The emergence of CSR and the three pillars

MODULE 5 | PART D.1 | STUDENT COMPANION

How reporting emerged

When	What happened
Early 1990s	Reporting becomes widespread in Australia: mining companies, some water and energy utilities and others publish voluntary stand-alone environmental reports
Mid-1990s	Social information follows
Today	Most leading companies publish sustainability or CSR reports (the labels are interchangeable) covering economic, social and environmental performance
Regulation	Modern slavery laws (California, UK, Australia); climate reporting in places such as the UK; comply-or-explain reporting in Malaysia, Hong Kong, Singapore and the Philippines; the EU's reporting directive

Three arguments for environmental sustainability

Argument	In one line
Humanistic	We depend on nature to survive, and we cause the damage, so we must fix it
Intergenerational	It is unfair to leave future generations to live with our consequences
Naturalistic	Nature has value in its own right and deserves protection for its own sake

Three pillars

Environmental

Protect nature's capacity to support life

- Climate change
- Waste and the circular economy
- Pollution
- Biodiversity
- Resource limits, such as fresh water

REDcycle, 2022: about 12,000 tonnes of soft plastic stockpiled, not recycled

Social

Keep communities functioning fairly

- Child labour
- Ethical trading: no bribery, corruption or unfair use of power
- Supply chain management
- Fair relationships with staff, customers and community

Seven-Eleven, 2015: underpaid workers; about $173 million repaid

Economic

Stay viable, stable and transparent

- Long-term viability
- Stability of the economic system
- Transparency about operations and risks
- Efficient, responsible use of resources

Porter Davis, 2023: builder collapse left about 1,700 homes unfinished

Case notes and the board

MODULE 5 | PART D.1 | REAL EXAMPLES AND CONCEPTS

REDcycle (environmental): shoppers returned soft plastics to bins at Coles and Woolworths. Collections paused on 9 November 2022 and about 12,000 tonnes were found stockpiled. The operator was wound up on 27 February 2023 and the supermarkets took over managing the stockpiles.

Seven-Eleven (social): an August 2015 media investigation revealed widespread underpayment in franchised stores. A repayment program, first overseen by an independent panel chaired by Allan Fels, repaid about $173.6 million to more than 4,000 workers by February 2020.

Porter Davis (economic): the Melbourne home builder collapsed into liquidation in March 2023, leaving about 1,700 homes unfinished in Victoria and Queensland. About 560 customers had paid deposits without the mandatory domestic building insurance being taken out, and the Victorian Government created a one-off relief scheme for them.

Pillars are connected

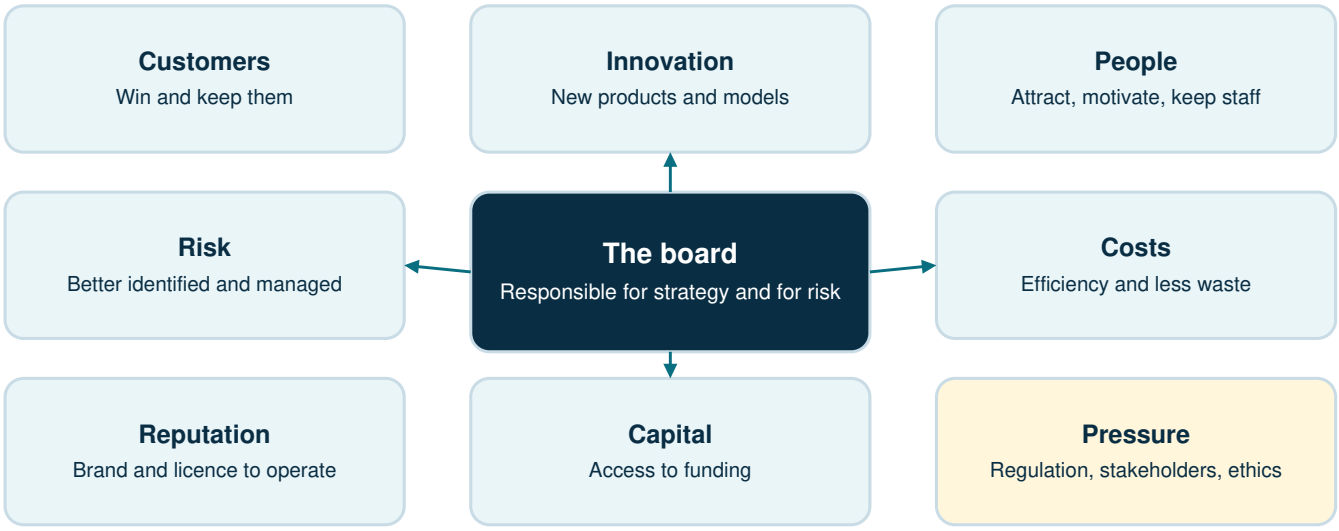


The accountability lesson

Reporting what was collected is not the same as reporting what was recycled

A sustainability claim is only as strong as the weakest link in the value chain behind it. Weakness in one pillar spreads to the others.

The board's business case



New organisational forms: social enterprises exist for a public or community benefit mission, trade to fund it and reinvest much of their profit in it. B Corporation certification recognises businesses that use commerce to tackle social and environmental problems; the Australian tour company Intrepid Travel was certified in 2018.

Sources: NSW EPA and Packaging News on REDcycle (2023); Fair Work Ombudsman, 7-Eleven compliance partnership report (October 2020); Victorian Government and liquidator Grant Thornton statements on Porter Davis (2023); Intrepid Travel release (August 2018).

Practice questions

MODULE 5 | PART D.1 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Which pillar?

Place each issue under the **environmental**, **social** or **economic** pillar.

Issue	Pillar
(a) A factory discharges wastewater into a river.	
(b) A supplier pays its workers below the legal minimum wage.	
(c) A bank relies heavily on a handful of very large, uninsured depositors.	
(d) A developer clears native vegetation that shelters threatened species.	
(e) A sales manager offers a bribe to win a government contract.	
(f) A company publishes clear information about the risks it is exposed to.	
(g) A restaurant chain sends tonnes of food waste to landfill.	
(h) A company cuts all research spending to hit this year's profit target.	

Question 2 - Riverbend Foods

Imagine **Riverbend Foods**, a vegetable processor and the largest employer in a regional town. A severe drought cuts river flows and halves its water allocation. Trace how this environmental problem spreads to the economic and social pillars, and suggest one response for each pillar.

All issues and Riverbend Foods are imagined teaching examples.

Worked answers

MODULE 5 | PART D.1 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Which pillar?

Issue	Pillar	Why
(a)	Environmental	Pollution
(b)	Social	Supply chain management and fair work
(c)	Economic	Viability and the stability of the financial system
(d)	Environmental	Biodiversity
(e)	Social	Ethical trading
(f)	Economic	Transparency
(g)	Environmental	Waste
(h)	Economic	Long-term viability sacrificed for short-term results

Question 2 - Riverbend Foods

Pillar	How the problem appears	Possible response
Environmental	Water scarcity and stress on river health	Recycle process water; cut water use per tonne
Economic	Lower output, higher costs to buy or truck water, lower revenue; farmers supplying it earn less	Diversify water sources and suppliers; plan for drought in strategy
Social	Reduced shifts or job losses in a one-employer town; stress for farming families; local businesses suffer	Engage the community early; redeploy rather than lay off staff where possible

The point: a problem in one pillar rarely stays there. Good answers show the links between all three.