

CORPORATE SOCIAL RESPONSIBILITY

Have a heart, or business suffers

The Government looks set to try to mend the morals of big businesses through gentle persuasion, writes **Katherine Teh-White.**

THE AGE 22/6/06

AUSTRALIAN companies have been put on notice. Either public companies use their total market capitalisation of \$1.1 trillion to reduce their negative economic, social and environmental impacts, or the Government will step in.

It's clear that the Government does not want to and that it would prefer the range of voluntary measures it has recommended. But there is a sense in yesterday's report by the Parliamentary Joint Committee on Corporations and Financial Services that if companies do not rise to the challenge, the Government will have little choice.

The committee says that it now expects increasing engagement by companies in corporate responsibility activities. It expects them to consider, manage and balance the economic, social and environmental impacts of their activities, and goes on to say that "this would obviate any future moves towards a mandatory approach".

The committee, made-up of five Liberals, four ALP members and one Democrat, has recommended that the Government moves from observer to active advocate of corporate social responsibility. While it doesn't recommend a minister for corporate social responsibility, nor mandatory non-financial reporting, it suggests a whole-of-government approach with targets for its agencies.

These include more sustainability reporting and integration of sustainable development into procurement policy (particularly in relation to water, waste, energy, vehicles and equipment).

It recommends an expansion of the PM Community Business Partnership, from philanthropy to a broader sustainability framework, and seed funding for a Business in the Community network to raise awareness.

It also recommends encouraging directors to think longer-term and give regulatory relief to corporations that voluntarily undertake specified corporate responsibility activities.

It is therefore hoped that companies can find profitable ways of tackling the major issues facing our nation, from climate change to reduced biodiversity.

Few say that global problems are primarily the fault of industry, but there is an emerging view that it can no longer stand back and expect others to fix the problems, given the sector is considered the most capable and powerful to catalyse change.

This heralds a significant decision point for Australian companies, which have been

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relatively reluctant to respond to the challenge.

To ensure that there is never the need for mandatory measures, it is in the interest of laggards to consider what they can do to become more socially responsible. Their challenge will be to identify the negative impacts that they have, to tackle them and to regularly engage stakeholders in that transition.

The leaders in corporate social responsibility will need to consider what they will do to raise the bar. It is in their interest to encourage the laggards, rather than just benefiting from the benefits of standing out from the pack.

In the end, the judgement will be made by the public at large.

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