



# Our Ethical Principles

## *The Balanced Way*

### Why an Ethical Framework?

There is a substantial body of literature on Ethics in Business. Two central questions run through this literature: Does a corporate entity have a moral status of its own; or does morality fall only within the domain of the individual? And second, should the manager invoke his own moral position in making business decisions or are these moral positions the exclusive prerogative of the shareholders with whom he is engaged in legal contract?

We, in Savola, take the view that regardless where one falls on this spectrum, the ultimate in the execution of shareholders mandate (presumed to be the long term survival and prosperity of the organization) is done through, and only through, the adoption of a moral standard or a code of ethics.

Specifically, individuals in an organization function more efficiently, and, consequently, the organization functions in a more coordinated manner in the presence of a guiding set of ethical principles. Therefore, the true fulfillment of our “obligation” as per our contract with the shareholders is best achieved in a context of an ethical framework. Not only does a system of ethics provide a set of guiding principles, it also provides a **balancing** force among competing interests both within the individual and among the contending stakeholders with whom an organization deals in the normal course of business activities.

There are two reasons for this assertion: **First**, individuals are moral creatures. The presence of an explicit system of ethics that is congruent with their own innate morality increases the comfort level in the work environment and mitigates possible frictions and conflict. The realization that one’s own business decisions are in agreement with one’s own moral code results in higher job satisfaction and more efficient decision-making process.

**Second**, is our belief that despite all efforts, success in business needs a blessing from Allah. That blessing comes only if our intentions are moral, and free from hypocrisy<sup>1</sup>. To reiterate words from our vision, “we firmly believe that **Allah’s** help and blessings will always be there supporting those who maintain good and sincere intentions.”

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*1. The set of ethics we are trying to build are espoused by all major world religions. Being of a higher order, these values are applicable beyond the realm of business to other areas of interaction and social domains. The appendix below gives a specifically Islamic perspective on these values.*



## The Framework

Many, if not most, of the major organizations do invoke a statement on ethics as part of their Mission statement. In some case this ethics declaration comes in the form of guidelines (Do's and Don'ts); in some others, it comes as a general statement of principle. All aspire to ensure a common culture for the organization and aspire for a higher standard of performance.

Savola takes a structured approach in crafting its statement on ethics. Specifically, we recognize that as an organization and as individuals we engage in two types of interaction: One with external parties and one with our own selves. In all of these types of interaction lies a potential for differing value judgment and conflicting interests. A comprehensive statement on business ethics, therefore, needs to address these dimensions and set to prescribe the “proper” guide for action for each.

Specifically, we engage in three classes of external relations – with our **partners**, with our **third party customers** (customers, suppliers and the community at large) and with our **colleagues**. At the same time, we are in constant touch with **our own selves**.

These relationships and interactions are governed through the four ethics of Honesty (Amanah), Conscientiousness (Taqwa), Caring Justice (Birr), and Personal Control (Mujahadah).



## أمانة

### Honesty (Amanah)

Amanah concerns itself with our responsibility towards those individuals or groups of individuals who have entrusted us with their investments. These are our shareholders, investors, joint venture partners, and “Murabaha” bankers. These individuals expect us to provide them with the highest possible returns on the funds they have entrusted with us. To satisfy this need we assume the responsibility to ensure two things. First we need to ensure that we invest these funds in the most profitable manner possible. Second, we need to ensure that we spend these funds in the most cost effective and relevant manner possible. Therefore in judging ourselves in what we do, we must always invoke this responsibility to our shareholders. This is easy to see in the case of evaluating a new investment, but more difficult when it comes to issues of spending since spending takes many forms. For example, if we reviewed our behavior and found that we were wasting time, or being unnecessarily absent from work, we would be failing to do our job properly, and we would be spending an organizational resource, our time, in an ineffective and wasteful manner. Or, when contracting with a vendor, Amanah would stipulate that we exert our greatest effort to obtain the best deal that would minimize our organization’s cost without compromising its quality. Thus, Amanah requires us to keep the rights of our “investors” in mind, and continuously act to ensure those rights are respected and satisfied.

