



**Sustainable Leather Foundation
Standard for Ethical Business Practice**

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FSG2 ETHICAL BUSINESS PRACTICE STANDARD AND BENCHMARK

Summary: The SLF *Ethical Business Practice Standard and Benchmark* provides the context, definitions, relevant international norms and expectations for ethical business practice in the leather value chain. This document gives the facility under audit the principles and general expectations, but it is not exhaustive and recognises that there will be differences within regions for national and local laws.

Where there are matters of interpretation in relation to the standard, applicable laws or organisational norms, the auditor will assess in favour of the employees in that facility.



1. Scope

1.1 The SLF *Ethical Business Practice Standard and Benchmark* specifies the provisions and obligations that a company shall ensure to support ethical and responsible business conduct. All companies have a duty to uphold moral and ethical norms and to live up to the expectations of their stakeholders and society at large. Recognising the links between ethical business practice and other areas of business function, such as procurement and production operations, allows the whole company to adopt the same values and beliefs to which will create positive outcomes for all concerned.

1.2 The SLF *Ethical Business Practice Standard and Benchmark* is intended to ensure that companies understand the value of ethics within a transparent approach to sustainability. Unethical behaviour can result in reputational damage, environmental damage, low employee morale and productivity, and potential fines and penalties.

1.3 It is expected that all SLF certified facilities shall adhere to the highest standards of ethical behaviour and through transparent reporting and measurement, create an environment of improvement, development and protection of people, planet and profit.

2. Normative references

2.1 The following references are useful in the understanding of this document and are provided for further guidance. In the case of dispute these references will form the core of the evidence in support of the Standard and Benchmarks used here:

OECD Guidelines for Multinational Enterprises, 2011¹

OECD Due Diligence Guidance for Responsible Business Conduct²

OECD Due Diligence for Responsible Supply Chains in the Garment and Footwear Sector³

UN Guiding Principles on Business and Human Rights⁴

¹ OECD Guidelines for Multinational Enterprises, 2011 <https://www.oecd.org/daf/inv/mne/48004323.pdf>

² OECD Due Diligence for Responsible Business Conduct <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

³ OECD Due Diligence for Responsible Supply Chains in the Garment and Footwear Sector <https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?expires=1625766417&id=id&acname=guest&checksum=FF130CDB67B72270210C340ECB3718A2>

⁴ UN Guiding Principles on Business and Human Rights https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf



3. Terms and definitions

- 3.1 **Ethics:** Moral principles that govern the behaviour of a person or company.
- 3.2 **Bribery:** The offering, giving, soliciting or receiving of any item of value as a means of influencing the actions of an individual holding a public or legal duty, or in return for advantageous decisions or actions.
- 3.3 **Anti-Competition:** The act of collusion, monopoly or price-fixing to unfairly prevent normal market competition.
- 3.4 **Preventative Action:** Action to eliminate the cause(s) and root cause(s) of a potential non-conformance.
- 3.5 **Non-conformance:** Inability to meet the requirements of the standard.
- 3.6 **Facility:** The entirety of the business operation that is responsible for meeting the requirements of this *SLF Wages & Benefits Standard and Benchmark*, including all personnel employed at the facility (e.g. tannery, sub-contracting facility, head office organisation, etc).
- 3.7 **Personnel:** All individuals employed or contracted by the facility to perform specified tasks (e.g. directors, managers, warehouse operatives, cleaners, technicians, etc).
- 3.8 **Worker:** All non-management personnel.

4. Principle

4.1 The principle of the *SLF Ethical Business Practice Standard and Benchmark* is based upon the international normative reference of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under I. Concepts and Principles, Paragraph 2, 5, 6 and 7:

Paragraph 2

Obeying domestic laws is the first obligation of enterprises. The Guidelines are not a substitute for nor should they be considered to override domestic law and regulation. While the Guidelines extend beyond the law in many cases, they should not and are not intended to place an enterprise in situations where it faces conflicting requirements. However, in countries where domestic laws and regulations conflict with the principles and standards of the Guidelines, enterprises should seek ways to honour such principles and standards to the fullest extent which does not place them in violation of domestic law.

Paragraph 5:

The Guidelines are not aimed at introducing differences of treatment between multinational and domestic enterprises; they reflect good practice for all. Accordingly, multinational and domestic enterprises are subject to the same expectations in respect of their conduct wherever the Guidelines are relevant to both.



Paragraph 6.

Governments wish to encourage the widest possible observance of the Guidelines. While it is acknowledged that small- and medium-sized enterprises may not have the same capacities as larger enterprises, governments adhering to the Guidelines nevertheless encourage them to observe the Guidelines' recommendations to the fullest extent possible.

