

**The role of corporate communication in perpetuating  
inequalities of access by individual investors to corporate  
decision-making**

Susan O'Byrne

This dissertation is submitted in partial fulfilment of the requirements for the degree Master of Arts by Personal Program at Murdoch University.

2012

**DECLARATION**

I declare that this dissertation is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary educational institution.

**Signed:** .....

**Full name:** Susan O'Byrne

**Student number:** 30867931

**Date:** 3 August 2012

**COPYRIGHT ACKNOWLEDGEMENT**

I acknowledge that a copy of my thesis will be held at the Murdoch University Library.

I understand that, under the provisions of s51.2 of the Copyright Act 1968, all or part of this thesis may be copied without infringement of copyright where such a reproduction is for the purposes of study and research.

This statement does not signal any transfer of copyright away from the author.

Signed: .....

**Full Name of Degree:** Master of Arts by Personal Program

**Thesis Title:** The role of corporate communication in perpetuating inequalities of access by individual investors to corporate decision-making

**Author:** Susan O'Byrne

**Year:** 2012

## **ACKNOWLEDGEMENTS**

I would like to thank my supervisor Christine Daymon for her guidance and advice throughout the process of researching and writing this dissertation.

I would also like to thank my father, Brian Bell, stepmother, Cyd Ross, and friend Alice Turnbull for their invaluable input and proofreading, as well as my mother, Lyn Bell, for offering babysitting services to allow me to finish this project.

And finally, thank you to my husband, Brad O'Byrne, for his willingness to be a sounding board and his endless patience during the long gestation of this dissertation.

**ABSTRACT**

In an age of global concern and disquiet about the power and ability of large companies to influence the social fabric of the countries in which they operate, citizens around the world are increasingly demanding a greater say in the governance of major corporations. Many of these large, listed companies are funded by individual investors who, in Australia, are involved in investing through their regular savings into superannuation funds. These investors are the majority of the Australian adult population who, in effect, are the real owners of the capital that sustains these powerful companies. Despite the demands of citizens for greater corporate engagement, research-based reports by industry and government indicate that individual investors have no role in influencing the decision-making of the listed companies, or the investment decisions of the superannuation funds that manage their money.

To date, little academic research has explored the reasons for this lack of participation by individual investors in corporate decision-making and, therefore, this project seeks to make a contribution to addressing this gap in the scholarship. The project investigates why people in Australia who provide capital to companies through their superannuation savings may have little influence over decision making in the companies in which they invest. It examines the role of corporate communication in facilitating or hindering the engagement of individual investors with the superannuation funds and the listed companies in which they invest.

The study employed critical discourse analysis as a methodological approach to analyse the corporate communications of five of the top listed companies and five of the largest superannuation funds in Australia. Data was collected by analysing websites and other formal communications in order to understand how stakeholders were identified and communicated with by the companies and funds, and the extent to which individual investors were recognised as salient stakeholders. In tandem, the study reviewed the extent to which institutional investors (those who manage the money in superannuation funds) acknowledged the importance of individual investors as owners of the money they managed. The findings of the study indicate that the formal communications of both the superannuation funds and listed companies in the study reinforce and maintain the barriers

that hinder the recognition by all parties that the capital for a significant portion of the Australian equity and bond markets market is ultimately provided by members of superannuation funds. A result of this is that the views and values of a large portion of the Australian investing population are not necessarily considered or sought at the highest levels of senior managements or boards of either superannuation funds or listed companies. Therefore, from the perspective of the superannuation funds and the listed companies, a hierarchy of stakeholders exists with individual investors overlooked and marginalised with regard to both corporate decision-making and messaging, while institutional and other professional investors are prioritised. This power imbalance is reinforced in both the content and structure of the analysed written communications of the superannuation funds and listed companies.

Therefore, the study concludes that the power for decision-making, and the shaping of Australian business, resides with a small group of senior managers who make decisions with reference only to a small group of professional investors, i.e. decisions are made by those who manage the money, rather than those who provide and ultimately own the money. It is the beliefs and values of the professional investors that are represented, not those whose capital offers the companies the opportunity to continue business and the superannuation funds a chance to have a business. The written communications of these companies and superannuation funds reinforce and perpetuate this power imbalance. In order to redress this situation and overcome the privileging of a single stakeholder group, this study recommends that the superannuation funds employ a range of corporate communication strategies that address and engage all stakeholder groups.

**TABLE OF CONTENTS**

<b>1. Glossary of Investment Terms</b>	<b>8</b>
<b>2. Introduction</b>	<b>10</b>
<b>3. Literature Review</b>	<b>19</b>
<b>4. Methodology</b>	<b>28</b>
<b>5. Findings – Superannuation Funds</b>	<b>37</b>
<b>6. Findings – Listed Companies</b>	<b>51</b>
<b>7. Discussion and Conclusion</b>	<b>72</b>
<b>8. References</b>	<b>79</b>

**LIST OF FIGURES**

<b>Figure 1:</b>	Current investing relationship	<b>14</b>
<b>Figure 2:</b>	Carroll's Pyramid of Corporate Social Responsibility	<b>23</b>
<b>Figure 3:</b>	An illustration of hypothesised stakeholder salience in a listed company	<b>26</b>
<b>Figure 4:</b>	Current investing relationship and information flow	<b>71</b>
<b>Figure 5:</b>	Proposed engagement model for superannuation funds	<b>77</b>

**LIST OF TABLES**

<b>Table 1:</b>	List of stakeholders	<b>52</b>
<b>Table 2:</b>	Top 10 shareholder lists	<b>55</b>

## 1. GLOSSARY OF INVESTMENT TERMS

**Active investment managers** – Investment managers who use a range of methods to pick stocks for their portfolios. They do not aim to replicate an index but often aim to outperform a nominated benchmark index.

**Analyst** – An analyst monitors companies and analyses various aspects of its performance with a view to providing a recommendation to investors about whether to buy, sell or hold a company, and to provide their opinion on a company's activities.

**Annual general meetings** - Mandatory meetings held by companies once a year to report the company's activities to shareholders, to hold votes on company-related issues and to allow shareholders an opportunity to question the board.

**Asset classes** - The different categories of investment types such as Australian and international equities, government and corporate debt (bonds), cash and private equity.

**Bond market** – The public market on which bonds and other units of debt issued by a company are bought and sold.

**Equity market** – The public market on which shares and other units of ownership in a company are bought and sold.

**Infrastructure projects** - Large structural investments such as roads, tunnels, buildings, airports that require large capital investment to be built.

**Institutional investors** - Entities that specialise in the investment and management of money on behalf of others. They manage large sums of money owned by a single entity or person and also pool smaller amounts of money from a number of individuals into mutual funds and manage that fund as one entity.

**Market capitalisation** – A measure that is established by multiplying the number of shares on issue by the price of one of those shares.

**Nominee companies** - Custodian services that allow investments from a number of investors to be aggregated into one entity that holds the securities, manages dividend payments, manages communications with companies and provides some reporting.



**Passive fund managers** - Investment managers who aim to create a portfolio of stocks that replicates the performance of a nominated index, such as the S&P/ASX 200. Their investment decisions and trading activity only reflect changes to the index, not a considered investment decision by an investment professional.

**Private equity** - Investments that are not quoted on a public exchange and often consist of investments directly into private companies.

**Retail investors** - Typically shareholders with small parcels held by direct investors.

**Risk profile** - An individual's appetite for risk and is calculated on factors such as an individual's age; length of time until retirement; target rate of investment return; and preparedness to lose capital to pursue investment returns.

**Wrap product** – A product that usually offers a range of financial products and services 'wrapped up' for one fee. For example, a superannuation fund member may buy a wrap product defined by its risk/return allocation profile such as Balanced, Growth, or Cash. This product may include investments in equity, bonds, cash, private equity and infrastructure but the fund member will receive information about the performance of particular asset classes.

## 2. INTRODUCTION

### Rationale

Australian Senator Nick Sherry once said that 'the economy is not a private product but a critical piece of social infrastructure' (cited in Horigan 2010, 13). Australia's strong economy is due in large part to the efforts of the private sector, with much of the economy managed by private companies, and the social benefits of the strong economy are evident in the high standard of living enjoyed in Australia. According to the Organisation for Economic Co-operation and Development's (OECD) Better Life Index, Australians have higher wages and higher rates of employment than the OECD average and 74 per cent of those Australians surveyed were satisfied with their lives, saying they had more positive than negative experiences in a day, compared with the OECD average of 72 per cent (<http://www.oecdbetterlifeindex.org/countries/australia/>). Increasingly, however, it appears that concerns are being raised from a range of sectors in the community about whose interests are being served by how large companies are managed and the impact of the decision making of those in power on the social fabric of Australia. Some examples of this include: the rise of the Occupy movement; class actions against banks about 'unfair' fees; the concern about the fallout from the News International phone hacking scandal in the United Kingdom; protests about oil and gas activity in the North-West; and disquiet about how the large supermarkets dictate the trading terms with their smaller suppliers. This activity may indicate that many Australians feel powerless and frustrated by the decisions made by management of some of the largest listed companies in Australia.

Yet every Australian with superannuation savings provides a substantial portion of the capital these companies require to operate, through their savings in superannuation funds and other investment products. In March 2010, according to a Reserve Bank of Australia bulletin (Black and Kirkwood 2010, 27), around 40 per cent of Australia's equity market<sup>1</sup> and 30 per cent of the Australian bond market were owned by Australian-based

---

<sup>1</sup> The equity market refers to the public market on which shares and other units of ownership in a company are bought and sold. The bond market refers to the public market on which bonds and other units of debt issued by a company are bought and sold.

institutional investors<sup>2</sup>, predominantly superannuation funds . These superannuation funds were also major providers of funds to private equity groups and infrastructure projects<sup>3</sup>. A 2009 study by the Association of Superannuation Funds (Allen Consulting 2011, 3-7), found 11.6 million of the 16.4 million Australians aged over 15 years had some level of superannuation and that 87 per cent of 25-54 year-old Australians had money invested in superannuation funds that had total assets of \$1,357 billion. Despite the fact that a broad cross-section of the Australian adult public provides a substantial percentage of the equity and debt capital in Australia, it seems that they do not have the power to influence decision-making at the highest levels of company management and decisions that influence the social fabric and infrastructure of Australia are made without reference to them.

The Australian retirement-saving structure has supported both the wider accumulation of material wealth across the Australian community and, perhaps inadvertently, also the concentration of decision-making power about how companies are run in the hands of a minority of senior company managers and institutional investors. In Australia the introduction of compulsory self-funding for retirement in 1992 changed the investment and personal savings landscape. It was designed to shift the responsibility for funding an individual's retirement from the state to the individual and removed the impending tax burden that would be created by a large cohort of ageing baby boomers relying on a smaller workforce to support them. This structural change to Australia's retirement funding also created a range of institutions, both government, regulatory and administration bodies, to support it. At the same time, associated private institutions and public superannuation funds to manage this increase in savings money have flourished. One study in 2009 found that superannuation funds accounted for 45 per cent of Australia's finance and insurance industry (Allen Consulting 2011, 7).

---

<sup>2</sup> Institutional investors are entities that specialise in the investment and management of money on behalf of others. They manage large sums of money owned by a single entity or person and also pool smaller amounts of money from a number of individuals into investment funds and manage that fund as one entity.

<sup>3</sup> Private equity refers to investments that are not quoted on a public exchange and often consist of investments directly into private companies. Infrastructure projects refer to large structural investments such as roads, tunnels, buildings and airports that require large capital investment to be built.

The many individual people who provide the capital to listed companies through the intermediaries of the financial services sector face many structural barriers to engaging with the decision-makers within listed companies, the board, senior management and those who manage their investments the superannuation funds. In 2008, the Parliamentary Joint Committee on Corporations and Financial Services received 45 submissions on the topic of barriers to the effective engagement of shareholders on corporate governance (Parliamentary Joint Committee on Corporations and Financial Services 2008, 1-62). The committee found that institutional investors, such as superannuation funds, made decisions about whether to engage with companies' management and boards based primarily on the economic cost to them. Some found engagement to be a distraction from their stated primary role of generating investment returns. Listed companies also reported that identifying the ultimate owners of their shares was difficult because institutional investors often outsourced the management of investing their money to other professional investment groups and large amounts of shares were held in nominee accounts<sup>4</sup>. This made tracking the ultimate owners of shares difficult and the aligning of the long-term investment goals of superannuation funds and the short-term remuneration and performance goals of senior management and professional investors unlikely.

These conclusions followed earlier research by the Centre for Corporate Law and Securities Regulation that showed active participation by individual investors in company decision-making was not high on the agenda of most institutional investors. A 1998 survey of 12 of the largest investing institutions in Australia showed voting decisions made by these institutions were not transparent or prioritised (Ramsay, Stapleton and Fong 1998, vii). Only seven institutions said they voted on all matters at annual general meetings (AGMs)<sup>5</sup> and 10 did not support making it a legal requirement to report back to clients (i.e. the many individuals who provide the money that the institutions invest) on how they voted. Some 10 out of 12 institutions raised contentious issues with senior management prior to votes.

---

<sup>4</sup> Nominee companies are custodian services that allow investments from a number of investors to be aggregated into one entity that holds the securities, manages dividend payments, manages communications with companies and provides some reporting.

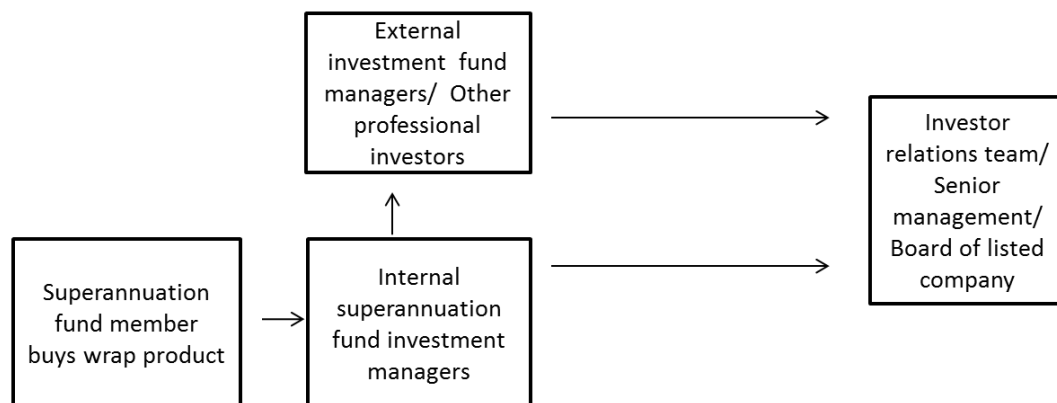
<sup>5</sup> Annual general meetings are mandatory meetings held by companies once a year to report the company's activities to shareholders, to hold votes on issues related to the company and to allow shareholders an opportunity to question the board.

Passive fund managers<sup>6</sup> only had to replicate the index performance so there was no incentive to engage with senior management of the listed companies in which they invest. There was also a concern among the institutional investors<sup>7</sup> surveyed that other competitors would 'free ride' off their efforts, so any expenditure involved in engaging with listed company managements would be wasted because they would, in effect, be helping their competitors (Ramsay et al. 1998, 27-36). The survey did not make any mention about whether or not the institutional investors who managed the \$1,357 billion in superannuation savings engaged with the many individuals that provided that money through superannuation savings, to gauge their views on listed company activity. Another report conducted by the Australian Prudential Regulatory Authority (APRA) in 2010 found that most of the superannuation funds had outsourced most of the key activities relating to investing their money, this introducing a further degree of separation between the many individuals who provide superannuation savings for investments and the decision-makers within listed companies. The survey of 115 funds with assets in excess of \$200 million found that 67 of the 83 not-for-profit funds outsourced six or more functions (Liu and Arnold 2010, 2). This is a major structural barrier for the many people who provide capital through their superannuation savings to have their voices heard at the management table of companies. These studies indicated that institutional investors did not engage with individual investors to gather their views and values and, therefore, these views and values were not influential in decision-making.

---

<sup>6</sup> Passive fund managers are investment managers who aim to create a portfolio of stocks that replicates the performance of a nominated index, such as the S&P/ASX 200. Their investment decisions and trading activity only reflect changes to the index, not a considered investment decision by an investment professional.

<sup>7</sup> These institutional investors are likely to be 'active' investment managers. Active investment managers use a range of methods to pick stocks for their portfolios. They do not aim to replicate an index but often aim to outperform a nominated benchmark index.



**Figure 1: Current investing relationship**

Figure 1 above explains the flow of investment funds from individuals with superannuation savings to the listed companies -and reveals the some structural barriers for the many individual providers of capital to being acknowledged in decision-making.

