

The Derailleur

an environmentally and socially responsible investment newsletter

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Greenwash: Avert Your Eyes

There's no doubt about it. Abbott Labs is doing its part to achieve employment growth. The company recently initiated a national search for a Manager of Public Affairs & Communications. Its help wanted ad reads:

Manage production of Abbott's annual global citizenship report, per reporting standards including Global Reporting Initiative that set best practices for citizenship reporting. Research and complete surveys that place Abbott on competitive social responsibility rankings such as the Dow Jones Sustainability Index. Support dialogue and engagement with Abbott stakeholders including religious/socially responsible investors to *avert/secure withdrawal of stockholder resolutions*. [emphasis added] ... Conduct research for positions on sensitive and ethical issues ... Briefing and support for senior management at external global citizenship meetings, such as the World Economic Forum; Research on key citizenship issues and policy positions.

That about sums it up. You don't have to read too much between the lines to see that Abbott is seeking someone to write reports designed to portray the company favorably, disseminate its message of good works throughout the socially responsible investment community, get shareholder activists off its back and serve as an early warning system to identify possible threats to a "green" corporate image.

While keeping in mind that the ad is for a public relations position, a role meant to polish the corporate image, the job listing is nonetheless illustrative of what some corporations' responsibility programs are all about. For some, corporate ethical standards are more about their public relations value than about changing practices in a positive direction or setting ethical standards for what is right and wrong.

Of course, complex issues are rarely cut and dry. The real world has many shades of gray presenting corporations with significant challenges. A key dilemma is whether or not corporations should task their public relations departments with a gatekeeper's role when it comes to issues of social responsibility.

Greenwash:

An attempt to spread disinformation so as to present a responsible public image.

Much too often, corporate ethical standards are established in response to external pressures rather than developed internally by a corporate culture focused on sustainable ethical behaviors. This is definitely not what socially responsible investors have in mind as the ideal. We seek progress, not public relations and have little appreciation for those who seek to subvert us or, as Abbott so aptly phrased it, "avert" us with corporate spin.

Based upon its recent history, Abbott is not exactly a leader when it comes to issues of social responsibility. It has engaged in, and lost, high stakes disputes with the Food & Drug Administration (FDA) over quality assurance issues relating to its manufacturing of diagnostic tests as well as the safety

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of one of its best-selling drugs Abbokinase. In 1999, Abbott consented to a fine of \$100 million along with continual inspections by an independent monitor for its manufacturing deficiencies, following the FDA's repeated warnings the previous six years. The penalty was the largest ever paid by an FDA-regulated company for a civil violation of this type. Perhaps this is a company that needs better public relations personnel more than most.

When corporate social responsibility becomes merely a function of the marketing department, that's a disaster in the making for all its stakeholders. We as investors, who pay the price for poor corporate management sooner or later, should demand more. The problems within society and the environment cannot be addressed via a superficial paint job.

Greenwash is often presented in a most plain and simple manner, standard operating procedure in any effective advertising campaign. Have you ever seen a television ad touting corporate environmental responsibility that begins or ends with a shot of Earth taken from space? If you have to illustrate a message from that far away, there are more than a few obscured details in the picture.

How about a tobacco company's boast that it distributed bottled water and other essentials to thousands in the aftermath of natural disaster? The generosity is surely appreciated, yet one cannot help but wonder if its everyday deeds are as laudable.

It's not the sound bite, the carefully crafted report, or the contrived ad that builds corporate social responsibility. It's where ethical principles meet responsible behavior. No doubt about it, difficult issues are involved and of course profits are a primary consideration, promoting both the wealth of shareowners and the viability of the enterprise.

Does a corporation deny, delay, and obstruct or does it engage in proactive measures designed to improve its role in the world? Does it seek to initiate action internally rather than in reaction to public outrage or regulatory enforcement? It can be argued that the better company, the more profitable company implements the progressive, not the reactionary.

The bottom line is that one should hesitate to pay up for a piece of Abbott Labs, all else being equal. Why pay a premium for a company with such a public record when better prospects are available elsewhere?

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-- Miguel Arquíñez, Panamanian farmer



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