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Codes of Corporate Conduct: Expanded Review of their Contents

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Codes of Corporate Conduct: Expanded Review of their Contents

May 2001

This report was prepared as part of a joint project undertaken by the Trade Committee and the Committee on International Investment and Multinational Enterprises.

This paper forms part of an OECD publication entitled ***Corporate Responsibility: Private Initiatives and Public Goals*** *which was published in May 2001.*

Organisation for Economic Co-operation and Development 2001

CODES OF CORPORATE CONDUCT: EXPANDED REVIEW OF THEIR CONTENTS[1]

Executive Summary

Based on a slight extension of the inventory of 233 codes of corporate conduct collected for an earlier study (TD/TC/WP(98)74/FINAL), this paper takes a more in-depth look at the contents of the codes with respect to issue coverage and code implementation procedures.

The main findings of this investigation of 246 voluntary codes of conduct are:

The codes examined differ considerably in terms of their content and degree of detail. This reflects the underlying diversity of the organisations issuing the codes, which differ in terms of size, sector and regional affiliation. All the firms subscribing to the codes covered in this study are based in the OECD (most of the 29 member OECD countries are covered in the inventory). The firms operate in a variety of sectors including high technology, mass retailing, heavy manufacturing, light manufacturing, primary production and financial services. Some codes in the inventory are issued by business associations and others by NGOs.

The codes address a variety of issues, many appearing to arise from concerns of the general public. Environmental management and labour standards dominate other issues in code texts, but consumer protection and bribery and corruption also receive extensive attention. In addition, many codes contain extensive text on fairly narrow questions of internal control and protection of shareholder value. These issues are particularly important for financial intermediaries, conglomerates and very large manufacturers. Another objective that appears in some of the codes is the desire to manage risk of liability or to ensure compliance with the law in such areas as competition and environment.

The statements made by some of the codes suggest that economic motivations related to the desire of organisations to compete successfully in the market place can also play a role in an organisation's decision to develop a code of conduct. Relatively often mentioned considerations are the protection or enhancement of an organisation's reputation and stronger customer loyalty.

Codes addressing labour and environmental issues differ considerably in how they approach these two issues. While some codes mention labour and environment only in passing, many of them are devoted exclusively to one of these two issues. Especially in these "single issue" codes, the overall level of commitment is often quite high, although the specifics of the commitment vary. In the environmental codes, commitments often include being open to community concerns, engaging in a process of continual improvement, training employees and encouraging dialog within the firm. The same situation holds for the labour codes -- the codes that deal with the issue at length tend to show a high level of commitment. Among the codes mentioning labour, the most common commitments are: creating a reasonable working environment; refusal to discriminate or harass; compliance with law; avoidance of child labour; and conditions of worker compensation. Many of these codes have been influenced by external reference standards (other codes and international agreements and recommendations).

The codes from the apparel and extractive industries show that industry factors can be very important in shaping the codes. The content of the apparel codes, all of which cover labour issues, is quite different from the "average" content of the labour codes in the overall inventory. All of the apparel codes deal with child labour and the majority deal with bonded labour, working environment and compensation.

Codes from the extractive industry typically deal with a diverse array of issues and are much more likely to deal with environment and labour than the "average" code in the inventory.

The codes surveyed show the diversity of approach which organisations take to including information about the process of implementation in their codes. The codes are quite selective in the elements of implementation which they describe and the detail of information provided. Certain elements, such as policy to inform stakeholders of the code and monitoring, are mentioned more frequently than others.

The methodology adopted by this study has unavoidable limitations and the findings can only be seen as indicative of how firms manage certain aspects of their policies of corporate responsibility. The codes of conduct methodology looks only at what may be the "tip of the iceberg" in firms' efforts to meet a given standard for business conduct. Codes of conduct, in order to be fully understood, must be placed in their broader managerial, sectoral and social context. Data other than those derived from the code texts are necessary to further such understanding.

Introduction

This paper is part of ongoing collaborative work by CIME and the Trade Committee on codes of corporate conduct. Drawing on a jointly drafted outline for such work and comments made by Member countries, this paper follows up on a mandate for extended factual analysis aimed at clarifying the content, purposes and effects of codes.

An initial examination of code texts was undertaken in TD/TC/WP(98)74/FINAL, which presents an inventory of 233 codes collected from OECD countries. The present report deepens the examination by addressing the following two questions:

- What objectives do codes set for themselves and how do these relate to public concerns? The paper looks in some detail at how these issues are addressed -- for example, within the general issue of environmental management, what, more specifically, do firms say they want to do? It also takes a closer look at the codes in the apparel and extractive industries in order to see if they deal with public concerns that appear to be of particular relevance to these sectors. In particular, it looks at the codes' treatment of child labour and other workplace issues in the apparel industry and at protection of indigenous peoples and site restoration in extractive industries.

- What do the code texts reveal about the activities that are being undertaken by organisations in order to put the commitments or principles set forth into effect?

Methodology and Limitations

The codes inventory used in Chapters 3 and 4 defines codes of corporate conducts as "commitments voluntarily made by companies, associations or other entities, which put forth standards and principles for the conduct of business activities in the marketplace". This definition includes self-obligations and negotiated instruments. It excludes codes of corporate governance.

Each code was scored as to whether it mentioned nine issue areas: environmental stewardship, labour standards, science and technology, competition, information disclosure, taxation, bribery and corruption, and consumer protection. These areas were selected because they are important for the ways that companies affect the welfare of the societies in which they operate. The content analysis of the codes

was deepened by breaking individual issues areas, such as environmental protection and labour practices, further down into various sub-areas.

