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Australian Conservation Foundation

**Comments on the
Business Council of Australia
Draft Statement on Principles for Sustainable Development**

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1. Introduction

The Australian Conservation Foundation (ACF) welcomes the opportunity to make this submission to Business Council of Australia (BCA) in relation to its draft Statement on Principles for Sustainable Development.

ACF is one of Australia's leading non-government environmental organisations. For more than 30 years, ACF have voiced the desire of Australians to look after our natural heritage, uniting progress and environmental protection.

We commend the BCA for recognising that its sustainable development policy is a major priority. The ACF looks to the BCA to take a positive, leading position driving Australian business to demonstrate its own commitment and contribution in the area of sustainable development.

The "Statement on Principles for Sustainable Development" provides a real opportunity for the BCA to set the tone for driving Australian Business toward a sustainable future. We have compared the draft Statement with internationally recognised sustainable development frameworks, and against our own vision for a sustainable Australia described in the "Natural Advantage: A Blueprint for a Sustainable Australia". The following comments and recommendations are offered in the light of such comparison.

We applaud and appreciate BCA for formulating Statement and look forward to further constructive involvement in an open, consultative process to further develop the document.

2. Recommendations

In reviewing the BCA's Statement on Principles for Sustainable Development, we have compared it to:

- Our own recommendations for Corporate Environmental Responsibility outlined in the "Natural Advantage : A Blueprint for a Sustainable Australia"
- The Global Compact - principles covering human rights, labour and environment sponsored by UN Secretary General Kofi Annan.
- The International Chamber of Commerce Business Charter for Sustainable Development.
- The CERES principles, a 10 point code of environmental conduct developed by a non-profit coalition of investors, public pension funds, foundations, labour unions, and environmental, religious and public interest groups, working in partnership with companies.

BCA's Statement on Principles for Sustainable Development should:

- **clearly, and unambiguously, set world's best practice as the goal for Australian business' performance in the area of sustainable development.**
- **more clearly define BCA's role as a leader/facilitator in achieving sustainable development outcomes from Australian business.**
- **apply to the activities of Australian companies operating both in Australia, and abroad.**
- **encourage open, broad-based consumer reporting of environmental and social performance through corporate reports prepared in an internationally recognised format (e.g. the Global Reporting Initiative), and by 'labeling' products and services.**
- **encourage independent verification or random auditing of statements made in corporate reports on sustainable development and on product 'labels'.**
- **more clearly define 'sustainable development' by providing specific examples of behaviour that is consistent with sustainable development.**
- **use the language of the ICC's Business Charter for Sustainable Development to provide more clarity regarding management processes and outcomes for achieving sustainable development.**
- **include commitments to: reduce and eliminate harmful releases, waste, and the use manufacture or sale of harmful products and services; promptly and responsibly correct harmful conditions, redress injuries and restore the environment; not take actions against employees for reporting dangerous incidents or conditions to management or the appropriate authorities; consider demonstrated environmental commitment as a factor in selecting Boards of Directors.**

3. Corporate Responsibility (Our View)

Traditionally, corporations have operated singly for the purpose of obtaining profits and thereby increasing shareholder wealth. In so doing, environmental and other social issues have often been ignored. More recently, however, corporations are realising that environmental and social responsibility are necessary pre-requisites for providing ongoing increases in their share value. The most progressive companies are adopting new 'bottom line' goals relating to the environment and social responsibility, not only because they are keen to be good 'corporate citizens' but because it makes good business sense.

However, much of corporate Australia has still to recognise the coming revolution, or has chosen to ignore it. In a recent study of Australia's top 100 companies, we arrived at the following conclusions:

1. Corporate Australia in the main is currently failing to fulfil its environmental responsibilities
2. There are positive signs that Australia's poor environmental performance could be reversed in the coming years
3. Many companies, indeed entire corporate sectors, have failed to recognise and act on their environmental responsibilities
4. Many companies have failed to fully translate what on paper appear to be best practice environmental strategies and initiatives to their "on the ground" environmental performance.
5. Many Australian companies have failed to bring in the same standard of environmental strategies and initiatives as those used by their overseas parent companies. This is symptomatic of a wider trend that sees corporate Australia lagging behind overseas corporations on a wide range of environmental issues.

Ref: (www.acfonline.org.au/campaigns/corporate/briefings/performance.htm)

We will be actively campaigning to ensure that the momentum of change in corporate behaviour continues and strengthens. Our Vision for 2050 is that Corporate Australia will be environmentally and socially responsible. Our plan of action for Corporate Environmental Responsibility (Making it Our Business to be Green) is outlined in Module 7 of the "Natural Advantage : A Blueprint for a Sustainable Australia". We believe that Australian business requires a push, and see no reason why they cannot become world leaders in corporate environmental and social responsibility. Indeed, we believe that our future economic wellbeing relies on the ability of our businesses to do so.

