Funds blow whistle on ethics

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By Leon Gettler
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Australian companies are not doing enough to promote sound business practices.

An overwhelming majority of boards from Australia's top companies are not monitoring unethical business practices, such as price fixing, bid rigging, insider trading, secret commissions and kickbacks, according to research commissioned by big superannuation funds.

It found 83 per cent of companies listed on the S&P/ASX 200 Index had no formal oversight of bad business practices.

More than half (52 per cent) had codes of conduct that did not tackle responsible marketing and promotion issues and truth in advertising. And 46 per cent did not publicly disclose policies protecting whistleblowers. It found that 46 per cent made no mention of training with regard to product safety or handling material hazardous to public health.

More than half did not publicly disclose information on processes to protect against violations of consumer privacy.

The Public and Commonwealth Superannuation Schemes, Catholic Super, VicSuper, the Northern Territory Government and Public Authorities Super Scheme and Emergency Services Superannuation commissioned the BT Governance Advisory Service to carry out the research. The five funds between them have almost $7 billion invested in Australian equities.

The research coincides with a number of Australian businesses caught up in controversies surrounding issues such as resale price maintenance, price fixing, boycotts, misuse of market power and exclusive dealing. Recent cases have involved Coles Myer, Telstra, Woolworths, Boral, Visy Industries and Rural Press.

The head of BT Governance Advisory Service, Erik Mather, said it was good business for company directors to promote ethics. "Companies that actively promote business ethics and implement systems, codes of conduct, training programs and whistleblower policies are best placed to avoid potential costs and reputation damage caused by poor business ethics.

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