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The A2 Milk Company Corporate Social Responsibility Analysis

Introduction

Corporate Social Responsibility (CSR) has become a fundamental aspect of modern businesses, highlighting the importance of corporations taking responsibility for their social and environmental impacts (Global Reporting Initiative, 2011). The A2 Milk Company (A2), a prominent New Zealand-based firm specialising in A2 beta-casein protein milk and milk products, portrays a strong commitment to CSR (The A2 Milk Company, 2023). However, a critical analysis is necessary to evaluate whether the company's CSR efforts, as conveyed in its annual reports, operational strategies, and public communications, truly align with its core operations.

A2 General Perception

Adapting to the evolving corporate reporting environment, A2 has embraced integrated reporting, using its fiscal year 2022 (FY22) report to convey its CSR strategy and provide stakeholders with a comprehensive view of its operations, financial health, and environmental and social efforts beyond mere financial results (Brown & Dillard, 2013). The FY22 report outlined A2's commitment to CSR through four central goals - People, Planet, Consumers, and Shareholders (The A2 Milk Company, 2022). This approach ensures stakeholders have a holistic understanding of A2's performance and its impact on financial and societal aspects in relation to CSR.

A2's CSR initiatives primarily target customers, suppliers, employees, shareholders, regulators, and communities as key stakeholders (The A2 Milk Company, 2022). By focusing on this diverse range of stakeholders, A2 conveys its recognition of the need to adopt a comprehensive approach to CSR beyond traditional shareholder recognition, positioning itself as a responsible and socially conscious organisation (Global Reporting Initiative 2011, p.3).

To further exemplify its commitment to a wider range of stakeholders, A2 has implemented concrete initiatives, measurable metrics, and regular progress evaluations. For instance, it has dedicated \$3.2 million to support charities, farmers, and community groups, demonstrating its commitment to community welfare (The A2 Milk Company, 2022). A2 also implements comprehensive environmental plans and utilises eco-friendly alternatives in its operations, showcasing its dedication to sustainability (The A2 Milk Company, 2022). These tangible efforts enhance the credibility of A2's CSR reporting and demonstrate its commitment to a wide group of stakeholders.

In addition to its annual reports, A2 employs a multi-channel approach to effectively publicise its CSR initiatives, utilising media releases and active engagement on social media platforms (The A2 Milk Company, 2023)(Facebook, 2023). This strategy allows real-time updates on partnerships, product developments, and environmental efforts, connecting with a broad audience and maintaining an open dialogue with stakeholders to showcase its commitment to social and environmental responsibility .

Furthermore, A2 actively engages in public initiatives, community events, and partnerships aligned with its CSR goals. Recent examples include waterway cleanups with 'Sydney By Kayak,' tree planting with 'Landcare Australia,' and volunteering with 'FoodBank Australia'

(LinkedIn, 2023). These initiatives enable direct interaction with stakeholders and demonstrate the company's commitment to creating shared value.

Overall, A2 effectively portrays itself as a reputable company with a strong emphasis on CSR through its annual reports, operational strategies, and public communications.

A2 Critical Analysis

While A2 showcases a strong commitment to social and environmental responsibility through its CSR activities and communication strategies, it is important to recognize, as emphasised by Hines (1988), that accounting is not a neutral representation of reality but rather a construct that influences and shapes reality. Therefore, it is essential to undertake a critical assessment of the effectiveness and sincerity of A2's CSR initiatives to determine if they are genuine efforts or merely superficial attempts to enhance its public image.

A2 is assumed to have taken a 'business-oriented' approach to CSR, as evidenced by its purpose for integrated reporting being to 'creating long-term value for shareholders' and its alignment of CSR activities with business risks and opportunities (Tonello, 2011). Aligning CSR goals with its overall business strategy allows A2 to integrate sustainability objectives into its core operations, leading to effective implementation and resource allocation as well as protect the company's reputation, mitigate legal and regulatory issues, and attract socially-conscious consumers and investors (Deegan & Shelly, 2014). However, there is a risk of overlooking broader social and environmental impacts and unbalanced reporting resulting from a lack of transparency and accountability (Owen, 2008)(Boiral 2013). To determine if A2's reporting exhibits these weaknesses we must closely examine their reporting practices in relation to CSR.

In terms of CSR reporting, A2 exhibits certain commendable practices that enhance the qualitative characteristics of useful accounting information within its reports.

Firstly, the A2 demonstrates a proactive approach in its CSR reporting by effectively identifying its current progress and outlining clear next steps. For instance, in its 'People' goal initiative of creating an inclusive workplace, the A2 provides detailed information on the ratio of female to male staff members, enabling stakeholders to assess progress in achieving gender diversity (The A2 Milk Company, 2022). By including such measurable metrics, A2 ensures the relevance and faithful representation of its CSR activities, as it provides stakeholders with objective and verifiable data. This transparency and clarity in reporting exemplify the company's commitment to continuous improvement and accountability in pursuing its CSR goals.

