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Thursday, 18 May 2006

Committee Secretary,  
Parliamentary Joint Committee on Corporations and Financial Services  
Department of the Senate  
Po Box 6100  
Parliament House  
Canberra ACT 2800  
Australia

Dear Sir/Madam

**PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL  
SERVICES INQUIRY INTO CORPORATE RESPONSIBILITY**

The St James Ethics Centre, in partnership with the Caux Round Table ("CRT"), wishes to draw the Committee's attention to a practical and innovative approach to engaging companies in the voluntary adoption of good governance and corporate behavioural norms and practices. This will complement the voluntary Corporate Responsibility Index ("CRI") by providing an entry level process of review using core principles as the first stage in adopting a credible measurement process designed to improve performance.

The CRT *Principles for Business* and the *Arcturus* tool, we believe are of particular relevance to the Inquiry's term of reference to examine "...voluntary measures that may enhance consideration of stakeholder interests by incorporated entities and/or their directors.

Needed components for companies to voluntarily adopt and to live up to high behavioral and ethical standards are:

1. an agreed set of principles and standards for corporate behaviour; and
2. mechanisms that permit assessment of outcomes and behaviors, as well as formulation of management goals and objectives, to enhance such outcomes in the future.

The CRT *Principles for Business* represent a unique set of principles for moral and ethical corporate conduct that have gained widespread global acknowledgement and acceptance over the past ten years. They provide an ideal set of behavioural norms for voluntary adoption by corporations.

In turn, the *Arcturus* assessment and inventory tool provides companies with a means to self assess performance and risk across key corporate responsibility dimensions. Companies are able to benchmark and compare their own corporate behaviors, performance and aspirations against norms for responsible and ethical business conduct.

Such an approach, in combination with the Corporate Responsibility Index, would avoid the pitfalls of regulatory imposed approaches and resulting compliance driven responses. It would also represent a very helpful step on the path towards corporations eventually submitting themselves to external responsibility and sustainability ratings.

More details are outlined in the attached short paper titled *Initiative For Voluntary Assessment And Adoption Of Responsible Business Practices*. Both the St James Ethics Centre and the Caux Round Table would be willing to provide further detail on the proposal in need.

Yours sincerely



Simon Longstaff  
Executive Director  
St James Ethics Centre

CAUX ROUND TABLE



Noel Purcell  
Global Governing Board Member  
Caux Round Table



## An initiative for voluntary assessment and adoption of responsible business practices

### Summary:

The St James Ethics Centre, in partnership with the Caux Round Table's ("CRT"), propose to introduce the CRT's corporate responsibility risk assessment and behavioural inventory assessment tool, *Arcturus*, to complement the Corporate Responsibility Index (CRI) in the Australian market

This approach may be of interest to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Corporate Responsibility's term of reference to examine "...*voluntary measures that may enhance consideration of stakeholder interests by incorporated entities and/or their directors.*"

It is suggested that *Arcturus* provides an ideal vehicle to promote voluntary adoption by Australian corporations of good governance and corporate behavioural norms and practices. The adoption of *Arcturus* would enhance the consideration of stakeholder interests by incorporated entities and/or their directors.

Needed components for companies to voluntarily adopt and to live up to high behavioral and ethical standards are:

3. an agreed set of principles and standards for corporate behaviour; and
4. mechanisms that permit assessment of outcomes and behaviors, as well as formulation of management goals and objectives, to enhance such outcomes in the future.

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In turn, the *Arcturus* assessment and inventory tool provides companies with a means to self assess performance and risk across key corporate responsibility dimensions. Companies are able to benchmark and compare their own corporate behaviors, performance and aspirations against norms for responsible and ethical business conduct.

Such an approach avoids the pitfalls of regulatory imposed approaches and resulting compliance driven responses. It also represents a very helpful step on the path towards corporations eventually submitting themselves to external responsibility and sustainability ratings such as the Corporate Responsibility Index.



Hence, the CRT Principles for Business and related assessment tools provide a suitable bridge between the high aspirations of the Committee for corporate responsibility and day-to-day business decision-making.

## **Purpose**

This information paper is provided to assist the deliberations of the Parliamentary Joint Committee on Corporations and Financial Services' Inquiry into Corporate Responsibility.

