the organisation to decide on what is considered "Low" and what is "Extreme" risk.

Risk Category	Score
Low	≥ 1 & ≤ 3
Medium	≥ 4 & ≤ 6
High	≥ 7 & ≤ 14
Extreme	≥ 15 & ≤ 25

Fig.5B: Risk score table

For example, if the mechanical failure of the refrigeration system happens every six month, and we know the consequences could be deadly, we can choose a likelihood of

Probable and a severity of Extreme, giving it a score of 15, putting it in the Extreme risk category.

4. Apply procedures to control these risks and lower the business exposure

Once the risks had been categorised, the organization has to then apply adequate controls to manage the risk. If the risk is extreme, then there has to be controls in place. In the previous example, the refrigeration system could be enclosed in a building, with sensors to detect any leaks, triggering alarms and shutting off the system to prevent further leaks. This didn't stop the system from failing, but it did control the risk and stopped the leak from contaminating the environment. It also controlled the ethical and societal fallout by preventing a scenario where people could get hurt.

In summary, it is becoming increasingly important for businesses to incorporate CSR risks into their business risk management system. «The linkage of CSR to core business processes can improve a company's overall approach to risk management by improving strategic intelligence and knowledge of social issues/groups. This allows a company to not only design better risk management for current issues but also help anticipate those coming down the pike[187]». A good risk management strategy is indispensable as businesses are facing new risks and challenges due to their globalized supply chain and the current environment. Moreover, the modern day consequences of failing to meet the obligation could result in important losses for business enterprises.

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[187] *Ivi,* p.15.

3.3 Environmental Impact of Food Production

One of the major challenges the food industry is facing is the degradation of the ecosystem. « There is likely no other sector that is as highly dependent on natural resources as the food sector while at the same time having considerable and diverse impacts on the environment[188]».

In the year 2000, UN Secretary General at the time, Kofi Annan, initiated an assessment called the "UN Millennium Ecosystem Assessment". The goal was to « assess the consequences of ecosystem change for human well-being and the scientific basis for action needed to enhance the conservation and sustainable use of those systems and their contribution to human well-being[189]».

The findings of the report suggest that in the last 50 years, "humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history[190]". This is not a sustainable trend as we are risking non-reversible effects, which will have major implication for businesses.

If we look at the food sector in Australia and what impact it is having on the ecosystem, we need to start by understanding its contribution to resource use and greenhouse gas emissions. It is hard to understand the overall impact of the food industry as most data focus on the agriculture, but that will give us a small idea of the repercussions the food industry has on the environment.

The Agriculture industry in Australia accounts for[191]:

- 4% of total energy consumption
- 20% of total Greenhouse Gas (GHG) emission - 2nd largest GHG contributor
- 55% of total water use - largest water consumption of any industry

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[188] M.Hartmann, Corporate Social Responsibility in the Food Sector, cit., p. 310.
[189] Millennium Ecosystem Assessment, "Overview of the Millennium Ecosystem Assessment",
http://www.millenniumassessment.org/en/About.html
[190] Millennium Ecosystem Assessment (MA), *Ecosystems and Human Well-Being,* cit., p.6.
[191]The Australian Bureau of Statistics, Information Paper, Towards the Australian Environmental- Economic Accounts, 2013,
http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4655.0.55.002Main%20Features12013?opendocument&tabname=Summary&prodno=4655.0.55.002&issue=2013&num=&view

The fact that this industry is water thirsty and contributes to a large portion of GHG emissions suggests that there is a strong moral argument that it needs to become more efficient.
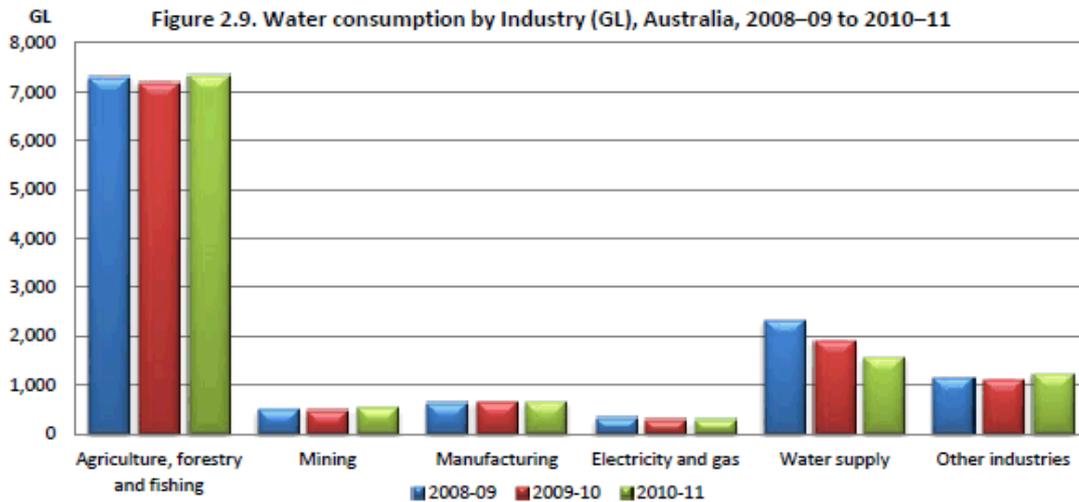

Fig.6 : Water consumption by industry in Australia (2008-09 to 2010-11)[192].

There is a challenge facing our civilization regarding our capacity to produce enough food, to feed the increasing number of people living on the planet. There are over seven billion human beings living on this planet, which is putting a lot of pressure on natural resources. As the demand for food keeps growing (« projected to increase by 70–80% in 50 years[193] »), businesses will have to find a way to have less impact on the environment in order to be able to keep supplying goods in an effective and non-destructive way while still achieving economic success.

The Millennium Ecosystem Assessment states that: « if current trend continue, ecosystem services that are freely available today will cease to be available or become more costly in the near future[194] ».

Already now, businesses are being affected by the degradation of the ecosystem, for example the fishing industry. While demand for fish keeps growing, the state of the fisheries is alarming. There has been a clear overexploitation of the oceans. «Widespread collapses, overfishing of top predators, and declining catches are all symptoms of seriously disrupted ocean ecosystems. Such systems are not able to provide the full range

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[192] *Ibid.*
[193] Millennium Ecosystem Assessment (MA), *Ecosystems and Human Well-Being,* cit., p.4.
[194] *Ivi*, p.2.

of services they did in the past, including the provision of food[195] ».

Under light of these challenges, more and more businesses and stakeholders are shifting their strategy to sustainable agriculture and CSR, seen as the 'solution' to diminishing resources and to feed the world's growing population. CSR is concerned with the environmental impact of businesses and the term is even sometimes confused with sustainability; we remind here, however, that the environmental responsibilities, is just one of the responsibilities CSR is concerned with.

 « Sustainable agriculture integrates three main goals – environmental health, economic profitability, and social and economic equity[196]». Sustainable agriculture encourage sustainable farming practices, which, in two words, preserve the environment we live in, are socially and ethically responsible, and, at the same time, provide economic profitability for farmers, while making sure that future generations will not have to deal with problems we are creating now.

We saw above the high water use by the agriculture industry; there is an urgent need to decrease this excessive consumption by increasing the efficiency of water usage, especially knowing that « scarcity of water supply will affect all businesses either directly or indirectly, just as increases in the price of petroleum affect the state of the global economy[197]».

Dr. John Kirkegaard, a farming systems agronomist at CSIRO (Commonwealth Scientific and Industrial Research Organisation) in Australia, believes that sustainable farming is the next revolution in agriculture. In an interview with ABC[198], Kirkegaard explains some sustainable techniques used by Australian farmers regarding water use efficiency (WUE). He says that some of these techniques are actually really simple. For instance, he explains that there is water stored in the soil and if the soil is kept in a good way by farmers (i.e. not an over excessive agriculture), it will 'catch' the water when it rains, which farmers will be able to store and use more efficiently. This water saving technique is used in Australia and « between 1982 and 2012 more than half of Australia's wheat-growing

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[195] *Ivi*, p.14.
[196] UC Davis Agricultural Sustainability Institute, "What is sustainable agriculture ?", http://asi.ucdavis.edu/programs/sarep/about/what-is-sustainable-agriculture
[197] Millennium Ecosystem Assessment (MA), *Ecosystems and Human Well-Being,* cit., p.10.
[198] ABC, "Sustainable farming will be the next 'revolution' in agriculture", http://www.abc.net.au/news/2015-05-29/state-of-tomorrow-sustainable-farming/6504842

regions have improved their WUE by at least 50 per cent[199]».

An example of a food company operating in Australia that is following a strategy of sustainable food production is Continental, a side dishes and soup manufacturer. One of their goal under their 'Sustainable Living Plan' is to « ensure that ALL of our vegetables, meat, herbs and spices come from sustainable sources by 2020[200] ».

However, sustainable agriculture is still a new practice. There are other strategies to respond to the 'food challenge' that do not include anything 'sustainable' like the above. One of these is the use of Genetically Modified Seeds.

In an increasingly competitive market, some farmers are turning towards Genetically Modified food (GM food), which are foods that have had their DNA artificially modified to give them certain characteristics such as drought tolerance, pest resistance, yield improvement, and even shorter life cycles. There is huge debate regarding the ethical side of using GM Foods, they are considered by some as the solution to the increased demand for food and the depleted resources available for farming. However, there are serious questions being asked and some genuine concerns being raised regarding the use of GM foods. For example, there are fears that pest resistance will give rise to a new stronger type of insects, through the natural selection process, which might be extremely difficult to manage in the future. Another concern is the cross pollination of regular crops, where the modified DNA can enter the food chain forever, without having fully understood the long term effect of these genes.

There is also a serious economic risk to farmers who use GM foods. Regular seeds grow into crops, then these crops get harvested and produce seeds which can be used later to grow new crops. GM seeds are designed in a way where they cannot produce crops that give seeds at the end of this cycle, so farmers have to purchase new seeds at a higher price than regular seeds. The risk here is, if for some reason the purchased seeds do not deliver the promised result, or there was extreme drought or heat that affected the crop, the financial loss to these farmers could be quite high; it has been reported by the *New York*

[199] Australian Government, "Grains Research and Development Corporations", http://www.grdc.com.au/Media-Centre/Ground-Cover/Ground-Cover-Issue-116-May-June-2015/WUE-data-measures-an-industry-triumph
[200] Continental, "Sustainability", http://www.continental.com.au/article/detail/253037/sustainability

Time[201]that the rate of suicide amongst Indian farmers using GM foods has been alarming due to the economic cost of these seeds and the losses they incur when things go wrong.

So we will have to see what techniques will be used in the future to make food production more sustainable but one thing is sure: « Businesses that pioneer new technologies or integrative business strategies in anticipation of these kinds of changes will gain competitive advantage when new policies are put in place[202] ».

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[201] The New York Times, "On India's Farms, a Plague of Suicide",
http://www.nytimes.com/2006/09/19/world/asia/19india.html?_r=1&
[202] Millennium Ecosystem Assessment (MA), *Ecosystems and Human Well-Being,* cit., p.23.

CHAPTER 4

4. AUSTRALIAN FOOD COMPANIES: CASE STUDIES

4.1 Lion Australia

It is worth studying Lion's implementation of CSR as it is one of the leading food and beverage companies in Australasia. It is owned by a Japanese company called 'Kirin Holdings' and has its headquarters in Sydney. Lion produces and sells a wide range of products including: alcoholic beverages (wine, beer, spirits and cider), non-alcoholic beverages (juice, iced coffee), dairy products (milk, flavoured milk, cheese, custard, cream and yoghurt) and plant-based milk (soy and coconut milk). Their business is mainly domestic (Australia and New Zealand) but they are starting to export increasingly to Asia (with Lion Asia dairy since 2014).

