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Dear Edward,

### **Corporate responsibility – a call for views**

ICAS strongly supports an ethical approach to business. Good behaviour is good for business. In our experience, various businesses take the opportunity to communicate what they are proud about and some set their own principles against which they can be judged. Examples include 'tread lightly (environment), fairly (staff, diversity etc.) and honestly (e.g. stance against bribery)'. The approach and content from a FTSE 100 company is 'doing the right thing'. The critical factor is to be able to articulate this succinctly (for example it can be summarised on a credit card) and for the business to set its own principles against which it seeks to be judged by and to reflect its own context and vision.

In the discussion paper it is not yet sufficiently clear what corporate responsibility means and this needs to be defined before the context is crafted. The international guidance and initiatives referred to are fragmented and there is some overlap. Key principles need to be distilled into one agreed international framework to establish a common understanding before encouraging and measuring a wider adoption. We stress the use of the word 'principles' rather than rules to keep the messages high level and avoid a plethora of detailed rules which can be burdensome to implement.

There does not appear to be a clear statement of need in the paper, an articulation of what the specific problem is and what needs to be solved. The reputational damage of a UK business engaging in corporately irresponsible behaviour would be too prohibitive and turn customers away so there is already a very real market based incentive to adopt and communicate positive behaviour.

SMEs are key to economic growth; they also have less resources available to manage regulation (hence the objectives of the red tape agenda and better regulation). Any application to this sector must demonstrate it is not just going to be a burden.

Some examples of other areas which further research on this topic may be worth considering:

- How would this be applied in the wider context?
- How can customers be encouraged to pay extra for ethically sourced goods?
- What about the different ownership structures? For example, many businesses are owned by private equity companies and sovereign wealth funds,
- Treating business fairly - how will an even playing field be applied which recognises the input from other types of organisations. As an example, the principle to comply with the text and spirit of tax legislation should apply to government as well as business.

We hope this is helpful.

Yours sincerely,

ALICE TELFER  
Assistant Director, Business Policy and Public Sector