The initial inventory was also slightly expanded. Codes of firms in the apparel and extractive industries were collected to make possible a more focused analysis of codes in these two sectors. The additional firms were identified through competitor analysis of the firms whose codes had already been inventoried. The Secretariat also conducted several interviews with Japanese and American firms concerning codes of corporate conduct as a complement to the textual analysis. The codes that were collected during these interviews have been included in the inventory. Telephone interviews were conducted with nine French branded apparel firms, none of whom had issued codes.

To explore what code texts reveal about the implementation of codes, the texts of the 246 codes were examined for relevant statements, which then were aggregated using broadly defined areas of activity. Specific statements taken from codes serve to illustrate the variance in the degree of detail and content of provisions on implementation.

The methodological limitations of this study should be born in mind. Because of the way the codes were collected, the set of codes is neither a random nor a representative sample of the codes issued by companies, associations or other stakeholders in various countries. The types of codes included in the inventory vary widely, from codes designed to influence employees' conduct to sourcing principles. For some organisations, several codes are included (and counted separately) in the inventory; in other cases, the inventory contains only one of several codes which a firm has issued.

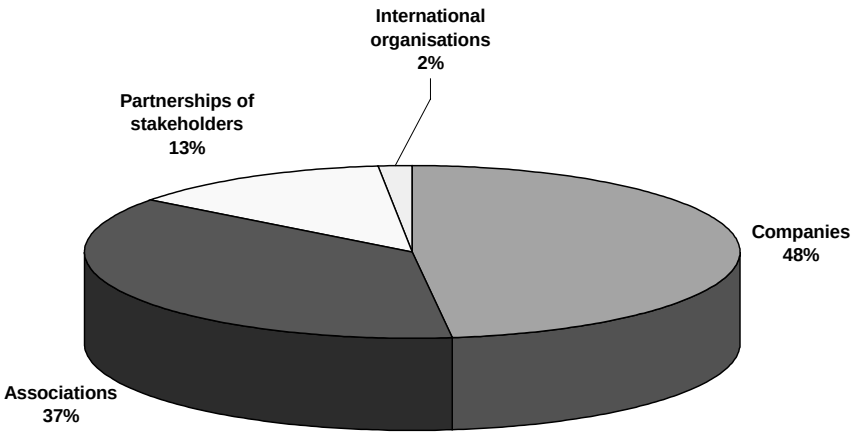
There is no way to ensure that the material which the OECD received from respondents is comparable. Some companies and other organisations issue short statements of values and then publish separately instructions manuals and training material for their employees that reveal more about corporate commitments and in particular the processes and procedures underpinning code implementation. This material has not always been sent to OECD. Other issuers include detailed instructions and other information about implementation procedures in the code text itself. Scoring was based on the entire set of information received and therefore may not be fully comparable across code issuers. Thus, some of the measured variation may stem from the inventory containing fuller information for some code issuers than for others.

Finally, the overall code analysis aggregates over a number of important sectoral and geographical factors. This means that it is hard to use the overall aggregates to make certain inferences, e.g. concerning the extent to which the social and economic processes driving the corporate codes movement have led to uniformity in firms' commitments.

A Profile of the Codes Reviewed

The composition of the codes by type of issuer is shown in Figure 9. Individual (mostly multinational) companies issued many of the codes (118 codes). However, code activity extends beyond companies to industry and trade associations (92 codes), partnerships of stakeholders (mainly NGOs and unions; 32 codes)" and some inter-governmental organisations (4 codes).

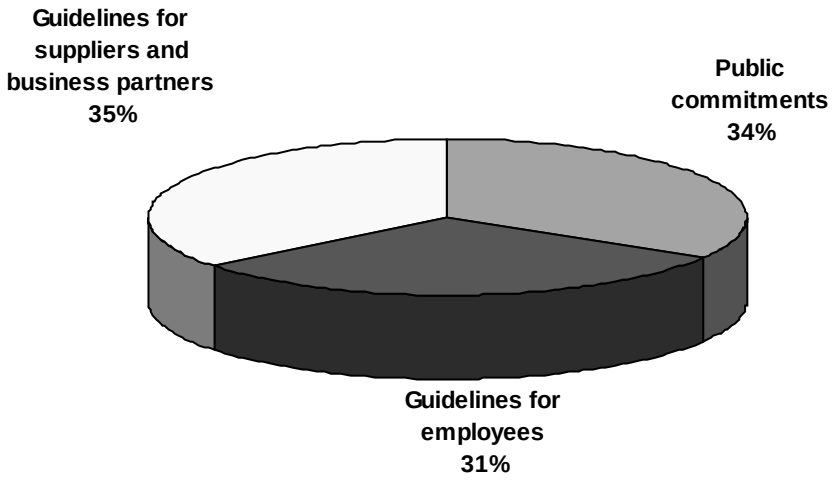
Figure 9. **Composition of Codes by Type of Issuer**



Source: OECD

The inventory contains codes addressing a variety of audiences. While association codes always state the commitments of the association, individual company codes may take different forms. These are shown in Figure 10. The main categories of individual company codes that are found in the inventory are: 1) those that set guidelines for employees; 2) guidelines for a supplier/business partner's conduct; 3) a statement of company's commitment towards the public. A code may cover more than one function mentioned above; for example, it often happens that part of a code is intended for employees, while another section is intended for business partners. Most of the codes fall into one or two of these categories. The remaining codes are international agreements, government statements, and recommendations issued by third parties.

Figure 10. **Type of Company Codes**



Source: OECD

Twenty-three countries are represented in the codes survey (see Table 3). The distribution is a function of the willingness of respondents to submit information to the OECD. The data should not be interpreted as reflecting the "true" geographical distribution of voluntary codes.

With respect to enterprises that have issued codes, many produce more than one type of product and are involved in several business activities. For this reason, it can be difficult to categorise these firms by a simple industrial classification. Among the 118 companies whose individual company codes are available, 24 operate in the primary sector, 69 in the secondary and 91 in the tertiary sector (see Table 4). (There is evidently double counting.)