Lion is in the top 20 most reputable companies (ranks num.18) in Australia according to the AMR Corporate Reputation Index[203]. Interestingly, there are only two food companies listed in the top 20: Nestlé Australia ranking num.4, and Lion, which makes it an appealing subject to analyse in our current work.

Lion wrote its FY14 sustainability report following the GRI G4 guideline. We saw that the GRI was one of the most used frameworks by Australian companies (cfr. Chap.1.2). It is interesting to note that the Global Reporting Organisation specifies, « sustainability reporting can be considered as synonymous with corporate social responsibility (CSR) reporting[204] ». The main categories of the GRI G4 are actually the same as the CSR's (excepted for the exclusion of the legal responsibility): there is an economic, environmental and social category.

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[203] AMR, Corporate Reputation Index, 2015,published online: http://www.amr-australia.com/asset/cms/AMR_Corporate_Reputation_Index_2015.pdf
[204] GRI, "About Sustainability Reporting" https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx

In order to understand Lion's CSR implementation, we will analyse each of the three categories by reviewing the FY14 Lion Sustainability report, making comparison, when applicable, with its previous sustainability reports (starting with its first in 2009).

Below are the categories, and aspects of each category that should be reported by a company using the GRI framework:

CATEGORIES AND ASPECTS IN THE GUIDELINES		
Category	**Economic**	**Environmental**
Aspects[III]	• Economic Performance • Market Presence • Indirect Economic Impacts • Procurement Practices	• Materials • Energy • Water • Biodiversity • Emissions • Effluents and Waste • Products and Services • Compliance • Transport • Overall • Supplier Environmental Assessment • Environmental Grievance Mechanisms

Category	Social			
Sub-Categories	**Labor Practices and Decent Work**	**Human Rights**	**Society**	**Product Responsibility**
Aspects[III]	• Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity • Equal Remuneration for Women and Men • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms	• Investment • Non-discrimination • Freedom of Association and Collective Bargaining • Child Labor • Forced or Compulsory Labor • Security Practices • Indigenous Rights • Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms	• Local Communities • Anti-corruption • Public Policy • Anti-competitive Behavior • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society	• Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance

Fig.7: Categories covered by the GRI G4 guidelines[205]

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[205] Global Reporting Initiative, G4, Sustainability Reporting Guidelines, 2013, p.9. Published online: https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf

4.1.1. Economic Responsibility

The first category/responsibility is the economic one. We will focus on the performance of the organisation, the economic challenges/opportunities it has been facing, and its economic impact on the community. It is important to see the company's economic performance as we saw, in Carroll's pyramid, that a responsible company is above all a profitable one.

Lion is transparent regarding its revenue; all the numbers cited below are explicitly written in its sustainability report[206]. In FY 2014, Lion had a total revenue of nearly $5b ($4.990m). The total revenue of FY 2009 was of $2.242m, a significant growth of $2.748m in five years. However, if we compare this revenue with FY2013 ($5.151m), we notice a slow decrease, mostly due to « total Beer, Spirits & Wine volumes across both Australia and New Zealand declined 2.7 percent, while volumes in Lion Dairy & Drinks (LDD) declined 7.3 percent[207] ». There is a declining beer market in Australia, which Lion obviously suffered from. There are other reasons for this loss of profitability and Lion acknowledges the fact that its economic growth in FY14 has been impacted by a few challenges in the industry, and they named a few of them in the sustainability report.

The first one is an unstable consumer confidence. According to Nielsen's latest consumer confidence survey, consumer confidence in Australia has never been as low as it was in 2014, with a 'record' score of 89 points (six points lower than the previous year).

Fig. 8: Australian consumer confidence[208]

[206] Value is in Australian dollar
[207] Lion, A Focus on Sustainability FY14, p.10. Published online:
http://www.lionco.com/content/Lion_SR14_Book_10_Interactivity_0.pdf
[208] Nielsen, "Consumer Confidence in Australia takes a fall in Q1 2014",
http://www.nielsen.com/au/en/insights/news/2014/consumer-confidence-in-australia-takes-a-fall-in-q1-2014.html

Australians, according to this study, are scared at the prospects of being unemployed and a large part of the survey respondents stated that their personal finances would go into retirement funds, debt repayment or investments. We can see in the graph above that consumers' confidence is indeed varying widely from one year to other, which might have had an impact on branded purchases.

A second challenge in 2014 was the low profit margin for dairy products. We saw in Chap. 3.1.1 the 'Milk War' with the introduction by the two major Australian retailers of the $1 milk litre, which had a direct impact on branded milk sales figures.

A third worth mentioning challenge that Lion has been facing is the margin pressure in the juice market. This is due to a price driven competitive sector, rendered even more complex due to the imported juice competition, and the declining Australian demand for this product category.

According to Roy Morgan Research, Australians' consumption of fruit juice has been declining from 2009 to 2014. « Over 1.5 million fewer Australians (…) are drinking packaged fruit juice in an average week compared with 2010[209]». We can note that only three brands have become more popular; we are not surprised to find Australian biggest retailers brands among these: Coles and Woolworths. However, the study found that Australian favourite juice brands have not changed since 2009 despite this decrease in consumption. Indeed the num.1 brand is still Berri (with 7.5% Australians choosing it), followed by Golden Circle and Daily Juice. Berri and Daily Juice are both Lion's brands, so even if they indeed have lost profit margins, they still remain Australia's favourite juices, ensuring a relatively secure demand.

This decline in juice demand has had an impact on Lion, which had to close one of its juice factories in Leeton. The company state on its website that there was an over-capacity in some of its plants so it was logical to rationalise production and move it closer to where consumption is. This has made many Australians redundant, some of them got really upset as this site had been there for over sixty years.

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[209] Roy Morgan Research, "Australians put the squeeze on fruit juice brands", http://www.roymorgan.com/findings/5933-australians-put-the-squeeze-on-fruit-juice-brands-june-2014-201411172233

However, Lion states that there is an opportunity for economic growth with the development of the Asian market. One of Lion's main corporate strategies is to « build distinctive dairy brands in key Asian markets[210] ». With the free trade agreement between China and Australia, it is expected that Australian dairy exports into China will profit significantly given the reduced taxes imposed on Australian imports, which will make Australian dairy products increasingly competitive in the Chinese market, compared to the competition from New Zealand and European products.

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[210] Lion, A Focus on Sustainability FY14, cit., p.4.

4.1.2. Environmental Responsibility

Since its first sustainability report in 2009, Lion has had a goal « to reduce our environmental footprint while we grow[211] ». Lion has been committed to reducing waste, water usage, and GHG emissions while maximising recycling of its packaging materials as part of its main strategy. We can find detailed environmental inputs and outputs in Lion's FY14 sustainability report. The inputs are mainly water and energy, while the outputs are overall waste and emissions, which we will analyse in order to understand their performance in the matter.

Water is crucial for the food industry and is used basically everywhere in the supply chain; it is essential for the production of food on farm (i.e. agriculture and dairy), processing equipment at the factory (i.e. heat transfer processes such as heating and cooling), cleaning of the manufacturing facilities, or as an ingredient. Lion acknowledges its importance: « water scarcity and sustainability is a significant material issue for our business[212] ». An effective use of this resource is not only beneficial for the environment and community but also for the company as it can make significant financial savings due to water use reduction. Lion sources most of its supply from tow water. « Water was sourced from municipal supply (82%) and groundwater (18%)[213] ».

In FY10, Lion « completed an extensive water usage profile for the first time[214] » in order to understand their total consumption of this limited resource, and since then, they have worked to reduce their water usage.

Beverage manufacturing businesses measure their water use in Litres used per Litre of product made, this measure can then be used to benchmark different facilities and compare processes in order to find better ways to reduce water consumption.

Lion reported a water/product ratio in 2014 of 2.54; we know that beverage companies use a lot of water for cleaning purposes, and the absolute volume used can be constant despite changing production volume. For example, if a factory makes 100KL of product per day and another factory makes 150KL, and they both use the same volume of water

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[211] Lion, Sustainability Report 2010, p.9. Published online: http://www.lionco.com/content/Lion-Sustainability-Report-2010.pdf
[212] Lion, Sustainability Report 2009 p.11. Published online: http://www.lionco.com/content/Lion-Sustainability-Report-2009.pdf
[213] *Ibid.* p.49.
[214] Lion Sustainability Report 2010, cit., p.7.

per day for cleaning, the first factory appears to be less efficient purely because the output volume is smaller than the second one.

In their 2009 sustainability report, Lion reported a constant decrease in water/product ratio since 1995, except from 2008 to 2009 where it increased slightly by 3.4%, however, their water/product ratio was reduced by almost a third from 1995 to 2009. They list the methodology of how this was achieved across a number of sites. To name one, they discuss the Castlemaine brewery in Brisbane, which at one point used 9.5Litres of water to make 1 Litre of beer. They implemented a number of initiatives such as installing sub-meters to measure the water use of different processes. This is very effective because it provides what is called a "water map" which can identify the processes that use the most amount of water, and gives the business an opportunity to improve its water usage.

Once the water mapping is done, a water reduction plan can then be drafted. In the example we are discussing, a number of initiatives were implemented which included simple and complex projects. The simple ones included minimising leaks and turning off taps when possible. An obvious project is always water recycling, the brewery reused its bottle rinse water in the boilers, and one of the most complex projects was the installation of a Reverse Osmosis plant to purify the wastewater and re-use it on site. All of the above reduced the water/product ratio at the Castlemaine brewery from 9.5 to 2.2 in 2009. This 2.2L of water per Litre of product also includes the 1L of water used to make the product!
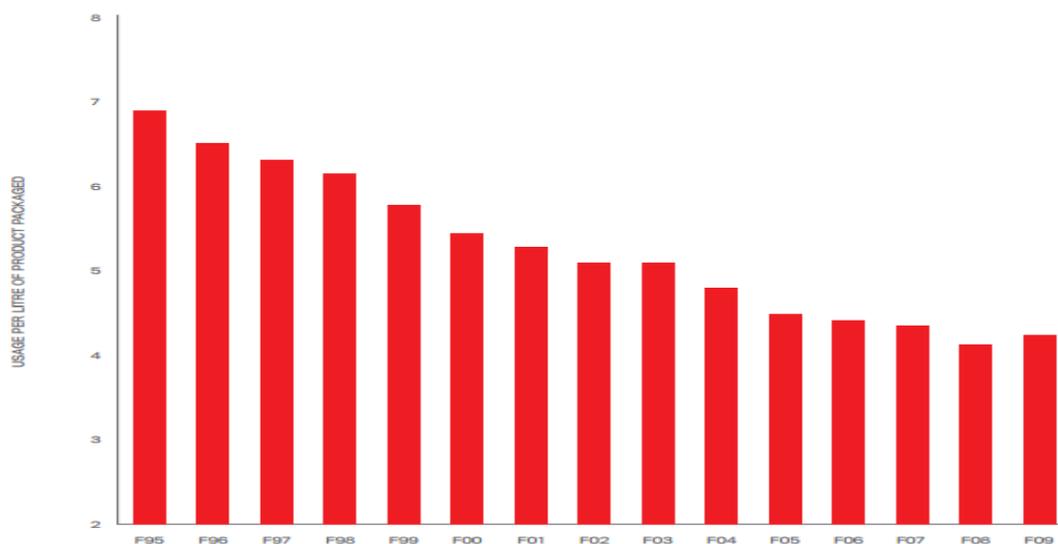

Fig.9: Lion water usage: from FY95 to FY09[215]

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[215] Lion, Sustainability Report 2009, cit., p.49.