In particular to assist the Committee in its deliberations on term of reference 'e', namely to inquire into:

*e. Any alternative mechanisms, including voluntary measures that may enhance consideration of stakeholder interests by incorporated entities and/or their directors.*

## **The Caux Round Table and the CRT Principles for Business**

The Caux Round Table was founded in 1986 by Frederick Phillips, former President of Philips Electronics and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, as a means of reducing escalating trade tensions.

At the urging of Ryuzaburo Kaku, then Chairman of Canon, Inc., the CRT began focusing attention on the importance of global corporate responsibility in reducing social and economic threats to world peace and stability.

The CRT Principles for Business emerged from a series of dialogues catalyzed by the Caux Round Table during the late 1980's and early 1990's. They are the product of collaboration between executives from Europe, Japan, and the United States, and were fashioned in part from a document called "The Minnesota Principles."

As a result, the CRT launched a comprehensive set of ethical and socially responsible norms for private companies and corporations in 1994, which were then presented at the United Nations World Summit on Social Development in 1995.

These CRT Principles for Business have been widely studied and used as reference points for responsible business practices and the achievement of more sustainable profitability under conditions of corporate social responsibility. They have been published in twelve languages, reprinted in numerous textbooks and articles, and utilized in business school curricula worldwide.

The CRT Principles for Business are recognized by many as the most comprehensive statement of responsible business practice ever formulated by business leaders for business leaders.

More details on the CRT's seven *Principles for Business* and practical guidance on their application can be found at <http://www.cauxroundtable.org> and in *Moral Capitalism – Reconciling Private Interest with the Public Good*, a book written by Steven Young, Executive Director of the Caux Round Table.

## Arcturus

The CRT Principles in turn have given rise to an inventory and assessment instrument called “*Arcturus: Charting a Course*”. To implement its principles, the CRT now offers this unique assessment and management system to corporations for self assessment and analysis. This assessment process has now been successfully used by a range of companies including substantial multinational corporations.

The objectives of the *Arcturus* system are to promote ethical and responsible corporate behaviors and to achieve better governance, risk management, and accountability for social and environmental impacts.

*Arcturus* consists of an inquiry instrument that gathers perspectives at the Board or executive levels, or across the company. The inquiry process provides both in-depth insights into company performance against the CRT principles and the related areas of stakeholder interests. In doing so, *Arcturus* links company performance to the dynamics of moral business behavior and related management goals and objectives. It also assists companies to link business behaviours to the intangible drivers of human, social and environmental, as well as financial capital. It provides a self improvement process, whereby business ethics can be managed as a process of continuous improvement.

Specifically, *Arcturus* provides a mechanism for companies to self assess business operations and impacts across 49 stakeholder or business behaviour dimensions. Each dimension maps to one of the seven CRT Principles for Business as it applies to key stakeholder groups (customers, employees, communities, competitors, shareholders, and suppliers).

The *Arcturus* system can also be used to map to the underlying core concepts from the Global Compact and to the Compact Principles. It also facilitates a company’s preparation of a triple-bottom line report using GRI reporting.

In summary, the CRT Principles for Business represent an accepted norm for business behaviours that constitute quality and moral relationships with stakeholders. *Arcturus* in turn helps a business measure its performance against such principles and to put metrics and quantitative measures to stakeholder relationships and risk within a framework of corporate responsibility.

## The Proposal

Companies would contract with the St James Ethics Centre, or accredited practitioners, to use the *Arcturus* self assessment instrument to self assess their business practices and operations. Each participating company would submit its data on a confidential basis to the CRT which would produce a detailed company report containing performance against each of the 49 criteria and a comparative analysis against existing norms for companies.

The St James Ethics Centre, in cooperation with the CRT, would establish benchmark norms for Australian company CSR performance and adherence to ethical business practices, based on the individual company data (while respecting individual company confidentiality). Such performance benchmarks would be regularly published; highlighting improvements and promoting the opportunity for companies to self assess performance against benchmarks.



Where agreed, individual company performance would be showcased.

It is anticipated that participating companies would use their individual data internally, but would be free to also use their own data to make a public announcement about their own performance relative to Australian or global norms, including plans with respect performance improvement.

The belief is that having gone through a process of self discovery, benchmarking and performance improvement, companies would then be more willing to embark on external assessment and reporting of stakeholder impact reporting such as the Corporate Responsibility Index. The object is to mainstream the adoption of responsible corporate business practices by Australian corporations.

**End**