

**Suite 302****ETHICAL TRADING**

*The Wider Picture*  
*Social Responsibility*  
*Fairtrade Products*  
*The International Community*  
*Avoiding Corruption*

**302.01 THE WIDER PICTURE**

Ethical trading means looking beyond strictly economic objectives to consider the wider implications of your business decisions. It is becoming increasingly important for those trading internationally.

We will show how socially responsible policies can benefit your business. It will outline how unethical trading can cause harm and it will help you assess your current record in social responsibility.

We will explain what fair trade products are, how they can help you improve your business' environmental record, ensure workers and producers are fairly treated, and support the communities overseas in which you are involved.

**The benefits of ethical trading**

Implementing socially responsible policies is not just good for the environment and the wider community it can benefit your business too.

By considering social and environmental objectives as well as your economic aims when conducting international trade, you can:

- Build sales, as customers increasingly choose to base their purchasing decisions on more than strict financial factors
- Attract investment, as ethically motivated investors grow in number
- Maintain staff loyalty and motivation, by treating people fairly and offering them chances of development
- Enhance trust in your business, by fostering good relations and being transparent in your activities
- Boost revenue, by opening up your business to new ideas
- Save money, for example by implementing better waste-management procedures.

All of the above will make your business more competitive, and therefore more successful.

You can download a booklet on the business benefits of social responsibility from the CSR Europe website (PDF).

[http://www.csreurope.org/uploadstore/cms/docs/Business\\_case.pdf](http://www.csreurope.org/uploadstore/cms/docs/Business_case.pdf)

## **302.02      SOCIAL RESPONSIBILITY**

### **How socially responsible is your business?**

To promote your business as socially responsible, chart your progress in implementing socially responsible activities and identify areas where further improvements can be made. But first you need to assess how far it goes beyond fulfilling its minimum legal obligations.

This means carrying out a social responsibility audit in which you consider your business' impact on:

- The market – for example, how you promote yourself, how and where you obtain supplies and how you sell your products or services
- Your workforce- the wages you pay, your employees' conditions and your equal opportunities policies
- The environment – for example, your emission, waste and consumption strategies
- The community – for example, whether you are a "good neighbour" and what you put back into the community
- Human rights – such as taking into account not just your own direct relationships but also your suppliers'

You can find a tool to help you audit or publish a social report about your business at the CSR Europe website.

The nine principles of the UN Global Compact, covering human rights, labour and the environment, also provide a template against which you can assess your business. You can find out about the UN Global Compact at the Global Compact website.

### **Steps to protect the environment**

All businesses have an impact on the world in which they operate – and sometimes this can be a damaging one. However, even the smallest of businesses can minimise its damage to the environment – and even help repair damage already done – by implementing sustainable development policies.

That means considering the social and economic wellbeing of future as well as current generations, both here and abroad, when making all kinds of business decisions. To start implementing such policies it can help if you first:

- Assess your current environmental impact, here and overseas – for further information, see the page in this guide on how socially responsible is your business.
- Appoint someone to champion and oversee sustainable development.
- Make small, simple and manageable changes.

<http://www.unglobalcompact.org/Portal/Default.asp>

<http://www.dti.gov.uk/sustainability/ep/guide.htm>

The following are areas to which you might give close scrutiny:

- Your design processes – for example, could you replace toxic substances with less harmful ones? Are your products designed to be multifunctional or reusable? You can download a document on sustainable design from the Design Council website (PDF).
- Your energy consumption – go to Key Economic Sectors in this site and then see Environment and Energy sections for more direct information.
- Your resources – are you using renewable or recyclable materials? Do you recycle your own waste? – Go to Key Economic Sectors, Environment and then Industrial Waste.
- Your environmental and health and safety training for employees.

<http://www.design-council.co.uk>

### **Ensure staff welfare in your supply chain**

Businesses are increasingly being required to look beyond their own direct relationships, such as those with their own employees, and to consider those further back in the supply chain. This is in direct proportion to the rise in investor and customer concern over worker and human rights.

So, it could make good business sense for you to ask pertinent questions about your overseas suppliers' labour practices. Such questions might include the following:

- Is employment freely chosen and are workers free to organise themselves?
- Is child labour used?
- Are working conditions safe and working hours reasonable?
- Are living wages paid?
- Is discrimination practised?

A written questionnaire can be a useful way of getting information about workplace conditions from your suppliers, though onsite visits – if practical – are the most reliable way of checking these conditions. A workbook on ethical sourcing is available from the Ethical Trading Initiative.

Although there are few legal requirements for you to take responsibility for the behaviour of your suppliers, it could bring you significant business benefits if you consider the ethical dimension of the supply chain.

For example, your business could:

- Promote its corporate social responsibility credentials
- Attract ethically motivated customers
- Attract ethically motivated investors
- Avoid harmful publicity linking you to your suppliers' practices

You can download a booklet on the business benefits of social responsibility from the CSR Europe website (PDF).

Membership of the Ethical Trading Initiative (ETI) can also help you develop the skills and share the experiences of trading ethically. You can find out about joining the Ethical Trading Initiative on the ETI website.