Commitment to the Amanah principle and living by it enable us to honor our responsibilities towards our investors. It does so by fostering those traits that encourage transparency, trustworthiness, honesty, and fairness in all our dealings and interactions with those within and without the organization. **Amanah stipulates that we always honor the trust others have placed on us.** To achieve this, we adopt four basic behaviors:

- ❑ Always tell the truth no matter what situation we might find ourselves in, or how beneficial, in the short-term, lying might seem to be. This way we will have nothing to hide, and transparency will become a natural byproduct of this behavior.
- ❑ Always fulfill our promises and obligations.
- ❑ Always honor our pledges to others.
- ❑ Always commit to resolve conflicts with respect and objectivity.



## تقوى

### Conscientiousness (Taqwa)

The second ethic is Taqwa (Conscientiousness) - our responsibility to external parties, such as customers, suppliers, and the community at large. Taqwa represents the idea of being a good citizen in society, behaving fairly and honestly and with respect. It provides a moral 'constraint' on our activities. In the context of our company, this means that we should apply the same Taqwa to everyone the company relates with: suppliers, customers, consumers, the community and the country (wherever the company is operating). In this respect, making a misleading statement about our products or polluting the environment could both be examples of not living to the Taqwa value. These examples are of clear and unambiguous situations in which correct behavior is clearly distinguishable from incorrect behavior.

Taqwa addresses issues of more ambiguous nature by stipulating that when faced with a decision whose legality, morality, lawfulness, or correctness is not clear, an individual must submit any decision to the following criteria:

- **Legality:** Is the decision legal and have we in fact checked its legality with the proper reference; e.g., our legal department.
- **Public Opinion:** Even if the decision is legal, will I be able to publicly admit to it and stand by it? In other words, if the decision is revealed, will I be proud of it in front of others?
- **Personal Opinion:** Do I feel comfortable with the decision? Do I feel that what I am doing is fair and not just legal?

There is a fine line between Legality and morality. In principle, not all legal matters conform to the Taqwa principle. An organization may possess proprietary knowledge about an adverse impact of a product or activity that is not yet known to the regulators. Technically, that product or activity may still be legal because of the lag between the development of regulation and advances in science and technology.

It is in these instances where Taqwa become more important and of far more reaching implication. It transcends the legality criterion to something more fundamental. The mere application of the legality criterion, while necessary, is not a substitute for the far more reaching concept of Taqwa.

Taqwa emphasizes the need to make the right decisions when it comes to our relationships with our external business or trading partners. Submitting our decisions to these criteria and abiding by the rules and regulations of our organization will reap several primary benefits for us. First, we will be comforted in the knowledge that our actions are both legally and morally acceptable. Second, Savola's emphasis on developing and abiding by legally and morally correct policies instills in us the confidence of being able to predict what Savola will and will not do or accept. Finally, and perhaps most importantly, fostering ethical relationships with our external partners will enhance our reputation as an honest partner. This, in turn, will strengthen their willingness to deal with us and enhance our ability to achieve more mutually beneficial agreements.



بِر

## Caring Justice (Birr)

The third ethic is Birr (Caring Justice) - our responsibility toward our colleagues, the employees of the company. When considering our employees and colleagues, Birr means that everyone is entitled to treatment with basic human dignity and decency in a way that is sensitive to the individual's material needs, family needs and the need for self-fulfillment. The concept goes beyond the sense of fair play and justice; it is essentially about the genuine care and concern for people and their welfare. It is about treating our colleagues in a manner that we ourselves would like to be treated by. Applying Birr is a responsibility of all employees whenever a decision is going to affect other employees in some way (which of course is almost always).

Birr, at its basic level, is about love. It is concerned with doing what we would have liked to be done to us. Birr is about looking at the needs, intentions, and understandings of those involved in a situation, and making a decision based on those factors. Birr is about looking beyond the cold facts by looking at the circumstances around a situation. It is about trying to accommodate, to the greatest extent possible, the needs of all those involved without transgressing against the needs of others. It is about taking that extra step of trying to determine what an acceptable solution would be to us if we were in the other person's position or situation. A clear demonstration of Birr would entail:

- Providing our managers, subordinates and colleagues with clear and accurate feedback.
- Acknowledging the accomplishments and achievements of others both financially and non-financially.
- Ensuring that those for whom we are responsible are developed in accordance to their needs and the needs of the organization.
- Helping the progress of others if they are deserving of this progress.



