

# CREATING VALUE: NATIONAL VOLUNTARY GUIDELINES FOR THE SOCIAL, ENVIRONMENTAL AND ETHICAL RESPONSIBILITIES OF BUSINESSES

## INTRODUCTION

The 21<sup>st</sup> century is characterized by unprecedented challenges and opportunities, arising from globalization, the desire for inclusive development and the imperatives of climate change. Indian business, which is today viewed globally as a responsible component of the ascendancy of India, is poised now to take on a leadership role in the challenges of our times. It is recognized the world over that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability. This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance.

Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. Our age-old beliefs are emphatic about the purpose of human endeavor – done individually or in teams – and point repeatedly to the importance and benefits of *lokasangraha*: effort that is selflessly coordinated, well-executed and directed towards the collective good of all of humankind. Furthermore, India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders – *sarva loka hitam*.

These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development. In recognition of the need to provide businesses with guidance in dealing with the above expectations, while working closely within the framework of national aspirations, this national voluntary guideline for the social, environmental and ethical responsibilities of businesses has been developed. These guidelines are consistent with the major provisions of globally prevalent standards and frameworks.

This guideline is intended for voluntary adoption by businesses, irrespective of their size, sector or location. While the guidelines have been prepared for the Indian context, enterprises that have a trans-national presence would benefit from using these guidelines for their overseas operations as well. Since the guidelines are voluntary and not prepared in the nature of a prescriptive road-map, they are not intended for regulatory or contractual use.

This voluntary, national guideline provides businesses with clear guidance on their social, environmental and ethical responsibilities. It enunciates the eight (08) Principles, and the Core Elements under each principle, which together provide businesses the features that need to be integrated with their governing boards, strategies, structure, systems, management styles, practices and processes. The guidelines encourage businesses to undertake activities that go beyond mere legal compliance – since that is the modicum of responsibility any enterprise is expected to demonstrate. It is also clear that adopting and acting on the principles of this guideline would enable businesses to contribute to sustainable development. It is expected that the adoption of these guidelines would encourage businesses to disclose and report on their performance in discharging these principles.

In order to facilitate the swift and consistent adoption of the principles contained in the guidelines, the leadership teams in every business would have to create a culture that is supportive of collaboration and partnerships, that lays emphasis on continuous learning innovation and improvement, lays focus on communication and mentoring, as well as inclusiveness and empowerment of those people whom the business comes into contact with.

The adoption of this guideline by businesses is expected to stimulate similar guidelines and standards for use in other important areas of national endeavor.

## **PRINCIPLES AND CORE ELEMENTS**

<b>Principle 1: Businesses should have governance systems underpinned by Ethics, Transparency and Accountability</b>
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### **Brief Description of the Principle**

The principle suggests that businesses committed to sustainable operations should ensure that maximum emphasis is placed on taking decisions that are open, amenable to disclosure and visible to various interested publics. Furthermore, decisions taken by individuals or group of individuals would be open to scrutiny and would be taken on the basis of clear guidelines which are within the ambit of the law. Accountability also emphasizes that decisions taken by a businesses, would be attributed to it, especially when it comes to ascertaining the impact of the business on society and the environment.

In all its endeavors, businesses should function in ways that encourage openness and honesty. Businesses should inform all of its stakeholders of inherent risks and mitigate them where they occur.

### **Core Elements**

1. The social, environmental and ethical responsibilities of the business should be a core agenda of the Board.
2. Businesses should behave ethically at all times.
3. Businesses should be transparent in their decision-making processes in matters that impact society and the environment.
4. Decisions taken by businesses that impact its stakeholders will be taken in the spirit of a free, prior and informed consultative process.
5. Businesses should assure access to information about their decisions that impact stakeholders.
6. Businesses should not engage in business practices that are abusive, unfair or anti competition.
7. Businesses should truthfully discharge their financial obligations towards payment of government dues.

