

**Submission  
No 169**

## **INQUIRY INTO ELECTORAL AND POLITICAL PARTY FUNDING**

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29 February 2008

The Director  
Select Committee on Electoral and Political Party Funding  
Legislative Council  
Parliament House  
SYDNEY NSW 2000

Dear Sir or Madam,

Thank you for the opportunity to contribute to this enquiry. We are researchers at Macquarie University, and Edward Tello conducted a research project under the supervision of James Hazelton in 2007. This project included a review of the level of voluntary corporate disclosures by major donors during the period 2004-2006. Briefly, we found low levels of disclosure in corporate annual reports and/or sustainability reports of political donations. We therefore echo the recommendations of Professor Ramsay in suggesting the corporations should be required to disclose any political donations in their Annual Reports as well as providing this information to the Australian Electoral Commission.

We hope that our submission is useful and would be happy to assist the Committee further as required. *The views expressed in this submission are those of the authors and do not necessarily reflect the views of Macquarie University.*

Yours Sincerely,

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## **SUBMISSION TO THE SELECT COMMITTEE ON ELECTORAL AND POLITICAL FUNDING**

The purpose of our submission is to share with the Committee the results of our ongoing research into voluntary disclosures of political donations by Australian corporations. One of our main findings is a persistently low level of corporate voluntary disclosures. We therefore recommend that full disclosures of political donations by corporations in their audited Annual Reports be required as part of legislative reform.

The following presents a brief summary of our research to date. A more detailed working paper, presented at the 6<sup>th</sup> Conference on Social and Environmental Accounting Research at Sydney University in December 2007 is available at: <http://escholarship.usyd.edu.au/conferences/index.php/CSEAR2007/CSEAR2007/paper/view/59/24>

As the Committee is no doubt aware, corporations in Australia are allowed to donate money to political parties and while disclosures above a given threshold must be reported to the AEC, companies are not compelled to disclose donations in their annual reports. Such disclosures, however, may be useful for a number of reasons, including:

- Investors may wish to know whether their funds are being used for political purposes, regardless of the quantum of monies involved;

- Investors may not be aware of the AEC reporting requirements;
- The AEC reporting requirements do not capture all corporate donations;  
and
- Annual report disclosures may be subject to more rigorous verification by  
auditors

Such considerations have led to a number of calls for corporate donations to be disclosed in annual reports, including Professor Alan Ramsay (*Political donations by Australian companies*, 2002).

One possible response to such calls is that corporations already voluntarily disclose donation information. Our study sought to investigate the extent to which this is the case.

### **Research Sample**

Using AEC data, our initial sample comprised companies with donations above \$40,000 in 2006, 2005 or 2004. The sample comprised 96, 112, and 54 companies in 2004, 2005, and 2006 respectively. In each year, corporate donations comprised a large proportion of total donations: 72.1% in 2004, 58.6% in 2005 and 68.6% in 2006.

### **Extent of Voluntary Disclosures**

In 2004 only 8 out of 96 companies (8%) disclosed information related to political donations. In 2005 only 8 out of 112 companies (7%) and in 2006 only 8 out of 54 companies (15%) disclosed information about political donations. Even though a substantial number of companies are reporting on social and environmental issues, the number of companies that disclosed information on political donations is low.

We also investigated the location and style of disclosure. Our findings were that disclosing companies generally included narrative information as well as donation amounts, and the most disclosures were within annual reports.

### **Conclusions**

Our results suggest that despite improvements in corporate reporting of social and environmental activities, there has been a low level of voluntary disclosures of political donations beyond that required by the Australian Electoral Commission. We therefore urge the Committee to recommend implementation of mandatory reporting in the annual reports of all companies making political donations.