

Westpac banks on change of direction

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The move to social responsibility is leading the way for other banks, writes Katherine Teh-White.

THERE is now officially a new dimension for choosing a bank: the social responsibility of its lending practices.

Westpac should be congratulated for its recent TV advertisements that promote its signing of the Equator Principles in 2003 and commitment to being a responsible lender for the sake of future generations.

For those of you who have not seen the advertisement, it featured what looks like file footage of oil-drenched birds, old-growth logs being cared away, and industrial pollution wafting out of a seething industrial monolith. It is not clear whether these scenes were as a result of Westpac investments or whether it is just a general point that banks would have to have invested in these practices. However, it clearly communicates a link between lending decisions and the negatives about our world where the environment and society is put after the economy.

Yet when I have shown the advertisement to executives across Australia in industries as diverse as manufacturing, mining and fast-moving consumer goods, and in roles as diverse as commercial management, marketing and operations, the reaction is rarely good.

The reaction divides roughly into four parts. The first group believes the most difficult hurdle for Westpac is that it is a bank. So many people just cannot trust that a bank would be doing anything differently no matter what it says, no matter what it signs and no matter how many social responsibility awards it has won.

The judgement about the veracity of its claims is based on the inherent character of banks, which is not a positive. These people believe banks will only do what is profitable.

The second group makes a judgement that the advertisement is purely "spin" because its aim is to communicate social responsibility when there is no intention to behave this way.

These people acknowledge that the dimension of social responsibility is attractive, but are not sure the words mean much.

The third group is largely looking for a way to assess the bank's understanding of its consequences, and will decide on the basis of the outcomes of the bank's investments.

The devil is definitely in the detail. Not all oil drilling leads to birds being soaked with oil. Not all forestry is unsustainable. Not all industrial facilities pollute our communities.

But some do, and Westpac's advertisement claims it will no longer back such companies. Here comes the rub — the risks to Westpac's reputation is now greater because of the advertisement.

If it is proved to be funding such investments, it will lose credibility faster than a bank that did not commit to the Equator Principles and risk activist campaigns against it. So it needs to communicate its policies for oil refining and spills, forestry and industrial pollution.

How will it make investment decisions transparent? How will it demonstrate accountability? How will it communicate the difficulties with assessment? What will it take to drop a key client?

The bank will need to audit its investments' social and environmental integrity. It will need to communicate its views, and soon. Its communication will simply not suffice.

However, the fact that Westpac is trying should be applauded because without rhetoric there is often less



Spin or accountability? Four views.

action. Westpac has led the way for other Australian banks. While it may not fix the reputation the banks have accumulated, it will surely help

ensure that risks will be reduced. And you never know — the fourth group may even be right. People may actually even want to back a bank that

had the foresight to add this new dimension to its practices. Katherine Teh-White is managing director of strategic advisory firm Futureye

(www.futureye.com). She has never worked with Westpac, and is a shareholder of ANZ, a company to which she has occasionally provided advice.

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