## مجاهدة

### **Personal Control (Mujahadah)**

The fourth ethic is Mujahadah (Personal Control) - our aspiration is to realize our full potential and a life of balanced and satisfying achievements. Mujahadah is the drive within us toward self-improvement and toward progressively increasing self-discipline. It is our constant struggle within us to achieve our ideals and to achieve the highest moral balance between the previous three ethical values. Mujahadah is the most challenging of the ethics, as it requires us to evaluate ourselves accurately and honestly, and then to pursue our own course of self-improvement in order to honor our commitments. This entails two pre-requisites. First, we need the time to contemplate our need for Mujahadah. Second, we need to be aware of the fact that we are in need of improvement. That is, true Mujahadah begins when we have had the time to contemplate our behaviors, and when we reach the realization that these behaviors are not at the level they should and could be at.

Thus, we need to use our time in a manner that will allow us to realize the need for raising our manners and behaviors to the required level, and to actually begin the process of improvement. How do we do this? We do it by avoiding those activities that waste our time. We also do it by avoiding those activities that hinder our realization of the need for improvement. That is, activities that make us feel we are fine as we are and that we are just as good, if not better, than others. In other words, we need to avoid the habit of delving into the affairs of others, focusing on their bad habits and traits, and gossiping. All such activities are not only a waste of time, but they also feed our sense of satisfaction and take us further away from realizing the need for Mujahadah. Thus, Mujahadah is exhibited by such guidelines as:

- We should concern ourselves only with that which falls within our realm of responsibility. That is:
  - We should not bother ourselves with what others are doing when what they are doing does not concern us.
  - We should not attempt to search or look for information about the actions of others, if we are not in a position to assist in those actions.
  - We should not attempt to search or look for information about the problems of others, if we are not in a position to assist in solving those problems.
  - We should not become involved in the initiation or propagation of gossip.



- When an issue falls within our realm of responsibility we should exert every effort to resolve it in a manner consistent with our ethical values.
- We should exploit any free time we find to improve ourselves, to learn something new or perfect a task to a higher standard.

Thus, Mujahadah is about controlling our tendencies, and directing our efforts towards developing our ability to ensure fulfillment of our ethical responsibilities towards all stakeholders.

## THE OVERALL BALANCE

To be true to our values, we need to observe them absolutely and to the limit. Therefore we need to be comfortable that our system is internally consistent. And it is!

We recognize and believe that the first three values, which deal primarily with the external relationships, are inherently consistent. Even though it may appear that the immediate Birr obligation to employees conflicts with Amanah obligation to shareholders, in reality they re-enforce each other. Birr raises the morale of the employees and leads to improved productivity. This in turn improves shareholder value and consequently constitutes Amanah. Similarly, Amanah focuses the attention of the employees on their responsibility for the growth and success of the company. That, in turn, secures employee welfare, thus constituting Birr.

It should be recognized, at the same time, that we as humans are not perfect. Win-win decisions and balances are inherently complex and invariably involve compromise. In prescribing the framework, we are describing the ultimate goal we all seek to achieve. In the process we have to make numerous compromises and our judgment can at times be wrong. However, the underlying basis for our personal choices and decisions shall always be fairness and the ultimate **balance** between the competing needs of all the stakeholders. That balance is achieved through **Mujahadah**.

The need to be truthful to our values, on one hand, and the need to take decisions on the other, requires the right balance between the contemplative aspect and the action aspect of our life. That balance is achieved as well through **Mujahadah**.

Thus, **Mujahadah** plays a balancing role at **two levels**: Balancing the values that govern our relationships with the external world; and balancing us internally between **contemplation** and **action**.

***Exercising integrity in balancing our values, we will be rewarded by the joy of self-fulfillment while we participate in realizing our Vision!***



"ملحق"

500,000

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## I.

