Our Code of Conduct

Know it. Use it. Live it.

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Fair Markets

We want to compete in markets that are free, honest and open. And we want everyone to trust that we will compete fairly. So we always behave ethically, and support and comply with all laws that promote and protect competition whether we're working on our own, or with others.

In today's interconnected, globalised and inter-dependent economy, companies are increasingly operating in different markets and across a variety of sectors. What is local can easily have a global character. Conversely, what is global in nature can easily localise itself anywhere in the world. At the end of the 20th century, 60% of world trade was between developed countries, 30% was between developed and developing countries and only 10% was between developing countries. But by 2020, 1/3 of world trade will be between developing countries. In addition, market dynamics are shifting from a finished product/service that originates in a single geo-location, to become increasingly about adding value to the life-cycle that operates in a multidimensional environment. Subsequently, this has led to a growing number of merger transactions which span across several continents. If left unchecked and unchallenged, this level of cross border integration can easily result in the formation of monopolies, cartels and other anti-competitive practices that undermine the foundations of fair market policies and practices.

In the most simplistic terms, markets can be described as mechanisms for allocating resources. When they work well, and effective competition is in place, companies can thrive as they are able to provide benefits for consumers through greater choice, lower prices and better quality goods and services. As such, competition is critical for markets, making them more efficient and fair. However, competition can also destabilise economies and have negative effects on consumers. If left to their own devices, markets will not necessarily deliver the best outcomes for companies, government or consumers. Public trust in the ability of markets to deliver efficiency and governments to assure their stability has been challenged in recent years, mostly due to market failures in the financial sector and a prolonged economic downturn. In response, many governments are trying to stimulate fair markets through regulation and by setting terms and conditions for public sector procurement and outsourcing that can positively influence corporate practices.

The meaning of Fairness needs to be examined. Is it just a word, a legal concept, sense of morality, or a regulatory term? Fairness is complex because it is subjective. However, we could agree that 'fair' means to do a right thing, to conduct oneself in a correct manner and not favour one person or company over others. The concept of fairness is embedded within every individual, yet it is not necessarily translated into a universal set of values that are applicable across the globe, nor does it mean that those values are in line with corporate or legislative practices. If we combine fair and market into a unified concept and practice, we are essentially recognising the value of three things:

1. everyone deserves equality of opportunity;
2. everyone is expected to do their fair share; and
3. everyone should play by the same rules.

Fair Markets

Essentially, **competition is a process of rivalry between suppliers seeking to win contracts and customers**. Competition can drive firms to improve their internal efficiency and reduce cost, it provides incentives to companies to adopt new technology, and it encourages firms to invest in innovation. However, monopolies and cartels can easily restrict supply, increase prices, reduce choice, constrain innovation and generate a deadweight loss to society. In that context unfairness should be analysed in terms of a contract's coerciveness, and in terms of the inequality of the bargaining power.

Unfairness is also based on asymmetry of knowledge and information. This means that a business transaction does not adhere to fair market principles if it is coercive, and/or if one of the parties lacks the necessary knowledge to protect its interests in the transaction. In that context, some would argue that the best way to maximise consumer welfare and increase economic growth is to keep competitive markets free, whilst others argue that they also have to be fair. **Does a free market equate to a fair market?**

The world is changing with extraordinary swiftness and driven by many influences; from shifts in production and consumption patterns, to continuing technological innovation, and new ways of doing business and public policy. Markets do not operate in a vacuum, and evolving societal concerns may have an impact on trade and policy. The relationship between supply and demand is challenged by the changing geographical distribution (new actors and trends towards regionalisation), composition (increased importance of services and technology), the nature of globalised supply chains and the dominance of multinationals.

Economic, political and social factors that will be fundamental in shaping the future markets and global trade

Demographic Change

...will affect markets and trade patterns through both the supply and demand channels in the size and composition of the labour force, and changes in saving and consumption behaviour.

Technology

...is a crucial determinant for trade and markets. Technological progress also affects consumption possibilities and market costs. It also plays a role in alleviating scarcity in natural resources and addressing environmental challenges.

Institutions

...are a determinant of comparative advantage, allowing for specialization in certain kinds of activities. They also affect markets and highlight the two-way nature of the relationship for several aspects of institutional quality and trade openness.

Investment in Physical Capital

...leads to capital accumulation and technological progress and economic growth. It may shift comparative advantage towards relatively capital intensive activities.

Energy & Natural Resources

...volatility in prices and uncertainty in supply can have consequences for global production, markets and international trade. So too can negative environmental externalities associated with resource extraction.

Environmental Problems

...place a burden on economic well-being. Competitive pressures are sometimes seen as preventing environmental costs from being incorporated into market process, and this can create resistance to open markets.