<b>Principle 2: Businesses should promote safe and responsible design, manufacturing, energy and resource use, sourcing, distribution and disposal</b>
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### **Brief Description of the Principle**

The principle recognizes that the performance and long term competitiveness of an enterprise in relation to the markets, environment and the society in which it operates – including societies which it indirectly impacts as it sources raw-materials and goods across global supply chains - have together become critical aspects of measuring the overall effectiveness and usefulness of enterprises, and of their ability to continue with a long term outlook.

The principle emphasizes that as a part of their intention to function effectively in the long term; businesses would have to produce goods and services that are in alignment with the overarching expectations of the society, and are environmentally and socially safe.

Simultaneously, the principle emphasizes that beneficial goods and services cannot be produced from processes that are inefficient, wasteful or otherwise insensitive to their impact on the environment.

### **Core Elements**

1. Businesses should ensure safety over the life-cycle of the product, and resource economy in the design of their products / services, and the attendant processes.
2. Businesses must emphasize on producing goods and services through optimal energy and resource use (including water, productive and arable lands, and the like) so that the enterprise and its supply chain continuously improve their performance.
3. While adopting technologies that minimize the generation of waste, businesses should ensure that the scientific treatment and disposal of effluents, manufacturing plant waste, plastics, oils, and other resource dross would be done in ways that do not adversely impact stakeholders or the environment.
4. Businesses should facilitate the education of its existing and future consumers on safe methods of disposing of their products, at the end of their productive life cycles, in ways that do not harm people or the planet. “Life-cycle thinking” would be an integral part of their manner in which companies would base their decisions.
5. Businesses should develop and adopt environment friendly technologies.
6. Businesses should continuously review and improve upon the process of new technology development and acquisition incorporating social, ethical and environmental considerations, while respecting the rights of communities and people who may be owners of traditional knowledge, and other forms of intellectual property.

### **Principle 3: Businesses should respect Workers' Rights**

#### **Brief Description of the Principle**

The Principle encompasses all policies and practices relating to work performed within, by or on behalf of any business.

The scope of the principle extends beyond the boundaries of relationship that an enterprise has with its direct employees or employees at the workplace that it owns or directly controls. The Principle incorporates work performed by others, including sub-contracted work and home based work.

#### **Core Elements**

1. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
2. Businesses must not employ child labour, and forced labour or any form of involuntary labour, paid or unpaid.
3. Businesses should provide and maintain equality of opportunities without any discrimination on any grounds during the course of employment.
4. Businesses should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of workers. In doing so businesses should clearly define and communicate in writing regarding the employing authority, the scope and nature of the employment to prospective employees working for or on behalf of the company.
5. Businesses should take cognizance of the work-life balance of its employees. No business should demand or require any of its employees or those working on its behalf to work beyond the statutory maximum.
6. Businesses should:
  - a. provide all workers at all stages of their work experience with access to their training and development of necessary skills for career advancement, on an equal and non-discriminatory basis;
  - b. ensure that, when necessary, workers are helped to transition to new employment through skills recognition systems
  - c. establish joint worker-management programmes that promote well being of the workers.
7. Businesses should not tolerate any form of harassment, abuse or inhumane treatment to any of its employees and should also not place any of its employees at risk of any harassment, abuse and inhumane treatment in the discharge of their official duties and should take full responsibility to ensure that none of its representatives harass, abuse or treat inhumanely any third party.
8. Businesses should provide facilities for the welfare of its employees and their families.
9. Businesses should ensure timely payment of adequate wages to meet basic needs and economic security of the employees and their families.

<b>Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged</b>
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**Brief Description of the Principle**

This principle recognizes that businesses have responsibility to think and act beyond shareholder interests and should create value for all stakeholders.

**Core Elements**

1. Businesses should proactively identify their stakeholders and understand their concerns.
2. Businesses should enunciate policies if they help in responsively addressing the concerns of identified stakeholders.
3. Businesses should create formal systematic processes to engage with the stakeholders, especially in areas that are weakly governed or are acutely underdeveloped.
4. Businesses should listen, frequently communicate, effectively share information and be responsive to stakeholder concerns.
5. Businesses should resolve differences with stakeholders in a just, fair and equitable manner.