Companies are key political players globally because of the impact they have on everyday life and how their work practices and values shape society. For example, for many employees their livelihoods and wellbeing are dependent on their employing organisations for how much they earn, how much time they spend at work, how much time of unpaid labour they 'donate' to their employers, whether they have a job at all, how flexible the working arrangements can be and how much support they receive in their roles (Ikeda 2004, 334). One third of world trade occurs between the factories and offices of the more than 60,000 transnational companies (TNCs) around the world and Bendell and Bendell (2007, 70) raise the question that, given this level of activity, there was a 'whole systems theory of value and valuation (that) could arise to take account of a company's influence and reliance on the well-being of the whole world economy'.

The stock market is an institution that allows companies to raise equity and debt capital in order to develop their business. At the top of the Australian stock market hierarchy are the companies with the largest market capitalisation<sup>8</sup> that make up the benchmark S&P/ASX 200 index. According to ratings agency Standard & Poor's (2011), as at 31 August 2011, the companies in the index had a combined market capitalisation of \$1.025 trillion, with the

<sup>8</sup> Market capitalisation is established by multiplying the number of shares on issue by the price of one of those shares.

largest 10 companies by market capitalisation representing 52.34 per cent of this. The largest company, BHP Billiton, alone had a market capitalisation of \$127.5 billion, which represented 12.44 per cent of the index. The next largest company was the Commonwealth Bank of Australia with a market capitalisation of \$75.1 billion which was 7.33 per cent of the index (Standard & Poor's 2011, 2). Because of the size of their market capitalisation, these top 10 companies have a major impact on the behaviour of the Australian stock market indices, and feature in many investment portfolios of institutional investors, including those managing the superannuation money of most Australians. They also have a significant impact on the day-to-day lives of Australians and the social fabric of Australia.

Five of those top 10 companies are the focus of this research and they are: BHP Billiton Ltd; Woolworths Ltd; Commonwealth Bank of Australia Ltd; Telstra Corporation Ltd; and Wesfarmers Ltd. The size of these companies means they have some influence over the lives of Australians and the social fabric of Australia. Australians interact with these organisations in many ways as employees, contractors, sub-contractors, customers, suppliers and neighbours. Below are some examples of the reach of these organisations into Australian society.

Two of the companies that are included in this research are Woolworths and Wesfarmers (also the owners of Coles supermarkets) and both have an enormous reach in the community with the majority of Australians likely to be a customer. In 2006 the three major retail supermarket chains, Woolworths, Coles and the IGA network, had 78 per cent of the retail food market, excluding liquor. Food and liquor sales for the major chains were \$45 billion, representing 74.5 per cent of the reported Australian Bureau of Statistics total sales (FOODmap, Australian Government 2007, 11). Many food producers also supply to these companies. According to Woolworths' Corporate Responsibility Report (2011), Woolworths employed nearly 191,000 people and had 3,241 stores across all of their retail businesses and had more than 420,000 shareholders. Woolworths reported that its indirect contribution to the Australian economy was \$101 billion, 686,000 full-time-equivalent jobs and \$711 million in construction expenditure in one year alone.

In the retail financial services sector four banks, known as the Big Four (ANZ, Commonwealth, NAB and Westpac) dominate. At the end of March 2012 these four companies held household deposits of \$424.6 billion (APRA Monthly Banking Statistics

2012, Table 1). The Commonwealth Bank states in its Sustainability Report (2011), that it had 11 million retail and business customers and wrote \$90 billion in new lending in the 12 months to 20 June 2011. Around 45 per cent of Australia's daily financial transactions through ATMs and EFTPOS were with the Commonwealth Bank and it paid \$3 billion in taxes in the 2010/11 financial year.

Telecommunications is another burgeoning area of activity in Australia. In its Sustainability Report (2011), telecommunications giant Telstra states that in the 2010/11 financial year, Telstra handled 3.6 billion local calls, 5.4 billion long-distance calls, 9.9 billion texts and 13 billion voicemail minutes (Telstra Corporation Ltd 2011). Telstra will also be instrumental in Australia's telecommunications infrastructure with the forthcoming development and roll-out of Australia's National Broadband Network.

These companies also provide employment for thousands of people, are a key client for supplier businesses and have an impact on the communities in which they operate. As large companies they do also have the ability to influence government policy through professional lobbying and participation in industry association bodies.

### **Research Objectives**

This research was undertaken to understand why the many people in Australia who provide capital to companies through their superannuation saving appear to have little influence over the decision-making at the highest levels of company management and within institutional investment groups, and the role that corporate communications might play in this. The starting point was to identify if these individual providers of capital were recognised as stakeholders by the companies and superannuation funds because there appeared to be very little, if any, research in this area. Most previous research focused on:

- the increasing importance of superannuation funds as a source of capital in Australia and the impact of the regulatory changes to compulsory retirement savings in the field of business studies, such as the work of Ramsay, Stapleton and Fong (1998), Black and Kirkwood (2010) and Liu and Arnold (2010); and



- the rise of stakeholders, other than shareholders, and their influence on how companies communicated in the field of communication studies, such as Arnt Aune (2007) and Waddock (2007).

After identifying the extent to which the many individual providers of capital were recognised as stakeholders, the research for this project then branched into analysing how companies identify the stakeholders that are of importance to them, how they engage with stakeholder groups, if the communications with each group vary and if there is any recognition of overlap in membership of stakeholder groups. In tandem, the research reviews if those institutional investors on the other side of the investment decision recognise that individual investors provide and own the money they manage and, therefore, really own the assets in which they invest. The research also analyses what values are present in the formal communications about investment and operational decisions by analysing what information is given prominence, what information is available compared to what is not available and whether this differs between stakeholder groups. This study reviews the websites, annual reports and sustainability reports of some of the largest companies listed on the Australian Stock Exchange together with some of the largest superannuation funds which manage the money on behalf of superannuation fund members<sup>9</sup>. The five listed companies have been mentioned already in the section above and the five superannuation funds are: AMP Superannuation Savings Trust; Colonial First State FirstChoice Superannuation Trust; AustralianSuper; The Universal Super Scheme; and UniSuper. These funds were chosen because they are five of the largest superannuation funds, calculated by funds under management, in Australia and represent a mix of private retail funds and industry funds.

Given the potential breadth of this research and the limited time available to undertake it, a decision was made to concentrate on five of the largest listed companies in Australia that were representative of a number of business sectors in Australia. The companies were all in the top 10 largest companies by market capitalisation on the Australian Stock Exchange. The five superannuation funds chosen, that are listed in the section above, are five of the

---

<sup>9</sup> This study is specifically referring to superannuation funds alone and does not take into account the other money invested by Australians in the stock and bond markets through separate investments.

largest funds as measured by assets under management and represented a mix of private retail funds and industry funds.

This research adds to the body of knowledge about corporate communications and management practice in both the academic sphere and in professional practice. It reveals an imbalance of power through the practice of corporate communications between the many individual providers of the capital that allows companies to operate and the accessibility to participating in decision making about how these companies are run. It also highlights where the professional practice of corporate communications may be able to change in order to redress this imbalance.

The dissertation is structured in the following way:

- a literature review of communication and management theories pertinent to the research;
- an outline of the methodology used in the research;
- the findings of the critical discourse analysis of the written communications of the sample listed companies and superannuation funds; and
- a discussion and conclusion about the implications of this analysis and potential future research areas.

### **3. LITERATURE REVIEW**

#### **Introduction**

This chapter provides an overview of the concepts which have informed and influenced the data collection and analysis. The theories reviewed are chosen because of their pertinence to offer insights into the values of business and the practice of corporate communications in Australia today. They help to understand the research undertaken which is detailed in later sections of this dissertation.

#### **Decision making and prioritisation of values in companies**

Companies have easier access to arenas of public discourse, such as the advertising and unpaid editorial media, than the average person, so the priorities and values of companies are relatively more commonplace in public discourse, and that power is critical in competing in the marketplace of ideas (Crane, Moon and Matten 2010, 6). In other words, companies are powerful elites which have the ability to influence what is rewarded and recognised in an individual's and a company's actions. For example, if profit maximisation is defined as the primary measure of success then this value may be rewarded by:

- institutional investors buying more shares in a company when its profit is above expectation, thus boosting the share price; and
- by a company's management offering incentive payments to managers who meet key performance indicators that reflect profit maximisation.

In this environment, profit maximisation can become the normalised key value in the listed company world. Conversely, decisions that may be in the long-term community interest may not be rewarded by a management which does not value those interests as highly as profit maximisation.

There is a sharp divide between the ownership and management of listed companies in Australia created by the diffusion of share ownership and other structural barriers (outlined in the Introduction) to identifying the many individual providers of capital. This makes it very difficult for the many individual providers of capital to exercise effective control over their management of the companies (Carson 2003, 392). This leaves the authority for

strategic business decisions and daily tactical decisions with senior management. This phenomenon also occurs elsewhere in the western world and it has led to the rise of the company executive, and their personal values, as the primary actor on the business stage as opposed to the many individual providers of capital (Arnt Aune 2007, 210). The senior management of companies, with some guidance from the institutional investors, have the power to decide who has the claim to the cashflow of the firm, who has a say in its strategy and its allocation of resources and as such, corporate governance affecting the creation of wealth and its distribution throughout the community. (Gourevitch and Shinn 2005, 3)

If the senior management of companies as a powerful elite control how businesses are run, then a legitimate question would be what values and priorities guide their decisions. Max Weber (as cited in Dyck and Schroeder 2005, 705) wrote that materialism and individualism are the twin hallmarks of the moral point of view that underpins management thought. This represents secularised Judeo-Christian moral points of view. The Protestant focus on work and individual struggle for salvation and emphasis on material success has become normalised in western management and is the 'uncontestable, objective, morally neutral 'reality'' (Dyck and Schroeder, 2005, 711) adopted as the natural facts of life, rather than the moral facts of life . This translates into modern management's focus on efficiency, productivity, profitability, measured by performance relative to other comparable companies and the expectations of the market.

'Materialism is a central element of [western] societal cultures worldwide and is a key moral underpinning of contemporary management thought' (Decktop, Jurkiewicz and Giacalone 2010, 1007).

Materialism is used as a tool to measure human progress, a method of attaining 'success' and social acceptance. Decktop et al (2010, 1010) argue that financial success and material possessions are the core elements of western corporate cultures and financial rewards at work are used as a form of motivation and control. Materialistic values are rewarded in employees because they are aligned to those in senior management. In this view, money and resources equal competence and the acquisition of more (particularly more than someone else) equals greater competence. People with these values gravitate to jobs that can be measured by material accumulation and the key to becoming a valued member of

the corporate elite is again defined. The central criterion for managerial rhetoric is concerned with economic growth, organisational survival, profit and productivity. In academic texts on corporate finance this belief is reinforced. According to the *Principles of Corporate Finance*, 'the goal of maximising shareholder value is widely accepted in both theory and practice' because, the authors argue that shareholders want three things, the first of which is 'to be as rich as possible' (Brealey, Myers and Allen 2011, 22) . Another perspective on this is offered by McMillan (2007, 20) who argues that companies are held captive by 'the tyranny of the bottom line' and profits are for the benefit of the 'privileged class of organisational shareholders who possess the dominant right to maximise return on their investment and the commitment of management to pursue that goal.' Financial markets support these values by rewarding companies that command significant market power and resources to use for their own good rather than the good of society (Waddock 2007, 76).

### **Communication and power**

Communication is crucial to the maintenance of any power structure. Power and communication are intertwined because communication helps to create and reinforce the priorities and values through which decisions and actions are judged. Those in power can create priorities and values through storytelling, choice of language and giving prominence to one value over another (Motion and Leitch 2009, 99). Corporate communications activity is crucial in embedding the values of senior management, as the powerful elites, into societal discourse because it is the function that manages the preferred public face of companies, creating communications with external parties and influencing not only what issues, topics and causes the corporation engage with, but also the content and intensity of that engagement. Toth argues that corporate communications, as a sub-unit of management, is the unit that controls and integrates other subsystems (Toth 1992, 8). The values of the powerful senior managers of companies get prominence in advertising and other corporate communication and these become normalised in society. Advertising and other forms of communication reflect cultural values on a very selective basis. Analysing the formal communications of companies can reveal which cultural values, attitudes and behaviours are echoed and reinforced far more frequently than others (Crane, Moon and Matten 2010, 28).

'People attend more to others on whom their outcomes are dependent' (Agle, Mitchell and Sonnefeld 1999, 509).

So, institutional investors are important to the senior management of companies because of the amount of the money they manage and the potential influence they have over the share price. The super fund members do not register as stakeholders on whom the companies' outcomes are dependent because, among other things, the structure of the superannuation fund industry makes it hard for them to be identified and they represent a large number of people with individually small pools of money for which they have delegated control of investment decisions.

Communications teams may also be given the incentive to support the incumbent management values because of the way the members of the team are individually rewarded. If remuneration is structured in a way so that the individual communications team member benefits from a designated outcome, such as maintaining a public profile that reflects the values and priorities of institutional investors, then there will be a clear motivation to pursue communication activities to achieve that. These communications practitioners then become part of the power structure that adhere to a theory of management which include a 'continuous recycling of ideas that permit very limited reflection upon the consequences of established theory and practice' (Berger 2005, 14). The work of the corporate communications teams therefore can reinforce the values of those in powerful positions, rather than create an opportunity for dialogue and discussion with a range of groups to allow a variety of voices to be heard.

### **Corporate Social Responsibility/Corporate Citizenship**

A contemporary concept that has gained currency in the practice of corporate communications and academic research is the notion of corporate social responsibility (CSR), sometimes also known as corporate citizenship. While some companies have been contributing to employee welfare such as housing, health and education since the nineteenth century, the phrase 'social responsibility' used in relation to companies first appeared in the 1950s (Visser 2011, 107). Interest in CSR coincided with increasing concern about the management of a company's image in response to the emergent activist movements throughout the western world that drew attention to the impact of commercial

activity on various groups in society and the environment. Activity in the CSR area initially focused primarily on the reporting of business activity and developed the recognition that relationships with key stakeholders need to be managed (Clark 2000, 364).

Carroll (1991) weighted the importance for companies of different types of responses and priorities and noted that the first principle of business was to be profitable.



**Figure 2: Carroll's 'Pyramid of Corporate Social Responsibility' (1991, 39-48)**

Figure 2 recognises that a range of other stakeholders exist but does not challenge the supremacy of profitability always being the 'foundation of which all others rest'. It does not challenge the current system of priorities and values, and while it recognises the importance of ethical behaviour, it ranks it as less important than the profitability and legality of a company's activities. This pyramid promotes the thinking that led to some of the shortcomings of the practice of CSR to date as identified by Visser (2011, 123). He argues that having the accountability for CSR sit in the public relations, marketing, corporate affairs or human resources departments of companies ensures that it is on the periphery of core strategic business decisions and is viewed as an add on to improve brand equity or the company's reputation. He also argues that when the decision comes down to ethics versus profitability, profitability is always more likely to win. Other issues are that CSR is seen as incremental and does not have a sense of urgency attached to it and that it is uneconomic. In a world where the financial measure is predominant, CSR tends to be

overlooked because the financial markets fail to recognise that it is as valuable as profitability.

Horrigan (2010, 90) identifies that one of the ongoing key concerns of CSR is the question of to whom a corporation is primarily accountable – shareholders or stakeholders. He acknowledges that there was much consensus that the interests of shareholders and other identified stakeholder groups should be considered. He recognises that mass ownership of shares mean there is an increasing correlation between the shareholders and stakeholders but that companies continue to treat shareholders as the primary stakeholder group of interest to them.

### **Stakeholder and Salience Theories**

Ideas about CSR have been influenced by stakeholder theory which, in turn, appears to heavily influence activity in the Australian corporate communications landscape and dominate the business communication literature. Stakeholder theory emerged in the 1990s as a response to the idea that shareholders were the only audience of relevance to companies. Stakeholders were identified as the groups of others that did not have a unit of ownership in a company but still had a stake in its activities. Pfaffer (2010) argues that under stakeholder theory, companies have four major responsibilities: economic wealth generation; to legally operate within the rules and laws; to behave ethically; and discretionary activity which captures philanthropy and other community activities. A stakeholder is any group or individual who can affect or is affected by the achievement of the organisation's purpose and objectives (Pfaffer 2010, 87- 89). Companies have accountabilities to individuals and groups who may have economic stakes in the business, equity stakes or influencing stakes.

