



Reputex Short on Credibility as Objective Measure – Opinion Piece
by
ACCI Chief Executive Peter Hendy

Australian Financial Review
26th November 2003

The recent so-called reputation measurement index (RepuTex) rating of Australia's biggest companies has no credibility as an objective measure of corporate social responsibility, or CSR, and rivals the subjective emotionalism of the voting system for Australian Idol.

I want to make it clear that while business accepts that CSR is an important issue, and increasingly so, it does not believe that the Reputex rating helps the cause for it.

Indeed, it is probably counterproductive to the promotion of the ideals of CSR as it attempts to denigrate and "shame" businesses rather than be constructive.

The methodology of the survey is highly questionable. It is not based on full information, nor been assessed in an independent and unemotional way.

In some cases it is also based on one or two businesses followed by broad, sweeping negative conclusions about that sector as a whole.

The facts. On October 13, 2003, the Reputex Rating Committee released the results of a survey of 100 large Australian companies including banks, insurance companies, mining companies, car makers, energy companies, telcos, retailers and food manufacturers.

As outlined in the Reputex material, companies were rated in four areas: corporate governance, environmental impact, social impact and workplace practices. They were assessed by a total 19 "groups" with six such groups for corporate governance, five for environmental impact, three for social impact and five on workplace practices.

Only 39 companies completed surveys, 15 actively supplied information and 23 companies directed the research team to websites, which leaves 23 that did not provide information. The research team believed there were only nine companies where they could not find enough public information to be able to give a rating.

Rating a company on little or no information is crucial to the lack of credibility of the whole survey and its findings.

It is ludicrous to base an index on only 39 completed surveys less than 40 per cent of the businesses they purport to assess and from that extrapolate to pass comment on the corporate social responsibility performance of some 1.2 million Australian businesses.

Fourteen industry sectors were assessed, with five sectors being judged not satisfactory overall. With only 39 companies contributing to the study, it is a long bow to say you've assessed 14 sectors. In some sectors there may have been very few or even zero businesses actually surveyed.

To make sweeping and damaging statements such as that for the media, hotels and restaurants, leisure and health care, pharmaceuticals and biotechnology sectors "there does not appear to be any demonstrable awareness of social responsibility, management and reporting" is a nonsense.

The Reputex Index says that the environmental impact criterion was the weakest.

This is not surprising given that four of the five community groups assessing companies in this regard would fairly be classed as environmental advocates and some of them extreme advocates like Greenpeace!

The result was that 86 of these 100 companies "were not satisfactory in the environment impact category".

On workplace practices not one business received the highest rating. The ACTU, one of the Reputex judges, has noted that they could not possibly have given a high rating to one particular business because it was ". . . sacking 3700 people" and criticised another because management decisions do not coincide with the ACTU on collective bargaining. This is hardly an unbiased and independent measure of CSR performance.

The bottom line is that putting this particular survey to one side (which would be actually a very good idea), CSR is an issue for businesses to address, and they are addressing it.

The diverse nature of business means that the actions they take will need to be tailored to suit their organisation.

ACCI, the Australian government and a vast number of other organisations have initiated programs to assist business in understanding how they can manage the risks that are material to their organisation.

ACCI members do not believe that legislating or regulating for CSR, or including CSR in government procurement criteria will stimulate a culture of philanthropy, environmental or social awareness.

Businesses should pursue these initiatives on the basis of what makes sense for their business and shareholders in light of community attitudes.