## **302.02 FAIRTRADE PRODUCTS**

### **Dealing in Fairtrade products**

One way in which your business can help ensure that producers' basic rights are respected and sustainable development is promoted is by dealing in Fairtrade products.

Fairtrade products are those which carry the Fairtrade label known as the "Fairtrade mark". They will have been certified by the Fairtrade Labeling Organisation (FLO) as conforming to standards which improve the development of disadvantaged producers in developing countries.

There are two sets of standards, the first is designed to protect the rights of smallholders organised into co-operatives and the second applies to workers on plantations and in factories.

These standards cover a range of basic rights including wages, health and safety, trade union membership and housing. These also cover issues including environmental standards. For example, FLO certification ensures producers are not only fairly paid but also receive a premium to invest in community development. You can read about Fairtrade standards and commodities covered by the Fairtrade mark on the Fairtrade website.

[http://www.fairtrade.org.uk/about\\_standards.htm](http://www.fairtrade.org.uk/about_standards.htm)

Fairtrade products are mainly agricultural commodities, for example tea and sugar, though footballs have become the first manufactured products to be certified.

Sales of Fairtrade products are growing by around 20 per cent per year and many large organisations have adopted the standards so they too can benefit from the increased consumer awareness of and desire for Fairtrade products.

Fairtrade isn't only for large organisations. By dealing in Fairtrade products you can bring significant benefits to your business as well as helping ensure a fair deal for producers. Your business can also:

- Promote its corporate social responsibility credentials
- Attract ethically motivated customers
- Attract ethically motivated investors
- Avoid harmful publicity linking you to exploitation of your producers

You can find out about Fairtrade at the Fairtrade Labelling Organisation website or source Fairtrade products at the International Fairtrade Association website.

<http://www.fairtrade.net/>

<http://www.ifat.org/sourcing.html>

### 302.03 THE INTERNATIONAL COMMUNITY

Contribute to communities where goods and services are produced.

Businesses are increasingly discovering the benefits of supporting communities in which their goods and services are produced or in which they operate. These include:

- Good PR from promoting their corporate social-responsibility credentials
- Attracting ethically motivated customers and investors and loyal employees

Ways in which you can support communities overseas include:

- Linking up with charities working in the area
- Sponsoring specific workplace projects, such as factory training
- Sponsoring wider initiatives, such as village literacy projects
- Offering employment to disadvantaged groups, such as disabled people or women

Business in the Community (BITC) has developed the CommunityMark standard to recognise the work that SMEs do in the community, both here and abroad. You can download an introduction to CommunityMark from the BITC website (DOC), or explore the community affairs channel at the BITC website.

[http://www.bitc.org.uk/docs/Essential\\_Reading\\_An\\_Introductrion\\_to\\_Community\\_Mark.dnld.html](http://www.bitc.org.uk/docs/Essential_Reading_An_Introductrion_to_Community_Mark.dnld.html)

### 302.04 AVOIDING CORRUPTION

#### **Avoid corruption and bribery overseas**

An essential element of corporate social responsibility is honest and transparent trading. Bribery and corruption create a disincentive to trade as well as uneven trading conditions. As a result, they can damage economic systems greatly – with consequent effects upon societies and individuals within them.

So, however entrenched bribery and corruption may appear to be within a country in which you do business, it is very important you maintain high standards of business integrity.

This not only makes ethical sense, it's also important in order to keep your business legal.

In the United Kingdom the law makes it illegal to bribe foreign public or private officials or office-holders. Any UK national or company can be prosecuted in the UK for this crime – even if no part of the offence took place in the UK.

[http://www.uktradeinvest.gov.uk/ukti/preparing\\_to\\_trade](http://www.uktradeinvest.gov.uk/ukti/preparing_to_trade)

There are a number of steps you can take to combat bribery and corruption:

- Identify the areas most at risk from bribery

- Draw up an anti corruption policy, communicate it to all employees and make breaching it a disciplinary offence
- If you are offered bribes, explain that you are liable to prosecution and that your business operates a strict anti-corruption policy
- If you suspect a business of corruption, inform the local authorities
- If you are forced to make an illegal payment, report immediately as a act of good faith
- Ensure you keep accurate financial records detailing all transactions so it would be easy to prove that all transactions are completely fair and legal.

Your anti-bribery policy should:

- Articulate the business' stance on bribery
- Detail the procedures that should be followed during business transactions
- Prohibit the offer, giving or acceptance of bribes, gifts, hospitality or expenses by employees or other parties involved that could influence the outcome of business transactions
- Prohibit the payment of donations to political parties or charities to obtain a business advantage
- Require than any donations are publicly disclosed

You can download guidance on creating an anti-bribery policy from the Transparency International website (PDF).

[http://www.transparency.org/building\\_coalitions/private\\_sector/business\\_principles/dnld](http://www.transparency.org/building_coalitions/private_sector/business_principles/dnld)

The Organisation for Economic Cooperation and Development (OECD) has an anti-bribery convention as well as other measures designed to stamp out bribery and corruption in world trade.

<http://www.oecd.org>

Please see '**Acknowledgements**' for sources of research.