Table 3. **Countries of Origin by Issuer of Code**

	Number of codes
Australia	20
Austria	4
Belgium	2
Canada	17
Czech Republic	4
Denmark	2
Finland	4
France	9
Germany	11
Greece	2
Italy	5
Japan	8
Korea	7
Luxembourg	1
Mexico	3
Netherlands	2
New Zealand	4
Norway	3
Spain	4
Sweden	6
Switzerland	10
United Kingdom	23
United States	67
Two or more countries	9
International	19

Note: It was not possible to identify the nationality for all codes

Source: OECD

Table 4. **Sectoral Composition of Firms Issuing Codes**

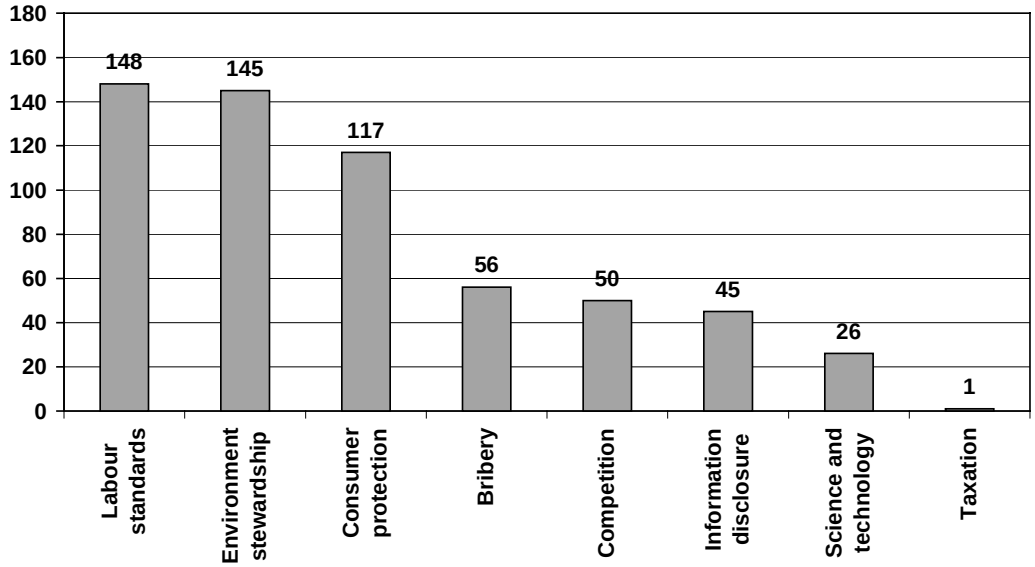
Sector	**Activity**	**Number of firms**
Primary	Agriculture	3
	Extractive	20
Secondary	Food	7
	Textile	23
	Wood	4
	Petroleum related	12
	Chemical	22
	Plastic	5
	Metal	13
	Electronics	14
	Mechanical product	15
	Office machinery	6
	Vehicles	10
	Others	15
Tertiary	Electricity, gas, water	10
	Construction	6
	Trade	61
	Hotel/restaurant	6
	Transport and communication	12
	Financial activities	10
	Real estate and other business	9
	Others	14

Source: OECD

The Content of the Codes: Issues and Audiences

This section gives the results of a textual analysis of the 246 codes. It examines codes for their coverage of the following issue areas: environmental stewardship, labour relations, disclosure of information, competition, taxation, bribery and corruption, science and technology, and consumer protection (Figure 11). Environmental stewardship (mentioned by 145 codes) and labour relations (148 codes) are the issues areas most frequently addressed. The least frequently mentioned issue area is taxation, which appears in only one code.

Figure 11. **Attributes of the Codes**



Source: OECD

Environmental Stewardship

Environmental stewardship is one of the most heavily cited of the areas in the extended inventory: 145 codes out of the 246 codes in the set mention it. Twenty-four of the codes are dedicated exclusively to this subject. The Secretariat has extended the initial inventory to 24 more specific attributes of the environment commitments. The attributes were selected by referring to some major environmental codes (Agenda 21, Ceres) and based on the suggestions of in-house experts. The results of this extension of the inventory are shown in Table 5.

Table 5 shows the frequency with which specific types of commitment are mentioned in the codes that cover environment. A significant number of issuers include in their codes a commitment to "comply with the law". In fact, 68% of the codes examined include such a statement. Other frequently mentioned commitments are: employee education, awareness and training (mentioned in 36% of the environment codes), openness to community concerns[2] (40%), environmentally friendly products and services (38%), provision of information so as to heighten community or consumer awareness (33%), obligations for contractors and suppliers (35%) and global applicability (34%).

Table 5. **Environmental Content of Codes**

	Percentage of codes mentioning attribute*
Comply with laws	67.6
Openness to community concerns	40.0
Environmentally friendly products and services	37.9
Employee training, awareness and dialogue	35.9
Transparency to Public	35.9
Contractors, suppliers & partners	35.2
Continual improvement	33.8
Global application	33.8
Water, waste & effluent management	33.1
Conservation of Materials & Recycling	33.1
Public/customer awareness	33.1
Internal Reporting & Performance audits	28.3
Research	26.2
Accountability of Management	24.8
Energy Conservation	24.8
Prior assessment	23.4
Hazardous waste disposal/management	23.4
Sustainable development	23.4
Exceed legal requirements	20.7
Measurable objectives	17.9
Emergency Preparedness	17.2
Contribute to sound legislation	16.6
Design, construction and decommissioning sites/facilities	15.2
Bio-diversity	11.7
Transfer of technology	9.7

* These are calculated as: 100*[the number of codes mentioning attribute]÷[the number of codes citing environmental stewardship]

Source: OECD

Labour management

"Fair employment and labour rights" is a very frequently mentioned issue area, with well over half of the codes making related statements. Codes were examined further for 18 more specific attributes of labour commitments which were chosen based on consultations with in-house experts. Table 6 reports the frequency with which each of these attributes is mentioned in codes that contain text on labour relations.

