

"Integrity"

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This blog by Karen Shackleton is part of a new weekly series from the Pensions for Purpose team.



The newspaper headlines in recent weeks have not always made for a happy read, have they? Aside from the tragic death toll from coronavirus, there have been stories of panic buying and emptying of supermarket shelves, individuals driving miles to go on day trips to the mountains or the beach during lockdown, illicit party-goers who spit and cough on police when they try to disband a party, and even a scientific adviser being forced to step down after allowing a friend to visit, acting against his own governmental advice.

These headlines have led me to think more about the importance of integrity. For many years, on my desk I had a sign listing the 'Nolan Principles' of public life, to remind me how I wanted to behave in my professional life. As an independent investment adviser to public sector pension funds, this was, of course, doubly important to me.

(For anyone who hasn't come across the Nolan principles before, see below:

- Selflessness – Holders of public office should act solely in terms of the public interest.
- Integrity – Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- Objectivity – Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability – Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- Openness – Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- Honesty – Holders of public office should be truthful.
- Leadership – Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.)

Integrity is an essential ingredient for a corporate entity, just as it is for any public office. Integrity falls under the 'G' (Governance) in ESG. The 'G' in ESG should not be ignored. Analysis by [Federated Hermes in a paper](#) on the Pensions for Purpose platform found that there was a statistically significant link between the quality of corporate governance and shareholder returns: companies with strong corporate oversight have tended to outperform their poorly governed competitors by an average of +0.24% per month between 2008 and 2018.

As we emerge from this pandemic, I anticipate that there will be more scrutiny, by shareholders, of how companies have behaved during the crisis, towards their staff, their customers and their suppliers. This will, after all, be building on an increasing momentum in the level of scrutiny of company responses to climate change. Recently, I read a fascinating [thought leadership piece by Lazard](#), also posted on our platform, which put forward the concept of a societal licence for companies. They highlight the potentially rapid decline of a company's fortunes, if this licence is compromised in any way.

BLOG: Integrity in the current climate

As we slowly emerge from lockdown, I would encourage corporate entities to take the opportunity to reflect over the past few months, and to consider whether they can genuinely look stakeholders in the eye and say that they behaved with the utmost integrity during the pandemic. There are some who have undoubtedly done so – manufacturers who switched to producing ventilators at short notice, hotel chains that agreed to house the homeless, supermarkets who prioritised delivery slots for the vulnerable and elderly. These are the companies whose societal license is exemplary in the current climate. As for the others? Well, it's never too late to change...

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