Ref: (www.acfonline.org.au/blueprint/B4SA7.htm)

It is our belief that this push will come from government, the community and from business itself. The Government's role is principally as a regulator, ensuring that Australian companies perform to the highest environmental and social standards, both in Australia and overseas, and that information on corporate performance is readily available to the community. The community, in turn can push Australian companies towards greater environmental and social responsibility through their purchasing power and their role as investors.

Business, too, will have a role to play. Much of the push will come through the business marketplace, from competitors, from business sectors with major market leverage, and from the leadership of peak industry bodies. The BCA is well positioned to assume such a leadership role by clearly and unambiguously communicating the benefits of pursuing environmental and social responsibility to Australian businesses and by promoting its support for, and acceptance of, nothing less than world's best practice in this area.

We believe that what's good for Australian companies operating in Australia, is good for Australian companies operating internationally. Australian companies operating overseas have a responsibility to both the communities in which they operate and to the Australian community (whom they represent).

If consumers are to drive Australian companies toward greater environmental and social responsibility, they should be fully informed of the environmental and social merits of the products and services that they are purchasing. Australian business should provide this information to the market in a broad sense by way of public environmental and social reports on corporate activities and performance. Providing this information in a form that is conducive to international benchmarking would provide a basis for consumer comparison. The Global Reporting Initiative (GRI) provides such a format. The GRI was initiated by the Coalition for Environmentally responsible Economies (CERES) in partnership with the United Nations Environment Program (UNEP). It incorporates the active participation of corporations, NGOs, accountancy organisations, business associations and other stakeholders from around the world. Broad-based consumer information could also be provided through other means including environmental and health information on labeling and disclosing ethical investment policies on investment products.

If broad-based consumer information is to be successful in allowing consumers to drive sustainable corporate behaviour through making informed choices, the bona-fides of any statements made by business must be established. This could be achieved through third party verification of such statements, or by random audit.

Recommendations:

BCA's Statement on Principles for Sustainable Development should:

- **Clearly, and unambiguously, set world's best practice as the goal for Australian business' performance in the area of sustainable development.**
- **More clearly define BCA's role as a leader/facilitator in achieving sustainable development outcomes from Australian business.** At the policy level, the BCA, should adopt a proactive role in promoting sustainable development by actively supporting sustainability initiatives in the political process. The BCA also has an implementation role, and should act as a positive, practical catalyst for change. For example, in addition to reviewing the Statement two years after its adoption we suggest that BCA's role may include:
 - monitoring and communicating international best practice in the area of sustainable development;

- contributing to, and/or facilitating the development of, sustainable development metrics;
- compiling, and publicly reporting on, the sustainable development performance of Australian business and comparing it with world best practice benchmarks.
- **Apply to the activities of Australian companies operating both in Australia, and abroad.** Specifically, Australian companies operating abroad should:
 - Adhere at all stages of operation to the highest standards practised in Australia
 - Adhere to local standards where these are higher than in Australia
 - Use best practice technology and processes
 - Respect international obligations of the host country to protect sites and species of significance
 - Conduct comprehensive environmental and social impact assessment processes including full community consultation
 - Provide for adequate community returns including employment, royalties and taxes
 - Respect the rights of indigenous groups to refuse development of their land
- **Encourage open, broad-based consumer reporting of environmental and social performance through corporate reports prepared in an internationally recognised format (e.g. the Global Reporting Initiative), and by 'labeling' products and services.** By 'labeling' we suggest that every effort is made to provide consumers with environmental, health and even ethical information. This may utilise traditional labeling methods, or may be use more innovative methods (e.g. disclosure of ethical investment policies on investment products).
- **Encourage independent verification or random auditing of statements made in corporate reports on sustainable development and on product 'labels'.**

3. The Global Compact

At the World Economic Forum, Davos, on 31 January 1999, UN Secretary General Kofi Annan challenged world business leaders to "embrace and enact" the Global Compact, both in their individual corporate practices and by supporting appropriate public policies. These principles cover human rights, labour and environment.

We believe that the BCA's Statement on Principles for Sustainable Development should encompass the 9 principles of the Global Compact. Although the Statement provides a definition of "Sustainable Development" that is consistent with Brundtland, implementing the Global Compact requires further clarification about the type of behaviour that is consistent with Sustainable Development, and the type that isn't.

