

Essay by Charley McGlinchey 2004

Choose a business that you believe demonstrates its Corporate Social Responsibility and explain the benefits to the business and the community.

Today's the day. My inheritance has finally come through. I am fourteen and am choosing to invest the money with a company that is socially responsible. By that I mean a company that makes its money not at the expense of the community, a company that cares for the environment, looks after its employees and customers and is trustworthy and honest in *all* it does. They also have to give me a good return on my dollar. This could be a hard task; and so begins mine...

When looking at a company I will ask myself the question, "can I trust them to use my money sensibly or will I need to hold their hand along the way?"

Flicking through the newspaper I come across a relevant article. "Sustainable Company of the Year", reads the headline. A business called Insurance Australia Group (IAG) has won Ethical Investment Magazine's major award. So that says to me – socially responsible. I see they have also earned a AA Rating in the 2003 Reputex Social Responsibility Rating¹, sounds impressive!

It's time to put my wetsuit on. I'm going for a surf - on the web!

Under the IAG umbrella is NRMA, CGI and NZI insurance. Wow, this is good, up front I can see IAG are about more than just money. There are very clear statements on their website about what they value, what they stand for and the actions they will take to make sure the business succeeds. For example; IAG says it values Honesty, Transparency, Teamwork, Meritocracy; and Social Responsibility. They tell us they stand for 'Help when you need it most' (*who wouldn't welcome that?*).

Each year IAG puts out a public report on its social, financial and environmental performance – which they don't even need to do! I believe that's a great way for

¹ Reputex Social Responsibility Ratings by Reputex Management, Melbourne Australia 2003

people to understand the way the company works, what it expects and what it is achieving. This indicates to me that being socially responsible is not just an add-on for IAG. As a potential investor I am attracted to this company. They are not scared about people finding about their practices because they have nothing to hide. It's all out in the open.

IAG puts its money where its mouth is. In 2003 the company provided 47 CrimeSafe grants to local communities, projects and groups supporting crime reduction initiatives. It also focuses on being better prepared for natural disasters and assisting when accidents occur by partnering in international research on weather patterns. Support of the NRMA Careflight Emergency Services Helicopters, Surf Life Saving and State Emergency Services all help make the communities where their customers and staff live to be safer and more secure.²

The IAG community support approach makes business sense to me because by reducing risk you are also reducing the number of insurance claims. They give back to the community, but do so in a way that's directly linked to the business.

Referring back to the newspaper I read "...a total of 85% of Australians in the recent Eye on Australia survey³ described a successful company as one that gives back to the community." I believe that also.

I am very impressed by IAG's environmental stance and I believe customers and their employees would be too. IAG has a target to reduce the amount of greenhouse emissions for each of its employees by 15% in 2003/4 and 10% in the following year.⁴ They have recycling programs, energy efficiency reviews, lower paper use targets and reduced travel. A partnership with the smash repair industry has helped to develop more efficient waste disposal and recycling strategies. The fact IAG developed the world's first on-line tool Green Safe Car Profiler to help motorists compare the environmental, safety, economy and security features of a range of vehicles is very clever. Even the CEO, Michael

² IAG Annual Report 2003 pg 23

³ Eye on Australia 2004, 13th Survey report by Grey Worldwide, Feb 2004

⁴ IAG Annual Report 2003 pg 23

Hawker received the 2003 Sustainable Energy Ambassador Award for outstanding leadership in environmental initiatives.⁵ This is a business benefit because it will raise his profile and that of the company with other important people.

Something else that appeals to me is how IAG treats and looks after their employees. A time off policy allows employees to work on community projects. Their employees are involved in any changes or improvements about the business. In 2002/3 more than 1500 employees helped to develop more effective customer service processes. Just last year all employees in NZ received free fire alarms for their homes. I trust Australia is next.

A strong commitment to increase the number of Aboriginal and Torres Strait Islander people employed in permanent positions is also socially responsible.

To attract the best people to work for IAG and keep the best people running the business, they have A Work and Life program. This assists IAG people to find a balance between work, families, health, personal development and other commitments. As IAG states in its 2003 Social report; “...we aim to provide benefit to the individual and the organisation by reducing stress, improving morale, reducing turnover, reducing absenteeism and fostering a positive climate and constructive culture.” That has to be good for the business.

Over 70% of Chief Executive Officers surveyed by the World Economic Forum⁶ in 2003 believe mainstream investors will have an increased interest in corporate citizenship issues.

I believe I've found a company that demonstrates it's socially responsible. IAG makes its money not at the expense of the community. It delivers benefits for all of us, it cares for the environment, looks after its employees and customers and appears to be trustworthy and honest in *all* it does.

⁵ NSW State Department for Energy, Utilities and Sustainability, Sustainable Energy Ambassador Award

⁶ World Economic Forum, www.weforum.org, WEF is an independent international organization committed to improving the state of the world.

The value of IAG shares has grown from \$2.79 in 2002 to \$4.67 in June 2004. Not only am I going to invest some of my inheritance in IAG, I've told mum and dad to insure our house and car with one of their branches too. I am a social investor, just one tiny drop in a big sea of opportunity for corporations.

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