OECD OCDE

OECD Roundtable on Global Instruments for Corporate Responsibility

19 June 2001 – Paris, France

SUMMARY REPORT OF THE ROUNDTABLE DISCUSSION

The OECD Roundtable on Global Instruments for Corporate Responsibility was held on 19 June 2001. Numerous speakers addressed the National Contact Points (NCPs) on the subject of global instruments for corporate responsibility (see Programme in Annex). The discussion focused on how the different instruments could be made to complement one another and on how they are perceived and applied by the business community and other organisations. The list of speakers included representatives of the UN Global Compact, the Global Sullivan Principles and the Global Reporting Initiative. Also represented were a host of business organisations, labour federations and not-for-profit groups. The Box contains an executive summary of the Roundtable conclusions.

The discussions and findings from the Roundtable are described below:

The historical context

A number of participants in the Roundtable noted the distinctive features of today's global economy and the need to develop a governance framework that encompasses the evolving nature of international business. Kari Tapiola (ILO), referring back to the original Guidelines negotiations in the mid-seventies, stated that, at that time, multinational enterprises were well-defined entities occupying the "controlling heights" of the world economy. However, times have changed. Seiichi Kondo, Deputy Secretary General of the OECD, noted that "…we have seen an unprecedented proliferation of the market economy and private capital, a power shift from states to markets, and a rise in the power of civil society." Ann-Christine Habbard (International Federation for Human Rights, FIDH) noted that the international scene is no longer primarily one of relationships between states. Non-state actors -- including multinational enterprises and international financial institutions -- have emerged whose activities have major impacts on the lives of millions of people.

This has been accompanied by other shifts in the economic landscape. Pieter Kroon (ING Group) noted the new challenges posed by the internationalisation of markets and of information flows and by the increased global scrutiny of stakeholders and the media. Large, highly visible corporations now coexist alongside smaller companies that also have international reach. The borders of the firm have become blurred, as companies have deepened and extended relationships in supply chains as well as other business partnerships. As a result, the Guidelines and other global instruments for corporate responsibility face the task of giving meaning to the concept of business responsibility in a context where business entities themselves are often quite fuzzy and where the associated challenges of control and monitoring -- both by companies and by societies -- have become more complex. This heightens the challenge of putting in place an appropriate framework for global governance.

Progress and urgency

Dr C.T. Wright (Global Sullivan Principles) noted that the present period is a particularly auspicious one for change and progress. He cited the creation of a large talent pool of managers with the "ability and credentials" to act as agents for change as well as emergence of the technology and management systems needed to make global control of corporate behaviour an increasingly viable goal. In contrast, Pieter van der Gaag (ANPED) questioned whether there had indeed been much progress in raising the living standards and general welfare of much of the world's population. He stressed that "speed is of the essence" in taking meaningful steps to improve "the quality of life on the planet".

Government role

Many Roundtable participants agreed that, at least for now, the allocation of rights and responsibilities among governments, enterprises and other actors is an uncomfortable one. Patricia Feeney of Oxfam challenged governments to assume fully their rightful roles as law enforcers, regulators and service providers, at both the national and the global levels. Citing extractive industry cases in Africa, she noted that failure of governments to play their roles can have "literally fatal" results and can create conditions in which OECD-based companies engage in highly questionable activities. Jim Baker (International Confederation of Free Trade Unions) noted that one of the distinctive and valuable features of the Guidelines is that they represent the expectations of governments and that their relevance is not "triggered" by a company's endorsement.

The need for a better allocation of rights and responsibilities between business and government was a key area of agreement between the business community, on one hand, and the trade union and NGO communities, on the other. Roundtable participants agreed that the improved functioning of the rule of law and of broader public services in many of the regions of the world was a necessary pre-condition for achieving appropriate standards of business conduct. "Corporate responsibility" needs to go hand in hand with "government responsibility".

Private-public partnerships, but not privatisation of government responsibility

Many feared "privatisation of government responsibility" and, yet, there was a widespread sentiment that this in fact happening in some areas. The preferred model was partnership, rather than privatisation. Jacqueline Aloisi de Larderel (United Nations Environment Programme) noted that, the UN Global Compact tries to promote such partnerships -- the Compact seeks to promote sustainable growth through creative corporate leadership that is committed to the Compact's core values as set forth in its nine principles. In his presentation of the OECD Guidelines, Seiichi Kondo clearly concurred with this view: "In this new age of globalisation, co-operation among four key actors -- states, international organisations, civil society and markets -- has become more essential… Each is interdependent upon the others and therefore must co-operate with the others. The notion that if someone fails, you will fail too, serves as a powerful incentive for co-operation."

