

Responsible Business Conduct

The International Dimension for Small Medium Enterprises

Corporate responsibility is emerging as an issue of critical importance in Australia's business community... and involves both managing risk and creating value.

Parliamentary Joint Committee on Corporations and Financial Services

The business landscape is characterised by complex global trade. Even the smallest company will be using and sourcing products and services from around the world. Frequently this is indirectly managed by agents, wholesalers and supply chain specialists.

Governments, communities and international bodies are increasingly demanding companies (including SMEs) be more accountable for their business operations offshore. Some respond by doing very little, others are addressing issues such as working conditions, human rights, and environmental management. These issues are particularly important when doing business in low wage countries, and conflict zones, often with poorly enforced regulations.

What does responsible international sourcing mean?

For most small medium enterprises (SMEs) supply chain management is focused on cost, quality of goods, delivery time and service provided. However, this is just part of their business responsibility. All enterprises, large and small, need to understand the social and environmental impact of their business decisions and day-to-day operations. They must ensure compliance with national laws, and develop policy and practice to avoid the harmful impact of their business, and that of their suppliers, on workers, communities and the natural environment. This applies to their operations in Australia and overseas.

The Decent Work Agenda's strategic objectives relate to employment, social protection, social dialogue, and rights at work. These objectives hold for all workers, women and men, in both formal and informal economies; in wage employment or working on their own; in the fields, factories and offices; in their home or in the community.

Juan Somalia, Director-General, ILO

For SMEs the cost and challenge of responsible supply chain management can be overwhelming. Consideration needs to be given to national laws, international standards, codes of conduct, and a variety of certification and reporting schemes.

This fact sheet provides some basic guidance and resources for SMEs to incorporate into everyday business practices to assist in managing the international dimension of their business. It includes labour rights, human rights and environmental protection.

Aren't these issues the government's responsibility?

The primary duty to protect human rights, labour and environmental standards lies with national governments. However, business has a specific responsibility to respect and uphold national laws, and internationally accepted standards throughout their operations.

For example, they have a responsibility to make sure that employees enjoy the fundamentals of decent work, like a safe workplace, a living wage, reasonable hours, non-discriminatory work practices, and collective bargaining. They also have a responsibility to ensure they are not sourcing goods or services from companies that might be breaching human rights.

What can my company do to ensure good business practice offshore?

Responsible business practice is best achieved through timely incremental improvements.

Transparency, disclosure and reporting progress and risks are critical. Some steps to become aware of, prevent and address adverse business practice are:

- Develop direct, stable, long-term relationships with suppliers
- Map and disclose the supply chain giving consideration to the political, social and environmental context of the countries, and sector, where the company operates
- Develop a global responsible business code of conduct that includes human rights, labour rights and environmental protection
- Seek out suppliers who hold credible certification that is independently verified
- Ensure compliance with local laws
- Publicly report on progress towards stated responsible business practice, including risks and strategies to mitigate against adverse impacts
- Develop partnerships with relevant stakeholders, including: government, suppliers, trade unions and NGOs – both in Australia and overseas
- Ensure adequate resources and staff allocated to lead and manage responsible business practice and compliance.

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How will this benefit my business?

There can be tangible benefits for a company that embeds responsible business practices into their core business operations, and real costs for an enterprise that does not.

Responsible business practice involves both managing risk and creating value, through the integration of the social, environmental and economic drivers of business.

Risks can be managed through:

- Protecting reputation and brand image
- Identifying human and environmental risks before technical or investment decisions are made
- Reducing cost burdens associated with inefficiencies in energy and water use, labour disputes, security issues, litigation and stakeholder damage control
- Improving governance through enhanced transparency, disclosure and accountability
- Strengthening a company's social licence to operate through meaningful, multistakeholder relationships with governments, business partners, local communities, trade unions, NGOs, subcontractors and suppliers.

Opportunities to add value by:

- Developing innovative and sustainable responses to capacity building, technical, design and cost burdens through establishing direct relationships' with suppliers
- Efficiency gains in water, energy, packaging and transportation use
- Access to new technologies, raw materials and suppliers
- Building brand and customer loyalty
- Access to markets that require verifiable assurance that responsible business practice has been upheld
- Gaining a strategic and competitive advantage in emerging and niche markets
- Increasing access to finance, subsidies, grants and incentives by meeting investor expectations and eligibility criteria

Do consumers care?

Consumers are having a greater influence, on business practice through their buying power. There is a growing market for ethical products, yet many are still not prepared to pay a premium for sustainable goods. None-the-less this is a growing market, and large retailers like Marks and Spencer are responding.

The consumer market for natural, healthy and sustainable products and services in Australia has grown over 25% to AU\$15billion in 2008, and is expected to reach at least AU\$22 billion by 2010.

Mobium Group

Who and what can assist me?

Multi-stakeholder initiatives (MSI) can help manage business risks offshore and create value. They are easier for large enterprises to implement, but they provide useful guidance for SMEs on how to address and promote ethical manufacturing and trade. Some international initiatives include:

- [Global Reporting Initiative](#)
- [UN Global Compact](#)
- [Ethical Trading Initiative](#)
- [Fair Labor Association](#)
- [Social Accountability 8000](#)

Managing human rights offshore is challenging for all enterprises. The following sample of tools may assist SMEs in managing this aspect of their business:

- [A guide to integrating human rights into business management](#), Business Leaders Initiative on Human Rights
- [Embedding Human Rights in Business Practice](#), UN Global Compact and Office of the UN High Commissioner for Human Rights
- [Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones](#), OECD

The Australian Human Rights Commission has developed four fact sheets on business and human rights. They include general information and that specific to the finance, mining and resources, and retail and manufacturing sectors.

www.humanrights.gov.au/human_rights/corporate_social_responsibility

OECD Watch has also developed practical tools on applying the OECD Guidelines for Multinational Enterprises.

www.oecdwatch.org

The HUB of Responsible Business Practice is a website developed by St James Ethics Centre with a range of initiatives and tools for business of all sizes.

<http://thehub.ethics.org.au>

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