<b>Principle 5: Businesses should respect Human Rights</b>
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**Brief Description of the Principle**

The Principle encompasses all the rights reflected in Universal Declaration of Human Rights adopted by the UN in 1948. The primary responsibility to ensure all human rights for all rests with the State. Its articles are applicable to “every individual and every organ of society”. The International Bill of Rights covers civil, political, economic, social and cultural rights, including the right to development.

The Constitution of India, through its various provisions of fundamental rights and directive principles of state policy, enshrines the achievement of human rights for all its citizens.

The UN Human Rights Council, of which India is a member, unanimously adopted a framework report in June, 2008 by the SRSG on “human rights and transnational corporations and other business enterprises”, which encompasses the state duty to protect, the corporate duty to respect and access to remedies. The mandate has been extended to operationalize the above framework.

**Core Elements**

1. Businesses should recognize and provide for comprehensive human rights for all.
2. Businesses should appreciate that human rights are inherent, inalienable, universal, indivisible and interdependent in nature.
3. Businesses should integrate human rights into its management systems.
4. Businesses should develop an understanding of their sphere of influence vis a vis the human rights.
5. Businesses should avoid complicity with human rights abuses by third party.
6. Businesses must provide for grievance redressal systems and mechanisms.

<b>Principle 6: Businesses should respect and protect the environment</b>
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**Brief Description of the Principle**

The principle recognises that environmental responsibility is a prerequisite for sustainable economic growth and the well-being of societies and interconnectedness of environmental issues at the local, regional and global levels makes it imperative for businesses to address these issues in a comprehensive and systematic manner.

The principle encourages businesses to assume responsibility for the environmental impact of their products, services and activities related to their manufacturing and delivery and work towards improving their environmental performance on these accounts.

**Core elements:**

1. Businesses should take measures to check and prevent pollution; recycle, manage and reduce waste and measure and report its performance on these accounts.
2. Businesses should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water so that their access is not denied to local communities in their areas of operation.
3. Businesses should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environmentally friendly technologies.
4. Businesses should contribute in restoration and regeneration of the environment in their areas of operation and preservation of biodiversity.
5. Businesses should develop environment management systems that enable them to tackle the human impact of natural disasters.



<b>Principle 7: Businesses, when engaged in lobbying and policy advocacy, should do so in a responsible manner</b>
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**Brief Description of the Principle**

The principle recognizes the fact that businesses operate in the specified legislative and policy frameworks prescribed by the Government which guide their growth and also provides for certain desirable restrictions.

The principle also acknowledges that such legislative and policy frameworks are developed in a collaborative manner with participation of the stakeholders.

The principle also takes into account that lobbying and / or policy advocacy is important and can be a powerful vehicle for growth and development of the business sector if undertaken in the spirit of positive partnership.

**Core Elements**

1. Lobbying and / or policy advocacy position of a business entity should not be in conflict with any of the Principles stated in these guidelines
2. Businesses should utilize legitimate and ethical platforms for their lobbying and / or policy advocacy effort.
3. Businesses should disclose their lobbying and / or policy advocacy positions on specific issues in a fair and transparent manner.

<b>Principle 8: Businesses should contribute to the inclusive development agenda of the country</b>
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**Brief Description of the Principle**

The principle responds to the challenges of social and economic development being faced by India.

The principle builds upon the national development agenda that has been articulated in the Government policy from time to time.

The principle, while recognizing the value of the energy and enterprise of the business sector, encourages businesses to take lead in contributing to the social and economic development of the country, especially that of the disadvantaged sections of society.

**Core Elements**

1. Businesses must develop an appreciation and understanding of their impacts on development processes and focus their efforts and channelize their resources towards making positive and sustainable contribution in social and economic development.
2. Businesses should align their practices to complement and support the developmental priorities at local and national levels.
3. Businesses should innovate and invest in products, technologies and processes that promote alignment of their interests with that of society.
4. Businesses should encourage and recognize voluntary developmental efforts of their employees.
5. Businesses should make efforts to protect and enrich the historical and cultural heritage of the country.
6. Businesses operating in regions that are weakly governed or that are acutely underdeveloped should be sensitive to local concerns.
7. Businesses should be inclusive in their approach towards stakeholders and promote diversity through affirmative action.