Cornelissen (2008) takes stakeholder theory a step further and identifies how companies prioritise stakeholder groups. He approaches the breakdown of stakeholder groups in two ways. Firstly, primary stakeholders are defined as those with financial interests and the secondary stakeholders were those with moral or normative interests, such as non-government organisations and local community groups. The second breakdown includes contractual stakeholders; those with formal agreements with the company, and community stakeholders; those that the organisation has some impact on including professional



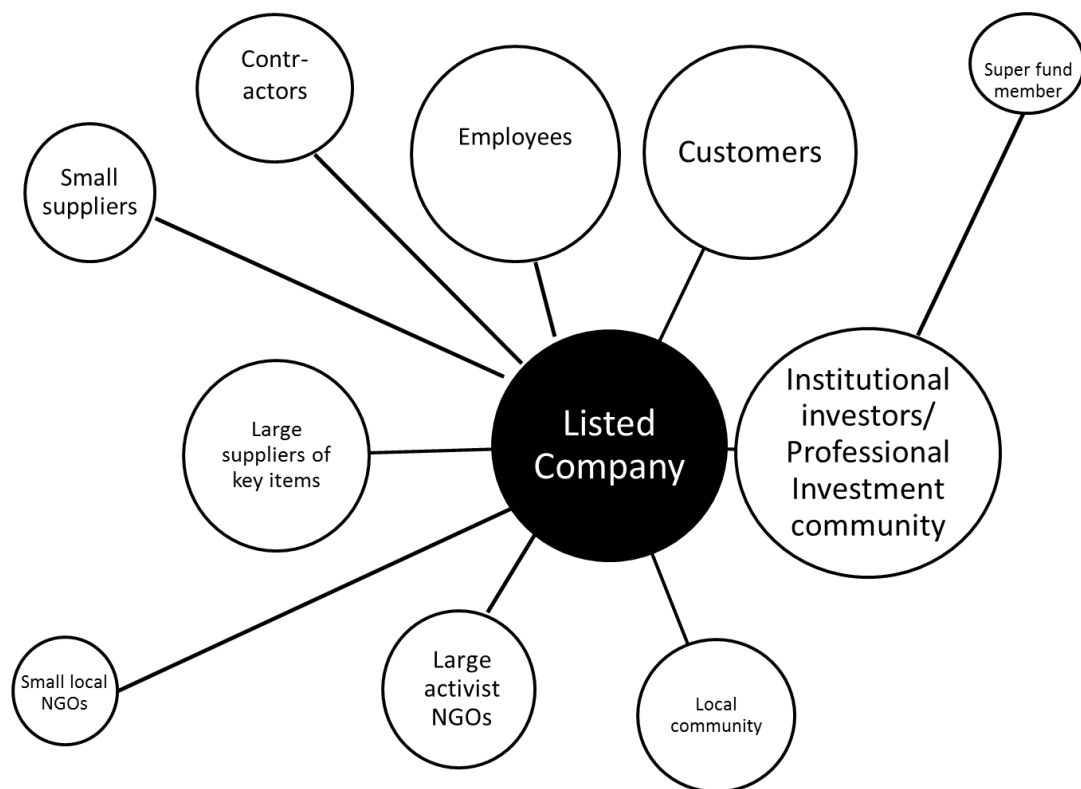
associations, government, media and consumers (Cornelissen, 2008, 43). This theory, known as salience theory, lends itself to the separation and isolation of each group which was then categorised only by their relationship to the company. It is one of the various ways that companies can rank these stakeholders in isolation and classify them by their salience to the organisation. Salience is defined as how visible or prominent a stakeholder is to the organisation based on the stakeholder's power, legitimacy and urgency. The more salient the stakeholder the more important it is to communicate with them on an ongoing basis. The three core tenets of the theory are:

- power of the stakeholder upon the company;
- legitimacy of the claim of the stakeholder group upon the company; and
- urgency, the degree to which the stakeholder wants immediate action from the company (Cornelissen 2008, 50).

Companies can use these ideas to categorise and prioritise stakeholders and Agle, Mitchell and Sonnefeld (1999) argue that CEO values are a primary characteristic that influence managers' perceptions of attributes that lead to deciding on the salience of a particular stakeholder group. Stakeholders that receive priority are those determined by the CEOs to be highly salient (Agle, Mitchell and Sonnefeld 1999, 510). As discussed earlier in this chapter, the stakeholder groups that the CEO and other senior management regard as highly salient are, therefore, more likely to receive greater prioritisation in a company's formal communications. According to Munshi and Kurian (2005), public relations teams of large multi-national companies manage a company's image through a hierarchy of publics with western shareholders at the top of the list (Munshi and Kurian 2005, 514).

Stakeholder theory, and associated salience theory, identify that there are multiple groups of interest to the company and they label and separate each group and then rank by their importance to a company due to their ability to disrupt, change or otherwise influence a company's activities. Companies appear to rarely acknowledge overlaps of group memberships, particularly overlaps with the shareholder group. These theories, linked to the notion of economic responsibility and materialism, help to support the notion that the views and values of most members of a community are less likely to be prioritised or acted upon. These theories place the company as the hub of a wheel and define the other groups

in relation to the hub. In the context of the listed companies, this is indicated in in Figure 3 below. For the purpose of this hypothesis, the proximity to of the circles to the 'Listed Company' circle in the middle indicates the power and legitimacy of a stakeholder group as perceived by the company. The size of the circle indicates the importance of the stakeholder group in terms of how dependent a company perceives itself to be on the stakeholder group to achieve the management's desired outcomes.



**Figure 3: An illustration of hypothesised stakeholder salience in a listed company**

### **The systems approach**

Werhane (2007) suggests that an alternate reality may be more in line with a systems approach where companies take their place among, but are not superior to, other groups and each group's wants are negotiated rather than contested (Werhane 2007, 469). CSR for a company would then become the totality of its impact on a society and it would have an active role, along with other stakeholder groups, in solving community problems. In this model all groups, not just companies or other identified groups, have responsibility for solving a problem and no one group's values or desired outcomes necessarily take precedence over others. Waddock (2007) also espouses the systems approach, suggesting

that 'success' for a company needs to evolve from pure measure of economic success to one where other social measures are also included, such as secure, well-paid work for all employees regardless of location, and improvements in the local community that are directed by the local community's priorities (Waddock, 2007, 74).

### **Summary**

The concepts reviewed above have the potential to offer useful insights when used to inform the analysis of companies' corporate communications, such as how and what companies communicate and what priority is given to particular information directed at certain stakeholder groups.

The theories of contemporary management help to identify some of the underlying values that frame the relative value of the information shared and the information left out. They also suggest that those who choose which values take priority are a small handful of people in the most senior roles within companies. The theory of corporate social responsibility helps to explain why companies have some focus on their roles as corporate citizens and why they communicate information pertaining to this to a variety of stakeholder groups.

Corporate communications is crucial to the support of the incumbent power structure because storytelling, choice of language and promoting one value or priority over another in formal communications helps to create and reinforce the values and priorities through which decisions and actions are judged. This helps reproduce power structures over time and the communications teams of companies and investment groups are responsible for crafting the formal communications that confer a more prominent status to some values over others. Corporate communications also contributes to the current power structure by creating and preserving a hierarchy of stakeholder groups. The stakeholder and salience theories help to explain how the communications teams separate and rank their stakeholder groups and what information they present to each of these groups.

#### **4. METHODOLOGY**

##### **Introduction**

This chapter outlines the methodology of this research, explains why this methodology was chosen and how it supports the research objectives that are outlined in the first section below.

An explanation of the critical discourse analysis approach used in this research is provided after the research objectives. Following this is an outline of the sample that was chosen for analysis; the documents and websites analysed; the key research questions; and finally some reflections on dealing with researcher bias.

##### **Research Objectives**

This research was undertaken to understand why the many people in Australia who provide capital to companies through their superannuation saving may have little influence in the decision-making of those companies and in influencing the institutional investors that manage their money. The research objectives were:

- to analyse a selected range of formal communications from a defined list of listed companies and superannuation funds to determine which stakeholder groups are identified in communications and whether the many individual superannuation fund members, who are the providers of capital, are acknowledged;
- to analyse how the companies and superannuation funds engage with these stakeholder groups and whether there is any recognised overlap in membership of various stakeholder groups; and
- to analyse what organisational priorities, values and beliefs are revealed in these formal communications and whether they differed in communications targeted at different stakeholder groups.

## **Research approach**

The formal written communications of a listed company or superannuation fund encompass an enormous amount of material generated for a wide range of stakeholder groups such as; shareholders, members, customers, potential investors, employees, non-government organisations and the local community. A critical discourse approach to the analysis of some of these communications can offer insights into the values, beliefs and priorities of those in the senior management of companies and superannuation funds. Examining the written communications targeted at a particular stakeholder group can also reveal what these managements believe to be important to that stakeholder group.

Discourse means 'language in use' that has a discernible structure and rules governing how it is used (Crossman, Bordia and Mills 2011, 243). Discourse is created through texts such as written, spoken and body language as well as visual imagery and design (Daymon and Holloway 2011, 226). Discourse is not only the collection of available texts that construct our sense of reality but also what is absent from those texts, information and ideas not deemed important enough to be included, that helps to shape our sense of reality (Crossman, Bordia and Mills 2011, 244). Culturally standardised discourses create assumptions across society and can be enduring systems of sense making that support and reinforce ideas about what has value and what does not. A discourse community is the group that shares a common discourse that sustains a common identity. For example, it can be argued that profit maximisation as the primary goal for listed companies is a prominent discourse and a key value by which these companies will be judged by potential investors and shareholders and critiqued by other audiences. The community that shares this discourse and sustains a common identity may be a small group, such as institutional investors and senior management of companies, or a large group, such as all of the Australians who have investments in superannuation and the equity and bond markets, or the whole Australian society.

Critical discourse analysis is motivated by understanding social issues of dominance, power and inequality through the use of discourse analysis and identifying where the seat of power lies within a discourse. Bourdieu, as described by Edwards (2011, 62), outlines a 'field of power' that is usually dominated by the elites who achieve their status by the accumulation of three types of assets; economic, social and cultural. Economic capital

denotes both the ownership (i.e. the 'commonly recognised' ownership) and/or control of financial assets. Social capital is 'based on privileged access to socially valued resources such as wealth, income, position, status, force, group membership, education or knowledge' (van Dijk 1993, 254). Cultural capital is both the understanding of the cultural norms of the elite and the ability to shape these norms. Symbolic value is defined by a field of power's elite and is a dissemination of a view of reality that supports their own superior status. Dominance is the exercise of social power by elites, institutions or groups that leads to social inequality including political, cultural, class, ethnic, radical, gender and economic. Written text and conversation can reproduce these power structures by both highlighting particular elements of discourse to particular audiences as well as excluding other elements. Through this, the dominant group persuades the dominated that the power balance is normal and the dominated support it (van Dijk 1993, 250).

Fairclough (1989, 45-64) argues that those powerful elites have more influence over the construction and perpetuation of particular discourses. For the purpose of this research, the powerful elites are identified as the groups that control the written communications, among others, distributed by listed companies and the written communications of the institutional investment community. These powerful elites exercise control over how other parties contribute to the discourse by:

- selecting which role the other party will play in a discourse (such as an audience at an annual general meeting or as a community member sending an email to management via a 'contact us' facility on a website);
- controlling the method of contribution (such as being a survey respondent or a community representative or an advisory group member);
- setting the time and place for an interaction and the level of preparation allowed by another party;
- the choice of language used in the exchange;
- controlling or constraining the contributions of the other parties (such as providing only limited contact details for particular people at an organisation);

- choosing the discourse type (such as a question and answer session at an employee presentation, a generic email address for feedback); and
- the accessibility of the discourse (by choosing whether or not to use exclusive jargon or complicated graphs and spread sheets in selected communications).

The research was approached through the lens of critical discourse analysis, using three stages of discourse analysis as described in Daymon and Holloway (2011, 230-233):

- Firstly, the description of text: the types of words used; the grammar and the vocabulary to describe the activity; and the tone of the discourse and how it relates to the reader. This helps uncover the values and priorities that are predominant in the subtext of the communication;
- Secondly, the interpretation of the societal and situational context of the text; and
- Finally, the explanation of the interaction between the producers and consumers of the text and the text itself, as well as the social environment in which the text is created and consumed.

### **The sample**

A cross-section of companies and superannuation funds was chosen in order to examine whether there are any cross-industry and societal trends in how the many individual providers of capital through superannuation funds are identified and whether there are any consistent values and beliefs prevalent in the communications.

The two groups – listed companies and superannuation funds – were chosen to reflect the values and beliefs on both sides of the investment transaction. That is:

- listed companies that benefit from that provision of capital; and
- superannuation funds which aggregate large sums of capital, manage that money and make investment decisions on behalf of superannuation fund members.

This study focuses on five of the top 10 companies by market capitalisation listed on the Australian Stock Exchange, as at 30 June 2011. These companies encapsulate the breadth of

Australian economic activity. They were also chosen because of the extent of the impact of each company on the Australian community, and therefore their ability to shape Australian society, because of their large numbers of customers; large number of employees; dominance of an industry supply chain; and large export earnings.

The companies are:

- mining, oil and gas group BHP Billiton<sup>10</sup>;
- retailing group Woolworths;
- Australia's biggest retail bank by market capitalisation Commonwealth Bank;
- telecommunications company Telstra; and
- industrial, retail and mining conglomerate Wesfarmers.

The study also looks at the five of the largest superannuation funds by total asset value as at 30 June 2011 (Australian Prudential Regulatory Authority 2012a) and examines each of the funds' websites to analyse how they address the issue of fund members being the ultimate owners of capital.

The funds analysed are a mix of public sector, industry and corporate/retail funds. The funds and their total asset value are:

- AMP Superannuation Savings Trust (AMP) - \$43.48 billion;
- The Universal Super Scheme - \$30.73 billion;
- Colonial First State FirstChoice Superannuation Trust - \$35.39 billion;
- AustralianSuper - \$32.96 billion; and
- UniSuper – \$28.64 billion.

### ***Limitations of the sample***

As this study was conducted by one researcher, the time and resource constraints meant that a relatively small sample of larger companies was chosen and this researcher does acknowledge that the sample does not reflect the whole of the listed company and

---

<sup>10</sup> BHP Billiton is a dual-listed company on both the Australian and London Stock Exchanges. For the purpose of this research, the annual report and sustainability report submitted to the Australian Stock Exchange were analysed and the website [www.bhpbilliton.com](http://www.bhpbilliton.com) was analysed.



superannuation fund sector. As at April 2012 there were 2,223 companies listed on the Australian Stock Exchange ([www.asx.com.au](http://www.asx.com.au)) and according to the APRA there were 200 superannuation funds representing 99 per cent of the superannuation assets as at 30 June 2011 (Australian Prudential Regulatory Authority 2012a).

### **Documents and websites**

The websites of the companies and funds were analysed because it is an easily accessible channel of communication that is available to all stakeholder audiences to view and can offer an opportunity for interactive conversations with audiences rather than just a one-way communication to audiences. Websites hold an enormous amount of information about a company or fund and what material appears on a website, what is left out, how information is organised and divided for different stakeholder audiences, and the language that is used in each section can provide insights into an organisation's thinking. The chosen websites were analysed between November 2011 and April 2012.

The annual report of the listed companies and superannuation funds is a formal reporting channel written for the shareholders and members to report back their activity every year. Annual reports are a document of record of a group's performance in the previous financial year and its expectations for the coming year. The latest annual report covering the 2010/2011 financial year of the chosen listed companies and superannuation funds was analysed to reveal who each company identified as shareholders and what each company valued as information for shareholders.

To contrast, the corresponding sustainability reports (also known as corporate responsibility reports) covering the financial year 2010/2011 of the listed companies were analysed to reveal how companies defined sustainability or corporate responsibility, what information was prioritised in the report and whether that differed from the annual report, which audiences were identified as stakeholders, whether any overlap between the different stakeholder groups was acknowledged and how the language differed from the annual reports. The summaries at the start of the each report, provided by the Chief Executive/Managing Director and Chairman, were a particular focus.

The analyses of the listed companies and the superannuation funds were separated because listed companies and superannuation funds have different roles in the decision-

making process. Companies make decisions about the operational activities and strategic direction of their businesses and the superannuation funds make decisions about where to invest their members' money based on companies' performance and strategic direction, effectively supporting or not supporting companies' decision-making.

