



Workshop on Sustainable Development, Environment and the OECD Guidelines for Multinational Enterprises

19 November 2003
Johannesburg

Chair's Summary

Background

The Workshop was organised in connection with the annual meeting of the OECD Global Forum on International Investment on 17 and 18 November 2003 that took place at the same venue. While many of the participants attended both events, a number of experts on environment and sustainable development from the African continent and beyond were especially invited to the Workshop. The participants included OECD and African policy makers, representatives of environmental protection agencies, corporations and business associations, and civil society groups, as well as executives, experts from international organisations and academia, and representatives of civil society both from OECD and non-OECD countries.

The discussions made reference to the lessons learned from the 2002 World Summit on Sustainable Development that likewise took place in Johannesburg one year ago. Particular reference was made to the fact that Heads of State had agreed in Johannesburg 2002 on a need to actively promote corporate responsibility and accountability, inter alia in the area of environment, and it was acknowledged that the agenda of the Workshop was strongly supportive of this objective.

Corporate responsibility and sustainable development

The Workshop heard presentations of three voluntary codes of corporate responsibility, namely the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative's Sustainability Reporting Guidelines and the International Chamber of Commerce's Business Charter for Sustainable Development. It was felt that each of these three codes embodies factors that are essential to the success of voluntary approaches, namely the support of governments, a high degree of buy-in from the corporate sector and a commitment to regular performance reporting. A closer coordination of these and other initiatives could provide a more coherent approach for companies seeking to implement generally accepted codes of conduct, and at the same time facilitate the positive contribution of governments and civil society to the corporate efforts.

The experience with corporate voluntary approaches to the environment

There was agreement that sustainable development needs to be considered as an entity, no element of which can be addressed in isolation nor assessed in the short term. Nevertheless, on the specific issue of environmental performance, the discussion showed that many companies and economic sectors have adopted codes of good practice, environmental management systems, environmental charters and other forms of business led voluntary initiatives, and have put in place environmental management and reporting systems. A key incentive for businesses to be involved in voluntary initiatives is to protect and improve their reputation. However, in the view of some participants, existing voluntary initiatives have sometimes failed to generate the expected benefits in terms of public trust and credibility. Among the main reasons for this are the problem of free-riders, the frequent lack of a set of clearly defined targets, inadequate monitoring and enforcement procedures and the absence of external, independent verification. Among the observations made during the discussions were:

- Sound regulatory systems and basic principles of good public governance are preconditions for business contribution to sustainable development. When these are weak or insufficient, the role of business in ensuring sound environmental and social practice gains added importance. However, the weakness of public governance makes it notoriously difficult for companies to make a positive contribution. Capacity building efforts directed at governments should be considered.
- One option for implementing corporate responsibility in a low-governance area, which was supported by participants, is collective action by enterprises such as the chemical industry's "Responsible Care" programme. Business associations can play a pivotal role in engendering a common sense of direction, acting as a showcase for good practices and applying peer pressure. They can also contribute to implementing enforcement mechanisms, though given the nature of these organisations, this option may in practice be limited.
- The implementation of international initiatives such as the OECD and GRI Guidelines helps set standards against which businesses can assess their performance. Where companies implement such guidelines and prove to do so through information dissemination and, as appropriate, a process of independent verification, public trust and credibility of voluntary approaches is likely to improve.
- A shift in the focus of civil society organisations towards supply chain, financial and fair-trade issues is creating new challenges for internationally operating enterprises. A stronger orientation toward shareholder and civil society activism in developing and emerging economies has the potential to trigger similar effects.

Going forward: options for supporting corporate efforts

Participants expressed support for working jointly and cooperatively to support current corporate voluntary approaches, and further develop them. From the perspective of policy makers and environmental agencies, voluntary business initiatives to improve environmental performance are clearly welcome, as they can be a useful complement to regulatory systems. On the other hand, voluntary initiatives cannot become a substitute for sound government regulation; both are needed and they are not mutually exclusive. Participants suggested several ideas for future developments and cooperative approaches, including:

- There could be a need for developing more sector-specific codes of conduct for the future. Existing guidelines and standards mostly apply to the business sector as a whole, and in many cases fail to address the specific challenges of individual economic activities.

- A way forward could be partnerships between business and civil society organisations, *inter alia* to strengthen credibility and public trust. Presently, such cooperation is often held back by the latter's concerns about being perceived as becoming captive to business interests. However, there is an increasing realisation that such partnerships may help create business opportunities in low-income communities that benefit both companies and the poor. Official development assistance agencies can play a role in encouraging such partnerships. Moreover, a key factor for the long-term effectiveness of such efforts is the active involvement of local partners.
- Financial institutions, both private and public, can also play a greater role in supplementing and leveraging corporate efforts. A recent example is the Equator Principles which assist banks in determining, assessing and managing environmental and social risk on project financing.
- The corporate responsibility agenda has been largely driven by concerns about large enterprises operating in, and out of, the developed world. In the future, wider acceptance of corporate responsibility is likely to depend on a greater involvement of non-OECD actors. Similarly, efforts will be needed to enhance the participation of small and medium sized businesses.
- A greater effort to make the OECD Guidelines known in non-Member countries may be needed. For instance, parts of the NGO communities of African countries remain largely unaware of the Guidelines and the support these could lend to their efforts.

Conclusion

The Workshop participants were supportive of corporate voluntary initiatives as a tool for sustainable development. They also stressed that the positive impact of corporate social responsibility is much greater when backed by sound public governance, including the rule of law and transparency. Participants expressed their support for the OECD Guidelines for Multinational Enterprises and voiced an interest in working with the national contact points in the future.

It was felt that the potential of voluntary initiatives to make a significant contribution to environment and sustainable development has not been fully exploited and that much more can be done. Efforts are needed to win the trust of civil society, *inter alia* by increasing the quality of corporate reporting. Whilst the number of competing voluntary initiatives can be expected to abate over time as a few preferred standards emerge, in the near term there is a need to enhance transparency by making information about the available standards and business environmental performance more generally available. Further efforts should also be made in order to map, where possible, the linkages, similarities and inconsistencies between different approaches, and explore potential synergies. Also, it was felt that new ideas need to be explored for helping companies turn standards into practice and improve their environmental performance.