Knowing that « an industry wide 10% decrease in water consumption for all Australian food manufacturers would save approximately 24,150 ML/yr or in the order of $27 million in water charges[216] » and that Lion did decrease its water consumption by 10%, we can conclude this a good start if all the food manufacturers did so.

To put it into perspective, the cost of 1KL of industrial water purchased in Melbourne by the end of 2009 was $1.50[217], and by 2015 it jumped to $3.14 so that's almost 110%! Not to mention that the more water a facility uses, the more water flows down the waste-water system, and the charges for the same period also increased by about 31%.

The industry cannot operate without energy: it is used in the form of Gas, Fuel and Electricity, for heating, cooling, steam generation, running of equipment, transportation, and so on.

« Energy consumption has a direct effect on operational costs and can increase exposure to fluctuations in energy supply and prices. The environmental footprint of an organization is shaped in part by its choice of energy sources. Changes in the balance of these sources can indicate the organization's efforts to minimize its environmental impacts[218] ».

We also know that energy usage has a direct correlation with GHG emissions, in addition to a direct financial one.

Fig.10: Lion total energy usage, from FY95 to FY09[219]

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[216] B.Pagan, P. Prasad, Eco-efficiency, Water conservation, and Food processing in Australia, Report prepared for the UNEP Working Group for Cleaner Production. Published online: https://www.gpem.uq.edu.au/docs/CleanProd/OzWaterEco-efficiencyFood.pdf
[217] Data obtained from Parmalat Australia
[218] Global Reporting Initiative, G4, Sustainability Reporting Guidelines, cit., p.89.
[219] Lion, Sustainability Report 2009, cit., p.48.

Lion reported a number of energy saving initiatives in their 2009 sustainability report, but little information was found in later reports (probably because 2009 was the first published report which has captured may years of projects).

If we analyse the energy source, we notice an improvement from 2008 to 2009. For example, their reliance on Coal fired electricity reduced from 43.4% of total energy used to 30.3%. There was also an increase in the share of "clean" energy sources such as Hydro, from 5.8% to 6.7% for the same period. This suggests that Lion have invested or purchased their energy from different sources, to achieve this result. Below Lion's energy consumption by source and its changes from FY08 to FY09.

F08 ENERGY CONSUMPTION BY SOURCE

- Coal, 43.4%
- Hydro, 5.8%
- Gas, 48.9%
- LPG, 1.5%
- Diesel, 0.3%
- Petrol, 0.1%

F09 ENERGY CONSUMPTION BY SOURCE

- Coal, 30.3%
- Hydro, 6.7%
- Natural Gas, 54.7%
- LPG, 2.0%
- Diesel, 1.1%
- Petrol, 5.2%

Fig.11: Lion's energy consumption by source[220]

Some of the initiatives they listed included the installation of a natural gas fired power cogeneration plant at their brewery in Sydney, which helps supplement electricity use especially during peak demand. This was co-funded by the NSW government. Peak power demand is usually during the day hours when more electricity is used per hour than night-time. Charges are also higher than night-time electricity. Using electricity during the day puts pressure on the supply network to keep up with demand so the government has an interest in working with the industry to partly fund projects that help reduce demand for power from the main network. «This reduced peak demand on the site by

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[220] *Ibid.*

over 2MW. Savings are estimated to be approximately 15,000 MWh of grid electricity and 10,000 tonnes of greenhouse gas emissions per year[221]».

Other initiatives included the upgrade of some processes such as refrigeration and compressed air. There is always an investment amount required, but with rising electricity costs, the return on investment could be accelerated. It is worth mentioning here that sometimes, processes are upgraded due to age, with new equipment being more energy efficient that their older versions. It is, therefore, impossible to tell if these upgrades were initiated for the sole purpose of energy saving, or they had to occur anyway due to the natural aging of machinery, with energy saving being a side advantage to the upgrade.

Nevertheless, the below table shows the projects that were identified to reduce energy consumption, and their expected savings per year:

STATUS OF OPPORTUNITIES IDENTIFIED		NUMBER OF OPPORTUNITIES	ESTIMATED ENERGY SAVINGS PER ANNUM BY PAYBACK PERIOD (GJ)			TOTAL ESTIMATED ENERGY SAVINGS PER ANNUM (GJ)
			0 - <2 YEARS	2 - ≤4 YEARS	>4 YEARS	
Outcomes of assessment*	Total identified	41	3,574	108,384	155,622	267,580
Business Response*	Under Investigation	13	–	–	57,085	57,085
	To be Implemented	6	3,074	23,386	–	26,461
	Implementation Commenced	1	–	1,375	–	1,375
	Implemented	13	500	83,622	57,432	141,554
	Not to be Implemented	8	–	–	41,104	41,104

Fig.12: Energy opportunities for Lion (FY08-09)[222]

Lion is very transparent regarding its overall emissions as it reports them every year to the federal government's National Pollutant Inventory (NPI), where all the results can be found[223].

There are different GHG qualifications that we will encounter in Lion's sustainability reports. These are the direct (Scope 1) and indirect (Scope 2 and 3) emissions. The Global Reporting Initiative qualifies them as:

- « Direct (Scope 1) emissions from operations that are owned or controlled by the organization

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[221] *Ivi,* p.47.
[222] *Ibid.*
[223] Data available at: http://www.npi.gov.au/npidata/action/load/browse-search/criteria/browse-type/Company/year/2014

- Energy Indirect (Scope 2) emissions result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within the organization

- Other Indirect (Scope 3) emissions are all indirect emissions (not included in Scope 2) that occur outside of the organization, including both upstream and downstream emissions[224] ».

Lion targets « continual reductions in our emissions year-on-year – which reduces our costs and minimises our environmental footprint [225]». They indeed have been reducing their emissions each year since 1995 under the Greenhouse Challenge program, a governmental program, which aims to share information between government and industry, while encouraging this latter to decrease emissions and improve its management on the matter. In 2009, Lion even « received a certificate from the Department of Climate Change acknowledging our (13 year) contribution to the Greenhouse Challenge Plus Program which helped the program achieve 37 million tonnes of CO abatement across Australia over its life[226] ». 37 million tonnes of CO is quite an impressive score, if we know that it is a bit less than what a power plant emits annually!

Below is the overall reduction of Lion's CO_2 emissions as reported on their sustainability reports from FY2007 to FY14.

Fig.13: Lion Co2 emissions FY07-FY14

[224] Global Reporting Initiative, G4, Sustainability Reporting Guidelines, cit., p.105.
[225] Lion, A Focus on Sustainability FY14, cit., p.40.
[226] Lion, Sustainability Report 2009, cit., p.13.

A question comes to mind after looking at the above graph: how can an organisation like Lion reduce its overall emissions? We found various initiatives undertook by Lion over the years.

One of these is that the company decided to introduce, in 2008, "Barefoot Radler, the first carbon offset beer to be certified under the federal government greenhouse friendly program[227] ». How does the emission from a beer can be so low ? Lion used a 100% recycled carton (from consumers recycling) where the product comes in, as well as a 75% recycled cluster pack and a lighter bottle to reduce glass usage (according to Lion, by 600 tonnes a year).

This was a test from Lion to see consumer's purchase behaviour in relation to a sustainable and carbon offset product. « The outcome? In 2009 we sold more than five million litres of Bare Cove Radler[228] ». This is a good example of the success an environmental friendly product can have, and the weight of environmentally conscious consumers in Australia.

Also, in 2009, Lion decided to switch some coal fired boilers to gas fired boilers in their site in Castlemaine Perkins. While the cost of this project blew up to $2 million, it reduced their emissions level significantly to achieve a result of 158kg/KJ in 2009 compared to 175 kg/KJ in 2008.

They also built a new labeller in Queensland which reduced their transport cost from South Australia as they used to do. This initiative was clearly successful, and provided a number of advantages including reduced transport cost and reduced GHG emissions.

Other strategies for the reductions of Scope 1 and 2 carbon footprint include the improvement of the company's energy efficiency, use of renewable energy, as well as technology (i.e. low NOx burners, boiler combustion, or economisers), more control measures and closure of inefficient sites. While for Scope 3 emissions, Lion communicates with its stakeholders (i.e. suppliers) to understand how it can help them reduce their carbon footprint when they produce the goods. They have launched, for

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[227] *Ivi,* p.44.
[228] *Ibid.*

instance, more beers available on tap (i.e. Tooheys New White Stag and Hahn Super Dry), as tap beer has the least environmental impact.

Lion will continue its effort in reducing its emission as it has announced in its latest sustainability report that they want to achieve a decrease in emission by 10% vs FY14 in FY17.

Lion has a strong focus on packaging waste and has a sustainable packaging initiative. We saw above, their initiative of launching sustainable packaging with the Barefoot Radler beer. This is part of their strategy in this matter: they want to reduce packaging weight as much as possible (to take less resource to produce) while recycling more.

Lion uses various materials for its packaging, including: plastic, glass, cardboard, aluminium, steel crowns, paper labels. All of these materials come from Australia (preference for local material), exception made for a small portion of glass and steel crowns that they are imported (respectively 25% and 3%). By doing so, not only do they support the Australian economy, but they also reduce their emissions by using less transportation.

They also try to buy as many products as possible that are recyclable such as: glass, aluminium, cardboard, metal and plastic caps, IT cartridges, office paper and containers. In addition, they maximise the use of reusable materials including: timber pallets, bulky bags and boxes, plastic and metal drums, and cardboard boxes.
As part of their sustainable packaging initiative, they also favour dialogue with suppliers and feedback from costumers to be innovative in packaging options.

Lion is a Member of the National Packaging Covenant (cfr. Chap.2) since 2001, which led an action plan from 2008 to 2010 with two main objectives :
> « Reduce packaging-to-product ratio by 2% per annum
> Ensure <3% non-recyclable packaging[229]».

This plan helps the organisation reduce its environmental impact by using packaging resources in a more efficient manner. After the significant improvement made thanks to this government/industry collaboration, Lion decided to launch another plan with the

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[229] Lion, Sustainability Report 2009, cit., p.8.

Australian packaging Covenant, from 2011 to 2016, with further improvement expected in order to « continue to work on increasing our packaging recyclability from its current level of 88 per cent[230] ». In 2011, Lion packaging recyclability was 88%.

However, we cannot examine Lion's waste management performance as not all of Lion's facilities are actually monitoring their waste. Lion is expecting to publicise its waste management performance in FY16. However, they state that on the national level that the « packaging recycling rate has increased from 39% to 64.2%, exceeding the EU packaging recycling rate (while) the rate of packaging material going into landfill has decreased by 36.1%[231] ». This is a big omission from Lion as the GRI G4 framework they use specifies that the amount of waste by weight must be reported in the environmental section.

If we cannot analyse Lion's waste management, there is still a last point that we can focus on: the spills. The Global Reporting Organisation asks companies to report spills in their environmental category under the aspect of waste. This because: « spills of chemicals, oils, and fuels can have significant negative impacts on the surrounding environment, potentially affecting soil, water, air, biodiversity, and human health. The systematic effort to avoid spills of hazardous materials is directly linked to the organization's compliance with regulations, its financial risk from the loss of raw materials, remediation costs, the risk of regulatory action, as well as damage to reputation[232] ». We will therefore analyse the spills present in Lion's reports and its answer to them in order to have a better idea of their management in the matter. According to the GRI G4 framework, only the significant spills have to be reported by the company. We found two significant incidents in the sustainability reports from FY09 to FY14. No other significant spills were reported in the other years.

In 2009 one significant incident got reported: « a spill of beer at Tooheys brewery resulting in approximately 1,000 litres being discharged to Hasslams Creek and an infringement notice and fine of $1,500 being issued by the NSW EPA[233] ».