### ***Limitations***

While the chosen communications do provide a rich insight into a company or superannuation fund's values and beliefs, they are only some of the vast range of written and verbal communications released and engaged in by the groups in a year and may not capture the whole picture of a company's or superannuation's values and beliefs. Websites are a dynamic communication medium that can be changed and updated on a daily basis. The analyses of the chosen websites occurred between November 2011 and April 2012 and represent a snapshot in time of these groups. Websites can also hold an enormous amount of information and not every page of each website was analysed.

Similarly the annual reports and sustainability reports capture a moment in time for the groups, that of the financial year 2010/2011, and may not reveal more recent developments in corporate thinking.

### **Research questions**

The research focused firstly on the websites and annual reports of the superannuation funds. Some of the aspects of the funds' websites that were reviewed included:

- Did the members' section of the website mention the fund's underlying investments?;
- If so, how was the commentary of those investments framed – for example, was ownership of the investments implied through the use of words such as 'ours' or 'yours'?;
- Was an investment philosophy mentioned and, if so, what was it?;
- Was there an explanation of how any investment philosophy was devised and were the fund members' views taken into account in that process?;
- Was there an avenue for members to leave their thoughts about investments and what they valued in the companies that were invested in?; and

- Was there a 'members' and an 'investment' section and were they cross-referenced?

The annual reports of the superannuation funds were also examined with reference to the questions outlined above.

The analysis of the listed company websites considered:

- how the website was constructed and whether there were separate sections for various audiences;
- the language used for information intended for investors and shareholders compared with other identified audiences;
- any definitions of shareholders and stakeholders;
- whether financial reports and corporate social responsibility reports were stored separately on the website;
- whether there was any acknowledgement of membership of more than one stakeholder group; and
- whether there was access points for shareholders to ask questions, leave comments or interact with senior management.

The annual reports of the listed companies were then analysed and each of the companies' 'Top 10 shareholders' list was reviewed to establish who had been identified as the largest owners of the business and whether the ultimate providers of large amounts of their capital were acknowledged. A discourse analysis was also conducted of the 2010/2011 annual reports and they were compared with the content of the 2010/2011 sustainability/corporate responsibility reports with reference to the questions above.

### **Dealing with Researcher Bias**

A decade of my career was focused on either reporting on the activities of listed companies and mutual funds as a journalist both in Australia and the United Kingdom or working as a corporate communications practitioner for large institutional investors in the United Kingdom. This work has provided me professional insight into and understanding of the

workings of the investment markets from both the listed company and the institutional investor perspectives. It also made me curious as to how decisions are made within companies and what are the priorities and values driving those decisions, which has led me to choosing this research as the focus of my dissertation.

While this professional background has provided me with many benefits and advantages in conducting the research, I was also aware that I needed to remain mindful of my own opinions formed from these experiences and try to set aside any pre-conceived ideas in order to see the text as objectively as possible. It was also important to ensure that particular elements were not selectively ignored or over-emphasised as a reflection of my bias. I did this by discussing issues with my supervisor in order to become conscious of my biases and then reviewing my work looking for bias.

Ultimately, however, the analysis is the interpretation of one researcher and other researchers may draw different conclusions when reviewing the same text.

## **5. FINDINGS: SUPERANNUATION FUNDS**

### **Introduction**

This chapter analyses the websites and annual reports of five of Australia's largest superannuation funds which, in total, managed around \$171 billion of members' money as at 30 June 2011. Three of the five largest superannuation funds in Australia are funds run by private for-profit companies and two are industry funds.

The five funds on which the study focuses are:

- AMP Superannuation Savings Trust - the underlying investment vehicle for AMP's 25 superannuation products;
- The Universal Super Scheme – the underlying investment vehicle for MLC's range of superannuation products;
- Colonial First State FirstChoice Superannuation Trust – the underlying investment vehicle for Colonial First State's range of superannuation products;
- AustralianSuper - an industry fund with 1.8 million members across a range of industries; and
- UniSuper – an industry fund that has more than 450,000 members from 37 universities and more than 200 related bodies in Australia's higher education and research sectors.

The websites and the annual reports of these five funds were analysed to discover how the organisations engage with their members, how the structure and content of the website dictate the engagement with the members, whether there is any recognition of these fund members as the providers of capital for the underlying investments and whether the structure and content invite fund members to participate in a debate about how these funds invest. As the analysis unfolded certain themes emerged across all of the written communications. The following information is organised into the themes: structural distance; 'ours' and 'yours'; professional elitism; lack or opacity of information about the underlying investments in funds; risk and reward in investing; and opportunities for feedback. The superannuation funds are then compared in relation to these themes and conclusions are drawn.

### **Structural distance**

The multi-layered structure of the financial services industry which manages superannuation funds has created a great degree of distance between a fund member, who are the many individuals who provide capital to businesses, and the centre of power where decisions about investments are made. The websites of the five superannuation funds reflect, and perpetuate this distance between a fund and its members and recognising that these fund members provide substantial equity capital and debt funding.

#### ***AMP Superannuation Savings Trust***

In the superannuation section of the AMP website (<http://www.amp.com.au>) the AMP Superannuation Savings Trust is not mentioned, creating no link between the investment vehicle and the 25 superannuation products that wrap around it. The only place this researcher could find the Trust mentioned, and linked to the retail superannuation products, is in the *Annual Report* which is accessed through a wrap product<sup>11</sup>, such as AMP Flexible Super, and then by clicking through two more pages to get to the report.

#### ***The Universal Super Scheme***

Information on the Universal Super Scheme is not readily available on the superannuation section of MLC's website (<http://www.mlc.com.au>). Indeed there is no mention of the scheme; the only information available is on the superannuation wrap products. A search on the MLC search engine, accessed via the superannuation page, using the phrase 'Universal Super Scheme' leads to a list of superannuation products and the fourth item in the search results list was the *2011 Annual Report* which reveals the scheme uses 24 external managers and 16 MLC funds to invest the funds and there are eight portfolio choices for members. The *Annual Report* did not reveal the size of the fund, the detailed performance of underlying investments or even a list of underlying investments.

---

<sup>11</sup> A wrap product usually offers a range of financial products and services 'wrapped up' for one fee. For example, a superannuation fund member may buy a wrap product defined by its risk/return allocation profile such as Balanced, Growth, or Cash. This product may include investments in equity, bonds, cash, private equity and infrastructure but the fund member will receive information about the performance of particular asset classes.

### ***Colonial First State FirstChoice Superannuation Trust***

The superannuation section on the Colonial First State website is accessed by a toggle on the group's home page and had two sub-item options on its drop down menu (<http://www.colonialfirststate.com.au>). One sub-item, our super products, focuses on the retail superannuation products offered by the group and the other, basics of superannuation, provides eight sections of information about superannuation products and two sections of information about investment. These two investment sections are, however, focused on risk profile<sup>12</sup> of the individual superannuation investor and how different asset classes<sup>13</sup> affected performance. There is no clear signpost to information about the investment vehicle FirstChoice Superannuation Trust.

### ***AustralianSuper***

Industry fund AustralianSuper divides its website (<http://www.australiansuper.com>) by stakeholder audiences such as members, retirees, employers and corporates. Within the members section on the AustralianSuper website, the key focus is the administration of an individual member's account, including information such as; how to combine accounts, withdraw money and check the performance of an account. There is no direct link from the members section to a page outlining their investments. The AustralianSuper homepage information is also divided into the topic areas; superannuation, retirement, employers, investment and performance, tools and resources and about us. Within investment and performance six of the eight subsections are focused on the performance and fee structure of the superannuation product options offered by AustralianSuper. The investment news subsection and the investment approach and holdings subsection does contain information on how this industry fund invested.

---

<sup>12</sup> Risk profile refers to an individual's appetite to risk and is calculated on factors such as; an individual's age, length of time until retirement; target rate of investment return and preparedness to lose capital to pursue investment returns.

<sup>13</sup> Asset classes refer to the different categories of investment types such as Australian and international equities, government and corporate debt (bonds), cash and private equity.

### ***UniSuper***

Industry fund UniSuper divides its website (<http://www.unisuper.com.au>) by stakeholder audiences such as members, retirees, employers and corporates. UniSuper's members section is divided into 13 subsections of which three are focused on educating members on the administration of the superannuation accounts, one outlines the group's insurance product and the remaining sections are related to the superannuation products. Again, there is no direct link from the members section to a page about their investments. This website is also divided into topic sections, one of which is Investments. One subsection of the investments section is called options and performance but this is focused on the investment returns of the various superannuation products but not the investment performance of the underlying investments.

### ***Summary***

None of the websites of the five chosen superannuation funds provides clear links between a member's money and the investments which benefit from their capital. None of the for-profit superannuation funds even mentions the link between the superannuation wrap product that members invests in and the underlying investment vehicle, the Trust, that invests their money. Indeed, all of the members sections are focused on the administration of an individual member's accounts and performance is focused on that of the fund, not that of any of the underlying investments.

### ***'Ours and yours'***

The choice of language surrounding the assigned ownership of investment reinforces the lack of recognition that the superannuation fund members are the providers of capital. All of the funds refer to 'yours' (meaning the members) in reference to superannuation products and saving for the future and 'ours' (meaning the group managing the investments) when referring to the ownership of the underlying investments that the members' funded.

### ***AMP Superannuation Savings Trust***

AMP is silent on the matter of who owns the underlying investments in the superannuation trust because it barely mentions the underlying investments at all. In the AMP



*Superannuation Savings Trust Annual Report 2011*, the investment objective of the Trust is stated as 'to offer a range of investment choices to suit various members' risk return profiles depending on your account or plan' (AMP Superannuation Savings Trust 2011, 6). The slogan for the superannuation section of the AMP website is 'Superannuation – make the most of your tomorrow'. However, within the investment areas of both the *Annual Report* and the website, the investment asset performance information refers only to the returns of markets and asset classes as a whole that that Trust has invested in. There is no commentary about corporate governance or any form of active investment.

### ***The Universal Super Scheme***

MLC is also silent on the matter of who owns the investments due to the scarcity of information about the underlying investments. The superannuation section of the MLC website has no investment information at all. The slogan of the page is 'With you to help you achieve your superannuation goals' but there is no mention of the underlying investments. On the superannuation page, in a menu bar at the bottom right hand corner of the page (not visible without scrolling down) is a subsection called unit prices and performance, which has a subsection called investment commentary. This is a video update of what impact current market activity will have on superannuation account performance, but no information on underlying investments.

### ***Colonial First State FirstChoice Superannuation Savings Trust***

Colonial First State's superannuation section of their website has a subsection called our super products but the opening paragraph on the page did recognise that super is your money and the site referred to your superannuation throughout.

### ***AustralianSuper***

AustralianSuper also has clear demarcations of ownership. The superannuation accounts and funds are referred to as 'your' fund, conferring ownership on the member but where the underlying assets and investments in managed funds are mentioned, ownership was assigned to AustralianSuper by referring to these as 'our investments'. For example, there is a section that refers to our investment managers, which outlines the more than 100

specialist, external fund managers used by AustralianSuper. There are also sections called our shareholdings, our investment governance and our stock voting policy.

### ***UniSuper***

UniSuper refers throughout the website and *Annual Report 2011* (UniSuper, 2011) to superannuation products being 'yours', conferring ownership on the members but investments are referred to as 'ours', conferring ownership of those investments to UniSuper. Within the options and performance section of the website UniSuper has a subsection entitled top holdings and managers, in which all of the holdings are referred to as 'our holdings'. This sense of ownership spills over onto the list of external asset managers, used by UniSuper to manage around 75 per cent of the group's assets, which are described as 'our asset managers'.

### ***Summary***

None of the superannuation funds draw the link between the provision of capital and an ownership stake in the underlying investments. Once the superannuation members' money is invested into a wrap product, where ownership is assigned to them through the use of the word 'your', it then appears to become the property of the professional investors who manage and invest it into 'our investments'. This use of language can be perceived as providing the distance that allows the superannuation funds to take control of the investment decisions and use the values framework of their professional investors as a reference for what decisions and performance by companies will or will not be rewarded.

### **Professional elitism – asserting professional credentials to control the decisions**

'The public domain is also the domain of citizenship and citizenship is in principle inclusive. However, the professional elites which nurture and sustain it are inevitably exclusive.'  
(Marquand 2004, 77)

All five superannuation fund groups outline the credentials of their professional investors. Each of the superannuation fund websites uses this device as a marketing tool to entice members to join their fund and as a demonstration of their superior competence in managing money. But when analysing this with Bourdieau's argument in mind, this showcase of credentials could also be perceived as reinforcing the requirement for a

particular type and level of education, experience and understanding of jargon in order to achieve the symbolic value worthy of being allowed to make decisions about investments.

#### ***AMP Superannuation Savings Trust***

On the AMP website, information on the board and management is hard to locate. At the very top of the home page, there is a link called about AMP in smaller font than other areas of the page and it is here that information on the board and management could be found. The focus is on experience and the qualifications of the senior team.

#### ***The Universal Super Scheme***

The MLC website is similar to the AMP website, in that is not easy to identify where to find information on the board and senior management team. At the bottom right of the website, again in smaller font than the rest of the home page, there is a link to an about MLC page. Here under a sub-page called leadership team there is a list of the team members' experience and qualifications.

#### ***Colonial First State FirstChoice Superannuation Trust***

Colonial First State did differ from the other for-profit funds somewhat with an acknowledgement on its about us page that their people are 'responsible for other people's money' (<http://www.colonialfirststate.com.au>). Colonial First State has a who we are sub-page in its about us section. This page has photographs and truncated resumes of the senior management team. All of these resumes showcase the length of experience in the industry and the qualifications. Interestingly, one of the team members was the Chief Operating Officer of Lehman Brothers in New York (the investment bank that collapsed in 2008 and is widely regarded as one of the main triggers for the global financial crisis).

#### ***AustralianSuper***

Again the information on the board and senior management team of AustralianSuper can be found in a subsection of the about us section of the website, but the type of information is quite different from the three for-profit funds. Under the label of 'in-house expertise', AustralianSuper outlines how the board works, with sections on the board process and structure as well as policies and disclosures. It also has a sentence on the role of the

Investment Committee. The board's qualifications and experience are not outlined. In the section about key staff, however, a brief resume of senior management personnel is given as well as the key elements of their roles.

### ***UniSuper***

Information on the board and senior management is found in the subsection our people of the about us section of the UniSuper website. There is no information about the experience of either the senior management or the board. Rather UniSuper explains how the board is composed with the election of four directors to represent members, four to represent employers and three independent directors (including the Chairman). Information on the senior management team outlines each person's responsibilities but not their experience.

### ***Summary***

There was a marked difference in approach to describing the board and senior management between the for-profit funds and the industry funds. The industry funds take an explanatory approach, outlining the roles of the board and senior management. The for-profit funds do not explain the roles but give resume and experience information on key staff and board members.

### **Lack or opacity of information about the underlying investments in funds**

Another barrier to recognising the role of the many individual providers of capital (fund members) in the decision making within listed companies is whether the providers have any access to information about the underlying investments in the superannuation fund.

### ***AMP Superannuation Savings Trust***

The AMP website provides no information on the underlying investments. The *Annual Report* it does mention each superannuation product's exposure to each of the broad assets classes.

### ***The Universal Super Scheme***

The MLC website provides no information on the underlying investments on its website. Only in the *Annual Report* does it mention each superannuation product's exposure to each of the broad assets classes.

### ***Colonial First State FirstChoice Superannuation Trust***

Colonial First State provides irregular update reports on its corporate governance activities including its direct interaction with senior managements and boards of directors, as well as its active participation in voting and proxy voting. It also gives examples of when it voted against resolutions. There are a couple of issues that make this information less useful for superannuation members. Firstly, the downloadable report is not linked to the superannuation section of the website but found in the about us section under corporate governance. Secondly, it was notable that the latest available report of its engagement activities covered the second half of 2008 and was released in August 2009, more than two years ago.

### ***AustralianSuper***

Australian Super's website lists the top 20 Australian and international shares that the fund holds and the top 10 Australian and international 'socially responsible investing' (as defined by AustralianSuper) share holdings. It also outlined its top 20 stakes in unlisted property holdings and infrastructure projects.

### ***UniSuper***

In UniSuper's investments subsection of its websites, UniSuper lists the top 20 equity holdings (which includes each of the listed companies reviewed in this study) held by the fund, the top 20 international equity holdings and the top five fixed income, property and infrastructure holdings. UniSuper constructed its top 20 lists by compiling the holdings in assets both by its own asset managers and the external managers, who manage 75 per cent of the group's assets, to give a true reflection of the fund's total holding.

### ***Summary***

Two of the for-profit superannuation funds, AMP and MLC, have scant information about underlying investments compared with the industry funds. A member could draw the conclusion from this lack of information that, by assigning the management of their retirement funds to these institutional investor groups, they have given up the opportunity to receive any information about exactly where their money is invested.