Paragraph 7:

Governments adhering to the Guidelines should not use them for protectionist purposes nor use them in a way that calls into question the comparative advantage of any country where multinational enterprises invest.

4.2 In addition, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under III. Disclosure, Paragraph 1, 2 and 3:

Paragraph 1:

Enterprises should ensure that timely and accurate information is disclosed on all material matters regarding their activities, structure, financial situation, performance, ownership and governance. This information should be disclosed for the enterprise as a whole, and, where appropriate, along business lines or geographic areas. Disclosure policies of enterprises should be tailored to the nature, size and location of the enterprise, with due regard taken of costs, business confidentiality and other competitive concerns.

Paragraph 2.

Disclosure policies of enterprises should include, but not be limited to, material information on:

- a) the financial and operating results of the enterprise;*
- b) enterprise objectives;*
- c) major share ownership and voting rights, including the structure of a group of enterprises and intra-group relations, as well as control enhancing mechanisms;*
- d) remuneration policy for members of the board and key executives, and information about board members, including qualifications, the selection process, other enterprise directorships and whether each board member is regarded as independent by the board;*
- e) related party transactions;*
- f) foreseeable risk factors;*
- g) issues regarding workers and other stakeholders;*
- h) governance structures and policies, in particular, the content of any corporate governance code or policy and its implementation process.*

Paragraph 3.

Enterprises are encouraged to communicate additional information that could include:

- a) value statements or statements of business conduct intended for public disclosure including, depending on its relevance for the enterprise's activities, information on the enterprise's policies relating to matters covered by the Guidelines;*
- b) policies and other codes of conduct to which the enterprise subscribes, their date of adoption and the countries and entities to which such statements apply;*
- c) its performance in relation to these statements and codes; d) information on internal audit, risk management and legal compliance systems; e) information on relationships with workers and other stakeholders.*

4.3 In addition, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under VII. Combating Bribery, Bribe Solicitation and Extortion, Paragraph 1, 2, 3, 4, 5, 6 and 7:



Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Enterprises should also resist the solicitation of bribes and extortion. In particular, enterprises should:

Paragraph 1:

Not offer, promise or give undue pecuniary or other advantage to public officials or the employees of business partners. Likewise, enterprises should not request, agree to or accept undue pecuniary or other advantage from public officials or the employees of business partners. Enterprises should not use third parties such as agents and other intermediaries, consultants, representatives, distributors, consortia, contractors and suppliers and joint venture partners for channelling undue pecuniary or other advantages to public officials, or to employees of their business partners or to their relatives or business associates.

Paragraph 2:

Develop and adopt adequate internal controls, ethics and compliance programmes or measures for preventing and detecting bribery, developed on the basis of a risk assessment addressing the individual circumstances of an enterprise, in particular the bribery risks facing the enterprise (such as its geographical and industrial sector of operation). These internal controls, ethics and compliance programmes or measures should include a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts, to ensure that they cannot be used for the purpose of bribing or hiding bribery. Such individual circumstances and bribery risks should be regularly monitored and re-assessed as necessary to ensure the enterprise's internal controls, ethics and compliance programme or measures are adapted and continue to be effective, and to mitigate the risk of enterprises becoming complicit in bribery, bribe solicitation and extortion.

Paragraph 3:

Prohibit or discourage, in internal company controls, ethics and compliance programmes or measures, the use of small facilitation payments, which are generally illegal in the countries where they are made, and, when such payments are made, accurately record these in books and financial records.

Paragraph 4:

Ensure, taking into account the particular bribery risks facing the enterprise, properly documented due diligence pertaining to the hiring, as well as the appropriate and regular oversight of agents, and that remuneration of agents is appropriate and for legitimate services only. Where relevant, a list of agents engaged in connection with transactions with public bodies and State-owned enterprises should be kept and made available to competent authorities, in accordance with applicable public disclosure requirements.

Paragraph 5:

Enhance the transparency of their activities in the fight against bribery, bribe solicitation and extortion. Measures could include making public commitments against bribery, bribe solicitation and extortion, and disclosing the management systems and the internal controls, ethics and compliance programmes or measures adopted by enterprises in order to honour these commitments. Enterprises should also foster openness and dialogue with the public so as to promote its awareness of and cooperation with the fight against bribery, bribe solicitation and extortion.

Paragraph 6:

Promote employee awareness of and compliance with company policies and internal controls, ethics and compliance programmes or measures against bribery, bribe solicitation and extortion through appropriate dissemination of such policies, programmes or measures and through training programmes and disciplinary procedures.