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[230] Lion, Sustainability Report 2011, p.18. Published online: http://www.lionco.com/content/Lion-Sustainability-Report-2011.pdf
[231] Lion, A Focus on Sustainability FY14, cit., p.41.
[232] Global Reporting Initiative, G4, Sustainability Reporting Guidelines, cit., p.124.
[233] *Ivi,* p.57.

This incident happened because of a coupling fail while they were doing a beer transfer, which resulted in beer entering the stormwater system. Even if they tried to prevent the beer from entering the creek with their trade waste diversion system, this did not work because the pump could not contend the beer flow. Lion states that « Corrective and preventative action to avoid recurrence has been taken[234] », without being more precise about it.

Although, an action that took place in the same year definitely looks linked to this incident as some stormwater diversion system got installed in three different Lion's companies. This system should detect any brewery spillage and divert into an appropriate storage tank so it would not end up in the river. This system must has been effective as no other spill got reported in the following five years. The system is very simple, a detector is used to measure attributes such as electrical conductivity or turbidity, and if the measurement exceeds the threshold, a diversion valve is activated to send the storage tank, and prevent it from going out of the facility.

The second incident happened in FY14 due to an equipment failure in Lion's Waste Water Treatment Plant where a small amount of effluent got discharged into the stormwater. Lion, in this case is really precise about its remediation and states that following this incident, it « has since audited the site, repaired the defective equipment and arranged for an independent audit of the facility to ensure it is robust[235] ». Not only did it take action internally, but Lion also implemented the ISO 14001 environmental certification to the whole site to prevent any further incidents from happening.

For a company that has a total number of thirty-five facilities (between juice, dairy food, soy, etc.), these two environmental incidents do not look excessive and it seems that Lion is aware of the risks its organisation is facing and how to manage them. They use a risk management mechanism called Significant Incident Notification (SIN) « to capture and report incidents or exposures to risk with the potential for 'major' or 'severe' impacts[236] ».

To conclude this environmental responsibility part, reducing the water usage, emissions, waste, and energy is vital to the environment, especially since, as we saw above, the food industry is highly dependent on the ecosystems, so it is in its interest to do its best to

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[234] *Ibid*.
[235] Lion, A Focus on Sustainability FY14, cit., p.43.
[236] *Ivi*, p.19.

protect them. While these efforts are beneficial to the environment, they are also beneficial to the company and Lion recognised this fact in its FY sustainability report: « improvements in environmental sustainability tend to deliver cost savings[237] ». For instance, only for the waste reductions initiative, Lion saved $10m.

It is also worth mentioning that Lion faces many challenges and opportunities whenever it undertakes a business acquisition (and it has made a few over the years), as it might purchase sites that are highly efficient, or produce large volumes of product which impacts their environmental reporting either favourably or unfavourably. Lion has made significant improvements on a number of levels, reducing their operational cost and improving their environmental performance, which shows that the two go hand in hand and there is definitely a benefit from undertaking environmental improvement plans.

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[237] Lion, A Focus on Sustainability FY14, cit., p.37.

4.1.3 Social Responsibility

In order to understand Lion's social performance, we will first analyse the employment aspect and study further Lion's internal social performance. Then we will look at the external social performance by examining their stakeholders' engagement as reported in FY14.

Employee commitment:

Employee focus is a big part of Lion's strategy. In FY09 they stated that « Help our employees be the best they can be[238] » was one of their strategies to achieve their sustainability goal and this has not changed over the years, with a recognition in their FY12 report, Lion stated: « that our people strategy is critical to delivering our long term business goals[239] ». Furthermore, in their latest sustainability report, Lion states: « our people strategy is aligned to our business strategy[240]» adding that they will keep focusing on this point in the following years: « we have continued to focus on a holistic approach to wellbeing as a fundamental part of our Balanced Business Strategy, with our FY16 goal being to achieve 'high levels of wellbeing at work'[241]».

In FY14, Lion employed 7201 people, of which 32% were female and 68% male. Below is a table showing the total people employed by employment status:

Fig.14: Employees per gender[242]

[238] Lion, Sustainability Report 2009, cit., p.2.
[239] Lion, Sustainability Report 2012, p.46. Published online: http://www.lionco.com/content/Lion-Sustainability-Report-2012.pdf
[240] Lion, A Focus on Sustainability FY14, cit., p.44.
[241] *Ibid.*
[242] *Ivi,* p.45.

In this table we can easily see the significant difference between women and men engaged in permanent full time job with 74% male and 26% female, with overall 68% men and 32% female composing the total workforce. Also, a striking difference is between the percentage of men against women having a leadership role for both FY13 and FY14: 73% against 27% women. Lion has already recognised this predominant male workforce composition in FY09, as back then, very few women had a permanent full time job. However, the company reminds that traditionally, the beer industry was male oriented. Lion started some initiative in FY09 to try to attract more female employees especially in leader position. These initiative ranged from offering flexible work arrangements and paid parental leave, encouraging women to apply for leadership roles, bridge any remuneration gap and for the first time, in 2009, Lion appointed a female site operation director in one of its brewery. However, we cannot compare the results from FY09 as the total number of employees was considerably lower than in FY14. Unfortunately, data on gender workforce are only available for FY09, FY13 and FY14, with the omission in the other years.

Although, as part of its new strategy, Lion committed to performing a Diversity Survey in FY15, to understand better the workforce diversity, to then develop a new strategy for this matter. It will be interesting to see if more women will be hired. According to the Australian Workplace Gender Equality Agency latest report[243], there is still a pay-gap between female and male workforce, more males having a full time job than women, while more industries are qualified as 'blue collar'. On the bright side, more workplaces are supporting gender equality in Australia.

The only time Lion published the total number of people by age was in their FY09 report. The number of employees was significantly less than in FY14 because of some mergers and acquisition the group undertook, so that we cannot analyse this in this present work, as more data would be appropriate.

It is important to see if a company employs people from different gender and age groups as reminds the Global Reporting Organisation: « This information can signify the

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[243] Australian Government, Australia's gender equality scorecard, Key findings from the Workplace Gender Equality Agency 2014-15 reporting data. Published online: https://www.wgea.gov.au/sites/default/files/2014-15-WGEA_SCORECARD.pdf

organization's efforts to implement inclusive recruitment practices based on age and gender, and the optimal use of available labour and talent in different regions[244] ».

Gender equality is a hot topic in Australia, and businesses that employ a high number of females, and offer them flexible working conditions (such as leave and working hours), is perceived positively. It suggests that the company is committed to gender equality.

It is healthy for a business to have people from different gender and age groups working for it, not only to improve its image, but because they represent its consumers, and their combined effort and ideas would appeal to more parts of society and is trying to improve its gender equality image by employing more women. It is sometimes challenging, in a manufacturing environment, to do that given the nature of the physical work required, but a big corporation should be able to counteract this challenge by focusing on employing females in suitable administration roles.

 Overall, the employee satisfaction at Lion has been increasing from 79% in 2011 to 83% in 2012, 85% and 2013 but dropped back to 79% in 2014. Lion says that « While (this drop is) disappointing, it was not surprising, given the amount of change and organisational design going on[245] ». We saw the closure of the juice facility in Leeton that year, which resulted in many people becoming unemployed, and surely caused dissatisfaction from the remaining employees. Also, Lion implemented a new 10 year strategy during that year, which coincided with the time this employee survey was conducted. It involved a complete organization review and new strategies for new businesses.

This new strategy involves big changes in their dairy and juice businesses as well as the creation of Lion Asia Dairy. The CEO, Stuart Irvine recognised that: « In support of these objectives, we reorganised our business during FY14. Regrettably, this required tough decisions and a number of talented people left our business[246] ». This is surely the reason why Lion's employee satisfaction suffered this drop but as Lion is expecting FY15 to be challenging, they « aim to return our engagement scores to growth through a continued

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[244] Global Reporting Initiative, G4, Sustainability Reporting Guidelines, cit., p.146.
[245] Lion, A Focus on Sustainability FY14, cit., p.48.
[246] *Ivi*, p.2.

commitment to an achievement culture and detailed action plans that each function and business unit have developed and are focused on delivering[247] ».

Lion's employees still have a quite high overall satisfaction rate and it is part of Lion's main strategy to achieve a high level of wellbeing for its employees, ensuring a safe workplace as well as providing them with continuous training opportunities. This high rate may have been impacted had the survey included the employees who lost their jobs, but businesses may choose to conduct these surveys at the best time possible to get a positive score.

Lion has various initiatives to promote its employees wellbeing.

Firstly, Lion wants to get feedback from its employees on an annual basis through the 'People Pulse Survey', which basically allows Lion to collect information from its employees in order to see where the problems are, so it can improve its social performance and provide solutions to these matters. Moreover, Lion has a fair treatment policy, so that once an issue arise from one of its employees, they can go directly to an officer to log a complaint that will be investigated; this is available to all employees and contractors.

Secondly, wellbeing goes hand in hand with physical safety, and can be measured by the number of injuries sustained with the Medically Treated Injury Frequency Rate (MTIFR). In the FY09 sustainability report, Lion states that its injury rates had not improved as much as it wanted to, and as a result, some measures were undertook on its reporting systems to ensure an adequate intervention in case of an injury. They also engaged leaders in having regular discussion with members of their teams about safety issues. However, no exact number of injuries were given in this report. In its FY11 report, Lion set a target of 15 MTIFR for FY14, as the Lion MTIFR had remained quite high. In their latest sustainability report, some concrete numbers were given on MTIFR: While in 2011, the number was 39, it decreased during 2012 and 2013 to respectively, 24 and 21, to then increase again in 2014 to nearly 23.

Lion stated in their FY11 that they were aiming for a MTIFR of 15 at the end of 2014, a number that they did not achieve so they set a new target for FY15 of 20 MTIFR. It is crucial that they improve this MTIFR rate as it makes the business lose significant hours

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[247] *Ibid.*

(measured in Lost Time Injury Frequency Rate (LTIFR)) but mostly because some injuries may be fatal. Indeed some incidents reported involved sub-contractors working for Lion. One of them tragically died after dismantling an elevator in one of Lion's sites in FY10, and two others passed away while constructing one of Lion's new breweries in Auckland in FY09. All the three incidents happened in some New-Zealand sites and were investigated by The New Zealand Department of labour, but no action was taken against Lion.

Safety at work is becoming a cultural matter in Australia, and it is important for a business to prove that it cares about its employees, by providing them with a safe workplace, and the tools required to conduct their job in an appropriate and safe manner. This is also important for the community as injuries always have an impact on families, such as loss of income or changes of lifestyle, so Lion appears to be focusing on safety, but looks like more needs to be done to get to the required targets.

A third way to improve wellbeing at the work place is through volunteering programs. Lion has many of these in place, which surely contributes to employee wellbeing and satisfaction as they have been eager to take part in volunteering actions as we can see in this FY12 example. ParaQuad property program, is an institution for people who have suffered from spinal injuries. This property is very close to one of Lion's breweries and as they needed volunteers for some construction work, up to fifty Lion's employees went to the site to help with the renovation and spent the whole day building, painting, cleaning and fixing the property, in addition to installing some games for the patients such as dartboard or a giant chest set. These volunteering initiative are very popular and Lion keeps supporting its employees in helping local communities In FY14, for instance, the Adopt a Patch initiative for which 150 Lion people took part in, aims at making the city more liveable by transforming litter-strewn public places into green areas for everyone to enjoy.

Some other wellbeing programs given to employee include gym access at the workplace. They have six gyms that have been in place for over twenty years. Lion also has a 10,000 steps initiative, which, in addition to the gyms, encourage its workers to be active and healthy. By promoting their workers to be healthy, they stay in line with their main

strategy of offering healthy products (in the dairy section) to their consumers while rendering their employees « to be advocates for healthy eating[248] ».