Colonial First State did provide more information about the underlying investments, in line with the industry funds AustralianSuper and UniSuper. This transparency gives members a clearer idea of where their money is invested but the ownership of these investments is clearly marked as the superannuation funds' through the use of the word 'our' in relation to the investments.

### ***Risk and reward***

Each organisation does provide some level of information on their underlying investment values and philosophies and these are most remarkable in their similarities rather than their differences. The dominant value is the focus on maximised return for the specific risk profile of the investor.

### ***AMP Superannuation Savings Trust***

AMP provides little information about their investment philosophy and the *Annual Report* does not touch on any investment objectives other than providing a balance between a risk and reward relationship.

### ***The Universal Super Scheme***

In the MLC investments section, which is separate to the superannuation section, MLC spells out its five fundamental beliefs that include: 'exceptional investment management with the skills, resources and research to build excellent portfolios'

(<http://www.mlc.com.au>), in other words professional experts with access to exclusive research; diversification; long-term approach; extensive research; and efficient implementation. It also states that 'share prices follow earnings which follow economic growth'. There is no mention of any measure other than making a return.

***Colonial First State FirstChoice Superannuation Trust***

Colonial First State's website gives a clear explanation of its philosophy as an active investor which it defined as a belief that 'voting rights that come with share ownership are valuable and an important tool of investment management'. While it acknowledges that it is an investor 'on behalf of many Australians' and it invested 'in the best interests' of these investors it provided no opportunity for those investors to provide feedback about their thoughts on their best interests (<http://www.colonialfirststate.com.au>). These statements about investment philosophy are also outlined on its corporate governance page in the about us section, with no direct links to the superannuation section.

However, this researcher returned to Colonial First State's home page and clicked through to the corporate governance section under the about us toggle where the group outlines its approach to corporate governance. This is not a clear signpost to the group's investment style, because it may refer to the how the group is managed, but there is at least some information.

In the corporate governance section the group outlines its commitment being an active investor, and defines this as a belief that 'voting rights that come with share ownership are valuable and an important tool of investment management'. Colonial First State recognises that it is an investor 'on behalf of many Australians' and intends to invest 'in the best interests' of its investors. There is, however, no opportunity for those investors to provide feedback about what their best interests are or what their views on engagement with companies may be. Colonial First State does engage in direct interaction with the senior management of companies and boards of directors, as well as active participation in voting and revealed its proxy voting on the website. It does have a downloadable report about its voting activity and examples of engagement activities with management. Unfortunately the information is not current with the last report available dated August 2009, more than two years ago. The group is also forthcoming about not directing the external managers, who manage investments on behalf of the Trust, as to how they would like them to vote on company resolutions, or indeed whether they voted at all. Colonial First State also does not vote on any resolutions put forward by its parent company, the Commonwealth Bank of Australia.

### ***AustralianSuper***

In AustralianSuper's corporate governance section of the website there is a stock voting policy section of the website the organisation gives some clue as to their investment philosophy when they outline that they vote on all ASX 200 company resolutions with the guiding objectives of: creating and enhancing company value and/or ensuring the value is fairly distributed. However the fund does make the disclaimer that 'fiduciary duty is critical. Appropriate ESG (environmental, social and governance) investment activities will be explored but will not be undertaken at the expense of its fiduciary duty. Usual investment criteria apply.' (<http://www.australiansuper.com>). There is no explanation as to what the fund defines as fiduciary duty or usual investment criteria but one may infer that the industry standard of buying assets with the view to making a profit is key.

### ***UniSuper***

UniSuper includes its statement on its investment philosophy in a subsection of the investments area of its website called our team. There is a page dedicated to investment beliefs that are stated as five core philosophies, all of which relate to asset price valuation and the balancing act of producing maximum returns within the constraints of a risk profile. None of the core beliefs mention corporate governance, stewardship or active engagement with the companies. In the about us section, there is a subsection on sustainability and the fund's corporate responsibility and sustainability policy which focuses on the fund's reduction of its paper use and a range of community partnerships. There is no mention of discussing sustainability or corporate governance with the companies in which UniSuper invests. In a separate subsection of the investments section there is also a webpage entitled how investment managers are selected, referring to the appointment of external managers. On this page, UniSuper outlines the seven criteria that formed the basis of how these managers were picked, six of which involve the track record of producing monetary returns and the seventh involves corporate governance expertise. Also in the investments section there is a subsection on responsible investing that outlines UniSuper's approach to choosing the 'best-of sector' company to invest in and the only sector that is excluded is tobacco. This indicates that if a whole sector has poor practices in some areas, UniSuper will choose the least worst.



### **Summary**

The dominant theme of all of the superannuation funds is making the maximum return for an investor's risk profile, and that companies that place shareholder returns as their top priority are rewarded. While some of the organisations did make mention of their endeavours to improve companies' corporate governance and commitment to environmental and social goals, these are clearly a lower priority.

### **Opportunities for superannuation members to provide feedback**

All of the funds have easily identifiable contact us areas on the homepages of their websites but most of these are aimed at directing members to a financial advisor or other person to help with financial planning and the administration of their superannuation account. None of the websites acknowledge that members may wish to have a say about the investments, or invite such comments. There is no email address or phone number provided for questions of this nature and no commentary to suggest they would be welcome. All of the websites are designed for the interaction with fund members to be specific to their personal financial needs, not for participation in a wider debate about the activities of the companies in which their money is invested.

### **Conclusion: Superannuation Funds**

None of the superannuation funds draws the link between the provision of capital by individual superannuation fund members and an ownership stake in the underlying investments. None of the websites provides clear links between a member's money and the investments which benefit from that capital. None of the for-profit superannuation funds mentions the link between superannuation wrap products that members invest in and the underlying investment vehicle, the Trust that invests their money. Indeed, all of the members sections are focused on the administration of an individual member's accounts and commentary on performance focuses on the fund, not the underlying investments.

Once the superannuation members' money has been invested into wrap product, where ownership is assigned to them through the use of the word 'your', it then appears to become the property of the professional investors who manage and invest it into 'our

investments'. This use of language can be perceived as providing the distance that allows the superannuation funds to take control of the investment decisions and use the values framework of their professional investors as a reference for what decisions and performance by companies will or will not be rewarded.

Two of the for-profit superannuation funds, AMP and MLC, have scant information about underlying investments compared with the industry funds. A member could draw the conclusion that by assigning the management of their retirement funds to these institutional investor groups, they have given up the opportunity to receive any information about exactly where their money is invested. Colonial First State does provide more information about the underlying investments, in line with the industry funds AustralianSuper and UniSuper. This transparency gives members a clearer idea of where their money is invested but the ownership of these investments is clearly marked as the superannuation funds' through the use of the word 'our' in relation to the investments.

In approaching how investment decisions are made, all of the underlying investment values and philosophies were most remarkable in their similarities rather than their differences. The dominant value is maximising the return for an investor with a specific risk profile and companies that place shareholder returns as their top priority are rewarded. While some of the superannuation funds do make mention of their endeavours to improve company corporate governance and commitment to environmental and social goals, these are clearly a lower priority.

There is a marked difference between the for-profit funds and the industry funds in their approach to describing the board and senior management and how they operate. The industry funds take an explanatory approach, outlining the roles of the board and senior management. The for-profit funds do not explain the roles but give resume and experience information on key staff and board members.

## **6. FINDINGS: LISTED COMPANIES**

### **Introduction**

This chapter analyses the annual reports, sustainability reports and websites of five of Australia's largest listed companies that cover a cross-section of the Australian economy.

The five companies on which this research focuses are:

- BHP Billiton Ltd – the world's largest diversified miner, listed on the Australian and London Stock Exchanges;
- Woolworths Ltd – a diversified retailer that owns a range of retail businesses such as the Woolworths supermarkets and Big W discount retailers as well as a number of hotels and liquor outlets;
- Commonwealth Bank of Australia Ltd – Australia's largest retail bank that provides banking services to retail, corporate and wholesale customers;
- Telstra Corporation Ltd – the largest telecommunications company in Australia that will also be involved in building Australia's National Broadband Network; and
- Wesfarmers Ltd – a diversified industrial company that owns a range of retail businesses such as Coles supermarkets and Bunnings hardware stores, as well as industrial and mining interests.

The websites and the annual reports of these five companies were analysed and the following themes emerged: each company has clearly delineated stakeholder groups; all of the companies' largest shareholders include a number of nominee companies; the stakeholder groups have a hierarchy of access to the senior management and decision makers; and the content of the information targeting each stakeholder group differs.

### **The stakeholder groups**

All of the companies acknowledge that there is a group of stakeholders, including shareholders, requiring engagement. These groups, as outlined in Table 1 below, could be classified as those with a direct commercial interest in the company such as shareholders, suppliers, customers, contractors and employees; and those who are affected by or have an interest in the businesses activities and operations such as local communities and non-government organisations (NGOs).

All of the annual reports include a table of the largest 20 shareholders of each company. There is a large overlap between the stated shareholder group and the listed companies and, because of this, they are reviewed together at the end of this section. Other commentary on shareholders appears in each of the company sections.

**Table 1: List of stakeholders**

		LISTED COMPANIES				
		BHP Billiton	Woolworths	CBA	Telstra	Wesfarmers
STAKEHOLDER GROUPS	Customers	✓	✓	✓	✓	✓
	Investors/Investment Community	✓	✓		✓	
	Shareholders	✓		✓	✓	✓
	Employees	✓	✓	✓	✓	✓
	Contractors	✓				
	Suppliers	✓	✓		✓	
	Local Communities	✓	✓	✓	✓	✓
	Indigenous Communities	✓				
	Govt & Regulators	✓	✓		✓	
	NGOs	✓	✓	✓	✓	
	Media	✓			✓	
	Business Partners	✓				
	Industry Associations	✓			✓	
	Labour Unions	✓				
Source: 2011 Sustainability/Corporate Responsibility Reports and websites of companies						

***BHP Billiton***

BHP Billiton's website (<http://www.bhpbilliton.com>) is broken down into sections based on stakeholder groups and issues. Two sections target specific stakeholder groups. The first is entitled investors and media, which is further broken down in a section targeting shareholder investors, debt investors and media. The second entitled people and careers targets employees and potential employees. Within its *2011 Sustainability Report* (BHP Billiton, 2011a), BHP identifies its stakeholders as: the local communities; host governments; employees; contractors; investors; regulators; suppliers; customers; NGOs; and joint venture partners.

### ***Woolworths***

Woolworths' *Corporate Responsibility Report 2011* (Woolworths 2011a, 6) identifies a series of stakeholders defined as 'critical to our business and influence our decision making'. These are, in order of appearance on the list: customers; investors; employees; suppliers; communities; government and regulators; and non-government organisations.

Woolworths also highlights on its website (<http://www.woolworthslimited.com.au>) and in its *Corporate Responsibility Report* that of its 420,000 shareholders, some 40,000 of 191,000 employees form part of this number, a rare acknowledgement of overlap in the membership of stakeholder groups.

### ***Commonwealth Bank of Australia (CBA)***

The CBA identifies shareholders, customers, employees, local communities and NGOs as stakeholders. The CBA identifies and also notes the broader sweep of their shareholders. In the *2011 Shareholder Review* document, available from the website's Shareholder Centre section, the CEO acknowledges that the group had 800,000 shareholders and 'many more Australians indirectly through their superannuation funds' (Commonwealth Bank of Australia Ltd 2011a, 5). While this recognises the participation of Australians as shareholders in CBA, it does not recognise that the funds of many of the other major identified shareholders are provided by these same Australians.

### ***Telstra***

Within the sustainability section of its website (<http://www.telstra.com>) Telstra identifies its stakeholders as: all Australians; customers; its 29,000 employees; government; industry; the investment community which includes institutional investors and investment bank analysts<sup>14</sup>; media; shareholders; and suppliers.

In its *Annual Report 2011* (Telstra 2011a), Telstra outlines the number of shareholders and the number of shares each group holds. For example, shareholders holding more than 100,000 shares represent 0.22 per cent of the shareholder base but held 65.86 per cent of

---

<sup>14</sup> An analyst monitors companies and analyses various aspects of its performance with a view to providing a recommendation to investors about whether to buy, sell or hold a company and to provide their opinion on a company's activities.

the shares on issue. Meanwhile, shareholders with 1-1,000 shares represent 48.87 per cent of the shareholder base but only 3.15 per cent of the shares on issue.

### ***Wesfarmers***

Wesfarmers did not provide a stakeholder list within any of the communications reviewed, but in its *Annual Report 2011* (Wesfarmers 2011a), Wesfarmers identifies shareholders, employees and governments as benefactors of the wealth it generates. In its *Sustainability Report 2011* it identifies and features local communities in which its businesses operate, NGOs and sponsorship partners as stakeholders. On its website (<http://www.wesfarmers.com.au>) it has dedicated sections for investors, the community and potential employees (labelled Careers).

Wesfarmers also breaks down its shareholder base in its *Annual Report* but only by the number of shareholders holding particular-sized parcels. For example, there are 400,121 shareholders with 1-1,000 fully-paid ordinary shareholders and 201 shareholders with 100,000 or more fully-paid ordinary shares out of a shareholder base of around 500,000. There is very little other commentary on the identity of Wesfarmers shareholders in the report or on the website.

### **The largest shareholders**

Based on information drawn from the annual reports from all five companies, there are 19 entities that feature in the Top 10 shareholder lists but the three largest shareholding entities listed for every company are the same – HSBC Custody Nominees (Australia) Ltd, JP Morgan Nominees Australia Ltd and National Nominees Ltd. Of the 19 groups represented in the top 10 lists, 13 are nominee companies, some belonging to the same parent company, such as Citicorp or JP Morgan. Table 2 outlines the overlap. The numbers in the table represent the percentage of each company's shares that each shareholder holds.

***The role of corporate communication in perpetuating inequalities of access by individual investors to corporate decision-making***

Susan O'Byrne

<b>Table 2: Top 10 Shareholder Lists</b>					
	<b>BHP Billiton</b>	<b>Woolworths</b>	<b>CBA</b>	<b>Telstra</b>	<b>Westfarmers</b>
HSBC Custody Nominees (Aust) Ltd	17.36	15.99	12.81	18.02	15.87
JP Morgan Nominees Australia Ltd	11.43	10.86	10.65	12.09	13.81
National Nominees Ltd	10.05	9.74	8.46	13.76	7.81
Citigroup Nominees Pty Ltd		3.5		4.58	
Cogent Nominees Pty Ltd		1.32	1.69	1.64	1.02
AMP Life Ltd		0.76	0.83	0.92	0.72
JP Morgan Nominees Australia (Cash Income A/C)	1.86	0.74		0.86	0.71
Australian Foundation Investment Company Ltd	0.44	0.51	0.55		0.61
Australian Reward Investment Alliance Aust Ltd		0.4			
UBS Wealth Management Aust Nominees Pty Ltd		0.39	0.5	0.45	
RBC Global Services Australia Nominees Pty Ltd				2.39	
UBS Nominees Pty Ltd				0.41	
Citicorp Nominees Pty Ltd	4.18		4.58		4.22
Citicorp Nominees Pty Ltd (CFS Inv A/C)	0.67				1.26
Citicorp Nominees Pty Ltd (BHP Billiton ADR Holders A/C)	6.57				
RBC Dexia Investor Services Australia Nominees Pty Ltd			1.88		
Queensland Investment Corporation			0.38		0.92
Australian Mutual Provident Society	2.45				
Potter Warburg Nominees Pty Ltd	0.48				

\*Source: Annual Reports: BHP Billiton as at 26 August 2011; Woolworths as at 20 September 2011; CBA as at 5 August 2011; Telstra as at 1 August 2011; Westfarmers as at 21 September 2011

Nominee companies are custodian services that allow investments from a number of investors to be aggregated into one entity. According to the Australian Securities and Investments Commission (ASIC) they typically 'are arrangements for the holding of securities and associated maintenance such as the banking of dividends and the receipt of communications. They will usually provide some form of consolidated reporting'. (ASIC 2000, 4) There is an association of companies that offers these services in Australia called the Australian Custodial Services Association. Association members which appear in the top 10 shareholder lists of the reviewed companies include: HSBC, National Nominees, JP Morgan, Citigroup and RBC Dexia (<http://www.custodial.org.au>). In a submission to the Federal Government Financial System Inquiry 1996, the Association describes nominee companies as special purpose subsidiaries of financial institutions and identifies the investors that use the services as typically institutional investors such as investment trusts and superannuation and pension funds or fund managers acting on behalf of these types of institutions. The reason for the use of the nominee company is to maintain efficiency in the performance of investment activities such as; attending to the safe custody of securities purchased, collection of relevant income, attending to corporate actions, monitoring specific investor guidelines and reporting details of all transactions to the investing institution and/or fund manager as required. (Australian Custodial Services Association

1996, 2). There is no mention of the nominee companies engaging with senior management or boards; about how companies are run on behalf of their clients.