In understanding the content of these codes, it is necessary to keep in mind that many of them are, at least in part, responses to NGO- or government-sponsored campaigns to improve working conditions in the sub-contracting sector of the apparel industry (e.g. the "Clean Clothes" campaign). Mass retailers and some other consumer goods companies also tend to be sensitive to this issue. Thus, 41% of the codes dealing with labour issues mention obligations for sub-contractors or other business partners. Similarly, many of them concentrate on the "cluster" of issues that came up in the course of these campaigns – forced labour (39%), child labour (43%), working hours (32%), compensation (45%) and reasonable working environment (76%). 13% of the codes that deal with labour issues mention ILO Declaration or Conventions. More generally, respect for human rights in the workplace is mentioned by 25% of these codes.

There is relatively less coverage of certain other aspects of human rights in the workplace. Thirty per cent of the codes mention respecting freedom of association and collective bargaining. Even less frequently mentioned issues are the right to information (14%) and reasonable advance notice (3%).

Relations with sub-contractors and other business partners are mentioned in 41% of the labour texts. As noted above, many of the texts are, in fact, addressed to subcontractors and other business partners. Often partners are asked to sign a letter of understanding that contains language to the effect that there might be sanctions if the standard is not adhered to. However, the codes often state that, before such measures are adopted, remedial action may be taken by the contractor to achieve compliance. For example, one North American retailer states the following on monitoring and enforcement in its vendor code:

> *"As a condition of doing business with [the company], each and every factory must comply with this code of vendor conduct. [The company] will continue to develop monitoring systems to assess and ensure compliance. If [the company] determines that any factory has violated this Code, [the company] may either terminate its business relationship or require the factory to implement a corrective action plan. If corrective action is advised but not taken, [the company] will suspend placement of future orders and may terminate current production."*

Some of the codes come with training material and formats for data collection designed to serve as a basis for data bases tracking the labour conditions prevailing at sub-contractors' production sites.

Table 6. **The Labour Content of the Codes**

	Percentage of codes mentioning attribute*
Reasonable working environment	75.7
Compliance with laws	65.5
No discrimination or harassment	60.8
Compensation	45.3
No child labour	43.2
Obligations on contractors/suppliers	41.2
No forced labour	38.5
Provision of training	32.4
Working hours	31.8
Freedom of association	29.7
Specific mention of "human rights"	25.0
Monitoring	24.3
Right to information	13.5
ILO codes mentioned	10.1
Promotion	8.8
Reasonable advance notice	3.4
No excessive casual labour	3.4
Flexible workplace relations	0.7

* These are calculated as:
100*[the number of codes mentioning attribute]÷[the number of codes citing labour]
Source: OECD

The codes also attest to certain divergences of opinion or approach. On one extreme, for example, a North American company states that it will use legally permissible means to discourage the unionisation of its work force. In contrast, many other companies commit to freedom of association and the right to collective bargaining for their own employees and for contractors and subcontractors. Labour codes also

differ in their specific treatment of particular issues. Child labour is a good example of this. Although many labour codes do not mention this issue, all those that do commit the company to contributing to the long-term goal of eliminating child labour. However, several codes recognise that the ethical considerations underpinning child labour mean that outright prohibition might not always be in children's interests. For example, a mass retailer from continental Europe has issued a code that states:

> *"In many countries, child labour is both permitted and common. Asking our suppliers to prohibit it completely for children under a certain age would have dramatic consequences for the children themselves and for their families (extreme poverty, prostitution…). It is therefore necessary to opt for a more gradual, pragmatic, incentive-based approach. Accordingly, [the company], in extreme situations (excessively young workers, inappropriate working conditions…) will immediately cease its commercial relations with the enterprise concerned. In other cases, [the company] will encourage its supplier to participate actively and progressively in eliminating child labour by using the most appropriate methods in the interest of the child. In order to realise this objective, [the company] will promote compliance among its suppliers with the ILO convention that fixes the minimum working age at 14 years".*

Numerous codes also specify what is to be done if a child is found to be in the employ of a sub-contractor (e.g. child is to be taken care of until some alternative is found – return to family, re-entry into school etc.) Other codes do not specify whether any special obligation to the child exists.

The survey illustrates diversity of and lack of consistency in treatment of issues in the labour codes. Idiosyncrasies may reduce the codes' value as tools promoting transparency and accountability. On the other hand, the diversity of codes -- in addition to reflecting the inherent differences of the organisations that issue them and probable weaknesses in the methodology -- also reflects an underlying lack of consensus on some of these issues.

Disclosure of information

"Disclosure of information" is a key aspect of corporate citizenship since the disclosure policies render the firm accountable to outside assessment. Disclosure texts tend to discuss three "concepts" for disclosure (often codes cover more than one of these):

- ***Disclosure of product information***. Companies promise full and accurate disclosure of product information. This is discussed in greater length in the consumer section -- 41% of the texts that address consumer protection make commitments concerning disclosure of product information.

- ***Disclosure as an aspect of financial control***. Companies commit themselves to various types of financial disclosure.

