



## **PRINCIPLES FOR RESPONSIBLE BUSINESS**

### **INTRODUCTION**

The Caux Round Table (CRT) Principles for Responsible Business set forth ethical norms for acceptable businesses behaviour.

Trust and confidence sustain free markets and ethical business practices provide the basis for such trust and confidence. But lapses in business integrity, whether among the few or the many, compromise such trust and hence the ability of business to serve humanity's needs.

Events like the 2009 global financial crisis have highlighted the necessity of sound ethical practices across the business world. Such failures of governance and ethics cannot be tolerated as they seriously tarnish the positive contributions of responsible business to higher standards of living and the empowerment of individuals around the world.

The self-interested pursuit of profit, with no concern for other stakeholders, will ultimately lead to business failure and, at times, to counterproductive regulation. Consequently, business leaders must always assert ethical leadership so as to protect the foundations of sustainable prosperity.

It is equally clear that if capitalism is to be respected, and so sustain itself for global prosperity, it must be both responsible and moral. Business therefore needs a moral compass in addition to its practical reliance on measures of profit and loss.

### **THE CRT PRINCIPLES**

The Caux Round Table's approach to responsible business consists of seven core principles as detailed below. The principles recognize that while laws and market forces are necessary, they are insufficient guides for responsible business conduct.

The principles are rooted in three ethical foundations for responsible business and for a fair and functioning society more generally, namely: responsible stewardship; living and working for mutual advantage; and the respect and protection of human dignity.

The principles also have a risk management foundation - because good ethics is good risk management. And they balance the interests of business with the aspirations of society to ensure sustainable and mutual prosperity for all.

The CRT Principles for Responsible Business are supported by more detailed Stakeholder Management Guidelines covering each key dimension of business success: customers, employees, shareholders, suppliers, competitors, and communities. These Stakeholder Management Guidelines can be found at Attachment A below.

### **PRINCIPLE 1 - *RESPECT STAKEHOLDERS BEYOND SHAREHOLDERS***

- A responsible business acknowledges its duty to contribute value to society through the wealth and employment it creates and the products and services it provides to consumers.
- A responsible business maintains its economic health and viability not just for shareholders, but also for other stakeholders.
- A responsible business respects the interests of, and acts with honesty and fairness towards, its customers, employees, suppliers, competitors, and the broader community.

### **PRINCIPLE 2 – *CONTRIBUTE TO ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT***

- A responsible business recognizes that business cannot sustainably prosper in societies that are failing or lacking in economic development.
- A responsible business therefore contributes to the economic, social and environmental development of the communities in which it operates, in order to sustain its essential ‘operating’ capital – financial, social, environmental, and all forms of goodwill.
- A responsible business enhances society through effective and prudent use of resources, free and fair competition, and innovation in technology and business practices.

### **PRINCIPLE 3 – *RESPECT THE LETTER AND THE SPIRIT OF THE LAW***

- A responsible business recognizes that some business behaviors, although legal, can nevertheless have adverse consequences for stakeholders.
- A responsible business therefore adheres to the spirit and intent behind the law, as well as the letter of the law, which requires conduct that goes beyond minimum legal obligations.
- A responsible business always operates with candor, truthfulness, and transparency, and keeps its promises.

**PRINCIPLE 4 – RESPECT RULES AND CONVENTIONS**

- A responsible business respects the local cultures and traditions in the communities in which it operates, consistent with fundamental principles of fairness and equality.
- A responsible business, everywhere it operates, respects all applicable national and international laws, regulations and conventions, while trading fairly and competitively.

**PRINCIPLE 5 – SUPPORT RESPONSIBLE GLOBALISATION**

- A responsible business, as a participant in the global marketplace, supports open and fair multilateral trade.
- A responsible business supports reform of domestic rules and regulations where they unreasonably hinder global commerce.

**PRINCIPLE 6 – RESPECT THE ENVIRONMENT**

- A responsible business protects and, where possible, improves the environment, and avoids wasteful use of resources.
- A responsible business ensures that its operations comply with best environmental management practices consistent with meeting the needs of today without compromising the needs of future generations.

**PRINCIPLE 7 – AVOID ILLICIT ACTIVITIES**

- A responsible business does not participate in, or condone, corrupt practices, bribery, money laundering, or other illicit activities.
- A responsible business does not participate in or facilitate transactions linked to or supporting terrorist activities, drug trafficking or any other illicit activity.
- A responsible business actively supports the reduction and prevention of all such illegal and illicit activities.

## STAKEHOLDER MANAGEMENT GUIDELINES

The Caux Round Table's (CRT) Stakeholder Management Guidelines supplement the CRT Principles for Responsible Business with more specific standards for engaging with key stakeholder constituencies.

The key stakeholder constituencies are those who contribute to the success and sustainability of business enterprise. Customers provide cash flow by purchasing good and services; employees produce the goods and services sold, owners and other investors provide funds for the business; suppliers provide vital resources; competitors provide efficient markets; communities provide social capital and operational security for the business; and the environment provides natural resources and other essential conditions.

In turn, key stakeholders are dependent on business for their well-being and prosperity. They are the beneficiaries of ethical business practices.

