

# Corporate responsibility through voluntary measures

Leading companies take an integrated approach

Profile by LOUIS WHITE



The UNGC Network Australia held its inaugural meeting in May

Australian businesses are increasingly taking the mantle of incorporating environmental, social and governance (ESG) issues both through everyday operations and supplier engagement.

**Woolworths (ASX: WOW)** and large industry super fund Cbus are just two Australian businesses that have joined the United Nations Global Compact (UNGC) cause to improve business practices.

The UNGC is the largest voluntary corporate citizenship and sustainability initiative in the world, with more than 7700 corporate participants and stakeholders from over 130 countries. The UNGC Network Australia held its inaugural meeting in Australia in May, where practical strategies were debated amongst senior industry leaders.

Woolworths started incorporating ESG practices in 2003 by making plastic bags optional by selling cheap re-usable shopping bags.

"We are part of the Global Reporting Initiative's (GRI) G3 principles of quality where we are rated A+," Woolworths CEO Michael Luscombe said at the launch.

"We need our peer groups to work with us and have the same thought processes as it is hard to do it alone. We set in place principles and practices when it comes to ESG issues and we expect our suppliers and contractors to follow suit. We meet with them regularly to develop best practice at every level!"

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While the UNGC principles are voluntary, businesses can put pressure on suppliers, customers, shareholders, employees and governments to get on board and support

the initiative. But how much influence will it really have?

"The UNGC often gets criticised for not wielding the big stick – but this would be to miss the point – this is a normative network, a principle-based initiative, not a compliance instrument," Rosemary Sainty, Head, Responsible Business Practice Project and UN Global Compact focal point for Australia.

"It is aspirational and each principle on the surface seems like a 'no brainer' but in reality can go very deeply into an organisation's 'sphere of influence' and business operations.

"That said, there is a communication-on-progress annual requirement and in late May at the GRI conference in Amsterdam the GRI and Global Compact signed a Memorandum of Understanding to more closely align the two initiatives."

Woolworths has made active plans to ensure that both employees and stakeholders uphold ethical practices.

"We have an ethical sourcing policy in place that all our suppliers have to adhere to," Woolworths group manager community and sustainability Armineh Mardirossian says. "These involve four common risk factors across all brands and product categories relating to labour rights, environmental compliance, bribery and corruption and packaging.

"All vendors and agents have to comply and we can audit their facilities too."

For Cbus CEO David Atkin, common practices amongst investment and asset managers is crucial for ESG practices to be incorporated in investment portfolios.

"It is important that investment managers assess ESG risks and they should do this through proper analysis," Atkin says.

"Issues such as the Principles of Responsible Investment (PRI) need to be considered, incorporating climate change strategies, OHS and good governance principles.

"The rubber will hit the road when we stop using investment managers because we are not happy with their investment analysis regarding sustainability issues. We really need to restructure the industry in the way people are rewarded." 