Training is really important for businesses, not only to expand its employees' knowledge, but also to increase their motivation and performance. Lion acknowledges this fact: « Highly capable people are critical to our business. We continue to invest heavily in capability programs for our teams[249] ».

Since 2009, training for Lion's employee was on the high priority agenda and many training programs were already in place (training still present in FY14). The main training programs include:

'The Ropes', which is an online trade practices training program, ensuring that employees have a good understanding of the laws in Australia, as well as Lion's trade policy. When a new code is released, Lion offers training sessions to ensure its employees' familiarity with new laws.

Lion also offers training in safety and hygiene, which are fundamental for a food and alcohol manufacturer, as well as a 'respect@work program' which is Lion's anti-discrimination policy and includes training for its employees.

There is also special training for responsible marketing for the marketing team. This program has received a lot of attention for Lion as it has its Code for Responsible Marketplace Activity. Being a food, and moreover an alcohol manufacturer, they do have an obligation in making sure that there is a commitment to marketplace practices for its marketing team (such as not to contribute to excessive consumption of alcohol).

In addition to all the training programs previously cited, in FY09 they started to implement a manufacturing excellence (MEX) program in their breweries, which included training about the Mex guidelines to make sure employees achieved best practices in waste management. In FY10 Lion stated that « around 1,300 people attended between two and three days of MEX training, which equates to well over 1,600 people

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[248] *Ivi*, p.30.
[249] Lion, Sustainability Report 2013, p.75. Published online: http://www.lionco.com/content/Lion_Report_2013_Full_0.pdf

days[250] », while in FY14, 2000 employees got involved in Mex training, so we see here Lion's continuous activity in its training practices.

New training programs have been created on a regular basis since then, with the 'Beer Academy' program being launched in FY12. This program aims to educate employees from the beer division to becoming 'beer advocates'. Lion aimed at having every employee from that division (up to 1500 people) take part in this two-day training, offering courses in beer history or food matching. In FY13, they thought of a new training program called 'Nutrition & Me', which was effectively launched in FY14 with the same aim as the 'Beer Academy', but this time for food related matters such as understanding the labels correctly or the amount of sugar present in each product to « grow the knowledge of our people, arming them with the information they need to perform their jobs effectively and become confident advocates for Lion and our products[251]». In FY13, Lion also developed a new training program 'Lion Key' to provide employee with better understanding of the supply chain and also a new program called The Learning Space, aimed at leaders (especially new ones), to give them all the information they might need in one portal, allowing them to learn new programs, get connected with other colleagues, etc. Lion is not stopping there to deliver new training options for its employees, as a new training and education program will be launched in FY15 called Alcohol & Me. The aim is to educate employees about alcohol and its side effects.

This is a non-exhaustive list but we can still notice the high number of different training courses offered and proposed by Lion and its obvious focus on this matter. But why? According to Lion: « an engaged workforce creates and delivers more positive experiences for others, internally and externally – which in turn, contributes to Lion's long-term growth[252] ».

The above proves that positive economic performance is directly linked to employees' engagement and satisfaction at work, Lion understands this, and as such, they aim at improving the culture of their organisation by "looking after" their employees, which in turn, translates into better overall business performance, which can clearly be seen in the bottom line.

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[250] FY10, Lion Sustainability Report 2010, cit., p.69.
[251] Lion, FY13 Sustainability Report, cit., p.26.
[252] Lion, Sustainability Report 2012, cit., p.2.

External Social Performance:

Lion states that « Building quality, long-term relationships is crucial to business success [253] ». To ensure this success, they measure and review their stakeholders' engagement and views in a Corporate Reputation Study. However, their latest (FY14) report confronted them with some issues with two stakeholders: farmers and health NGO's. While they had positive suppliers' feedback (with an overall satisfaction rate of 78%), farmers feedback was disappointing. Below is the farmer's feedback as reported by Lion.

Fig.16: FY14 farmers' engagement[254].

We see in this graph that Lion's score in their farmer's engagement report was below-average for all categories, exception made for the 'quality of relationship with Lion people' which was slightly above 50%. Lion, when seeing these disappointing results, agreed that there were some improvements to be made and that it must take action in order to improve this partnership, which had been mostly based on price.

Having acknowledged that, Lion reminds the readers of the report that, not only did they receive a bad farmers' report, but that « There appears to be an industry-wide deficit in trust between farmers and processors and we think putting this right can deliver a significant competitive advantage[255] ».

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[253] Lion, A Focus on Sustainability FY14, cit., p. 11.

[254] *Ivi,* p.14.

[255] *Iv*i, p.24.

The interesting part here is Lion's reaction to this social performance deficit. They started thinking immediately of a way to turn things around in order to improve their relationship with their farmers, but mostly to rivalling with some of their competitors.

Dairy farmers in Australia are seen as the victims of corporate greed, with supermarkets slashing the price of milk, taking profits out of the supply chain, and farmers not being paid enough for their milk. It is a very complex topic but we'll try to discuss the big picture, as Australia has a very unique landscape when it comes to the dairy industry.

The first point to make is that the public's perception matters, and in Australia, most people believe that farmers are the victims, and processors and supermarkets are the winners. It is therefore important for processors to prove to the public that they look after their farmers, but with bad engagement scores like the ones we saw previously, it is really difficult!

Looking at the breakdown of results and the history of Lion, aside from pricing, we can draw a link between the changing strategies of Lion and the low scores they received. In 2008, they made an acquisition of another giant dairy company called Dairy Farmers. Combined, Lion and Dairy Farmers pretty much controlled the drinking milk category in Australia with the exception of Parmalat who were a regional player in two states only. After the acquisition, Lion closed down a number of manufacturing sites, making dairy farming in these regions unrewarding and difficult, and reducing competition for milk.

The farming community needs security of demand in order to invest, and Lion is not giving them this security with their changing strategies, so the trust levels are low, farmers are sometimes locked in to contracts or geographical locations where Lion became the only processor that purchases their milk following acquisitions, so they have no choice in the matter.

Lion decided to rectify the situation, because a good farmer-processor relationship is important for the company's image, and if properly advertised it can translate into better sales.

Lion's first strategy was to implement a new pricing model, better adapted to farmers' needs. In Australia, farming communities operate in a very diverse environment, from hot and humid in the north, to cool and dry in the south, there are small dairies and there

are large ones, so milk production varies significantly and a national processor needs to deal with this in a smart manner. Farmers are now given three different pricing models to choose from, depending on their circumstances, in order to have a fair milk payment strategy. Milk in Australia has historically been paid on volume in the north and solids in the south, so giving farmers more options to choose how they are paid for their milk was received positively by them.

A second strategy regarding the improvement of farmers' engagement was to re-brand one of their white milk products from 'Dairy Farmers' to 'Malanda Original Milk'. Malanda is a town located in Queensland, so this was a call to consumers, especially from the Queensland community. Lion wanted them to think of 'their' farmers while buying their milk and accept to pay a 'sustainable price' for this local product to ensure the wellbeing of their community. This new packaging did work in some way as consumers responded positively to this strategy and « By year end, retail sales of Dairy Farmers 'Malanda Original Milk' had increased by 2%, representing almost 5,000 litres of additional volume per week, a significant show of support from the local community[256] ». The new packaging had been issued in July, so this is a significant increase if Lion could already see these results at the end of the year. It proves that consumers in Australia do care about farmers, which presents an opportunity for processors like Lion to improve its performance by meeting its obligation to farming communities, which is a win-win situation. It is worth mentioning here that Lion did not specify whether the additional money that went into the farming community resulted from more milk being purchased to meet the additional demand, or they have paid farmers more for their milk. We can only assume that if there were additional payments per Litre made to farmers, it would've been highly advertised on their report, which is not the case. They may have attempted to take market share back from cheap supermarket milk, by enticing consumers to purchase the Malanda Original milk, without increasing its shelf-price.

Other strategies that Lion already had before these reviews was a Farm Services team, which meets with farmers and communicates with them, and they also have a 'milkline' website where they can deliver information regarding products quality or prices directly

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[256] *Ivi*, p.25.

to the farmers. However, after having seen the results from FY14, Lion decided to upgrade the website to improve communication with farmers.

Lion states that it has had issues with another stakeholder in its Corporate Reputation Study, namely some Health NGO's. One thing Lion and NGOs agreed on was the introduction of mid-strength beer, but Lion indicated on their report that they are committed to a « pragmatic and evidence-based contribution to the debate[257]», suggesting that there are disagreements between them and the NGOs. There is little information available on their sustainability reports about this, so we looked for other sources of information regarding this matter.

There is a website called Beerthebeautifultruth.com which seems to promote beer as a good choice and a part of a good diet, it goes to the extent of saying « The human body needs energy to survive and fuel everyday body processes, and the food and drink we consumer provides these calories – Beer is no exception! If enjoyed responsibly and in moderation, beer can be consumed as part of a balanced diet and active lifestyle[258]». This is such a blatant attempt to make beer look good! « Despite what the brewers might imply, beer still hasn't made its way into the food pyramid,[259] » says Foundation of Alcohol Research and Education chief Michael Thorn.

FARE – Foundation of Alcohol Research and Education, launched a counter campaign in response to the 'beer the beautiful truth' campaign. They stated on their media release that « As part of FARE's ongoing Alcohol Truth campaign, Beer the obvious truth will counter brewer's deceptive and misleading marketing efforts this summer, with Lion's Beer the beautiful truth campaign in its sights[260]».

Following the introduction of nutrition labels on beer and claiming that it has low carbohydrates and sugar on the 'BeerTheBeautifulTruth.com', Mr Michael Thorn, Chief Executive of FARE launched a direct attack at them saying that « Lion would have you believe that their new nutrition information labels are a generous and civic-minded gift to consumers. When in truth, the new labels are nothing more than a misleading marketing

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[257] *Ivi*, p.12.
[258] Beer the Beautiful Truth, "The Nutrition Content of Beer", http://www.beerthebeautifultruth.com/the-truth-about-nutrition/
[259] News, "Is Beer a Health Food, No Say Nutritionists", http://www.news.com.au/lifestyle/food/drink/is-beer-a-health-food-no-say-nutritionists/news-story/f25f56824fbfe173d57069aa62f62551
[260] Fare, "Newsletter 11 December 2015", http://www.fare.org.au/2015/12/newsletter-11-december-2015/

plot to turn around beer consumption that this year has sunk to a 68-year low as Australians turn to other types of beverages,[261]».

In a media release, FARE shared some disturbing statistics regarding the alcohol industry. The release states that Alcohol causes more than 200 diseases including cancer, heart and liver failure, and is responsible for 5,500 deaths and 157,000 hospitalization cases every year in Australia.[262]

An interesting point from a CSR perspective, is that Lion made a community investment of $2.7M in FY14. They have increased their philanthropic donation since FY13 ($2.1M) by $600k. This increase is due to new partnerships that Lion launched with Uplifting Australia and the Foundation for Youth in New Zealand. « Both organisations focus on building emotional wellbeing and resilience in families and young people[263]». Uplifting Australia CEO, Garry Thomson said that: « our partnership with Lion will help us take our key CampOut With Kids program to scale[264]». So, a part of this money will go to this community program, which is intended for parents of children between six and twelve years of age. The program is simple and gives positive parenting tips to parents, and allows them to spend a night at school with their kids in order to build a stronger parent-child relationship.

Lion cites all its FY14 community investment and the amount of money it gives to each cause and organisation in a very precise manner. They are mainly committed to five charity types: the first one is centred on *community resilience* with an amount of $469K. This goes to organisations such as Uplifting Australia that we saw above (this later received the amount of $235k).