### ***Summary***

Customers, shareholders and local communities are universally identified as stakeholders. There is very little recognition of any potential overlap of membership of each stakeholder group, except Woolworths who acknowledges in a number of places that 40,000 of its employees are also shareholders. There is very little commentary on the identity of the largest shareholders, beyond the tables in the annual reports and no commentary on the source of these largest shareholders' funds. There is no recognition at all of superannuation fund members being the providers of a large amount of capital to these businesses.

### **Method of communication to stakeholders and hierarchy of access to senior management**

An indicator of the salience of a stakeholder group to a company is the method of communication the company uses to engage with each stakeholder group, the access each stakeholder group has to senior management and the content of the communication from companies to various stakeholder groups.

### ***BHP Billiton***

According to the corporate governance section of BHP Billiton's *Annual Report 2011* ( BHP Billiton 2011b), shareholders are encouraged to make their views known to senior management and the board and to raise directly any matters of concern. The company states there is a range of formal and informal measures to ensure that it understands and effectively responds to shareholder questions and concerns relating to its management and governance of the company. However, when it outlines these measures it is apparent that they applied to institutional shareholders and professional investors and not a wider stakeholder group. For example: the Chairman has regular meetings with institutional shareholders and investor representatives to discuss governance matters; the Remuneration Committee Chairman and Senior Independent Director also meet with institutional shareholders and investor representatives to discuss executive remuneration and other governance issues; and the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and investor relations team meet regularly with major shareholders to discuss



strategy, financial and operating performance. Given that many of the top 20 shareholders listed are nominee companies that do not have a remit to engage with companies on management issues, it is unclear which shareholders have this access. Otherwise, the investor relations team provides quarterly reports to the Board in relation to shareholder feedback generally, which the Board uses to assess how the group is responding to shareholder views and issues and all shareholders are encouraged to attend BHP Billiton's annual general meetings and to use these opportunities to ask questions. Shareholders could also get access to investor briefing information through the website. This is reinforced in the *Sustainability Report*. No policy is available for communication with other stakeholder groups but the methods of engagement are outlined in the *Sustainability Report*.

Within its *Sustainability Report 2011* (BHP Billiton 2011a) BHP Billiton lists its engagement with its identified stakeholder groups. In order that they appear in the report (excluding the investment community and shareholders that appear at the top of the list but have been outlined earlier), BHP engages each group in the following ways:

- Customers are sent regular communication from the marketing team and technical support, customers visit operations and have technology exchanges with BHP Billiton operations and BHP Billiton participates in stewardship initiatives such as the Responsible Jewellery Council;
- Media receive media releases, briefings, presentations and interviews;
- Employees and contractors have regular performance reviews, one-on-one discussions with leaders, newsletters and general communications, access to an intranet, access to a Business Conduct Advisory Service, asset and sustainability reports and participation in health, safety and environment improvement initiatives;
- Local communities near operations have a stakeholder engagement plan. Activities in the plan include monthly meetings, open public forums, newsletters and targeted communications, community perception surveys and support for local foundations;

- Industry associations are engaged with through BHP Billiton's participation in specific committees of industry associations around the world;
- Suppliers are graded according to the company requirements and then an engagement strategy is created for each one;
- Government and Regulators – The company's views are expressed to host government and participated in some events to get a better understanding of public policy development;
- NGOs local to operations have had engagement plans created and BHP Billiton engage with global NGOs at a corporate level; and
- Labour unions have direct communications with the company as required.

BHP Billiton's website provides a generic Contact Us section which allows anyone to send an email through the website to ask a question. The only contact details on the page are for the general head office contacts in Melbourne and general details of the London and Singapore offices. However, in the Investors and Media section of the website there are contact details for specific employees for investors and media to contact. This service is not provided for other stakeholders.

### ***Woolworths***

Within the corporate governance section of its *Annual Report 2011* (Woolworths 2011b), Woolworths states that it has a shareholder engagement policy, the full details of which are on the website, and it also has a separate section on the website's investor centre which included the shareholder communication policy document. No communication policy exists for any other stakeholder group. The Shareholder Communication Policy acknowledges the need for the company to keep shareholders up-to-date with the latest news and major developments and recognises that other investors may also be interested. The policy then outlines the forums where this information is available. These are: the website, which offers both the information from the company and details the telephone helpline and email facility for shareholders to ask questions; and the annual general meeting, which offers access to the Board and avenues for shareholders to vote and ask questions if they are unable to attend the meeting. There is no further information about whether large institutional shareholders and potential investors have access to senior management but in

the investor centre section of the website there are copies of half and full year analyst presentations, and other ad hoc analyst presentations, indicating that further meetings are held with these professional investor groups .

The key indicators in the *Corporate Responsibility Report 2011* do not include any stakeholder engagement methods, but further into the report Woolworths outlines how it engaged with its identified stakeholder groups throughout the previous financial year.

These methods, in the order they appear in the report, include:

- Customers – qualitative research on sentiment and shopping behaviour, product and brand testing, supermarket placement focus groups and other feedback;
- Investors (and shareholders) – quarterly investor briefings, annual general meetings for all shareholders, investor call centre and direct contact with CEO and Chairman in writing and through the email facility on the website;
- Employees – training programs, reconciliation action plan for indigenous employees and employee engagement surveys;
- Suppliers – regular meetings with the biggest suppliers, quarterly supplier newsletters, awards programs and other annual measurements;
- Communities – support for grassroots initiatives;
- Government and regulators – regular meetings and formal submissions to inquiries; and
- NGOs – participation in relevant issues with NGOs such as sustainable fishing and safe drinking.

On the Woolworths Ltd website there are two distinct sections, one for investors called Investor Centre and one for stakeholders interested in how the company does business called Our Responsibilities. Information targeted at customers about prices, healthy eating, how to apply for a community grant and store locations is at a separate URL [www.woolworths.com.au](http://www.woolworths.com.au). From this website it is possible to access the corporate website via a link at the far right hand corner of the webpage.

Woolworths has no access points for feedback through its our responsibilities section, but there is a general Contact Us section on the website. It provides separate phone numbers for general, shareholder, media, government and archive queries and an email address with a series of questions about the nature of the email. The Investor Centre does not have an avenue for feedback either but does offer an opportunity to sign up to an email alert system.

### ***CBA***

The CBA also has a shareholder communication policy outlined in its *2011 Annual Report* (Commonwealth Bank of Australia 2011b) that reinforces that the company wants to keep its shareholders informed about their investment. The bank seeks to provide shareholders with access to quality information in a timely fashion through: interim and final results; annual reports; shareholder newsletters; annual general meetings which move around capital cities and have an associated webcast; quarterly trading updates and business unit briefings where considered appropriate; all price sensitive information released to the Australian Stock Exchange; and the website at [www.commbank.com.au](http://www.commbank.com.au). The bank does state that it has direct communication with some shareholders and webcast most market briefings for the benefit of all shareholders which are publicised before the event so interested parties can participate. However, there is also a range of one-on-one or group meeting with investors and analysts where a summary record of the issues discussed is kept, but not made available to all shareholders. These records are kept for internal reference only.

The Commonwealth Bank of Australia has a prominent Contact Us section on the left hand side of the front page of the shareholder centre, but nothing in the community or customer sections. There is a general 'contact us link on the About Us page offering a variety of contact points through phone, email or visiting a branch and a special section for proving feedback.

### ***Telstra***

Telstra also has a shareholder communication policy outlined in its *2011 Annual Report* (Telstra Corporation 2011a), but no other stakeholder group is mentioned. The shareholder communications policy found in the governance section of the website states

that the company management thinks it is important to maintain a two-way dialogue with shareholders. Telstra's policy includes: maintaining an investor relations website; writing letters and/or emails to shareholders about significant events; posting webcasts of its annual general meetings, briefings and presentations on its website; and posting all announcements to the markets and other information on the website. There is no information about further briefings between institutional investors and senior management but in the sustainability section of the website, the company states that meetings are arranged between the investment community and senior management.

There is a link to Telstra's annual reports from the About Telstra webpage but the *Sustainability Report* is only available in the reports and downloads subsection of the sustainability section. There is no access link between the annual and sustainability reports. This is also reflected in the separation of the sustainability and investor sections of the website. As with Woolworths, Telstra maintains a separate website with customer information, particularly focused on the sale of products and services for current customers. There is a link to the Telstra corporate website on the bottom right hand corner of this home page entitled About Telstra. On the corporate website, the sections are divided into the different audience groups; customers through the customer service and consumer advice sections; employees and potential employees through the careers section; the media through a media centre; investors via their section; and other stakeholders through the sustainability section.

Telstra has a contact section under my shareholding area of the investors section and on the first page of the sustainability section, where interested people can also sign up to receive a sustainability newsletter. No phone numbers are offered, however there is a dedicated contact us section on the corporate home page that offers multiple avenues of contact including phone, email, Facebook and a dedicated section for feedback. There are separate pages for different audiences; customers, media, shareholders and investors, and corporate.

### ***Wesfarmers***

Wesfarmers' communications policy to shareholders is outlined in the corporate governance section of its *Annual Report 2011* and available on the company's website

(www.wesfarmers.com.au 2008, 1-3). The policy states that interaction with shareholders is through the annual general meetings, release of financial reports and the accessibility of ASX information on the website. It also states that there are regular briefings for market analysts (part of the professional investment companies) with senior management. The information in these presentations is available on the website but the direct interaction with senior management is not.

Wesfarmers divides its website into stakeholder groups and subject areas. There are sections called about us and our businesses outlining the company's businesses, a news section for the media, community and sustainability for stakeholders interested in how the company does business, investors, careers for employees and potential employees and contact us. At the bottom of the page there are larger toggles that repeat some of those sections but also direct links to the investor centre, investor briefing and reports. The investor centre is dedicated to financial information, investor presentations and information for current shareholders such as upcoming events, the share registry and the dividend reinvestment plan.

Wesfarmers has a dedicated contact us section that allows people to send an email to the company and a list of contact numbers and details for its corporate office and each of its businesses.

### ***Summary***

In the case of all of the companies there is a clear hierarchy of access to their senior management and boards. It is clear that professional investors and potential professional investors (including market analysts) have much greater access to the upper echelons of management and the boards through briefings and smaller meetings. Other shareholders, such as small retail shareholders, have access at annual general meetings and through the websites, but the opportunity for more intimate discussion with senior management is not available. Superannuation fund members have no access at all. There is a lot of structure present and effort made to maintain regular contact with the shareholder groups, with publicly available policies on how these groups are engaged. This level of publicly available information about how companies engage with other stakeholders is not in evidence. For the two companies that did provide information, it is not in the same detail and it is unclear

what sort of access other stakeholder groups had to senior management and boards. There is some engagement with other stakeholder groups and information is provided through more highly controlled channels such as the website and interaction with company representatives at lower management levels through meetings and community events.

### **Content of communications to stakeholder groups**

The content of the information designed for each stakeholder group also gives an insight into what the company believes are the priorities and values of these groups and the perception the company wants to give to each of these groups. The information that is emphasised in the companies' annual reports and sustainability reports varies significantly, again reflecting what is important to each company and what each company thought is important to each stakeholder audience.

### ***BHP Billiton***

In the *BHP Billiton Annual Report 2011*, on the very first page of commentary BHP states 'our corporate objective is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources'. Further into the commentary the company states that its strategy 'underpins the creation of value for our shareholders, customers, employees and, importantly, the communities in which we operate' (BHP Billiton 2011b). However, in *its Sustainability Report 2011*, in the CEO's review, the highlighted quote says BHP 'is committed to operating sustainably: it is our very first value' (BHP Billiton 2011a). Health and safety and respect and integrity are also identified as fundamental values.

On BHP's website, the investor and media section is heavily populated by financial information with the reports and presentations available all focusing on business outcomes, rather than business methods, and financial results. The calendar of events is also entirely focused on the release of financial information. Meanwhile in the sustainability section, the focus is on how the company's business method and there are many case studies showcasing good corporate citizenship initiatives. There is very little financial information.

### ***Woolworths***

The investor centre on Woolworths website is focused on the financial performance of the company, the strategy of the company – such as driving costs down – and how the company is performing against that strategy. There is no information on the ethics of how the company does business and the impact on the wider community, such as how driving costs down affects the viability of some of their suppliers and whether that is changing the structure of supplier businesses in agriculture or manufacturing. In the our responsibilities section there is the company's Community Investment Strategy document (released in 2010), access to the Reconciliation Action Plan (released in June 2011), health and safety information, news on the company's sustainability and community activities and a sustainability section. There is little information on the company's financial performance. There is also a media centre area and a section for employees and potential employees called working at Woolworths.

Pages 2 and 3 of the *Woolworths Annual Report 2011* have graphic illustrations of all of the financial highlights. In the Chairman's message, the highlighted quote is 'Woolworths once again demonstrated the resilience and sustainability of its business model by delivering a 5.1 per cent increase in net profit after tax to \$2,124 million' (Woolworths 2011a, 11). The remainder of the message features a summary of financial result information and the two graphics are of earnings per share and dividend per share over the last five years. The highlighted quote for the Managing Director's report explains how the strategy of focusing on 'lower prices, greater ranges and better shopping experiences across all our brands' delivers the bottom line return. One example of the difference in emphasis between the *Annual Report 2011* and the *Corporate Responsibility Report 2011* is the reporting of Woolworths' reaction to the natural disasters of early 2011. In the *Annual Report*, the Managing Director's report states that as well as devastating many local communities, the events 'had caused considerable disruption to our business, particularly our supermarket operations...and as a result we incurred \$38 million in direct additional costs' (Woolworths 2011a, 12). Whereas in the *Corporate Responsibility Report* there is no mention of cost to the business but the company's role within the community is highlighted as a 'shoulder to lean on in a crisis' (Woolworths 2011b, 4). Similarly in the Managing Director's report in the *Annual Report*, the commentary on the loyalty program, which has 8.4 million members, focuses on the benefit to the company in data analytics and the application of this



knowledge in purchasing strategies, rather than the benefit to the customer. Within its *Corporate Responsibility Report* (2011b, 8), Woolworths identifies its 'issues of public interest' as: cost of living; competition and farm gate prices; liquor retailing and gaming; use of palm oil; food imports and import protection; and food waste. These are not mentioned in the *Annual Report*. The key indicators within the *Corporate Responsibility Report*, in the order they appear, are: performance against the Reconciliation Action Plan; EBIT (earnings before tax and interest); carbon intensity; energy intensity; lost time injury rate; paid maternity leave; community investment; developing talent; and water savings. None of these, except EBIT, feature in the *Annual Report*.

### ***CBA***

The CBA has a link to its *Annual Report* near the top on the front page of the shareholder centre section of its website and a link to the sustainability section, but not a straight link to the *Sustainability Report*, near the bottom of the front page. The *Sustainability Report* is in the Sustainability section with no link back to the *Annual Report*. As with Woolworths and Telstra, the Commonwealth website URL [www.commbank.com.au](http://www.commbank.com.au) is a customer-focused website offering online banking and selling products. In a scroll bar at the bottom of the home page is a link entitled shareholders, which rotates with links for mobile apps, security, special offers and news. Beneath this scroll bar, in font that was much smaller than the rest of the font on the home page is another link for shareholders. This is also accessible through the about us toggle on the home page. The other sections are divided into subject matter rather than stakeholder group with areas such as in the community, customer commitment, media gallery and careers. The shareholder centre is predominantly financially focused with access to ASX announcements, presentations to the shareholders and information about managing their shareholdings. The in the community section focuses on financial education issues, the bank's structured community contribution program and the staff involvement in giving to the community. The customer commitment section focuses on codes of conduct, accessibility and fraud and security.

The Chairman's statement in the *Annual Report* outlines three key areas of focus: serving the customers; providing solid returns and dividends to shareholders; and making returns in every division. His commentary about the outlook for the future centres on driving productivity initiatives to deliver sustainable improvements in business performance and

maintaining a robust and stable financial and operational platform to enable the company to 'support their shareholders and provide superior returns to shareholders' (Commonwealth Bank of Australia 2011b, 2). The CEO's statement outlines why the company has continued to outperform and states that 'profitable growth is about balancing shareholder value and customer needs' (Commonwealth Bank of Australia 2011b, 6). The group performance highlights are all financial measures of performance such as net profit after tax, return on equity and earnings per share.

