
Social responsibility: Greater access to capital?



Practising social responsibility can give companies improved access to capital. That’s according to Brendan May, International Head of Corporate Responsibility and Sustainability at PR firm Weber Shandwick Worldwide. Key financial centres are always thinking in terms of risk and investible propositions, and as May notes, “the chances are, that a truly investible proposition in the 21st century is not a company that is chopping down rainforests, (or) exploiting its workforce.” This is resulting in a proliferation of both mainstream and niche institutions looking to invest in socially responsible companies, as financial firms choose to steer clear of dubious, risky companies.

Investing in socially responsible firms involves taking social, environmental, and ethical considerations into account, as well as conventional financial aspects. Within the UK alone, ethical funds grew to more than 6 billion pounds in 2005 from 792 million in 1995. As investors seek to minimise risk along sustainability lines, May says social responsibility is in the enlightened self-interest of the company. “This is not about being altruistic or nicer – this is about doing better business.”

May says that, apart from the reputational benefits of a deeply-embedded corporate social responsibility strategy, “investors are increasingly interested in CSR because it reduces risk. Put simply, a company that is not managing its social and environmental impacts runs a daily risk of tarnishing its brand, losing shareholders' money through expensive litigation and crisis management.”

“For an investment industry whose main currency is risk, social and environmental short term abuse no longer adds up to an attractive investment proposition.”

Taking the lead

While working together, businesses should take the lead in the movement toward greater social responsibility, not governments and NGOs. May says governments play an important role in setting the frameworks for discussion, but have shown themselves to be incapable of tackling huge global problems, for example, those related to climate change and inequality. NGOs also play an important role, particularly those that fiercely campaign around key issues and, once companies have been persuaded to change their behaviour, those that independently verify and help businesses come up with solutions.

However, May stresses that businesses “can have a much greater reach than any NGO.” It is the big companies that have the money, technology, expertise and international reach necessary to make a real difference.

May says that such companies have already demonstrated this ability. Take Unilever for example. It has made strides in pushing the sustainable seafood agenda and, by 2005, had succeeded in sourcing more than half of its seafood used in Europe from sustainable and certified fisheries.

Kraft Foods, the largest coffee purchaser in the world, is working with the Rainforest Alliance to move sustainable coffee from a niche to a mainstream market. Kraft’s efforts include helping farmers produce sustainable coffee, purchasing more than five million pounds of certified sustainable coffee to blend into their European mainstream coffee brands each year, and introducing 100 per cent certified sustainable coffee products in several markets. This trend needs to continue, May argues, with businesses addressing issues such as climate change and the responsible marketing of

food and drink products.

Different regions, different approaches

May believes European companies are more advanced in their approach to social responsibility, but American firms are quickly catching up. He says that catching up with European companies in terms of corporate social responsibility can help US firms better engage European consumers, policy makers, NGOs and the media. Domestically, while the US Federal Government has not taken a keen interest in social responsibility legislation, there are important changes taking place in states like California, and the US is responsible for some of the most interesting proposed solutions to climate change.

In the Asia Pacific region, May sees growing interest in social responsibility because, while there is rapid growth taking place there, the depletion of vital resources can already be seen. Population growth forecasts mean that sustainability needs to be addressed now, he says. “By 2050, we’ll have nine billion people, so the idea that you can have this growth without placing this at the heart of future strategy doesn’t really work.”

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