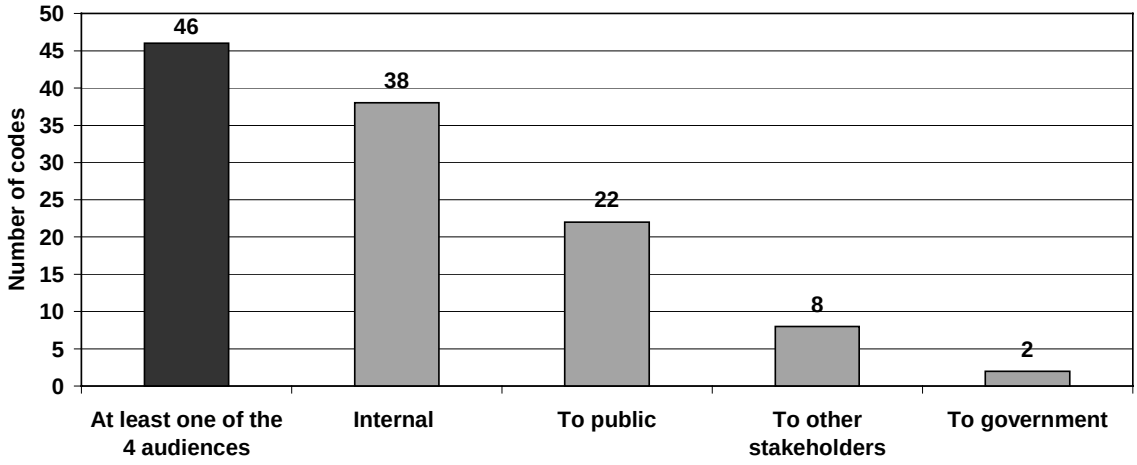
  Eighteen per cent of the codes reviewed for this paper contain text on financial disclosure (Figure 11). In addition, many of the codes state the need to safeguard proprietary business and financial information and not to reveal insider information. Generally the texts deal with financial accounting and disclosure in an extremely general way. For example, one code from a consumer products multinational states:

  "[Company] accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained."

- ***Disclosure in relation to code commitments***. Companies promise to disclose information documenting what they are doing to implement their codes and their performance relative to the standards and aspirations set forth. However, this is not a uniform practice. Many company codes (61%) do not mention a commitment to disclose relevant information.

  Also, disclosure can be to select audiences. More company codes mention procedures to inform employees, managers, and at times the board of directors (and for suppliers to provide information to outsourcing companies) than transparency vis-à-vis the public (see Figure 12). The latter type of commitment is most common in environmental codes, where transparency commitments vis-à-vis the public are mentioned in 29% of a total of 142 environmental codes included in the overall inventory. Of the labour codes, 22% promise disclosure to the public. A number of codes mention a specific obligation to report to government authorities. These are mostly environmental codes or codes governing the conduct of professional organisations. 46 company codes mention reporting to at least one of the four kinds of audiences shown in Figure 12.

Figure 12. **Disclosure Mentioned in Company Codes**



Source: OECD

Competition

Roughly 20% of the codes surveyed include statements relating to competition. Most texts restrict themselves to a general description of the virtues of fair competition[3]. For example, the same consumer products multinational just cited states:

> *"[Company] believes in vigorous yet fair competition and supports the development of appropriate competition laws. Employees receive guidance to ensure that they understand such laws and do not transgress them."*

Some texts are slightly more specific. For example, a European entertainment company states:

> *"[Company] believes in the principle of fair competition as a basis for conducting its business and will comply with all applicable laws prohibiting restraints of trade, unfair trade practices or abuses of economic power. All purchases, sales and other contractual commitments must be*

based solely on consideration of quality, suitability, service, price and efficiency. In particular, reciprocal arrangements, whereby a supplier is expected to become a customer because they are a supplier or vice versa, are not permitted."

In contrast, some of the texts are extremely detailed and even technical. These texts appear to be designed for a specific legal and competition policy environment (usually North American). One U.S. company's code, for example, mentions the fact that the company is still subject to a court decree in relation to its competition practices.

Taxation

Only one code addresses the issue of taxation.

Bribery and corruption

Twenty-three per cent of the codes in the inventory address bribery and corruption. These 56 codes vary widely in their definitions and commitments. Many of the company codes encompass concerns about bribery, corruption, political contributions and gift giving that go beyond dealings with public officials. They address corruption vis-à-vis customers, suppliers and employees and, in some cases, also competitors. Thirty-eight per cent of the codes that mention bribery and corruption make a distinction between the treatment of public officials and business partners. Stated rules are generally stricter when public officials are involved. The codes also often proscribe solicitation by employees of bribes or gifts from business partners.

The codes show a variety of approaches to this issue: some codes directly use the word "bribery" and/or "corruption" while other codes are more detailed in describing what possibly could become a bribe. Thirty-six per cent of the codes simply prohibit bribery and corrupt behaviour. It is equally common for firms to discuss the act of offering, giving, soliciting and/or receiving "gifts and entertainment" (36% cent of the codes). The codes examined here do not employ the term adopted in the OECD's Bribery Convention, i.e. attempting to obtain "undue/improper advantage" from the activity. Some 5% of the codes make a distinction between cash and other items: although gifts/entertainment may be acceptable under certain conditions, the acceptance of cash is completely prohibited.

Most codes dealing with bribery do not prohibit acceptance of gifts or entertainment completely when they are offered or given by business partners. They normally allow employees to offer gifts or entertainment that "is not excessive in value"(mentioned by 39% of the codes mentioning bribery), "is within the business norm" (30%), "is not seen as an inducement of business" (39%), "does not violate the law" (20%), and "does not damage corporate image"(18%). Obviously, some of these pronouncements are quite ambiguous. Only 5% of the codes set a limit in monetary terms.

The codes addressing bribery also show different approaches to implementation. Thirty-four per cent of the codes require reporting and notification of the provision and receipt of gifts/entertainment. Often, however, reporting is required only when the gifts/entertainment "exceeds business norm". The norm is generally not further defined. Thirteen per cent of the codes state that prior approval should be sought whether the gift/entertainment can be received or given. Of these, 86% of the codes require approval only in the case when the gifts/entertainment exceeds the norm. Whistle-blowing facilities are often mentioned in these codes.