The language in the CEO message in the *Sustainability Report 2011* was more inviting. The message echoes the Annual Report regarding the importance of financial performance when defining sustainability saying sustainability 'is about being a successful business today while ensuring we deliver value over the long-term for our people, customers, shareholders and the community' (Commonwealth Bank of Australia 2011c, 4). The sustainability measurements used by the bank include: customer satisfaction surveys; safety, attendance, turnover and satisfaction measures for employees; and environmental emission. There is no mention of procurement from suppliers. The company introduced a diversity policy in 2010/2011.

### ***Telstra***

In the investor section of its website Telstra uses different communications types for different shareholder groups. The retail investors' update<sup>15</sup> is a YouTube video of the CEO chatting through the company's general strategy and customer improvements. There is a separate analysts' presentation (for professional investors) that is a PowerPoint presentation which begins with company financial information and then moves into customer improvements. There is one slide later in the presentation that covers sustainability. There is no mention of institutional investors and no mention of engagement with institutional investors. In the sustainability section of the website, the company focuses on how it is conducting its business responsibly, engaging with local communities, being a good employer and reducing its impact on the environment. There is very little mention of the financial details.

---

<sup>15</sup>Retail investors are typically shareholders with small parcels, held by direct investors.

Telstra has a combined Chairman and CEO message in its *Annual Report 2011* which is addressed to 'Dear shareholders'. The message discusses the growth of the company's profit first, then the signing of the NBN contract which they regard as a major strategic event and then the company's financial outlook and other financial forecasts. Well down on the second page there is recognition of poor past customer service and the steps Telstra is taking to improve it. The Chairman and CEO message is preceded by three pages of large graphics outlining key sales, customer acquisition and services figures and the financial five-year summary results. After it, there are three double pages of information on the company and the community with one page taken up by a large picture and another page containing some text information about an element of community involvement. In the corporate governance and board practices section there is a statement of the board's intentions which reads 'Your board is committed to excellence in corporate governance and enhancing shareholders' interests (Telstra 2011a, 37). In Telstra's *Sustainability Report 2011*, the message from the Chairman and CEO focuses on simplification; customer service and assistance to the community. The message discusses the need for digital inclusion for all Australians and the company's role in improving access to better telecommunications for all. Financial results are not mentioned in this message, but further into the report, on page 7, there is a summary of financial results. The six sustainability strategic priorities outlined in the report use rather vague language and do not indicate how they are measured. They include: 'improving customer service; strengthening sustainability leadership across the group; integrating sustainability thinking across the group; and engaging with stakeholders to deepen relationships and build trust' (Telstra 2011b, 8).

### ***Wesfarmers***

In Wesfarmers sustainability section of its website there is no financial information at all but the company's sustainability principles are outlined. These include: maintaining and enhancing the physical environment in which the company operates; a safe and secure work environment; treating all stakeholders with decency and respect; investing in the community through partnerships, programs and sponsorships; and acting with high ethical standards. There were 24 sustainability indicators outlined. Shareholders are not mentioned in this section of the website.

Wesfarmers' stated objective on page two of its *Annual Report 2011* (2011a) is 'Wesfarmers remains committed to providing a satisfactory return to shareholders' and its core value is stated as by having a diversity of businesses 'we create long-term value and provide satisfactory returns for our shareholders'. The fourth and fifth pages of the report are dedicated to key financial highlights and one of the measurements is 'wealth created by Wesfarmers'. This documents the dollar amount of the company's employee salaries for the financial year 2010/11, the amount it paid in tax and the amount of money reinvested in the business. There is no community measure. All of the operational highlights have a financial focus but do not touch on how the company conducts its business. The Chairman notes in his message that the company reflects a cross-section of the Australian economy and did reflect on how the company had contributed to the recovery from a series of major natural disasters both in Australia and New Zealand in 2010/11. His commentary on sustainability focuses on the company's 200,000 employees, suppliers and the financial contribution to the community. The CEO's message is predominantly financial. The report does outline the company's priorities in sustainability, on page 55, focusing on: the importance of people; reduction in carbon emissions and energy management; community partnerships; a reduced overall environmental footprint; and a strong economic contribution.

The language is more accessible in the *Sustainability Report 2011*, starting with the Managing Director's 'welcome and message', rather than just the 'review' and 'message' of the more formal annual report. The *Sustainability Report* addresses some of the scepticism around companies' commitment to sustainability. It states that 'sustainability within the Wesfarmers Group isn't simply an 'add-on'. Stakeholder expectations have evolved well beyond purely the financial success of an organisation, but Wesfarmers has long recognised the value and opportunity of a holistic approach to managing our operations. For us, sustainability isn't just a public relations exercise while the 'real' business goes on regardless. As you will see in this report – and indeed in all earlier such reports – the detail of investing in and improving our operations all contributes to the sustainability of our business as a whole.' (Wesfarmers 2011b, 3) This was the fourteenth sustainability report for the company and there is a scorecard measuring performance on safety, greenhouse gas emissions, energy and water consumption, and community contribution. Wesfarmers sees its economic contribution to the community as a key pillar of its sustainability.

### ***Summary***

Each of the companies has a similar approach to the information available in the annual reports and the sustainability/corporate responsibility reports. The annual reports are clearly targeted at the shareholders only, from the introductory remarks directed at 'dear shareholders' through to the emphasis was on financial performance. While each of the companies includes to varying degrees other information about how the company operated, the dominant theme was that of pure financial information. This is replicated on the websites with the investor centres heavily skewed with financial information and the level of detail in these sections of the website is much greater than other sections dedicated to information on sustainability. While the investor centres are accessible to anyone who visits the websites, the name clearly indicates that they are intended for a specific stakeholder group. The language used within the sections is very technical, which can be perceived as excluding those without specific financial training.

The sustainability and community sections have more accessible language that can be more easily understood by a wider group of stakeholders and the content is crafted to present the companies as responsible citizens. It can be argued that this division of information provided by companies shows how they tailor their message to specific stakeholder groups, and possibly mask their real priorities from some. It suggests a lack of empathy or knowledge about what the many individual providers of capital require of them in their day-to-day corporate behaviour.

### **Conclusion: Listed Companies**

All of the companies very clearly identify a range of stakeholder groups with whom they communicate and engage. On the whole each of these stakeholder groups is distinct and separate and there was little acknowledgement by the companies of overlap in membership of groups. They are also only defined by their relationship to the companies, with the companies as the dominant focus, rather than the companies identifying themselves as partners in the broader community.

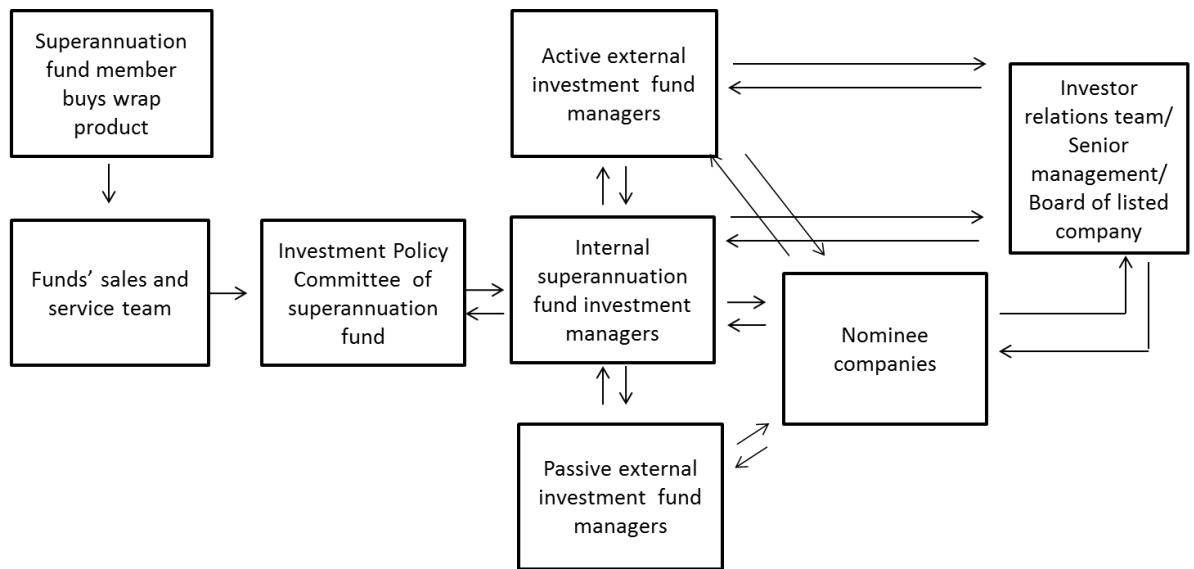
While all of the companies do recognise shareholders as a distinct group, defining those shareholders, or the many individual providers of capital, becomes less clear with the introduction of the nominee companies in the Top 20 Shareholders lists. What is clear is

that there is a hierarchy of who is given greater access to the senior managements and boards of the companies. The data indicates that professional investors and potential professional investors (including market analysts) have much greater access to the upper echelons of managements and the boards through briefings and smaller meetings. Other shareholders, such as small retail shareholders, have access at annual general meetings and through the websites, but the opportunity for more intimate discussion with senior management is not available. Superannuation fund members have no access at all. It is unclear what sort of access other stakeholder groups have to senior management and boards because it is not documented in communications but, through what is available, these groups are provided with information through more highly controlled channels such as the website and interaction with company representatives at lower management levels through meetings and community events.

The type of information available to stakeholders is distinct to each stakeholder group with the predominant discourse for shareholders and investors focused on financial matters, both in the reporting of results and in the analysis of the impact of other events on the company's commercial interests. The investor centres of the websites overwhelmingly provide information on business development, financial information and the impact this has on an investor's funds. There is little information on how the company is run, how its operations impact on local communities or the broader society or the company's role in shaping Australian society.

Conversely, in other areas of the websites and in sustainability reports that are more targeted to other stakeholders, there is very little information about the business performance of the company. This suggests that companies believe this information of little value to these stakeholders.

Companies' real priorities and values are revealed in that the companies focus their attentions on the investment community and institutional investors and allow them specific access to senior management. These priorities and values relate to financial matters and maximising shareholder value.



**Figure 4: Current investing relationship and information flow**

Figure 4 above outlines the investment relationship and the flow of information about investment decisions between each group involved in the investment process.

## **7. DISCUSSION AND CONCLUSION**

Australia's largest listed companies have enormous impact on the crucial piece of social infrastructure that is the Australian economy and on the broader fabric of Australian society. This research was undertaken to understand why the many people in Australia who provide capital to companies through their superannuation saving, may have little influence over the decision-making at the highest levels of listed company management and within institutional investment groups, and the role that corporate communications plays in this.

The structure of the Australian superannuation and finance industry creates barriers to recognising that the capital for around 40 per cent of the Australian equity market and 30 per cent of the Australian bond market is ultimately provided by members of superannuation funds. This research found, however, that the written communications of the largest listed companies and some of the largest superannuation funds, who manage money on behalf of those members, reinforce and maintain these barriers. A result of this is that the views and values of a large portion of the Australian investing population are not necessarily considered, or sought, at the highest levels of senior managements and boards of either superannuation funds or listed companies.

None of the communications of the superannuation funds analysed provide clear links between a member's money and the investments which benefit from the capital that this money provides, thus making the link between the provision of capital by superannuation members and an ownership stake in the underlying investments in which the funds are invested. Indeed, all of the members sections of the funds' websites focus on the administration of an individual member's accounts and the financial performance of the fund, not on the underlying investments. Indeed, once a superannuation members' money had been invested into a wrap product, it then appears to become the property of the professional investors who manage and invest it into 'our investments'. This use of language allows for the exchange of ownership of the money and ensures that the superannuation funds have the power to control investment decisions and dictate the values and priorities that influence which company decisions and what type of performance will or will not be rewarded.



In approaching how investment decisions are made, all of the underlying investment values and philosophies of the superannuation funds are most remarkable for their similarities rather than their differences. The dominant value was the focus on maximised return for the specific risk profile of the investor and rewarding companies that place shareholder returns as their top priority. While some of the organisations did make mention of their endeavours to improve company corporate governance and commitment to environmental and social goals, these are clearly a lower priority. There is no evidence from the analysed communications that superannuation members' views on investments are sought or considered when investment decisions are made. Ease of finding information on the underlying investments in the reviewed superannuation funds varies between the funds, with marked differences in the approach of the largest for-profit funds that provided no information and the industry funds that provided some. This opacity of investments helps reinforce the barrier between superannuation fund members' understanding what their money is invested in and having a say about those investments.

The listed companies analysed also reinforce these barriers by: the methods of engagement they use with each stakeholder group; the accessibility of senior management and boards to these stakeholder groups; and the type of information provided to each of these stakeholder groups. While all of the companies analysed very clearly identify a range of stakeholder groups with whom they communicate and engage, each of these groups is distinct and separate and there was little acknowledgement of overlap in memberships of stakeholder groups. They are also only defined by their relationship to the companies, with the company as the hub of a wheel and all other stakeholder groups defined in relation to the hub. An alternate reality may be more in line with a systems approach where companies take their place among, but not superior to, other stakeholder groups and companies have an active role, along with other stakeholder groups, in solving community problems. In this model all groups, not just companies, have responsibility for solving a problem and no one group's values or desired outcomes necessarily take precedence over others.

By maintaining the separation of stakeholder groups, companies continue to reinforce that there is a hierarchy of stakeholders with those at the top of the hierarchy having a greater

claim to their view being adopted when a company is considering issues, and it is less likely that an issue will be considered holistically when deciding what to do.

How the companies define who precisely makes up the shareholder stakeholder group also lacks clarity. The introduction of the nominee companies into the ranks of Top 20 Shareholders lists obscures precisely which institutional investors are regarded as shareholders. The companies also did not recognise that these institutional shareholders managed other people's money and a large percentage of this money belonged to superannuation fund members (the majority of adult Australians) in any of the written communications analysed.

The study shows, in terms of the salience given to stakeholder groups, that a hierarchy exists of which stakeholder groups are given access to the senior management and boards of listed companies. It is clear that professional investors, institutional shareholders and potential professional investors (including market analysts) have much greater access to the upper echelons of managements and the boards through briefings and smaller meetings. Other shareholders, such as small retail shareholders, have access at annual general meetings and through the websites, but the opportunity for more intimate discussion with senior management is not available. Superannuation fund members, the providers of capital to many of the institutional investment groups, have no access at all. It is unclear what sort of access other stakeholder groups have to senior management and boards because it is not documented in communications. However, through analysing the communications it can be surmised that these stakeholder groups are provided information through more highly controlled channels such as the website and interaction with company representatives at lower management levels through meetings and community events. So, what the senior management and boards of the listed companies hear as the predominant values of the community providing them with the capital comes from the small, elite group of professional investors. In turn, there is no evidence that these professional investors canvas the views and values of the people who provided them with the money that they invest.

The type of information available to other stakeholder groups is also quite separate to that of the shareholder group. The predominant discourse for shareholders and investors is financial matters, both the reporting of results and in the analysis of the impact of other

events on the company's commercial interests. The investor centres of the listed company websites overwhelmingly provide information on business development, financial information and the impact this has on an investor's funds. There is little information on how the company is run, how its operations impact on local communities or the broader society or the company's role in shaping general working practices in Australia. Indeed the naming of these areas as investor centres', and then providing predominantly financial information, can be interpreted as the company believing these are the only things of value to an investor. There is no information on how companies gathered or monitored the views and values that are important to the ultimate providers of capital or whether the views of these providers would be considered.

Conversely, in other areas of the websites that are more targeted to other stakeholders, there is very little information about the business performance of the company. This is replicated in the sustainability reports. This can be interpreted as the companies having a belief that stakeholder groups, other than shareholders, found financial information of little value. The companies then tailor the message to present a very different 'face'. These groups are given much less access to senior managements and boards of companies and it can be argued that the information and values highlighted in communications for these stakeholders do not rank as highly in the minds of those making the decisions about how companies are run, either within company management or within institutional investment groups. It can also be argued that while the concepts of corporate social responsibility and stakeholder relationships developed in response to broader community concern about the increasing power of companies, they have been adopted by companies as a method of protecting their reputation, rather than fundamentally changing the way they do business. The lack of recognition of the overlap of membership of stakeholder groups also means it is easier to rank stakeholders' importance by company-defined salience and narrowly define the interests of each group rather than looking at stakeholders more holistically.