The second charity type is for the promotion of a *positive drinking culture* ($1.5M). Nearly all of this amount of money ($1.3M) goes to 'DrinkWiseAustralia', a not-for-profit organisation. An interesting fact is that this organisation was created by the alcohol industry, which funds this NGO like Lion does.

[261] Fare, "Brewers Slammed for Desperate Misleading Attemps to Market Beer As a Healthy Products",
http://www.fare.org.au/2015/12/brewers-slammed-for-desperate-and-misleading-attempt-to-market-beer-as-a-healthy-product/
[262] *Ibid*.
[263] *Ivi*, p.33.
[264] *Ibid.*

Another donation from Lion is centred around *better nutrition for all* ($208K). Most of the money « $183,056 or 1,546,821kg of surplus food, delivering 2,062,400 meals for people in need[265] » goes to Foodbank. We saw in Chap.1.3 that food companies often donate to that organisation, so it was expected to find Foodbank in Lion's community investment.

A fourth cause Lion is supporting is *the preservation of lands and natural resources* ($322K). This sum of money is divided between two environmental organisations: Landcare Australia and Keep Australia Beautiful, and the rest (1.25K) is from Lion's employees. This donation is through a workplace-giving program called 'Lion Pride', which allows employees to donate to various charities of their choosing (they are currently supporting eleven charities in Australia and New Zealand).

We see here a strong focus from Lion on the DrinkWiseAustralia cause, where most of its community investment donation goes (more than half the budget). Being an alcohol manufacturer, this focus seems logical, especially due to the strong action from the Australian government (raising taxes) or NGOs to discourage alcohol consumption (especially amongst the young). However, if we know that: « the economic contribution of alcohol to the Australian economy is substantial. Annual retail sales of alcohol products alone is around $13 billion[266]», we could criticize this initiative from alcohol companies supporting DrinkWiseAustralia as it looks a bit like « putting Dracula in charge of the bloodbank[267] ».

A last remark is that all of Lion's donations go to Australian organisations. We see here a strong local focus. Indeed, with the exception of supporting a few New Zealand charities (through their workplace giving program), Lion chooses to only support local organisations, a trend that most Australian companies seem to follow in philanthropy. Also, the Kirin Group, Lion's Japanese owner, has been helping in Japan after the earthquake and tsunami, significantly impacted the Japanese community. Kirin made donations (cash and free water), helped in cleaning the devastated regions as well as rebuilding the agriculture and fishery industries.

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[265] *Ivi,* p.36.
[266] Ministerial Council on Drug Strategy, Alcohol in Australia, Issues and Strategies, 2001, p.17. Published online:
http://www.health.gov.au/internet/drugstrategy/publishing.nsf/content/alc-strategy/$file/alcohol_strategy_back.pdf
[267] The University of Sydney, "Alcohol Campain DrinkWise a farce", http://sydney.edu.au/news/84.html?newsstoryid=3776

4.2 Tassal

« In today's world it is not enough for a company to be profitable. Investors, customers, consumers and the public expect a company such as Tassal to be socially and environmentally responsible. Tassal understands that community and environmental values are important. We clearly understand that we can and do make a difference.[268] », states their first sustainability report. It is clear from this that they do recognise the value and importance of a having a socially responsible business.

Tassal's story begins in 1983 when the Tasmanian Salmonid industry commenced following a report to the Tasmanian Fisheries Development Authority suggesting that a viable salmon farming industry could be successfully launched in Tasmania. Tassal commenced in 1986 and their first harvest was in the summer of 1986/87. They are now the largest salmon business in Tasmania. Their FY2010 revenue was reported as $217M, growing to $266M in FY2014.

They employ 828 employees as reported on their 2014 sustainability report, (a growth of 796 employees working for them in 2011), and operate three facilities and six marine farming locations. The type of operation puts Tassal at the centre of attention for marine conservation discussions as they are a significant player within the industry in Australia.

They have acknowledged the importance of having a sustainable business, and have also incorporated it into their risk management plans: « Overall, we believe that effective implementation of our sustainability strategies are fundamental for effective risk management[269]». This is in line with what was discussed in chapter 3 regarding how businesses should include sustainability in their risk management system. They then go on to list the areas they focused on which include the infrastructure, stakeholders and resources, which also summarises the discussion in chapter 2 of this thesis of the CSR strategies in Australia.

This makes Tassal a very interesting case to study as they seem to have a "Text book" implementation of CSR as their reports suggest. Tassal also follows the GRI G4

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[268] Tassal, Sustainability Report 2011, p.4. Published online: http://www.tassal.com.au/wp-content/uploads/2014/04/Tassal%20Sustainability%20Report%202011.pdf
[269] Tassal, Sustainability Report 2011, cit., p.2.

framework for its latest sustainability report (FY14), which we will analyse. Their sustainability and financial reports are available on their website which makes them a very transparent business.

4.2.1 Economic Responsibility

The company reported growing revenues, which reflects an increase in sales, but more importantly, they also reported a growth in their net profits:

Full Year ended 30 June 2010	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	216,775	-	216,775	-	216,775
EBITDA	50,257	2,250	52,507	(10,034)	42,473
EBIT	40,033	2,250	42,283	(10,034)	32,249
Profit before income tax expense	34,568	2,250	36,818	(10,034)	26,784
Income tax expense	(6,559)	(675)	(7,234)	3,010	(4,224)
Net profit after income tax expense	28,009	1,575	29,584	(7,024)	22,560

Fig.17: FY10 financial performance[270]

Full Year ended 30 June 2014	Statutory Profit $'000	Non Recurring Items $'000	Underlying Profit $'000	AASB 141 Impact $'000	Operational Result $'000
Revenue (from all sources)	$266,331	$-	$266,331	$-	$266,331
EBITDA	$78,597	$-	$78,597	$(15,052)	$63,545
EBIT	$63,128	$-	$63,128	$(15,052)	$48,076
Profit before income tax expense	$58,061	$-	$58,061	$(15,052)	$43,009
Income tax expense	$(17,000)	$-	$(17,000)	$4,516	$(12,484)
Net profit after income tax expense	$41,061	$-	$41,061	$(10,536)	$30,525

Fig.18: FY14 financial performance[271]

Performing a simple calculation to represent net profit as a percentage of revenue, we can see that the company has improved its margin from 12.9% in 2010 to 15.4% in 2014. This suggests a good financial performance, and a solid net profit which almost guarantees the continuity of operation and the security of jobs in the areas where they farm and process their salmon.

It was reported on the FY14 sustainability report that they have invested capital to make their business more sustainable. They looked into their mix of sales between domestic and export and concluded that it was more advantageous to focus on domestic sales of branded product. Export markets are reported to be volatile given the competition from other suppliers from around the world. This strategy seems to have worked, unlike the previous milk discussion where processors cannot avoid making milk under a contract pack agreement with supermarkets.

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[270] Published on: http://www.republicast.com/publications/05ecc759fc6c451c9e1f96c7009844fe/default.htm#p=7&c=0&v=1
[271] Tassal, Annual Report 2015, p.4. Published online: http://www.tassal.com.au/wp-content/uploads/2015/09/150678-Tassal-AR-2015_web.pdf

Without profit, there can be no investment, and without investment, there can be no growth, so Tassal have reported that the per capita consumption of salmon has been steadily increasing, which provides a compelling case for expansion and investment in capability and capacity.

Fig.19: Per Capita consumption[272]

Tassal have set their priorities that are intended to improve their financial performance, they include optimisation, maximising cash flow to enable them to fund growth, and targeted investments that will give them the maximum returns. This is sound financial planning which also takes into account changing market dynamics and environmental variables.

Fig.20: Priorities for FY15[273]

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[272]Tassal, Sustainability Report 2014, p.9. Published online: http://www.tassal.com.au/wp-content/uploads/2015/04/Tassal-Sustainability-Report-2014.pdf
[273] *Ivi*, p.11.

4.2.2 Environmental Responsibility

Being a producer and processor of a natural resource, Tassal is expected to preserve this resource and the environment in which it lives in. There have been many media reports about declining fish stocks and how we need urgent action to address the problem. Tassal conduct their business in a sustainable manner; Salmon is not a native fish in Tasmania, so the stock that is grown there is hatched and harvested in a controlled manner to avoid affecting the ecosystem in the area.

Like any other industry, fisheries require energy, materials and water, and they produce waste and GHG emissions. Tassal have shown commitment to the environment and has laid out a strategy in managing their environmental impact, and this is done in a text-book manner where it is included in the company's risk management program.

It start with assessing risks and putting controls in place to prevent contaminating the environment, with clear measurable objectives that can be reviewed and monitored in a scientific manner. This is extremely important, as without measurement, it is impossible to determine whether there has been an improvement over the years or not. They have a 360 degree strategy which extends to all stakeholders, from encouraging suppliers to be sustainable and show a good environmental commitment, to training employees and driving a good environmental culture throughout the organisation, and providing information to customers and the public about their environmental initiatives. They have also committed to preserving the environment for generations to come and ensure that the Salmon industry in Tasmania remains sustainable.

The company has an environmental management system (EMS) in place, ISO 14001, and they have listed all the areas that are covered by this program, and the objectives for each of them. They list their energy inputs, with an objective to reducing the usage, and moving towards more sustainable forms of energy. In FY14, they disclosed their total energy consumption and the improvement from FY12, as reported in the next graph.

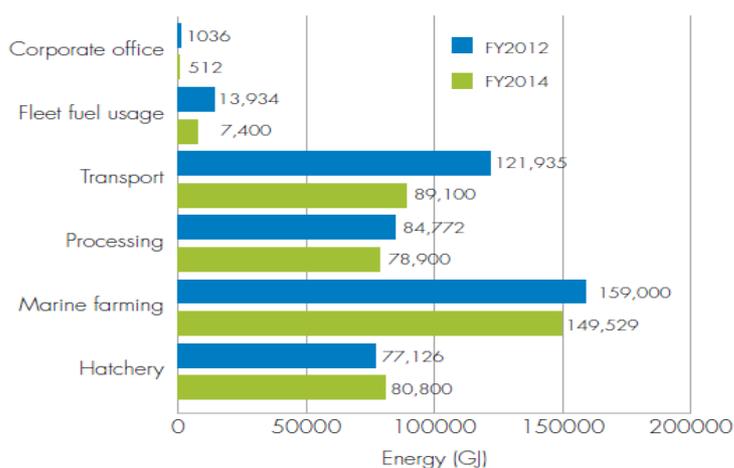*Fig. 21: Energy use FY14[274]*

As we can see, there has been a significant reduction in transport energy use (nearly 27%). Tassal has achieved this result by introducing a new delivery boat to transport the feed across Tasmania in addition to now having a unique supplier, (Skretting), to ensure locally produced feed, reducing fuel consumption for transport. They have also reduced their corporate office energy consumption by reducing their electricity use.

Tassal is actually developing a framework for their freshwater use, which will describe the water use in their processing, hatchery and bathing facilities. Although, they already state in their FY14 report that « The majority of the water used (87%) was water that was returned relatively unchanged to the same water basin i.e. effectively passed through, with the remaining 13% coming from reticulated supply[275] ». They also use seawater for

Hatcheries	Unit	Amount	Marine Operations	Unit	Amount	Processing	Unit	Amount
Input: Water								
Reticulated supply	ML	2.42	Reticulated supply	KL	2.63	Reticulated supply	ML	62.3
Bore water	ML	893	Rivers, streams, dams	KL	1,740	Sea water	ML	30
River water for flow thru	ML	101,274						

Fig.22 : Water use FY14[276]

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[274] *Ivi*, p.42.
[275] *Ibid*.
[276] *Ivi*, p.55.