Thirty-two per cent of the codes commit the firm to refrain from making political contributions—be it to a person holding an office, to candidates, or political parties. Fourteen per cent of the codes treat

employees and immediate relatives of employees in the same manner. Nine per cent of the codes acknowledge the cultural differences among countries as a factor in determining what is appropriate in gift giving. Of these codes, only one code sets strict guidelines; all other codes allow exceptions on the basis of cultural differences.

Table 7. **The Attributes of Bribery Codes**

Attributes	**Percentage of bribery codes***
Parties to bribery:	
- Bribery of public officials	62.5
- Bribery of private actors	64.3
- Both	37.5
Proscribed activities:	
Vis-à-vis public officials:	
- Giving bribes only	17.9
- Employees offering bribes	41.1
- Political contributions	32.1
Vis-à-vis private actors:	
- Giving bribes only	23.2
- Employees offering bribes	58.9
- Receiving bribes by firm's employees	23.2
- Solicitation of bribes by employees	53.6
Conditions under which entertainment and gift giving is prohibited:	
- Excessive entertainment and gift giving	39.3
- Seen as inducement to business	39.3
- Exceeds business practices	30.4
- Violation of laws	19.6
- Damaging corporate image	17.9
- Requirements for internal reporting of gifts	33.9

* These are calculated as:
100*[the number of codes mentioning attribute]÷[the number of codes citing bribery]

Source: OECD

Science and technology

Twenty-six codes (or about 11%) make commitments in the area of science and technology. Five codes deal specifically with the development and diffusion of environmental technology. Three are issued by professional associations (e.g. of chemists and civil and electrical engineers) and deal with their role in the development and diffusion of technology. Three other codes refer to increasing public awareness of technology issues in order to promote acceptance of new technologies. A few codes state that they seek to promote the diffusion of technology. For example, the following text comes from a North American telecommunications firm:

> *"Where knowledge of product and manufacturing technology can be shared without harming [company's] competitive position in the market place (and without contravening national restrictions on transfer of technology), [company] will engage in technology co-operation projects with industry and industry associations around the world*."

Consumer protection

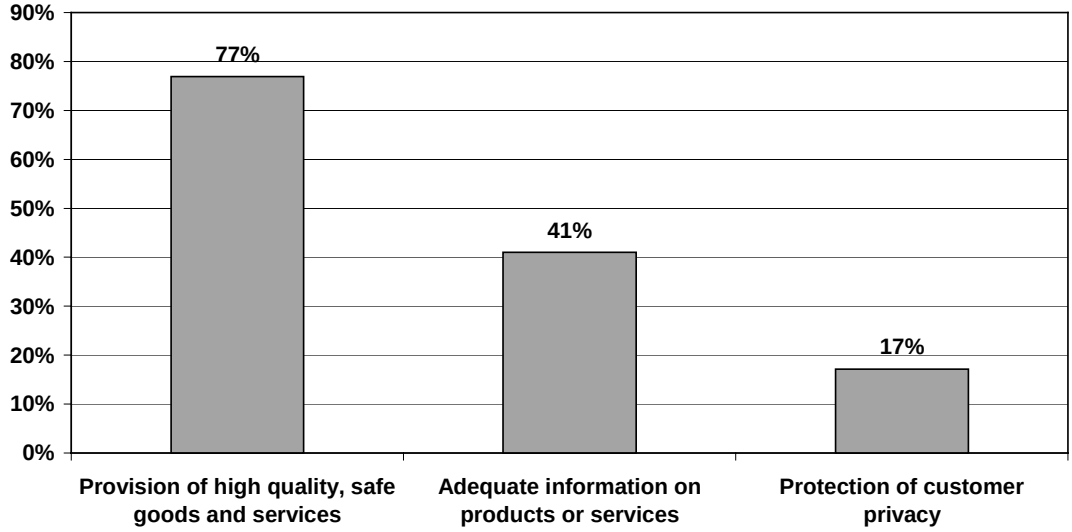
Consumer protection receives extensive attention in the voluntary codes. It is the third most common issue appearing in the codes reviewed here (after environment and labour standards): 48% of the codes address some aspect of consumer protection. The three main attributes of consumer protection in the voluntary codes are: (1) provision of safe and quality products/services; (2) provision of information on safe and quality products/services; (3) and protection of consumers' personal information.

Figure 13 shows that provision of safe, high-quality products is the most common commitment to consumers expressed by firms. This is mentioned in 50% of the codes that include statements relating to consumer protection. The relevant texts often begin with a general commitment to customer service. For example, a British retailer states:

> *"We aim to achieve commercial success by meeting our customers' needs by the provision of high quality, good value products with exceptional service and relevant information which enables customers to make informed and responsible choices."*

The provision of environmentally friendly products and services leads the list. Research suggests that this is the first phase of corporate response to 'green consumerism' (Jones and Baldwin, 1994). Provision of product information and protection of customer privacy are mentioned less often.

Figure 13. **Consumer Protection in the Codes**



Source: OECD

Other subject areas that are mentioned in the codes are: advertising ethics; electronic commerce; public health and safety (almost always treated as an aspect of environmental management); animal rights; genetic engineering and protection of indigenous peoples.

