

## A Question of Ethics

In aiming to disentangle the concept of sustainability, once again this column focuses on what a sustainable company may look like. But, even before a corporate embarks down the fallopian tube of sustainability towards the conception of becoming a more sustainable company, there are several barriers and challenges it needs to overcome. One of the key challenges is understanding what a sustainable version of it may look like, and indeed, what sustainability means to it. So, to get started, the company says, what is sustainability? Is it to be ethical? Is it to be philanthropic, ie a good corporate citizen? Is it to have a net zero impact? And, if so, where do you draw the boundaries? How about corporate governance?

The myriad of guidance and literature on the topic only colludes to further confuse this unassuming corporate. In this section I consider the question of ethics.

One of the nuances in the market that confuses both companies and interested parties is the use of the term 'ethical investment', sometimes to describe socially responsible investment. Other related terms such as 'corporate ethics' to describe conduct, also tends to confuse the practitioners. So how does one apply the concept of ethics to corporations? Companies are trading entities that were initially formed in the 1800s, as capital-subscribed entities for the purposes of large projects with greater public good, and with an unlimited upside, but with limited liability (up to the amount of capital subscribed). As such it is only appropriate to expect a company to act as an ethical trading entity.

But, ethics is a broad concept, and is subjective. Some may believe it appropriate to gamble, but others may consider the gambling industry unethical. Other issues include alcohol, tobacco, weapons, animal testing, and so the list goes. How about complete and open disclosure, environmental practices, labour practices, corporate advertising techniques (especially) targeting children etc? Its easy to confuse ethics with sustainability. While not mutually exclusive, these are two quite different concepts. To confuse the matter even further, is it more or less ethical to, say, desalinate water for consumption so that the biodiversity of rivers could be preserved – a social vs environmental issue. And, if you wish to go on, please ask for the Pandora's box of ethics.

***Previously published in an edited format in Engineers Australia – December 2005***

*Written by* Terence Jeyaretnam,  
Director, Net Balance Management Group  
Director, Net Balance Foundation