We see that the main source of water comes from the river. Most of the water used is for the hatcheries purpose, water that will be returned to the river. Their water use seems efficient cause its keeps flowing though the hatcheries.

The report also discusses the different waste streams, and how the company has procedures to segregate the different streams of waste, where every stream goes to the appropriate treatment facility (i.e. plastic goes for recycling). Most of their waste is 'mortalities' (dead fish), which is then used for compost or to produce fish oil or feed; an efficient way to deal with their waste. Biological waste from fish is an important component of waste for the fish industry. Organic waste such as fish off-cuts and bones used to be send by Tassal to another facility for rendering, called Seafish, which would then be used in a range of other industries. Tassal does not want to waste any of the fish value nor to contribute to environmental degradation so this is why they used to send it to Seafish. However, in FY14, Tassal did not look satisfied of this agreement with Seafish as it stated: «Although Tassal has been working with the company to mitigate environmental and amenity impacts from waste in Triabunna for a number of years, success has been limited ». As a result, Tassal decided to invest up to $11m to build a new processing facility in Triabunna, which will produce fish oil and protein from the fish waste from FY15.

The company is also a signatory to the Australian Packaging Covenant and is committed to the sustainable packaging guidelines, they mentioned that their New Product Development Team meets regularly and includes members from the environmental and sustainability teams to discuss progress of the different projects they are undertaking.

One innovative initiative the company has mentioned is turning plastic rubbish into furniture. They have partnered with Replas and the Redgroup to recycle plastic into benches, and donated them to schools. This may encourage other manufacturers to do the same as there could be company branding on this furniture.

Other initiatives from the EMS to preserving the environment Tassal operates in includes reducing pollutant levels in their waste streams to protect the water and the see-weeds that could be negatively impacted from high levels of chemicals and sediments in their waste.

The eutrophication potential is an environmental risk of Tassal's operations due to its potential adverse effect on the environment if the supply of nutrient exceeds the natural carrying capacity of the water. Tassal reported a 15% reduction in FY14 compared to FY12. This is a good result as it can have an effect on the biodiversity by creating an imbalance in nutrients.

Tassal does not emit a high quantity of emissions due to the nature of its operation. The processing of fish requires manual labour for cutting and cleaning, which does not require a lot of energy input if compared to the beverages industry in the previous case study.

This EMS seems very comprehensive, covering a wide range or risks to almost every imaginable area of the business operation. It shows the importance of having a proper management system in place for an industry that relies on the ecosystem to for its viability and success.

Waste is money; reduction in waste provides a saving to the business, and increasing the recycling of materials also provides a financial benefit. This, as mentioned before, is a common practice in Australia where there is a good culture of waste minimisation and maximisation of recycling. We have seen it in the brewing, dairy, and now the fish industry.

One of the key points to discuss here is the preservation of the natural fish stock, and therefore a sustainable salmon production for Tassal. To ensure a sustainable practice in their activities, Tassal has committed to a partnership with WWF since 2012 to achieve a full Aquaculture Stewardship Council (ASC) certification for their aquaculture practices. We saw in Chapter 2 that collaboration between NGOs and businesses has been growing, especially in the matter of environmental preservation as NGOs and businesses can share their expertise and work together to achieve better standards. At the end of FY14, Tassal achieved full ASC in all their salmon farming operations, « In a first for any salmon company in the world, this achievement puts Tassal at the forefront of responsible global salmon aquaculture[277] ».

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[277] *Ivi*, p.1.

« The ASC's standards include strict requirements for the management of nutrient impacts as well as monitoring, feed inputs, minimisation of escapes, chemical use and predator control, amongst other core issues[278] ». The goal of the ASC is to ensure a sustainable farmed seafood by reducing the industry's impact on the environment (e.g. feed sourcing) and protecting the wildlife surrounding the farms, while ensuring the industry success. Below we will see a few examples of Tassal's initiatives in feed quality and wildlife management.

Salmon, like any other fish, needs food to grow, this food is sourced from marine resources. The fish that is used is basically 'wild caught forage fish'. It is also mentioned that most of this feed comes from the Pacific and North Atlantic regions. The amount of the quantity of wild fish (=forage) used to feed farm fishes is calculated with the Fish Feed Dependency Ratio (FFDR).

So what are they doing to manage this issue? Tassal recognises that the stocks of this feed are finite and if not managed properly, they could simply be depleted. They have committed to lowering the ratios of fish meat and oil into their feed, and sourcing feed from local suppliers who have an « efficient use of marine resources[279] ». From an ecological point of view, salmon is actually a very 'cheap' protein as it does not require much intake of feed and Tassal notes this in its FY14 report: « Salmon is the most efficient converter of feed to end product of any known farmed animal protein[280] ». Tassal has substantially increased its feeding efficiency by reducing the fish content present in its feed while increase protein and oil from other sources (i.e. vegetable ingredient such as canola oil). This reduces Tassal's environmental impact and reliance on marine resource and knowing that « Salmon feed is the primary input into the Salmon production process », this is an important advancement from Tassal, which has « one of the lowest Fish Feed Dependency Ratio (FFDR) in the world[281] ».

Because Salmon is not native to Tasmania, and is hatched and grown in enclosed areas, an escape can have an impact on the natural ecosystem. For example, if there was a break in netted areas in which it is grown in, it can affect the natural fish population in the wild

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[278] *Ivi*, p.32.
[279] *Ibid.*
[280] Tassal, Sustainability Report 2014, cit., p.12.
[281] *Ivi*, p.24.

as it might interfere with the food chain. Tassal had a case in FY13, when a salmon escape occurred in the Macquarie Harbour and up to 6,458 fishes escaped because of a hole in the pen created by a seal.

The netting itself is also an issue as it encloses areas, which may have been used by other forms of wildlife. It is mentioned on the FY14 report that they aim to minimise seal interaction with their fish stock. A number of controls are in place to prevent seals from getting into the pens in which the fish is grown such as special nets and fences. Tassal relocates any seals that might have got into their farms (in FY14, they relocated up to 90 seals). Seals can feed on these stocks and may also become entrapped in the netting, so it is important, given the increase in seal numbers, that adequate measures are put in place. This is why Tassal wants to reduce the interaction with wildlife and has worked in partnership with WWF to do so in a responsible manner.

Bird interaction is also mentioned in the report, as sometimes they get entrapped in the netting. A strategy called Seabird Rescue has resulted in minimising the impact on the seabirds' population, where they are being saved and released back into the environment. In FY14, a total of 952 birds got released back into nature.

Whale and Shark interactions are rare, if sharks enter the pen, they are captured and released back into the wild. There have been no reported deaths of sharks since records began.

WWF has assisted Tassal throughout the way of its achievement of ASC certification by providing guidance and advice and by reviewing Tassal's sustainability plan. After this successful ASC certification from Tassal, WWF Australia Chief Executive Officer, Dermot O'Gorman, has stated that: « Customers are demanding more sustainable products. (…) Fish production from aquaculture is currently the fastest growing animal-food-producing sector in the world, accounting for nearly half of the world's total food fish supply. It is critically important then that aquaculture operations such as Salmon farms are managed responsibly so that the industry can be part of a solution to feeding a growing global population without placing further stresses on the environment. (…)This

(Tassal) is a great example of an Australian company demonstrating global leadership on sustainability[282] ».

Tassal had to invest significant amounts of money to upgrade its infrastructure to become more environmentally friendly, it also had to change its fish feed and upgrade its wildlife management program.

Tassal's sustainability reports suggest that there is a strong focus on environmental sustainability, its EMS, initiatives, and transparency in providing information proves that a successful business with positive financial results can also be sustainable, as the proper management of resources has a positive impact on the financial result, by lowering cost, and appealing to more consumers who care about the environment.

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[282] *Ivi*, p.32.

4.2.3 Social Responsibility

Stakeholder engagement

In FY14 Tassal has focused on stakeholder engagement as Lion did. This focus was due to its ASC certification, which not only focuses on the environmental point as we saw above, but also on social standards and certifications that Tassal had to achieve.

A first concern by stakeholders, especially the community that lives near fishing farms is amenity. The location of the farms (i.e. on the waterway), noise and visual impact might bother some members of the community so that Tassal decided to develop a Stakeholder Engagement Program (SEP), which allows the community and other group to raise questions and discussions on Tassal activities, as well as supporting community project. There is a Community Engagement Officer, which ensures that complaints are taken into consideration and solutions be found in partnership with NGOs or specialists. In FY14, the community had serious concerns regarding amenity due to an optimisation plan of some farming. These concerns were mostly on noise and visual impact. Tassal focus has been on providing transparent information to stakeholders. This includes some community meetings and information sessions. Feedback was given after these meetings, which resulted in Tassal modifying some of its amendments in order to get closer to its community needs and expectations. While reading the feedback, Tassal noticed a lack of understanding of the Salmon farming so it decided to extend its approach and, in FY14, an upgrade of the ASC Dashboard was completed. This website gives 'real time' information on Salmon aquaculture such as wildlife interaction, fish quality, medicine use, and so on. Tassal is also engaged in providing the Tasmanian community with a better understanding of Salmon aquaculture by opening its doors once a year for the public to see how it works.

« Social sustainability is a key operational pillar for Tassal, and stakeholder feedback is used as a catalyst for change and built into strategy development and executive planning processes within the company[283] ». We saw above that Tassal actually modified some of its amendment, and submitted them to the community before executing some major work. This is a good example of taking public comment into account.

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[283] *Ivi*, p.18.

This level of transparency in communicating operational information makes Tassal a trustworthy business.

Tassal also supports its community by donating to charity.

Donation Category	% of total sponsorships and donations
Local Sporting Clubs	45
Schools & Youth	8
Environmental initiatives	8
Community initiatives	25
Charities	7
Community Based Arts	7

Fig.23: Sponsorship and donations recipients[284]

Most of the donations go to local sporting clubs, followed by community initiatives. In this case again, we see a strong focus from Australians companies on the 'local'. And Tassal confirms this by asserting: « Tassal's approach to community sponsorship is primarily about supporting community based initiatives in the areas where we have our operations[285] ». It justifies this choice by stating that its employees live in Tasmania and this island is experiencing challenging economic times so Tassal believes it is logical they act to render Tasmania economically stronger and more liveable.

Tassal has an annual budget of $110k for its donations and sponsorship. This amount includes 16% of Salmon product donations, while the rest is donated in cash to the institutions above. In FY14, Tassal supported around thirty schools and a similar number of local sporting clubs, it also donated to Foodbank, as well as various cancer research organisations.

One of the main project of Tassal's SEP was the partnership with 'The D'Entrecasteaux and Huon Collaboration'. This is a partnership between natural resource managers, the industry (Tassal and Huon aquaculture) and government in order to collaborate effectively in improving the condition of the waterways as well as their diversity. These waterways are at the heart of Tasmania's population as many people use these for recreational purpose (fishing or boating) while it is also important for Tasmanian commerce.