The contributions and limits of multi-stakeholder dialogue

Several participants emphasised the value of "multi-stakeholder" dialogue in providing companies with information they need to give direction to their corporate responsibility initiatives. Mike Pierce noted that consultation and dialogue could be usefully integrated into the learning and management processes of companies, a point that was also taken up by Corinne Dreyfus (European Commission). In contrast, Anne-Christine Habbard, Katherine Hagen (Hagen Resources International) and Pieter van der Gaag stressed the limits of dialogue, noting that ultimately democratic governments and their associated

political processes are the most legitimate exponents and distillers of public opinion. Their role in global dialogue and decision making is a crucial and unique one.

Virtues of a "plethora of codes"

The proliferation of global codes and instruments was not seen as a cause for concern by all Roundtable participants. Rather, it was viewed more optimistically as a sign of innovation in an evolving area of international policy (by Neil Roger of the World Bank and by Mike Peirce). Yet many participants noted the variation in company code commitments, even in fundamental areas. As a result, there is a need for co-ordination between key international organisations in sending coherent guidance to the business community. Mark Lee (Business for Social Responsibility, BSR) notes that, as a user of standards, BSR tends to draw at different times on all of them and to adapt them to the particular needs of their members.

Confusion, cherry picking and code shopping

The problem of a "plethora of codes" was a source of concern to some participants, who feared that companies would "pick and chose", adopting the convenient ones and ignoring those that are inconvenient or costly. Others highlighted the possibility that the profusion of codes might lead to confusion. For example, Mark Lee noted that the existence of many codes might leave managers confused on where to begin and how to move forward. Anna Walker (United States Council for International Business) noted that, in addition to confusion, the pressure to comply with a multitude of codes, standards, and guidelines could raise compliance costs. However, both she and Mike Peirce also stated that standardisation is not the way forward -- there can be no "one size fits all" approach to determining which principles and standards are relevant for a particular company and to deciding what these principles mean for the company's operations. Mike Peirce stressed that the problem of excessive "codification" could be addressed by integrating corporate responsibility efforts into management processes and broader strategies for organisational learning. Kari Tapiola stated that the large number of global instruments and codes is not a problem as long as they are all based on the same general principles.

Unity of principles and objectives

Many participants highlighted the underlying unity of purpose and principle of global instruments for corporate responsibility. This view emphasises the fact that, in fact, differences among the instruments are small -- they all embody more or less the same fundamental principles. Corinne Dreyfus noted, for example, that a wide array of fundamental declarations and conventions are referred to in the commentary to the Guidelines (e.g. the Universal Declaration of Human Rights, numerous ILO declarations and conventions and the Rio Declaration). The Netherlands NCP noted that the basic aims of the international instruments are the largely the same. They all draw on the same basic framework of international declarations and principles -- the main differences are in the implementation mechanisms for promoting these efforts. Patricia Feeney pointed out that this framework has emerged over many decades and today's work on the Guidelines and on the other global instruments is just an extension of this historical process. Referring to working conditions in supply chains, John Brookes (Société Générale de Surveillance) noted that, despite the theoretical universality of these principles, in practice there are large gaps between principle and practice in factories and other work sites around the globe.

Transparency and reporting

Many speakers stressed the need for further work on improving practices in transparency and ethical, social and environmental reporting. According to Alan White (Global Reporting Initiative, GRI), this is central to GRI's mission and renders GRI highly complementary to and synergistic with all of the global instruments discussed at the Roundtable. Kristian Ehinger (Volkswagen) noted that financial

accounting standards have taken years to develop and that the development was largely through private efforts, reinforced in various ways by governments. He expects that social and environment disclosure would follow the same pattern of progress through private efforts supported by various types of public inputs. Steve Hine (EIRIS) said that company reporting is the single most critical ingredient underpinning the effectiveness of ethical investment services. Mike Peirce stressed the need for the further integration of social and ethical accountability practices into other professional frameworks and groups of managers (e.g. by addressing related professions such as risk management and human resource management).

Verification

The question of verification and non-financial audits is closely related to the transparency and reporting issue discussed above. Allen White of the Global Reporting Initiative, noted that it is one of his organisation's main strategic priorities and that it is a complex issue. Indeed, the dominant theme of the discussion was to highlight the fact that verification and audits are not a panacea in this field, nor is it easy to make verification and audit systems work. Numerous difficulties were highlighted. John Brookes noted the "inflated expectations" of some parties in relation to external verification and audit in the supply chain. John Evans (TUAC) emphasised the need be able to "verify the verifiers," while Roy Jones (TUAC) questioned whether some of the "for profit" service companies providing social audits really have genuine expertise in this area. Jim Baker noted that verification is often ineffective for the same reasons it is necessary -- the absence of an empowered workforce and of the related right of freedom of association.