Recommendation:

BCA's Statement on Principles for Sustainable Development should:

- **More clearly define 'sustainable development' by providing specific examples of behaviour that is consistent with sustainable development.** Drawing from the Global Compact we suggest that such examples include:
 - Supporting and respecting the protection of international human rights
 - Ensuring that corporations are not complicit in human rights abuses
 - Upholding freedom of association and recognising the right to collective bargaining
 - Eliminating all forms of forced and compulsory labour
 - Abolishing child labour
 - Eliminating discrimination in respect of employment and occupation
 - Supporting a precautionary approach to environmental challenges
 - Undertaking initiatives to promote greater environmental responsibility
 - Encouraging the development and diffusion of environmentally friendly technologies

5. The Business Charter for Sustainable Development

To help business around the world to improve its environmental performance, the International Chamber of Commerce (ICC) created its Business Charter for Sustainable Development. It comprises 16 Principles for environmental management which, for business, is a vitally important aspect of sustainable development.

The Charter assists enterprises today in fulfilling their commitment to environmental stewardship in a comprehensive fashion, in line with national and international guidelines and standards for environmental management. It was formally launched in April 1991 at the Second World Industry Conference on Environmental Management in Rotterdam, and continues to be widely applied and recognised around the world.

The ICC recognises that environmental protection must be among the highest priorities of every business. In order that more businesses join the effort to protect the environment and that environmental performance continues to improve, the ICC continues to call upon enterprises and their associations to use the 16 Principles as a basis for pursuing such improvement and to publicly express their support for them.

The "Statement on Principles for Sustainable Development" provides a perfect opportunity for the BCA to unequivocally express its support for the 16 Principles of the ICC's Business Charter for Sustainable Development. While the BCA's statement is broadly consistent with the ICC's 16 Principles, its language is more generic. Australian business should, as a minimum, comply with the more specific language of the ICC.

Recommendation:

BCA's Statement on Principles for Sustainable Development should:

- **Use the language of the ICC's Business Charter for Sustainable Development to provide more clarity regarding management processes and outcomes for achieving sustainable development.**

Examples include:

- Business should not merely "prepare public corporate policies on corporate financial, environmental and social performance objectives". These policies should "recognise environmental management as among the highest corporate priorities and as a key determinant to sustainable development"
- Include requirements to "educate, train, motivate employees to conduct their activities in an environmentally responsible manner", and similarly to "advise, and where relevant educate, customers, distributors and the public in the safe use, transportation, storage and disposal of products provided"
- Qualify "incorporating environmental and social considerations into business planning and decision making processes" and/or "applying risk management techniques" by requiring that business "assess environmental impacts before starting a new activity or project and before decommissioning a facility or leaving a site"

- Require that business "develop and provide products that have no undue environmental impact and are safe in their intended use, that are efficient in the consumption of energy and natural resources, and that can be recycled, reused or disposed of safely". Similarly business should "develop, design and operate facilities and conduct activities taking into consideration the use of energy and materials, the sustainable use of renewable resources, the minimisation of adverse environmental impact and waste generation, and the safe and responsible use of residual wastes.
- Rather than merely "driving the adoption of sustainable development principles throughout the corporation and beyond", qualify this commitment by: "conducting or supporting research on the environmental impacts"; "contributing to the transfer of environmentally sound technology and management methods"; and "contributing to the development of public policy and...educational initiatives that will enhance environmental awareness and protection".
- "Developing and maintaining, where significant hazards exist, emergency preparedness plans"

6. The CERES Principles

CERES is a non-profit coalition of investors, public pension funds, foundations, labour unions, and environmental, religious and public interest groups, working in partnership with companies toward the common goal of corporate environmental responsibility worldwide.

CERES is a common ground where groups with widely different backgrounds, assumptions and visions find concrete solutions to environmental challenges. Through CERES, a community of forward looking companies has committed to continuous environmental improvement by endorsing the CERES principles, a 10 point code of environmental conduct.

We believe that the BCA's Statement on Principles for Sustainable Development should encompass the 10 CERES principles. While most of the CERES Principles can be identified in the language of the BCA's Statement, further clarification is required to address each of the 10 Principles.

Recommendation:

BCA's Statement on Principles for Sustainable Development should:

- **Include commitments to: reduce and eliminate harmful releases, waste and the use manufacture or sale of harmful products and services; promptly and responsibly correct harmful conditions, redress injuries and restore the environment; not take actions against employees for reporting dangerous incidents or conditions to management or the appropriate authorities; consider demonstrated environmental commitment as a factor in selecting Boards of Directors.**