Additionally, A2's comprehensive reporting provides stakeholders with a clear narrative that outlines the context and rationale behind its CSR initiatives, connecting them to identified risks and opportunities. For instance, the company's transition to eco-friendly alternatives in support of its 'Environmental' goals directly addresses risks and opportunities related to sales, environmental health, and competition (The A2 Milk Company, 2022). This transparent reporting enhances the credibility and understandability of the information provided. Therefore by connecting CSR initiatives to identified risks and opportunities, A2's reporting strengthens the relevance, faithful representation, and comparability of its financial

information, ultimately providing stakeholders with valuable insights for decision-making and evaluation.

Although A2 CSR reporting has some commendable aspects, there are also significant concerns about the qualitative characteristics of the accounting information provided in its report.

A2's CSR reporting should adopt a more balanced approach as current reporting tends to prioritise future initiatives and improvements, overlooking current negative impacts of operation, weaknesses and challenges. For instance, A2's CSR reporting in the 'People' goal initiative lacks information on the number of companies involved in modern slavery, hindering the transparency and accountability of A2's communication (The A2 Milk Company, 2022). By adopting a balanced approach, A2 can provide stakeholders with a more accurate assessment of its CSR efforts, enhancing the completeness and materiality of its discussion as well as increasing stakeholders' understanding of the significance of an initiative. Openly acknowledging and addressing weaknesses demonstrates a commitment to continuous improvement and helps mitigate negative impacts. It also enables stakeholders to have a realistic understanding of A2's progress and challenges, empowering them to make informed decisions and hold the company accountable.

The lack of a well-defined process to engage stakeholders (e.g surveys or interviews) and determine materiality in A2's CSR activities raises concerns about the actual benefits these CSR activities provide to stakeholders. In the report there is an absence of stakeholder interaction in determining which initiatives to pursue and how materiality is determined which negatively affects the company's ability to understand and address the specific needs and concerns of its stakeholders (The A2 Milk Company, 2022). This limitation diminishes the relevance and faithful representation of the useful accounting information provided, as it fails to capture the perspectives and insights of key stakeholders. Additionally, the absence of a robust process to determine materiality undermines the ability to identify and prioritise CSR issues that significantly impact stakeholders and the company's overall sustainability. In future, A2 should incorporate a process to engage stakeholders and a rigorous materiality assessment process to enhance the quality of its reporting, benefiting stakeholders and aligning CSR activities with their interests.

Furthermore, A2's CSR reporting not only lacks stakeholder engagement and a robust materiality assessment process but also falls short in providing clear and transparent communication regarding its environmental impact. This raises concerns about potential 'greenwashing practices', where the company may present a misleadingly positive image of its environmental efforts (Boiral, 2013). While A2 mentions the amount of carbon emissions resulting from its operations in its reporting, the information provided lacks context and meaning for non-experts, making it difficult for stakeholders to fully understand the extent of the company's environmental impact (The A2 Milk Company, 2022). This undermines the understandability of the accounting information and limits stakeholders' ability to make informed decisions and evaluations by omitting material information as well as introducing bias into the way information is presented. Thus the relevance and faithful representation of A2 reporting on environmental activities has been significantly compromised. To ensure the qualitative characteristics of the useful accounting information, stakeholders require more comprehensive data that goes beyond isolated numbers and quantifies A2's broader

environmental impact. For instance, it is crucial for A2 to disclose the percentage of its greenhouse gas emissions in relation to the total emissions in New Zealand. This information would allow stakeholders to assess the company's true contribution to climate change and its relative position within the broader context.

Summary

While A2 demonstrates commendable aspects in its CSR reporting, there are notable concerns regarding the qualitative characteristics of the accounting information provided. From the presented critical analysis of A2's activities, it is determined that A2 CSR reporting is likely misaligned with true CSR practices, may not be representative of their intention and actions and may not be useful to stakeholders. The concerns regarding the qualitative characteristics of A2's CSR reporting arise from several key factors. Firstly, there is an unbalanced approach to reporting, with a heavy emphasis on future initiatives while neglecting to address current weaknesses and challenges. Secondly, there is insufficient stakeholder engagement, as the company lacks a well-defined process to communicate with stakeholders effectively and determine what is material to them. Lastly, the company falls short in providing clear and transparent communication regarding its environmental impact, hindering stakeholders' ability to fully comprehend the extent of the company's environmental footprint. By addressing the concerns raised and improving the qualitative characteristics of their CSR reporting, A2 can bridge the gap between the perceived and actual reality of their CSR activities. This alignment will contribute to the betterment of stakeholders who rely on or are affected by the company's operations, ensuring that their portrayal of CSR truly reflects their actions and enhances their credibility and usefulness of their reporting.

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