

P r o g r e s s

Accelerating Australian leadership

The transition to a more sustainable economy and community rides on industry buy-in. The National Business Leaders Forum on Sustainable Development and the newly launched Corporate Responsibility Index are rapidly changing the way Australia's organisations view the challenges of 21st century industry practice.



Speakers at the 2004 National Business Leaders Forum on Sustainable Development included (from left) John White, CEO of Global Renewables (Australia), Julia Cleverdon, CEO of Business in The Community (UK), and Frank Joshua, CEO of Climate Investment Partnership (Switzerland).

Not so long ago many people in business – perhaps the majority – were arguing that the debate about ‘sustainability’ was just a passing fad, the province of market place ‘fringe dwellers’ like environmental NGOs and ‘social capitalists’. That prevailing mood seems to have changed. A realistic appraisal of long-term self-interest is combining with a growing community concern to ensure that the benefits of business activity are not limited to employment and financial rewards.

Although these staple factors remain important, valued by individuals and communities alike, there is emerging support for businesses who offer a more holistic range of benefits: adding value to the social and natural environment from which all wealth is ultimately derived.

The response of Australian companies to the call for more sustainable business practice has been mixed. Some have felt the ‘lash of necessity’ applied over many years, and concerned to protect their ‘licence to operate’, they have led the way in developing new models for environmental stewardship and engagement with local communities affected by their operations.

Others have done the bare minimum necessary to avoid scandal by playing a game of ‘regulatory arbitrage’, managing public perceptions by presenting a ‘good enough’ image where it counts. Australian business received a concessionary plus 8% greenhouse gas reduction target against 1990 levels in the Kyoto Protocol agreement – we were the only developed nation in the world to obtain a level this high (the global target was minus 5%). Achieving it required a well organised business lobby and a national government looking resolutely backward – rather than forward to the opportunities that innovation might bring.

The best responses in business have come from those who have moved beyond mere compliance to embrace innovative programs that exceed minimum requirements. In many cases, the decision to do so was driven by recognition that prosperity can be enhanced as a direct consequence of the levels of innovation and enthusiasm unleashed in companies that find ways to run business based on sustainability principles.

A forum for progress

It is this recognition the National Business Leaders Forum on Sustainable Development (NBLFSD) strives every year to extend. Began in 1998, and with a founding mission to accelerating business initiative, and build a network of leaders striving for excellence and innovation on sustainability, it is steadily becoming the key event on sustainability issues in the Australian corporate calendar.

The Forum brings together senior decision makers and leaders from the corporate sector, State and Federal government, and not-for-profit organisations active in the field of sustainable development, to hear, first-hand from each other and international keynote speakers, about the benefits of sustainable development practices, and about some of the very difficult challenges being faced.

Delegates gain a better appreciation of important emerging opportunities for business in the 21st century and the corporate models being developed to take advantage of these opportunities.

This year under ‘A Sustainable Australia: 2030’, sessions focused on: business strategy for innovation; how sustainable development supports business practice; and, as a major part of the discussion this year, how we measure corporate responsibility using the Corporate Responsibility Index (CRI). Slowly the conversation amongst the coalition of the willing on the sustainable futures front in Australia has been advancing.

A measure of corporate responsibility

Unfortunately, the community tends to be highly sceptical (if not cynical) in its assessment of corporate Australia. It might be argued that the scepticism is the product of just a few spectacular examples of bad corporate behaviour and that the tarring of all with the same brush is unfair. However, it could also be argued that businesses have shown a collective indifference to declining levels of trust – failing to realise (or even care) that what the community thinks of business really matters.

It is against this background that the St James Ethics Centre joined with the *Sydney Morning Herald* and the *Age* to introduce the Corporate Responsibility Index (CRI) to Australia. The Index has been developed by Business in the Community (BITC), a British not-for-profit organisation that has spent the last 20 years pioneering ways to engage business in the task of building social and environmental capital.

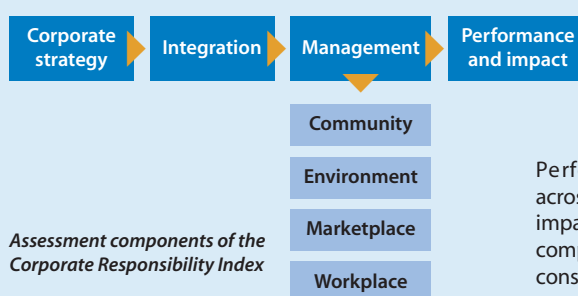
How the Corporate Responsibility Index works

Corporate Strategy: how a business' activities influence its company values, how these tie into strategy, and how they are addressed through risk management, development of policies, and responsibilities held at a senior level in the company.

