



Cabinet

CAB Min (07) 38/8

Minute of Decision

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Minister for State Owned Enterprises

A Corporate Social Responsibility Framework for State Owned Enterprises

On 23 October 2007, following reference from the Cabinet Business Committee (CBC), Cabinet:

Corporate social responsibility framework

- 1 **noted** the following key points in relation to corporate social responsibility (CSR) as it applies to State Owned Enterprises (SOEs):
 - 1.1 SOEs have heightened CSR obligations because the State Owned Enterprises Act 1986 requires SOEs to exhibit a sense of social responsibility as part of the principal objective to be successful business;
 - 1.2 SOEs have a fundamental obligation to behave in a socially responsible manner, and this should be reflected in all their policies and practices;
 - 1.3 recent events, including Mercury Energy's disconnection practices and Solid Energy's use of paid informants, have called into question whether SOEs are falling short on their obligations to exhibit a sense of social responsibility, despite many SOEs having active and visible CSR programmes;
 - 1.4 in June 2007 shareholding Ministers communicated high-level CSR expectations to SOEs, and sought feedback about current CSR policies and practices, and the characteristics of an appropriate CSR framework;
 - 1.5 a number of recognised CSR frameworks currently exist, including triple bottom line reporting, the Global Reporting Initiative, and Accountability's AA1000 Series;
 - 1.6 these recognised frameworks can provide SOEs with broad guidance on how to approach CSR, but have only limited value, as a "one size fits all" approach to CSR fails to take account of the specific requirements and circumstances of each SOE, and the Act itself, which gives responsibility for operational decisions to the board of each SOE;
- 2 **agreed** to a CSR framework for SOEs which involves:
 - 2.1 shareholding Ministers refining and communicating their CSR expectations, including the obligation to act in a socially responsible manner at all times, and

providing broad guidance with reference to existing recognised CSR frameworks, although primary responsibility for defining CSR programmes and targets, and delivering and reporting against these, resides with each SOE Board;

- 2.2 SOE Boards must also report any examples of breaches of their obligation to act in a socially responsible manner to shareholding Ministers as soon as any such breach is brought to the Board's attention. Any breaches should also be included in company's annual reports;
 - 2.3 integration of CSR within the existing business planning framework, thereby placing CSR objectives on the same footing as financial objectives. SOEs would set CSR targets and objectives in their statements of corporate intent, and report against them in their annual reports;
 - 2.4 during the business planning process, shareholding Ministers looking for evidence that SOEs are addressing CSR in a more integrated, appropriate and robust manner, to ensure that CSR becomes embedded in corporate values and reflected more consistently in the day-to-day activities of each SOE;
- 3 **authorised** shareholding Ministers to take all necessary steps to implement the CSR framework outlined above;
 - 4 **invited** shareholding Ministers to report to the Cabinet Policy Committee on progress with implementation of the CSR framework by 31 August 2008;

Update on electricity disconnection case

- 5 **noted** that
 - 5.1 a number of reviews and investigations were commissioned following Mercury Energy Ltd's disconnection of electricity to the Muliaga household, and subsequent death of Mrs Folole Mulianga on 29 May 2007;
 - 5.2 the Coroner's inquest is not expected to start until 26 November 2007.

Secretary of the Cabinet

Reference: CAB (07) 556; CBC Min (07) 22/9

Secretary's note: This minute replaces CBC Min (07) 22/9.