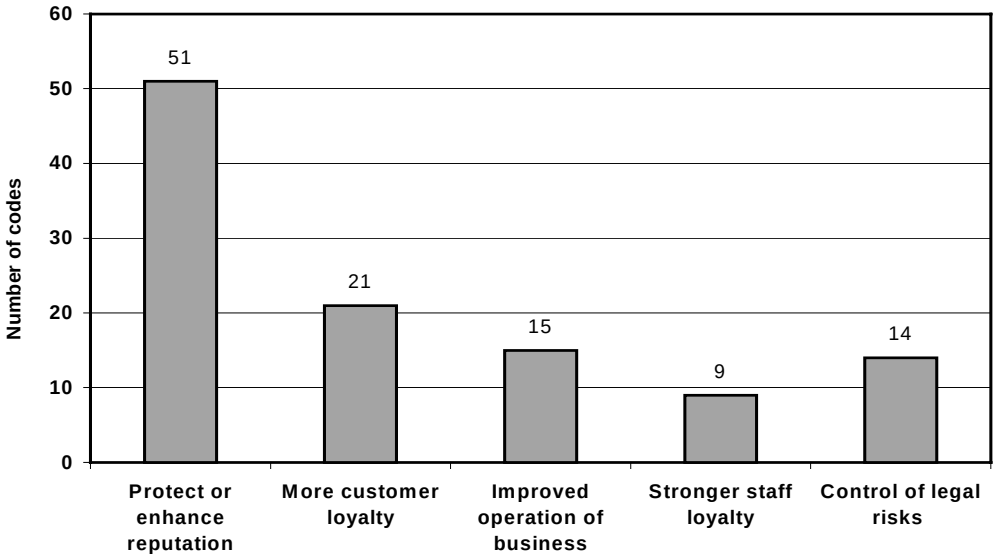
Economic motivations mentioned by codes

Codes are expressions of obligations or responsibilities to the public or to specific stakeholders. While they seek to address public concerns, economic motivations related to the desire of companies to compete successfully and build or protect their reputation in the market place are at times also mentioned explicitly by the codes.

Some of the codes inventoried mention commercial benefits or competitive advantages which code issuers hope the commitments will contribute (Figure 14). Where such statements are made, they often appear in forewords to the code texts. For many large companies, reputation is an important corporate asset. Some codes assert the desire of the company to build or retain industry leadership on certain issues of corporate responsibility (see also Box 5).

Sometimes the statements made are more specific. Nine per cent of the codes suggest that the commitments made should help strengthen customer loyalty or confidence in using a service or product. A few codes (6%) mention aspects of improved business operations (better-quality products, production or working environment). Less frequently, codes are expected to strengthen the loyalty of staff. Other advantages mentioned by some codes (6%) are better control or reduction of potential risk arising from violation of legal requirements and regulations and associated sanctions, reduction in the likelihood of costly litigation, reduction in compliance costs with respect to government regulation or a reduction of government regulation itself.

Figure 14. **Competitive Advantages Mentioned by Codes***



* Number of codes out of 246 codes
Source: OECD

If there are economic motives prompting organisations to adopt codes, these are not readily identifiable from a content analysis. A majority of code texts is silent on this issue. Other research has investigated this question by asking code-issuing organisations directly. For example, a recent survey (Conference Board, 1999) asked 106 large companies from the United States and 21 other countries with global operations to cite their business or strategic justifications for having an ethics code. Respondents mentioned the need for establishing core principles for their growing involvement in global markets and legal issues, such as legal incentives and the desire to limit legal risks as the most important motivations. Enhancement of company reputation was considered to be somewhat less important and public relations concerns much less.

Box 5. **Examples of code statements about competitive advantages and other benefits**

"...the continued good reputation of the Group depends upon our personal business ethics standards."

"Anyone who knowingly disregards these rules, or does so through negligence, causes prejudice to the profession, each of its members and the good reputation of the financial centre."

"It's good business."

"[Company name] enjoys a reputation for conducting its business with integrity and with respect to the interests of those our activities can affect. This reputation is an asset, just as real as our people, factories and brands."

"We believe that our competitiveness and future success depends not only on our employees and the quality and sincerity of our assets but also on our record as good neighbours and partners around the world."

"We want our efforts to set a precedent for others"

"In taking this action itself the [association name] feels that it will enhance both the image of the industry and the marketability of its [product name]."

"...to improve the image of the industry as a reliable source of clear and correct information for consumers."

"A well-founded reputation for scrupulous dealings is itself a priceless asset."

"This commitment -- reflected in our new company mission and values -- forms the cornerstone of our reputation, and our reputation is what distinguishes us from our competitors and gives us an unshakeable competitive advantage".

"...to be recognised as the preferred choice in home shopping retail achieving standards of excellence in product and services unmatched by our competitors."

"Integrity is an advantage to [company's] employees and shareholders."

"We have found that these standards result in higher quality working environment and in higher quality products".

"We believe that the incorporation of internationally recognised human rights standards into our business practice improves worker morale and results in a higher quality working environment and higher quality products."

"A track record in conforming with the Code will increase regulatory agency and stakeholder confidence in a signatory's environmental management ability. This may reduce inspections by regulatory agencies, lower licence and permit fees, and expedite environmental approvals."

A Closer Look at the Textile and Extractive Industry Codes

The textual analysis of the inventory of 246 codes reported above covers a variety of firms and sectors -- hence, the codes represent responses to a diverse array of needs and circumstances. This diversity makes it difficult to evaluate the codes for consistency and uniformity of treatment, since part of any perceived lack of uniformity may stem from the diversity of *problematiques* facing the issuing organisations, not from differences in values and commitment. This section attempts to control for one of these underlying factors -- namely the economic sector.

