

Responsible Business Conduct

The value created by business in an open market economic system benefits shareholders, employees and their communities, customers, as well as society at large. Successful businesses understand that the contributions they make to society and the communities where they are present help to maintain their social license to operate. At the same time, healthy societies contribute to a climate in which business can prosper and succeed.

Canadian companies are promoting responsible business conduct globally through their leadership in understanding and addressing the economic, environmental and social dimensions of their business and impacts on the communities in which they operate. This includes respecting the laws and regulations of the host country. With a solid international reputation as good corporate citizens and responsible community stakeholders, the competitive advantage of Canadian companies is enhanced by increasing their position as trade and investment partners of choice.

In this area, the most frequently used term is “corporate social responsibility.” However, Canadian business prefers “responsible business conduct” or “voluntary corporate initiatives,” as the initiatives denoted by such terms are voluntary values, principles and commitments undertaken by companies that go above and beyond their legal obligations. In addition, “corporate social responsibility” is an inapt term, as all organizations, including governments and non-governmental organizations (NGOs), have a responsibility and accountability for their actions.

Canadian companies continue to contribute positively to the countries in which they are active through, among other things, the improvement of living and working conditions in these countries. Their trade and investment activities, as well as their involvement in global supply chains, help to create jobs, develop skills and know-how, act as a vehicle for the transfer of technology and improve productivity and competitiveness.

Many Canadian companies have already adopted comprehensive internal codes of conduct that govern their activities in all jurisdictions in which they operate worldwide. Globally, the number of voluntary corporate initiatives, whether on an industry-wide or sector-specific basis, continues to grow. These codes and initiatives can serve as useful benchmarks for Canadian companies in the development of their own codes of responsible business conduct. However, the number of such codes is increasing so rapidly that it is becoming difficult for companies, particularly small and medium-sized businesses, to determine which code to follow.

The Canadian Chamber of Commerce believes that voluntary principles, rather than legally enforceable standards, are the most effective means for responsible business conduct because the understanding of what is the voluntary business best practice is still very much a work in progress and varies widely by industry and business size. The diverse operating conditions in different countries also mean that a rigid standard is unlikely to be workable for all organizations in all circumstances. Flexible and voluntary principles allow organizations to tailor operations to the particular situation.

The need for flexible principles is reflected in the leading global instruments, such as the OECD’s Guidelines for Multinational Enterprises and the United Nations’ Global Compact. Both of these initiatives set out voluntary principles and standards that are the key elements of good corporate citizenship. Similarly, the ongoing initiative of the International Standards Organization (ISO) is to draft a voluntary guidance standard in this area.

That being said, there are a number of universal norms and principles, such as the Universal Declaration of Human Rights, which all organizations should respect and promote. Unfortunately, many host country governments – as a result of weak governance – do not

enforce all of these universal norms and principles, leaving it to other organizations, such as companies, to fill this void.

Good governance and success requires that each component of society (business, government, non-governmental groups and citizens) takes on the roles and responsibilities within its scope. It is vital to define the boundaries between what business can and should do versus the responsibility of governments. It is important to clearly state that it is governments that remain the primary means for ensuring economic, environmental and social protections through implementation and enforcement of national laws and regulations. While voluntary corporate initiatives play an important role, it must be made clear that this role is secondary and ancillary to governments' responsibility in the economy, environment and society.

Consequently, there is a role for the Government of Canada, particularly in building capacity in host governments and for advising and supporting Canadian companies on responsible business conduct activities. Companies operating in developing countries are often faced with the challenge of weak governance. They often must undertake additional voluntary corporate initiatives to address an absence – or weak enforcement – of governmental regulation in economic, social and environment policy, among others. Moreover, questionable behaviour is sometimes encouraged by corrupt officials who see the potential for personal gain in situations of weak governance. For example, Canadian government officials that are better trained in the issues that surround extractive sector operations in foreign countries, particularly those that are weak governance zones, will be able to provide valuable support to the companies and non-governmental organizations operating there.

Finally, non-governmental organizations also have a role to play. Many NGOs are working with companies to advance responsible business conduct initiatives. Unfortunately, some NGOs are unfairly targeting various Canadian companies' operations. It is incumbent that all actors conduct themselves in a transparent, responsible and accountable manner, guided by explicit governance codes. Responsible public communications is part of this good governance. Non-governmental organizations that continually make false and frivolous allegations against responsible Canadian companies, especially when such claims have been shown to be baseless by respected independent investigators, only do a disservice to the cause of responsible business conduct.

Recommendations

That the federal government:

1. Promote and celebrate the world-leading responsible business conduct initiatives undertaken by Canadian companies. Such efforts can provide a competitive advantage to Canadian companies when investing abroad and help to make them a partner of choice for trade and investment.
2. Maintain responsible business conduct as a voluntary corporate practice.
3. Work internationally to build governance capacity in host governments through bilateral and multilateral activities and forums. Domestically, the Government of Canada should train our trade commissioners to be better able to support and advise Canadian companies investing and operating internationally, particularly in weak governance zones.
4. Encourage non-governmental organizations to operate in a transparent and accountable manner through the adoption of an explicit governance code.

SUBMITTED BY THE INTERNATIONAL AFFAIRS COMMITTEE