<p>The Messenger of Allah ﷺ said: Actions are but by intention and every man shall have that which he intended.</p>	<b>Amanah<sup>1</sup></b>	<p>قال الرسول ﷺ: "إنما الأعمال بالنيات وإنما لكل امرئ ما نوى"</p>
<p>The Messenger of Allah ﷺ said: That which is lawful is plain and that which is unlawful is plain and between the two of them are doubtful matters about which not many people know. Thus, he who avoids doubtful matters clears himself in regard to his religion and his honor, but he who falls into doubtful matters falls into that which is unlawful.</p>	<b>Taqwa<sup>2</sup></b>	<p>قال الرسول ﷺ: " إن الحلال بين، وإن الحرام بين، وبينهما أمور مشتبهات لا يعلمهن كثير من الناس. فمن اتقى الشبهات فقد استبرأ لدينه وعرضه. ومن وقع في الشبهات وقع في الحرام"</p>
<p>The Messenger of Allah ﷺ said: None of you (truly) believes until he wishes for his brother what he wishes for himself.</p>	<b>Birr<sup>3</sup></b>	<p>قال الرسول ﷺ: " لا يؤمن أحدكم حتى يحب لأخيه ما يحب لنفسه"</p>
<p>The Messenger of Allah ﷺ said: Part of someone's being a good Muslim is his leaving alone that which does not concern him.</p>	<b>Mujahadah<sup>4</sup></b>	<p>قال الرسول ﷺ: " من حسن إسلام المرء تركه ما لا يعنيه"</p>

## II. Appendix

The premise of this framework has been that the long-term success of this organization can only be achieved once we are able to fulfill our responsibilities to all stakeholders in a just and equal manner. Achievement of this equilibrium, however, could not be done through a purely business mode, since business models tend to focus on maximizing the benefits of a given relationship, with little or no regard to the effects this maximization might have on our other relationships, while equilibrium might, at times require us to diminish our own returns in order to achieve a greater long-term good. Thus, there is a need to transcend business models and employ a behavioral model of a higher order. Consequently, this framework employs a set of moral values geared towards enabling us to search for and behave according to what is right; rather than what is convenient or business smart.

<sup>1</sup> The rationale for this association

<sup>2</sup> The rationale for this association

<sup>3</sup> The rationale for this association

<sup>4</sup> The rationale for this association



Being of a higher order means that these values are applicable beyond the realm of business to other areas of interaction and social domains. That is, they are just as relevant in our work lives as they are in our personal lives. And, looking at these ethics we note that they are very much based on a universal understanding of what is right and wrong, an understanding that is called for and practiced by all major value and religious systems.

The Muslim scholar Abu Daoud, after a lifetime of studying Hadiths (prophetic traditions of which he compiled and commented on over 500,000), thought that the essence of Islam revolves around 4 of these Hadiths. Interestingly, these 4 correspond to the 4 ethics that we have deployed in our framework for business ethics.

These are:

<p>The Messenger of Allah ﷺ said: Actions are but by intention and every man shall have that which he intended.</p>	<p><b>Amanah<sup>1</sup></b></p>	<p>قال الرسول ﷺ: "إنما الأعمال بالنيات وإنما لكل امرئ ما نوى"</p>
<p>The Messenger of Allah ﷺ said: That which is lawful is plain and that which is unlawful is plain and between the two of them are doubtful matters about which not many people know. Thus, he who avoids doubtful matters clears himself in regard to his religion and his honor, but he who falls into doubtful matters falls into that which is unlawful.</p>	<p><b>Taqwa<sup>5</sup></b></p>	<p>قال الرسول ﷺ: " إن الحلال بين، وإن الحرام بين، وبينهما أمور مشتهيات لا يعلمهن كثير من الناس. فمن اتقى الشبهات فقد استبرأ لدينه وعرضه. ومن وقع في الشبهات وقع في الحرام"</p>
<p>The Messenger of Allah ﷺ said: None of you (truly) believes until he wishes for his brother what he wishes for himself.</p>	<p><b>Birr<sup>6</sup></b></p>	<p>قال الرسول ﷺ: " لا يؤمن أحدكم حتى يحب لأخيه ما يحب لنفسه"</p>
<p>The Messenger of Allah ﷺ said: Part of someone's being a good Muslim is his leaving alone that which does not concern him.</p>	<p><b>Mujahadah<sup>7</sup></b></p>	<p>قال الرسول ﷺ: " من حسن إسلام المرء تركه ما لا يعنيه"</p>

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<sup>5</sup> The rationale for this association

<sup>6</sup> The rationale for this association

<sup>7</sup> The rationale for this association