Integration: how companies organise, manage and integrate corporate responsibility throughout their operations. Is it part and parcel of the company culture? Is it integrated into the strategic decision making processes of the company and linked through into internal governance and risk management systems?

Management: underlies the assessment of Integration and reviews processes for managing different stakeholder relationships. The key issues for the business in the Community, Environment, Marketplace and Workplace are examined, as well as the objectives and targets set to manage these issues, and how it communicates, implements and monitors its policies, objectives and targets.

Community: the interface between business and society that can be both positively and negatively affected by a business project, product or investment on a local or global level.



Assessment components of the Corporate Responsibility Index

Environment: the world's ecosystems and natural resources, and the affects on it, directly and indirectly, of an organisation's operation, products and services. Being responsible means safeguarding both the systems and resources for future generations.

Workplace: measures responsibility for the creation of a working environment where personal and employment rights are upheld.

Marketplace: assesses responsibility in maintaining the highest standards of business practice when developing, purchasing, selling and marketing products and services.

Performance and Impact: performance across a range of social and environmental impact areas. Companies are asked to complete a total of six impact areas consisting of:

- Two Core Environmental Impact Areas: Global Warming (or Energy and Transport together) and Solid Waste.
- Two Core Social Impact Areas drawn from: Product Safety, Occupational Health and Safety, Human Rights in the Supply Chain, Workplace Diversity, and Community Investment.
- Two Self-Selected Impact Areas: Companies complete two additional relevant environmental and social impacts.

Results for the inaugural Corporate Responsibility Index in Australia

Westpac achieved first place, followed closely by BP, Rio Tinto, BHP Billiton and Toyota. The 2004 Corporate Responsibility Index was launched on 6 September 2004 and results will be published in March 2005.

For a more detailed overview of the Index and recent results see:
http://www.corporate-responsibility.com.au/PDFs/executive_summary.pdf

The CRI was initially developed by around 80 business organisations, supported by experts like John Elkington (inventor of 'triple bottom line' metaphor).

Engineered to help improve corporate responsibility through a systematic process that compares organisations' management processes and performance with those of others in their sector, the Index provides a benchmark for companies who are committed to managing, measuring and reporting their impact on society. It is based on a framework of four basic components (see Figure above).

Celebrating performance while building capacity

The Index is (as far as we can tell) is the best current tool for providing key sustainability information to companies. Perhaps more importantly, it is also valuable as a tool for demonstrating what companies are doing to improve the quality of their social and environmental performance. That is, the CRI allows the businesses leading in this area to distinguish their performance from others – providing evidence that is independently validated, on a *pro bono* basis, by Ernst & Young.

The significance of this is not that it allows some businesses to shine at the expense of others. The aim, in offering a truly voluntary index, is not to 'name and shame'. Rather, we believe that when businesses begin to share their experiences and as the index highlights discernible best practice, so all of Australian business will begin to compete to perform better in those areas that underpin long-term sustainability.

It is for this reason that the CRI and the National Business Leaders Forum for Sustainable Development (NBLFSD) have joined to make the CRI a critical tool for the capacity building and acceleration of business leadership in Australia.

Of course, for all of its qualities the CRI is not a perfect instrument. It is, in fact, a work in progress that will evolve in order to ensure that the performance bar continues to lift.

We have established two reference groups to provide advice on how the instrument can be improved. One is made up of representatives of participating businesses. The other is made up of NGOs with an interest in this area.

The CRI is also becoming established in Japan and we expect the USA to follow

next year. To this end the NBLFSD and CRI will be synchronising with the international calendar so that successive Forums and the release of the Index results will be held mid-March, starting in 2005.

The partnership between CRI and NBLFSD is an essential element in the promotion of better practice across the Australian corporate landscape. Together, we hope to provide a forum where even the most sceptical businesses can find case studies and speakers, drawn from around Australia and the world, that demonstrate how a commitment to sustainable social and environmental performance is the key to long term prosperity for all.

• Dr Simon Longstaff and Molly Harriss Olson

More information:

About the Corporate Responsibility Index:
<http://www.corporate-responsibility.com.au/default.asp>

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