The conclusion can be drawn that the power for decision-making, and the shaping of Australian business, resides in a small group of senior managements with reference to a small group of professional investors – that is those who manage the money, rather than those who provide and ultimately own the money. It is the beliefs and values of the professional investors that are represented, not those whose capital offers the companies

the opportunity to continue business and the superannuation funds a chance to have a business. The written communications of these companies and superannuation funds reinforce and perpetuate this power imbalance. The question must be asked, however, do the individuals who provide the capital through their superannuation funds want to have a say? Is the power imbalance something that this group would like to change? Recent activities such as the Occupy movement, class actions over bank fees and strong media interest in the supermarkets' treatment of dairy farmers suggest there is a level of discontentment in the broader community about how large companies conduct their business and that change would be supported.

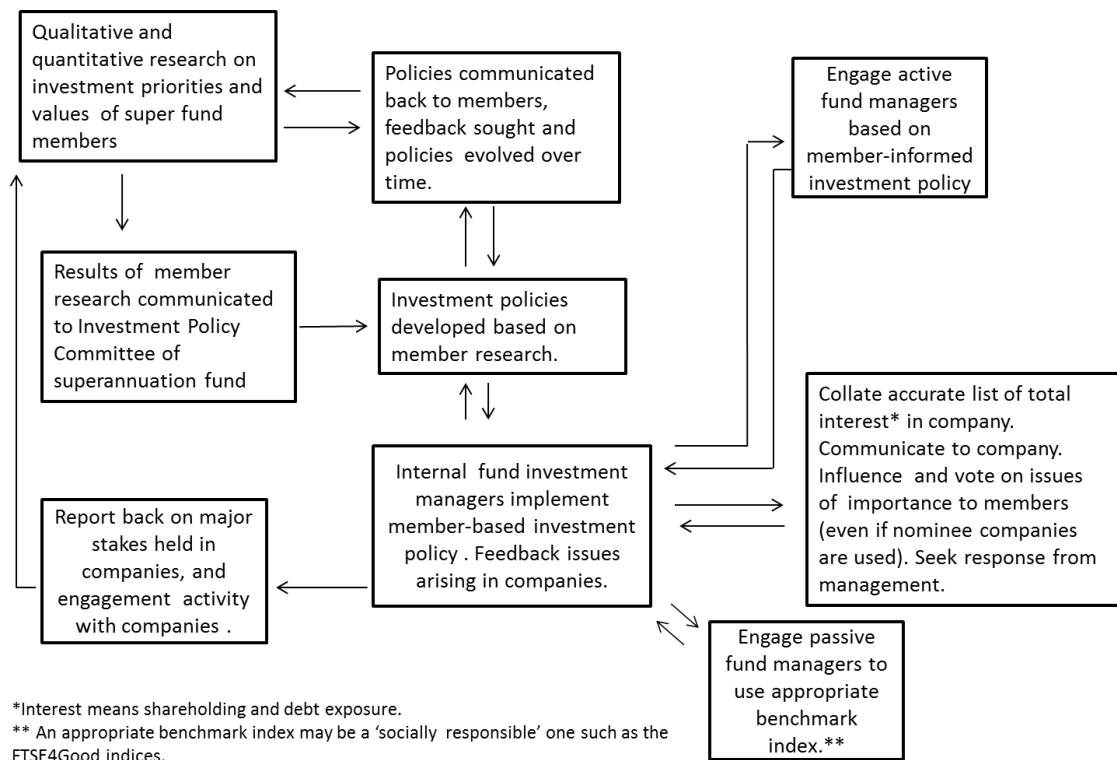
### **Recommendations**

As with all attempts to change a power balance, shifting the priorities and values that inform decision-making at the senior management levels of companies will require the dedicated effort of some providers of capital and/or their superannuation funds to inject the notion of a wider ownership into public debate; gather information regarding about the priorities and values of the providers of capital; change investment policies to reflect these priorities and values and become more activist in their engagement with companies; and consistently raise these issues with the senior managements of the company. To this end this model, illustrated in Figure 5 below, may be one way for a greater range of voices to be heard.

It would begin with superannuation funds conducting regular quantitative and qualitative research with its members to gauge what their priorities and values are with regard to the management of the companies in which their money is invested. The research could include questions regarding how business is conducted as well as expectations about what a reasonable return may be. This research would be given to the Investment Policy Committees of the funds to inform the development of the investment policies that are implemented by the internal and external fund managers. These policies would also be communicated back to fund members and further feedback sought from them.

In tandem, the superannuation funds could also collate their actual interest in various listed companies and communicate that to the company. The funds, and their external investment managers, could then actively engage with the managements of companies on

issues of importance to their fund members. This engagement would also be reported back to the superannuation fund members.



**Figure 5: Proposed engagement model for superannuation funds**

From the perspective of the listed companies, there needs to be a greater recognition of the ultimate source of much of the capital funds on which they rely for continued business. There also needs to be recognition at the senior management level that they would benefit from considering a diversity of priorities and values. This is more likely to be driven by an external activist group, such as a superannuation fund with an influential stake in the company.

Listed companies would also benefit from understanding just how many of their identified stakeholders belong to more than one of the identified stakeholder groups, and what values take precedence over others for these stakeholders. For example, if a stakeholder is a shareholder, a supplier and a customer; does a cheaper shelf price, a higher wholesale price or the highest margin per product take precedence in their value hierarchy?

### **Future research**

There is a paucity of research in this specific area and this small-scale study offers insights which could be developed further through more extensive studies. Firstly, further qualitative research could be done to establish whether individual superannuation fund members want to have a say in the factors that drive company decision-making and identify the most common key priorities and values of these individuals. This research could inform superannuation funds so they can represent their members' views to large listed companies and external fund managers that manage money on their behalf. Further research could also be carried out on how superannuation funds can make representations to the senior managements and boards, even if their investments are held in nominee accounts.

Other research could be conducted to establish the extent of the overlap in membership of stakeholder groups, how individuals decide which values take precedence in establishing their personal hierarchy when they belong to more than one identified stakeholder group.

The research objectives in this study could also be applied to other markets with traditions of self-funded retirement schemes; such as the United States, the United Kingdom and various countries in Western Europe; to investigate how the ultimate providers of capital are recognised in those markets; how the written communications of institutional investors and listed companies identify and address different stakeholder groups; and the priorities and values of the ultimate providers of capital compared with those in positions of power over decision-making.

This study contributes to academic and practitioner knowledge because it has initiated an area of research that has previously been overlooked. It provides a small insight into the role that corporate communications plays in maintaining a power imbalance that results in the marginalisation of the many individuals who provide capital to companies in Australia through their superannuation saving from corporate decision-making.

**8. REFERENCES**

- Agle, B., R. Mitchell, and J. Sonnefeld. 1999. "Who Matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance and CEO values." *The Academy of Management Journal* 42 (5): 507-525.
- Allen Consulting. 2011. *Enhancing Financial Stability and Economic Growth*. Melbourne, Association of Superannuation Funds of Australia.
- AMP Ltd. 2011. *AMP Ltd*. [www.amp.com.au](http://www.amp.com.au)
- AMP Superannuation Savings Trust. 2011. *AMP Superannuation Savings Trust Annual Report 2011*.
- Arnt Aune, J. 2007. "How to read Milton Friedman: Corporate responsibility and today's capitalism". In *The debate over corporate social responsibility*, edited by May, S., G. Cheney and J. Roper. Oxford: Oxford University Press: 207-218.
- Australian Custodial Services Association. 2012. *Australian Custodial Services Association*. [www.custodial.org.au](http://www.custodial.org.au)
- Australian Custodial Services Association (1996). *Submission - Securities Custody and Financial Institutions Duty*.
- Australian Government, Department of Agriculture, Fisheries and Forestry. 2007. *FOODmap: A comparative analysis of Australian food distribution channels*.
- Australian Prudential Regulatory Authority, 2007. *APRA Insight - Issue Two. Special Edition*.
- Australian Prudential Regulatory Authority. 2012. "Monthly Banking Statistics 30 March 2012". In *APRA Banking Statistics*.
- Australian Prudential Regulation Authority. 2012a. *Superannuation Fund-level Rates of Return, June 2011*.
- Australian Securities and Investment Commission. 2000. *Regulatory Guide 149 - Nominee and custody service*.
- Australian Stock Exchange. 2012. *ASX Ltd*. [www.asx.com.au](http://www.asx.com.au)
- Australian Stock Exchange. 2012. *ASX Ltd*. <http://www.asxgroup.com.au/the-australian-market.htm>
- Australian Stock Exchange, 2011. *2010 Australian Share Ownership Study*. Sydney.
- AustralianSuper. 2006. *Australian Super*. [www.australiansuper.com/](http://www.australiansuper.com/)
- AustralianSuper. September 2011. *Australian Super Annual Report 2010/2011*.

Bendell, J. and M. Bendell. 2007. "Facing corporate power". In *The debate over corporate social responsibility*. edited by May, S., G. Cheney and J. Roper. Oxford, Oxford University Press: 59-74.

Berger, B. 2005. "Power Over, Power With and Power To Relations: Critical Reflections on Public Relations, the Dominant Coalition and Activism." *Journal of Public Relations* 17(1): 5-28.

BHP Billiton Ltd. 2012. *BHP Billiton Ltd.* [www.bhpbilliton.com](http://www.bhpbilliton.com)

BHP Billiton Ltd. 2011b. *Annual Report 2011.*

BHP Billiton Ltd. 2011a. *Sustainability Report 2011.*

Black, S. and J. Kirkwood. 2010. "Ownership of Australian Equities and Corporate Bonds". *Reserve Bank of Australia Bulletin - September Quarter 2010.*

Brealey R. A., S. C. Myers., F. Allen. 2011. *Principles of Corporate Finance*. New York: McGraw-Hill Irwin.

Carson, T. 2003. "Self-interest and Business Ethics: Some lessons of recent corporate scandals " *Journal of Business Ethics* 43(4): 389-397.

Clark, C. 2000. "Differences between Public Relations and Corporate Social Responsibility: An Analysis." *Public Relations Review* 26(3): 363-380.

Colonial First State Investments Ltd. 2012. *Colonial First State Investments Ltd.* [www.colonialfirststate.com.au/](http://www.colonialfirststate.com.au/)

Commonwealth Bank of Australia Ltd. 2012. *Commonwealth Bank of Australia.* [www.commbank.com.au](http://www.commbank.com.au)

Commonwealth Bank of Australia Ltd. 2011b. *Annual Report 2011.*

Commonwealth Bank of Australia Ltd. 2011a. *2011 Shareholder Review.*

Commonwealth Bank of Australia Ltd. 2011c. *2011 Sustainability Report.*

Cornelissen, J. 2008. *Corporate Communication: A guide to theory and practice*. Los Angeles, Sage.

Cornelissen, J. 2011. *Corporate Communications: A guide to theory and practice*. London: Sage.

Crane, A., J. Moon, and D. Matten. 2010. "Citizenship, Identity and the Corporation: Exploring New Avenues of Political Mediation." [SSRN eLibrary](http://ssrn.com).

Crossman, J., S. Bordia, and C. Mills. 2011. *Business communication for the global age*. Sydney: McGraw Hill Education.

Daymon, C. and I. Holloway. 2011. *Qualitative research methods in public relations and marketing communications*. London: Routledge.



- Decktop, J., C. Jurkiewicz, and R Giacalone. 2010. "Effects of materialism on work-related personal wellbeing." *Human Relations* 63(7): 1007-1030.
- Dyck, B. and D. Schroeder. 2005. "Management, theology and moral points of view: Towards an alternative to the conventional materialist-individualist ideal type management." *Journal of Management Studies* 42(4): 705-735.
- Edwards, L. 2011. "Public relations and society: A Bourdieuvian perspective". In *Public relations, society and culture: Theoretical and empirical explorations*, edited by L. Edwards and C. Hodges. London: Routledge: 61-75.
- Fairclough, N. 1989. *Language and Power*. London and New York: Longman.
- Gourevitch, P. and J. Shinn. 2005. *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton: Princeton University Press.
- Horrigan, B. 2010. *Corporate Social Responsibility in the 21st Century: Debates, Models and Practices across Government, Law and Business*. Cheltenham, UK: Edward Elgar.
- Ikeda, S. 2004. "Imperial subjects , national citizenship and corporate subjects: cycles of political participation and exclusion in the modern world-system." *Citizenship Studies* 8(4): 333-347.
- Liu, K. and B. Arnold. 2010. "Australian superannuation: The outsourcing landscape". *APRA Working Paper*. Canberra: Australian Prudential Regulatory Authority.
- Marquand, D. 2004. *Decline of the Public: The hollowing out of citizenship*. Cambridge, UK: Polity Press.
- McMillan, J. 2007. "Why CSR? Why now? How? In *The debate over corporate social responsibility*, edited by May, S., G. Cheney and J. Roper. Oxford, Oxford University Press: 15-30.
- MLC. 2012. *MLC*. [www.mlc.com.au](http://www.mlc.com.au)
- Motion, J., and S. Leitch. 2009. "On Foucault; A Toolbox for Public Relations" in *Public Relations and Social Theory: Key Figures and Concepts*, edited by Ihlen, O., van Ruler, B and Fredriksson, M. New York,: Routledge: 83-103
- Munshi, D. and P. Kurian. 2005. "Imperialising spin cycles: A postcolonial look at public relations, greenwashing, and the separation of publics." *Public Relations Review* 31: 513-520.
- Organisation for Economic Co-operation and Development. 2011. *OECD Better Life Index*. <http://www.oecdbetterlifeindex.org/countries/australia/>
- Parliamentary Joint Committee on Corporations and Financial Services. June 2008. *Better Shareholders - Better Company: Shareholder engagement and participation in Australia*. Parliament House, Canberra: Senate Printing Unit.

- Pfaffer, M. 2010. "What is the Purpose of the Firm? Shareholder and Stakeholder Theories". In *Good Business: Exercising Effective and Ethical Leadership*, edited by O'Toole, J and J. Mayer. New York, Routledge: 86-94.
- Ramsay, I., G. Stapleton, and K. Fong. 1998. *Institutional investors' views on corporate governance*. Parkville: Centre for Corporate Law and Securities Regulation.
- Standard & Poor's. 2012. *Standard & Poor's Financial Services LLC*. [www.standardandpoors.com/indices](http://www.standardandpoors.com/indices)
- Standard & Poor's Financial Services LLC. 2011. *S&P Indices S&P/ASX 200 Fact Sheet*.
- Telstra Corporation Ltd. 2012. *Telstra Corporation Ltd*. [www.telstra.com](http://www.telstra.com)
- Telstra Corporation Ltd. 2011b. *Telstra Sustainability Report 2011*.
- Toth, E. 1992. "The Case for Pluralistic Studies of Public Relations: Rhetorical, Critical and Systems Perspectives". In *Rhetorical and critical approaches to public relations*, edited by Toth, E., and R. Heath. Mahwah, New Jersey: Lawrence Erlbaum Associates: 3-15.
- Telstra Corporation Ltd. 2011a. *Telstra Annual Report 2011*.
- UniSuper. 2012. *UniSuper Management Pty Ltd*. [www.unisuper.com.au/home](http://www.unisuper.com.au/home)
- UniSuper. 2011. *2011 Report to Members*.
- van Dijk, T. 1993. "Principles of critical discourse analysis." *Discourse and Society* 4(2): 249-283.
- Visser, W. 2011. *The Age of Responsibility: CSR 2.0 and the New DNA of Business*. Chichester, UK: John Wiley and Sons.
- Waddock, S. 2007. "Corporate citizenship: The dark-side paradoxes of success". In *The debate over corporate social responsibility*, edited by May, S., G. Cheney and J. Roper. Oxford: Oxford University Press: 74-87.
- Werhane, P. 2007. "Corporate social responsibility/corporate moral responsibility: Is there a difference and the difference it makes". In *The debate over corporate social responsibility*, edited by May, S., G. Cheney and J. Roper. Oxford: Oxford University Press: 459-474.
- Wesfarmers Ltd. 2012. *Wesfarmers Ltd*. [www.wesfarmers.com.au](http://www.wesfarmers.com.au)
- Wesfarmers Ltd. 2011a. *Wesfarmers Annual Report 2011*.
- Wesfarmers Ltd. 2011b. *Wesfarmers Sustainability Report 2011*.
- Woolworths Ltd. 2007. *Woolworths Ltd*. [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au)
- Woolworths Ltd. 2011b. *Woolworths Ltd Annual Report 2011*.
- Woolworths Ltd. 2011a. *Woolworths Ltd Corporate Responsibility Report 2011*.