### 1. CUSTOMERS

A responsible business treats its customers with respect and dignity. Business therefore has a responsibility to:

- a. Provide customers with the highest quality products and services consistent with their requirements.
- b. Treat customers fairly in all aspects of business transactions, including providing a high level of service and remedies for product or service problems or dissatisfaction.
- c. Ensure that the health and safety of customers is protected.
- d. Protect customers from harmful environmental impacts of products and services.
- e. Respect the human rights, dignity and the culture of customers in the way products and services are offered, marketed, and advertised.

### 2. EMPLOYEES

A responsible business treats every employee with dignity and respects their interests. Business therefore has a responsibility to:

- a. Provide jobs and compensation that contribute to improved living standards.
- b. Provide working conditions that protect each employee's health and safety.
- c. Provide working conditions that enhance each employee's well-being as citizens, family members, and capable and caring individuals.

- d. Be open and honest with employees in sharing information, limited only by legal and competitive constraints.
- e. Listen to employees and act in good faith on employee complaints and issues.
- f. Avoid discriminatory practices and provide equal treatment, opportunity and pay in areas such as gender, age, race, and religion.
- g. Support the employment of differently-abled people in places of work where they can be productive.
- h. Encourage and assist all employees in developing relevant skills and knowledge.
- i. Be sensitive to the impacts of unemployment and work with governments, employee groups and other agencies in addressing any employee dislocations.
- j. Ensure that all executive compensation and incentives further the achievement of long-term wealth creation, reward prudent risk management, and discourage excessive risk taking.
- k. Avoid illicit or abusive child labor practices.

### **3. SHAREHOLDERS**

A responsible business acts with care and loyalty towards its shareholders and in good faith for the best interests of the corporation. Business therefore has a responsibility to:

- a. Apply professional and diligent management in order to secure fair, sustainable and competitive returns on shareholder investments.
- b. Disclose relevant information to shareholders, subject only to legal requirements and competitive constraints.
- c. Conserve, protect, and increase shareholder wealth.
- d. Respect shareholder views, complaints, and formal resolutions.

### **4. SUPPLIERS**

A responsible business treats its suppliers and subcontractors with fairness, truthfulness and mutual respect. Business therefore has a responsibility to:

- a. Pursue fairness and truthfulness in supplier and subcontractor relationships, including pricing, licensing, and payment in accordance with agreed terms of trade.
- b. Ensure that business supplier and subcontractor activities are free from coercion and threats.

- c. Foster long-term stability in the supplier relationships in return for value, quality, competitiveness and reliability.
- d. Share information with suppliers and integrate them into business planning.
- e. Seek, encourage and prefer suppliers and subcontractors whose employment practices respect human rights and dignity.
- f. Seek, encourage and prefer suppliers and subcontractors whose environmental practices meet best practice standards.

## **5. COMPETITORS**

A responsible business engages in fair competition which is a basic requirement for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. Business therefore has a responsibility to:

- a. Foster open markets for trade and investment.
- b. Promote competitive behavior that is socially and environmentally responsible and demonstrates mutual respect among competitors.
- c. Not participate in anti-competitive or collusive arrangements or tolerate questionable payments or favors to secure competitive advantage.
- d. Respect both tangible and intellectual property rights.
- e. Refuse to acquire commercial information through dishonest or unethical means, such as industrial espionage.

## **6. COMMUNITIES**

As a global corporate citizen, a responsible business actively contributes to good public policy and to human rights in the communities in which it operates. Business therefore has a responsibility to:

- a. Respect human rights and democratic institutions, and promote them wherever practicable.
- b. Recognize government's legitimate obligation to society at large and support public policies and practices that promote social capital.
- c. Promote harmonious relations between business and other segments of society.
- d. Collaborate with community initiatives seeking to raise standards of health, education, workplace safety and economic well-being.

- e. Promote sustainable development in order to preserve and enhance the physical environment while conserving the earth's resources.
- f. Support peace, security and the rule of law.
- g. Respect social diversity including local cultures and minority communities.
- h. Be a good corporate citizen through ongoing community investment and support for employee participation in community and civic affairs.

## **BACKGROUND TO THE CAUX ROUND TABLE AND THE PRINCIPLES FOR RESPONSIBLE BUSINESS**

The Caux Round Table (CRT) is an international network of business leaders working to promote a morally and sustainable way of doing business. The CRT believes that its Principles for Responsible Business provide necessary foundations for a fair, free and transparent global society.

The Caux Round Table was founded in 1986 by Frits Philips Sr, former President of Philips Electronics, and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, as a means of reducing escalating international trade tensions between Europe, Japan and the USA.

At the urging of Ryuzaburo Kaku, then Chairman of Canon, Inc, the CRT began to focus attention on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability. This led to the development of the 1994 Caux Round Table Principles for Business around three ethical foundations, namely: responsible stewardship; the Japanese concept of *Kyosei* - living and working for mutual advantage; and respecting and protecting human dignity.

The 2009 CRT Principles for Responsible Business comprise seven principles and more detailed Stakeholder Management Guidelines covering each of the key stakeholder dimensions of ethical business practices: customers, employees, shareholders, suppliers, competitors, and communities.

The CRT Principles have been published in twelve languages, utilized in business school curricula worldwide, and are widely recognized as the most comprehensive statement of responsible business practice formulated by business leaders for business leaders.