

# Foreword

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The field of corporate responsibility has come a long way in a few years. Investors and company managements alike are realising that corporate governance and social and environmental performance are important elements of sustained financial profitability. However, in comparison to financial information, corporate responsibility communication is embryonic. Good communication needs a common standardised language, an understanding of what needs to be communicated and how to do this. As investors we look to codes and standards for the essential grammar of this language. These codes and standards must be reliable, relevant and challenging, yet not so onerous or inflexible that only the largest companies will take them up, nor an exercise in meaningless box ticking and additional bureaucracy.

I believe that the emergence of corporate responsibility, from being a niche interest of environmentalists and pressure groups to one of public concern, has, in part, stemmed from recent examples of corporate irresponsibility and destruction of shareholder value, but also, and more positively, from growing evidence that good corporate responsibility is good business.

In recognition of this link, Morley Fund Management has been at the forefront of promoting good corporate responsibility. We have been effective in raising standards of corporate governance and environmental reporting among many UK listed companies, as well as engaging with companies on issues such as access to life-saving drugs in developing countries and on transparency of payments in the oil and mining sectors. These initiatives reflect my conviction that with share ownership comes a responsibility to engage with companies on all issues that may significantly impact company profitability or the society and environment in which they operate.

However, there are many challenges in the analysis of these so-called 'softer' issues. Which indicators are important for a particular sector? How should they be measured? Can the measurements be trusted? How to differentiate 'greenwash', or fig leaves, from substance? As with accounting and communication of financial information, a dialogue needs to develop between companies and investors (and indeed other stakeholders) to determine how and what to report on. A balance needs to be struck between the demands for information and the resources available to companies. Standards that are too onerous will be practical only for larger companies and won't gain traction; equally, standards that are too diluted become irrelevant.

This book is timely, as the debate has progressed from the 'Why should we report on these issues?' to the 'How should we?' Clear and effective codes will address some of the frustrations felt on both sides: by the companies complaining of questionnaire fatigue; and from the inability of those seeking information to get beyond the glossy brochure. Companies are realising that public trust has been eroded and they need to rebuild this by making explicit how they put their corporate responsibility policies into practice both to investors and wider society.

The task Deborah has undertaken is extremely valuable. From her contributions to the Morley Advisory Committee on socially responsible investment, it is obvious that she has a deep understanding of the practical challenges of corporate responsibility reporting as well as far-reaching experience in the development of codes and standards that are appropriate to the companies concerned. This is crucial to her analysis of the strengths and weaknesses of current standards.

I certainly look forward to continued growth in the scope and quality of corporate responsibility reporting, not only for the improvement in societal well-being it will deliver but also as a valuable investment tool to distinguish high-quality sustainable companies from their peers.