

Embrace positive power of business

Corporate social responsibility is a public expectation, write **Leeora Black** and **Paul Hohnen**.

THE parliamentary inquiry into corporate social responsibility (CSR) is unlikely to result in major changes to Australian corporate law. However, as the inquiry itself demonstrates, politicians from all parties — reflecting the changing business and social environment — are looking for new ways to harness the power of business to increase the positive impacts it has, and reduce the negative.

There are many reasons why Australians and their government want to see Australian corporations acting as good corporate citizens. Apart from the fact that companies that are responsive to social and environmental issues are better places to work, there is growing evidence of the competitive, financial and management advantages.

Why else would major international companies such as Wal-Mart — an icon for many of what's wrong with big business — now be committing to become more responsible?

Here are two steps that would help Australian business improve both its reputation and performance.

1. Mandate social and environmental reporting.

A corporation is only required to report its financial performance and environmental regulations it may be subject to. There is no obligation to respond to the risks and opportunities that come from social and environmental issues.

Governments looking to business to provide solutions for sustainable development, CEOs needing a complete picture of their operations, investors looking to weigh up the quality of business management and consumers all deserve better information about corporate performance on social and environmental issues.

A workable model for expanded corporate reporting already exists in the form of the Australian Stock Exchange

Corporate Governance Guidelines. These guidelines have been widely adopted since they were published two years ago. They require companies to disclose their corporate governance practices or, if they don't, explain why not.

2. Appoint a minister for corporate responsibility.

If government wants to get the best out of business, it needs to ensure that it has the right framework for monitoring and encouraging the best performance. The official signals on CSR — and the wider issue of sustainable development — are unclear.

While a number of initiatives exist, such as the Community-Business Partnership and various Department of Environment and Heritage programs, these are administered by different departments.

A ministerial portfolio for corporate responsibility, combined in the long term with a Department of Sustainable Development — along the lines Sweden has created — would help the government co-ordinate its policies and increase dialogue between government, business and civil society on CSR matters.

The Department of Trade and Industry in Britain also provides a gateway to corporate social responsibility, with policies that take into account economic growth, the environment and social progress.

Rising social expectations of business will not abate. CSR provides an ideal tool to better understand and respond to those expectations. It deserves serious government attention.

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