Paragraph 7:

Not make illegal contributions to candidates for public office or to political parties or to other political organisations. Political contributions should fully comply with public disclosure requirements and should be reported to senior management.

4.4 In addition, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under VIII. Consumer Interests, Paragraph 1, 2, 3, 4, 5, 6, 7 and 8:

When dealing with consumers, enterprises should act in accordance with fair business, marketing and advertising practices and should take all reasonable steps to ensure the quality and reliability of the goods and services that they provide. In particular, they should:

Paragraph 1:

Ensure that the goods and services they provide meet all agreed or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information.

Paragraph 2:

Provide accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions, including information on the prices and, where appropriate, content, safe use, environmental attributes, maintenance, storage and disposal of goods and services. Where feasible this information should be provided in a manner that facilitates consumers' ability to compare products.

Paragraph 3:

Provide consumers with access to fair, easy to use, timely and effective non-judicial dispute resolution and redress mechanisms, without unnecessary cost or burden.

Paragraph 4:

Not make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent or unfair.

Paragraph 5:

Support efforts to promote consumer education in areas that relate to their business activities, with the aim of, inter alia, improving the ability of consumers to:

- i) make informed decisions involving complex goods, services and markets,*
- ii) better understand the economic, environmental and social impact of their decisions and*
- iii) support sustainable consumption.*

Paragraph 6:

Respect consumer privacy and take reasonable measures to ensure the security of personal data that they collect, store, process or disseminate.

Paragraph 7:

Co-operate fully with public authorities to prevent and combat deceptive marketing practices (including misleading advertising and commercial fraud) and to diminish or prevent serious threats to public health and safety or to the environment deriving from the consumption, use or disposal of their goods and services.

Paragraph 8: *Take into consideration, in applying the above principles,*

- i) the needs of vulnerable and disadvantaged consumers and*
- ii) the specific challenges that e-commerce may pose for consumers.*

4.5 In addition, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under X. Competition, Paragraph 1, 2, 3 and 4:

Enterprises should:



Paragraph 1:

Carry out their activities in a manner consistent with all applicable competition laws and regulations, taking into account the competition laws of all jurisdictions in which the activities may have anticompetitive effects.

Paragraph 2:

Refrain from entering into or carrying out anti-competitive agreements among competitors, including agreements to:

- a) fix prices;*
- b) make rigged bids (collusive tenders);*
- c) establish output restrictions or quotas; or*
- d) share or divide markets by allocating customers, suppliers, territories or lines of commerce.*

Paragraph 3:

Co-operate with investigating competition authorities by, among other things and subject to applicable law and appropriate safeguards, providing responses as promptly and completely as practicable to requests for information, and considering the use of available instruments, such as waivers of confidentiality where appropriate, to promote effective and efficient co-operation among investigating authorities.

Paragraph 4:

Regularly promote employee awareness of the importance of compliance with all applicable competition laws and regulations, and, in particular, train senior management of the enterprise in relation to competition issues.

4.6 In addition, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, 2011, under XI. Taxation, Paragraph 1 and 2:

Paragraph 1:

It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate. Complying with the spirit of the law means discerning and following the intention of the legislature. It does not require an enterprise to make payment in excess of the amount legally required pursuant to such an interpretation. Tax compliance includes such measures as providing to the relevant authorities timely information that is relevant or required by law for purposes of the correct determination of taxes to be assessed in connection with their operations and conforming transfer pricing practices to the arm's length principle.

Paragraph 2:

Enterprises should treat tax governance and tax compliance as important elements of their oversight and broader risk management systems. In particular, corporate boards should adopt tax risk management strategies to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.

4.5 The governing principle of this document is to encourage facilities to actively operate in an ethical and responsible way that supports a culture of work that protects people, planet and profit.



5. Procedure

- 5.1 The facility will provide data and documentation that demonstrates an effective management system to effectively meet the requirements of the SLF *Ethical Business Practice Standards and Benchmark* as follows:
- 5.2 Management System: The facility shall have a system in place that permits the company to accurately demonstrate that effective policies and procedures are in place in respect of:
- a. General Ethics and Values of the company
 - b. Disclosure and transparency of records and documentation
 - c. Bribery, extortion and corruption
 - d. Protecting Consumer Interests
 - e. Ensuring fair market competition by not participating in any anti-competition activities
 - f. Taxation compliance
- 5.3 Other elements of Ethical Business Practice including environmental protection, human rights and best available techniques are covered separately in other sections of the SLF Audit Standard.

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