Works in progress

All of these instruments are evolving rapidly. This is true not only with respect to their contents and texts, but also in terms of the institutional supports that help make them meaningful. A number of participants stressed the importance for these instruments of being able to draw on loosely structured, more adaptable networks that fit the multinational, mutable nature of the problems they address. Corinne Dreyfus (European Commission) noted that credible verification, audit and other disclosure services and standards were still "under construction." She expressed concern that the absence of credible services and standards would serve as a brake on companies' willingness to undertake corporate responsibility initiatives.

Unique features and "user recognition" of the Guidelines

The Guidelines are unique by way of their endorsement by governments and the procedures they offer for implementation. Many participants saw these features of the Guidelines as key strengths. The Guidelines are not as well known internationally as the other global instruments represented at the Roundtable. Many speakers noted this fact and there were several calls for the Guidelines institutions to take steps to raise their international profile. On the other hand, Stephen Hine noted that the Guidelines had attracted enough attention and had sufficient credibility to serve as one of the main corporate responsibility standards underpinning the Financial Times Stock Exchange "Ethical" Index. Stephen Canner (United States Council for International Business and BIAC) pointed out that the length and detail of the Guidelines means that senior executives are less likely to read them than shorter, less detailed instruments (e.g. UN Global Compact). Thus, while their detail and breadth are one of their strengths, this puts them at a disadvantage in gaining recognition by top management.

Supply chains, sub-contractors and other business partners

Several participants stated that they did not feel that global codes and their implementation procedures deal adequately with the difficult issue of supply chains and sub-contractors (for example, Kari Tapiola and John Brookes). Stephen Canner called for further work in this area in order to understand

better the issues involved and the roles that can be played by both governments and businesses to promote corporate responsibility with supplier and sub-contractor firms, particularly in the developing countries.

Co-operation among international organisations

The representatives of all of the global instruments represented at the Roundtable expressed an interest in working with the National Contact Points in order to explore synergies and to further common goals. The other participants also emphasised the value of such co-operation. Pieter van der Gaag and Katherine Hagen noted synergies are particularly strong between the OECD Guidelines and GRI Guidelines. In Pieter's view, the OECD Guidelines' weakest point is its treatment of non-financial disclosure and reporting and this is complemented by the detailed GRI guidance on this issue. The delegate from Mexico, noting other international organisations' distinctive expertise in various fields, favoured linking implementation of the OECD Guidelines more closely with that of the other instruments, especially those of the ILO.

Box. Executive Summary of Roundtable Findings

The key findings of the Roundtable on the Guidelines and other Global Instruments for Corporate Responsibility are as follows:

New global context. The new global context is characterised by the emergence of hundreds of thousands of multinational enterprises, some very large and other quite small.   The blurring of the bounds of the firm and the extension and deepening of economic relations across different regions has created new challenges for both public and private governance. The global instruments examined during the Roundtable are an emerging response to this challenge. Co-operation among all actors is both necessary and desirable in this new context.

Government responsibility: Corporate responsibility needs to go hand-in-hand with "government responsibility". Participants from the business community, trade unions and NGOs all expressed a fear that a gradual "privatisation" of government responsibility was taking place and called for governments to assume their rightful roles at the global and national levels.

Harmony of purpose and ideas. The basic aims and ideals of the global instruments are largely the same. They all draw on the same basic framework of international declarations and principles -- the important differences are in the implementation mechanisms for promoting these efforts.

Strengths of the Guidelines. The major strength of the Guidelines is their firm grounding in inter-governmental processes. As noted above, many participants fear a privatisation of government responsibilities in the emerging global governance framework. As an expression of shared government expectations, the Guidelines hold the promise of being able to re-inject a government voice into the debate on global behavioural norms for business.

Weaknesses of the Guidelines. The principal weakness of the Guidelines relative to other global instruments is their very low "user recognition". Numerous explanations for this emerged, but there is clearly a need to continue to raise the recognition of the Guidelines among all user communities.

Future issues for Guidelines implementation. Business and NGOs cited supply chain management as an issue where there is a crucial need for further work. Another was in the related fields of ethical, social and environmental disclosure and reporting as well in the auditing and verification standards that support them.

Co-operation in the promotion of global codes. All representatives of global instruments expressed an interest in co-operating with the National Contact Points and other Guidelines institutions in furthering shared objectives. Knowledge sharing and joint promotion were mentioned as possible future paths for such co-operation.