Transport

...costs can affect the volume, direction and composition of trade as well as the tradability of goods themselves. Fuel costs increases could exert pressure on the geographical fragmentation of production and can have direct effects on the markets.

Social Concerns

...related to income inequality and jobs, affect politics and attitudes towards further economic integration – to what extent trade openness and international markets affect unemployment and the distribution of incomes both within and across countries.

Financial Shocks

...despite their short-term nature, can cast a shadow on long-term developments. While exchange rates may adjust and credit-crunches may be alleviated through restructuring in the financial sector, long periods of instability can lead to changes in micro-financial environment via regulation.

As with many issues, this debate can easily become political. On one end of the spectrum we have Competition as the founding idea of the right, and on the other end the concept of Solidarity as the founding idea of the left. Too often the analysis of global economics and free markets tends to be simplistic in nature, as liberalism is often labelled as mean, greedy and selfish. In contrast, global solidarity is often defined as a populist movement that calls for wealth redistribution, higher taxation and stronger regulation.

Until very recently, solidarity was often viewed in opposition to competition and free markets. Perhaps they are not as mutually exclusive as we are led to believe. This becomes evident if we understand competition as the opposite of monopoly – a force that challenges cartels and special interests, and solidarity as an appeal to loyalty that is based on merit, and not on favouritism. If we start from the premise that business is here to provide society with goods and services, it is essential that companies find a way to do so in a more sustainable and more equitable way. Even though both companies and consumers need to be part of the solution and take their share of responsibility, companies engage in more long-term thinking about their business models. As such, it becomes clear that Fair Markets begin when competition meets solidarity in mutually inclusive terms.

Markets do not exist independently of consumers, nor do they operate independently of government, which has a legitimate role in intervening in and shaping them. Therefore it is essential to pay attention to what is happening in society and take into account public views. Yet, through attempts to make markets fair, it is important to acknowledge that corporate, public or legislative interventions can (un) intentionally distort the concepts of fair markets – for example:

Possibility of entry and exit in a market – will intervention grant someone exclusive rights to supply, limit the number of service providers, or significantly raise the cost for new enterprise to enter the market?

Nature of competition between firms in a market – will intervention make some firms less competitive through price or product regulation, or will it reduce the incentive for firms to compete more strongly?

Consumer choice and protection – will intervention affect the ability of consumers to exercise more choice, will it raise the cost of switching services, and ultimately will it improve or harm the welfare of those consumers?

Legal regulation presumes that unfair transactions are either coercive or involve inequality in bargaining power. Therefore, the obligation of the firm should not rely solely on its contractual obligations. It should also rest upon the demands of fairness and socially responsible conduct. In that context the obligation of management and employees is both to obey the law and act in due fairness. Among other things, the company should ensure that all business transactions are made in good faith by managing each transaction and contract efficiently, transparently and fairly. In turn, the company can achieve a higher degree of professional excellence as any wrongdoing will be deterred through effective enforcement and integrated performance.

In this rapidly changing geo-economic setting, **it is important that all parties benefit from integration, fair markets and cooperation.** As such, it is in their interest to collectively accentuate those opportunities and reduce potential obstacles by protecting the merits of competition, fostering innovation and keeping markets free and fair. Overall, **fair markets are an inclusive form of economy**, as smaller business, and new entrants to a market stand a better chance of expanding through new opportunities, more standardised transactions and greater protection.

Additional resources Further Reading

Step 1	Please refer back to Our Code of Conduct.
Step 2	If you would like to know more about Human Rights & Business, the following external links have been selected for your reference:

Competition and Markets Authority (UK)

CMA s responsible for strengthening business competition and preventing & reducing anti-competitive activities. Their aim is to make markets work well for consumers, businesses and the economy.

https://www.gov.uk/government/organisations/competition-and-markets-authority

World Trade Organisation

WTO is a forum for governments to negotiate trade agreements. It is a place for them to settle trade disputes. It operates a system of trade rules.

https://www.wto.org/index.htm

European Commission – Competition Policy in the European Union

Competition policy for the European union ensures that all companies compete equally and fairly on their merits – to make EU markets work better. This benefits consumers, businesses and the European economy as a whole.

http://ec.europa.eu/competition/index_en.html

World Economic Forum

The World Economic Forum is international organisation committed to improving the state of the world by engaging political, business, academic and other leaders of society in collaborative efforts to shape global, regional and industry agendas.

https://www.weforum.org/

Organisation for Economic Co-operation and Development

OECD promotes policies that will improve the economic and social well-being of people around the world. Drawing on real-life experience, OECD recommends policies designed to improve the quality of people's lives.

http://www.oecd.org/competition/

World Fair Trade Organization

It provides Fair Trade organisations with credibility and identity by way of an international guarantee system and a common voice that promotes Fair Trade.

http://www.wfto.com/

Step 3	Do your own research on the Internet