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[284] Ivi, p.53
[285] *Ibid.*

Employees

From a gender perspective, we see again, a striking difference between men and women employed, but Tassal seems aware of this as is has worked in FY14 to hire more women: « 37% of our new hires in 2014 were female, and female representation has increased by 1% to 29%[286] ».
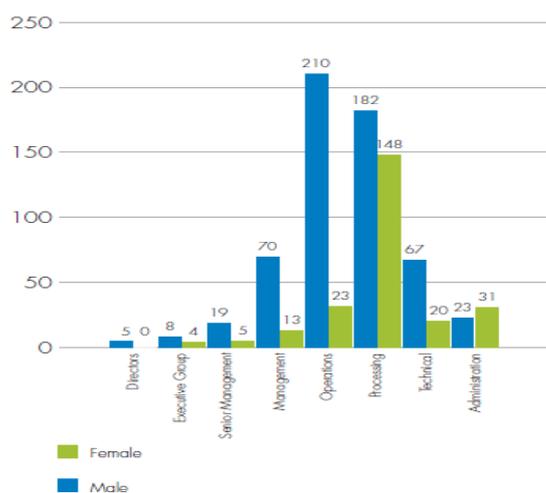

Fig.24: Tassal Workforce by gender[287]

A really positive point from an employment point of view is that Tassal employs people from different age groups as in FY14, it employed nearly the same number of employees aged <30 and <50 (respectively 259 and 205), and a bit more for people aging between 30 and 50 years old (364). This is a good indicator of a business offering equal opportunity to everyone, irrespective of their age.

Another particularity is that Tassal focuses on employing mainly 'local people', with a high proportion of Australians working for the company against a small portion of foreigners. Something that not all Australian companies do as the Morning Sydney Heralds reported in 2015, when Get Kearney from the Australian Council of Trade Unions stated: « stop giving local jobs to backpackers and foreign workers[288] ». Tassal says about its choice of hiring Australian workers: « We recruit from the local community

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[286] *Ivi,* p.44.
[287] *Ivi*, p.45.
[288] The Sydney Morning Herald, "Stop Giving Local Jobs to Backpackers and Foreign Workers", http://www.smh.com.au/federal-politics/political-news/stop-giving-local-jobs-to-backpackers-and-foreign-workers-says-ged-kearney-of-actu-20150430-1mwpy2.html

where possible, involving local management in the selection process and on boarding of new hires [289]».

Australian and International Employees

Fig.25: Tassal Workforce profile[290]

Tassal offers benefits to its employee, and chose these in response to employee feedback. Thanks to this feedback, they introduced initiatives such as one week paternity leave, or birthday leave upon request from their employees. They have also increased their flexible work arrangements as well as a cash top up for the first four weeks of maternity leave, offering better maternity leave than governmental standards.

In FY13, Tassal got the Tasmanian Employer of Choice status award, proving that it is a leading company in communication, learning and commitment to its people.

However, Tassal has been struggling with health and safety for its employees. In FY12, one year after their first sustainability report, Tassal admitted that: « the safety performance of the business is at an unacceptable level[291] ». To respond to this concern, Tassal developed a health and safety program called 'Zero Harm', reflecting its purpose of achieving a safe workplace where zero harm would occur. Since FY12, this program has had a strong focus from Tassal, which was still in FY13 « working to identify,

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[289] Tassal, Sustainability Report 2014, cit., p.44.
[290] Tassal, Sustainability Report 2013, p.44. Published online : http://www.tassal.com.au/wp-content/uploads/2014/04/131077%20Tassal%20Sustain%20Report%202013-14_v8.pdf
[291] Tassal, Sustainability Report 2012, p.38. Published online: http://www.tassal.com.au/wp-content/uploads/2014/04/121014%20Tassal%20Sustain%20Report%202012-13_web%20final.pdf

eliminate or mitigate risks and hazards that potentially compromise the safety of our employees[292] ».

In FY14, they have been working for a full accreditation of S4801 workplace health and safety certification. This Zero Harm program has been integrated into the main business strategy for FY15 and in FY14 Tassal proudly announced that « Satisfactory results were achieved on all previously established lead and lag indicators from a safety perspective. All indicators are trending in right direction[293] ». Indeed, while their incident rate was of 3.6 in FY09, in FY14 it was reduced to less than 0.25, which indicates that they will achieve their Zero Harm target within the next few years. This choice to include Zero Harm in their main business strategy for FY15 reflected on the death of one of their employees, that they report on their FY14 sustainability report: « The loss of Ian Thompson needs to be acknowledged for the magnitude of impact it has had on the Tassal team and stands as a poignant reminder to every one of us the importance of a sustained and relentless focus on Zero Harm – for everyone, everywhere[294] ».

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[292] Tassal, Sustainability Report 2013, cit., p.43.
[293] Tassal, Sustainability Report 2014, cit., p.10.
[294] Tassal, Sustainability Report 2014, cit., p.48.

Reports Conclusion

There is a clear difference in the CSR priorities and focus at the two companies that were considered in this dissertation. This was expected due to the nature of their operation and the structure of their business. Their finished products are very different and their target consumers also differ greatly.

Tassal demonstrates a strong environmental focus, surely accentuated by its partnership with WWF and its objective of reaching ASC certification. Lion on the other hand, focuses on the social aspects. This can be seen straight away when looking at their websites. Indeed, Lion states that their core purpose is to « enrich our world every day by championing sociability and helping people to live well[295]». We see here a social focus on 'people' in general whether they are their employees or the greater 'community'. While « Tassal is proud to announce that all regions are ASC certified[296]», shows a clear environmental focus.

The differences in focus can be attributed to the type of the business operation. Lion's challenge is to provide a positive image given they are an alcoholic beverages manufacturer, and alcohol consumption is linked to social problems and some disturbing adverse health effects as indicated by FARE, in addition to having a dairy division that is also seen as being unfair to farming communities. Tassal's main challenge is to prove they conduct their business in a sustainable manner without harming the ecosystem due to the fact that their operation is in a marine environment.

Due to the above specific challenges the two businesses face, they had to focus on different areas of their CSR. Lion conducts its operation in factories that are closed to the public. Their water consumption, waste generation and GHG emissions are all invisible to the public on a day to day basis, the public, however, sees the effects of alcohol on the community. Lion, smartly enough, invested heavily on the social side of CSR, they donate to charity, try to improve its relationship with dairy farmers, and provide their employees with good working conditions.

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[295] Lion, https://www.lionco.com
[296] Tassal, https://www.tassal.com.au

Tassal focused on protecting the environment. Their operation is visible, there is strong debate in Australia about depleting natural resources, so they need to make sure they protect the environment.

This shows that there is no one simple strategy for CSR implementation that suits all businesses, you simply cannot purchase a package that can be applied to your operation. Hence, CSR should be incorporated within the business risk management program so it can be tailored to the needs of that particular business.

It is worth mentioning that we have noticed some potential selective reporting on Lion's reports. They claim environmental achievements of various projects they have undertaken, but it is reasonable to think that some environmental improvements may have been accidental positive side effects of these projects. For example, the installation of a power generator reduced GHG emissions. This generator may have been installed for purely economic reasons as it reduces energy bills, but they claimed it as an environmental initiative. Another example is the waste omission from Lion's report that should definitely be included according to the GRI framework they claim to be following. Lion issued its first sustainability report in 2009 but still, after all these years, they still do not have monitored their waste. Even if Tassal issued its first sustainability report two years later (in 2011), there is much more disclosure, including the waste one.

Lion's report was not very clear either and lacked transparency in regards to the different divisions they own, such as beer, wine and dairy. Some good results in one of their divisions could mask some failures in another.

In regards to the social aspect, there was a lot of media attention and attacks targeted at Lion, we couldn't find any on Tassal, but again, it is expected given the nature of their finished product. Lion appear to have followed unethical marketing practices trying to deceive the public into believing that beer consumption isn't bad, and that is has low sugar, low carbohydrate, and is part of a balanced diet. This really goes against their statement regarding helping people to 'live well', and suggests that CSR may not have been part of their marketing strategy!

The cost of projects, reported by Lion, can tell us how expensive it is to retrofit CSR, Tassal on the other hand seem to have had CSR in mind when expanding their operation. It is, therefore, much more economical to have CSR as one of the cornerstones of the operation from its inception, although the start-up cost could be higher.

Both companies have a focus on safety, both are committed to reducing energy and water consumption, and both appear to have benefited from CSR initiatives they put in place. Lion has more to gain from the CSR program due to its size and the amount of resources it consumes such as water and energy. Tassal might have had an easier job in that regards, but they have a more difficult task in getting it right, every time, because any failure could simply make its way to the ecosystem and trigger a massive public outcry. Tassal even listed all the benefits it has gained since it started its 'sustainability strategy', stating that 'Sustainability is the key' and that it will continue on this road for the next years. Below all the benefits listed by Tassal as reported in FY14:

- «Increased profit
- Improved compliance
- Improved wildlife welfare
- Improved wildlife exclusion and escape prevention leading to decreased cost of production and improved fish growth and survival
- Improved environmental outcomes
- Improved fish survival
- Improved outcomes for neighbours (e.g. noise mitigation)
- Improved community relations (community engagement officer)
- Improved communication between business centres (breaking down the silos)
- People in the company and community have a voice
- Innovation is supported from all levels in the business, and
- Development of a culture of caring within Tassal[297] ».

My conclusion is that Lion does not have a genuine will to implement CSR, but they feel that they have to, and they also seem to have contradicting priorities between the different

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[297] Tassal, Sustainability Report 2014, cit., p.12.

departments. Tassal, appear to be more genuine in regards to their CSR, which is demonstrated in their comprehensive, transparent and well-structured reports.

The bottom line is that having a comprehensive CSR program that is implemented properly, genuinely, communicated well, and with a targeted approach, can benefit businesses, improving their image and financial performance.

GENERAL CONCLUSION

We have seen across this work that CSR has come a long way. It seems a long time ago since business' main responsibility was to make profit.

From a basic employee's wellbeing and philanthropic focus, CSR, in the last few decades, has come to slowly include other social and environmental concerns. It now encompasses all of the themes inherent to business practice and impact: from employees' health and safety, to good marketing practices, 'greening' of the business, community involvement, stakeholders' engagement, and much more. In other words, CSR has come to prominence in this century.

This CSR progress has occurred in parallel with society's evolution. Our capitalistic system has grown, and with it, came a number of challenges that did not exist before. We are using the natural resources at an alarming rate, we are damaging the ecosystem, we are creating a massive rift in the socioeconomic fabric of society, and we continue to grow in numbers, which put additional demand on the entire system. Our way of living has been transformed, so, our way of conducting business needs to be transformed accordingly. CSR needs to be part of that transformation because it addresses a wide range of issues that we are currently faced with,

CSR is relevant to all areas of the economy, but it is especially important for the food industry due to its dependence on the ecosystem. A sustainable way of doing business is seen as the solution to ongoing prosperity and continuity of our way of life.

Some issues that were not on the corporate agenda fifty years ago (i.e. climate change) have accentuated due to degraded ecosystems, and the alarming gap between the rich and poor, with raising inequality and polarization of wealth.

Businesses do not turn to CSR just 'to be good', they do it because it has become necessary with the increased reach of the media, consumers' awareness, and NGO's activity. Businesses are pressured to include CSR in their strategy, and if they don't, they risk bad reputation and loss of revenue.

We have seen that CSR initiatives have become common practice in Australia; more and more businesses are disclosing their sustainability performance and their CSR practices on their website. However, businesses need more leadership from the Australian government in this matter. The private sector has evolved to a point where it has left the Australian government behind.

Some governments are one step ahead, which proves that CSR is indispensable for the purpose of achieving a sustainable economy. In India, for example, it is now compulsory for big companies to spend 2% of their net profit each year on CSR activities. The European Union has also adopted a directive on disclosure of non-financial and diversity information for companies of a certain size. This was described as «vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection[298] ».

Some sceptics believe that 'CSR is dead,' but everything points to the exact opposite. CSR is just at its beginning, and as every new concept, it will need time to evolve and become common practice, and it will go on to becoming part of the organisation's culture. CSR is a long journey, and Australian companies seem to be on board. At this day and age, it is no longer something that is "nice to have", it needs to be a part of any organization's strategy because it provides sustainable financial performance, better relations with stakeholders, improved company image amongst consumers, and last but not least, protection of our ecosystem where failure is simply not an option.

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