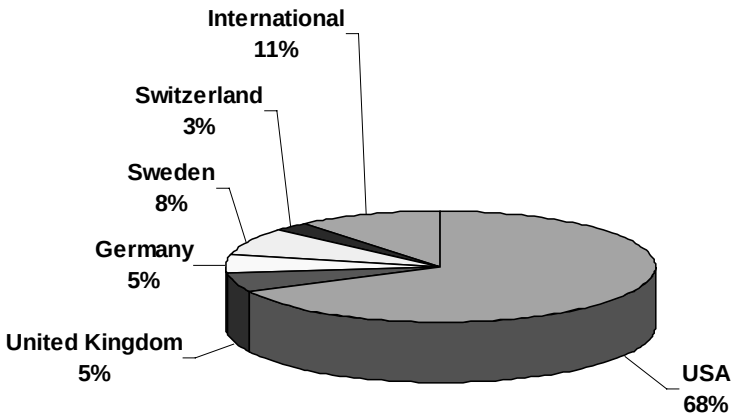
The first of the sectors examined is apparel, a sector with a distinct set of issues (extensive sub-contracting using partners engaged in labour-intensive assembly and production in less developed countries). The second sector is the extractive industries, which also faces a distinct set of concerns (environment, protection of local communities from the effects of their large and often hazardous extraction and processing facilities). Both industries have been the subject of intense public scrutiny at various points in time. This analysis will reveal some things about codes that the full inventory cannot: is there convergence of commitment? Is there evidence that firms are selective in their commitments (e.g. deliberately avoiding commitments in areas that are costly to them)?

The Apparel Codes

The set of codes contains 37 codes of conduct related to the textile and apparel industry. Five codes were published by coalitions of entities. The rest were codes published by individual companies from five countries (see Figure 15).

The overwhelming majority (25 codes) has been issued by U.S. companies. Sweden seems to account for a disproportionately large number of apparel codes in the inventory, whereas Japan and France are conspicuously absent from this set. Indeed, this is one of the few areas in which information is available on firms that do not have codes. Contacts with Japanese apparel companies show that they have not felt pressures to respond to public concerns about labour standards in their industry. Of nine apparel firms with major brand names contacted in France in mid-1999, only one was aware of the existence of codes of conduct and was currently working on a code. The others were unaware of codes as an issue and had no plans for adoption.

Figure 15. **Countries of Origin of Apparel Industry Codes**



Source: OECD

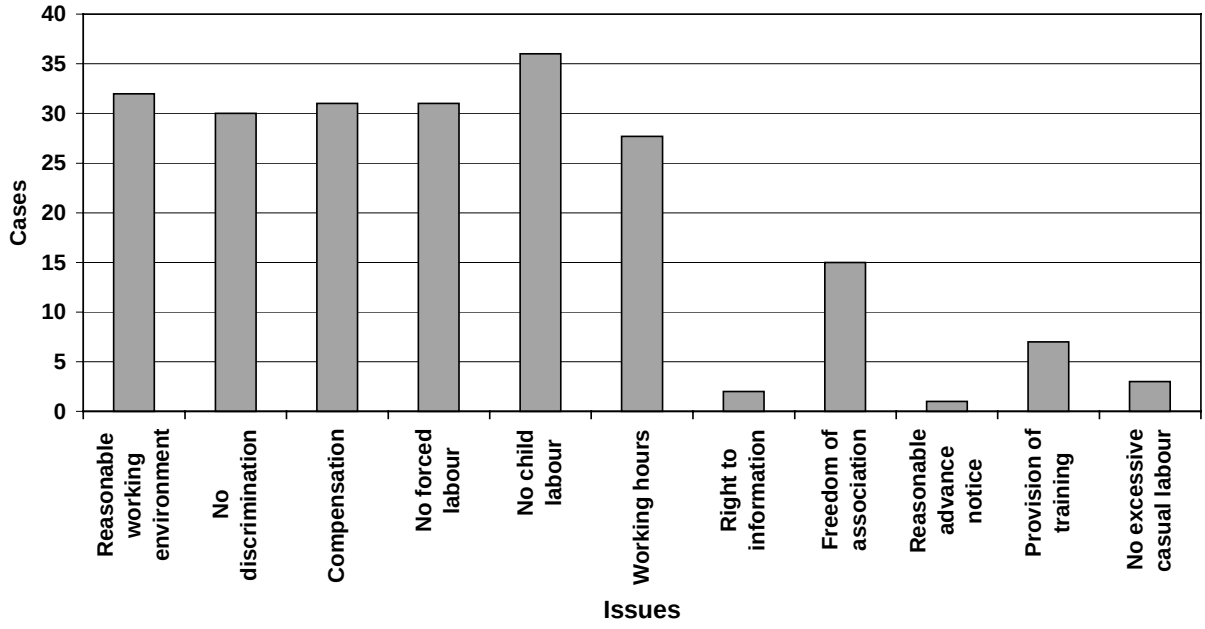
The 37 apparel codes show a strong focus on labour standards. All cover labour standards, although there are some variations in the specific topics mentioned. This will be discussed later.

Environment stewardship is listed as an area of commitment in 21 of the apparel codes (but usually not in any detail). Two companies mentioned consumer protection in very general terms (e.g. "providing quality items for customers"). Compared to the overall average of the inventory, the apparel codes tend to be very focused. None of the codes refers to such other areas of corporate responsibility as bribery, finance, science and technology, taxation and competition.

The most frequently expressed commitments in the area of labour standard are related to ILO Conventions and UN Human Rights Conventions. Such commitments, i.e. reasonable working environment, adequate compensation, no forced labour, no child labour, no discrimination and reasonable working hours, are all frequently mentioned (Figure 16), although few firms (6 and 10 firms respectively) specifically mention ILO and UN Conventions. These issues are much more strongly emphasised in the apparel codes than they are in the overall inventory. Of 32 company codes, 21 refer to all the six issues.

Also, to not employ child labour is the most frequently mentioned commitment (36 out of 37 codes). In fact, one code -- issued by an association of sporting goods manufacturers -- is dedicated entirely to this issue. By comparison, freedom of association is mentioned in just under half of the apparel codes. Commitments to provision of training are less frequent in the apparel codes than in the set of labour codes contained in the broader inventory. Other issues -- the treatment of employees' rights to information, provision of training, reasonable advance notice and commitment to forego use of excessive casual labour and flexible workplace relations -- attract relatively little attention in the apparel codes examined here.

Figure 16. **Issues Addressed in Apparel Companies' Codes of Conduct**



Source: OECD

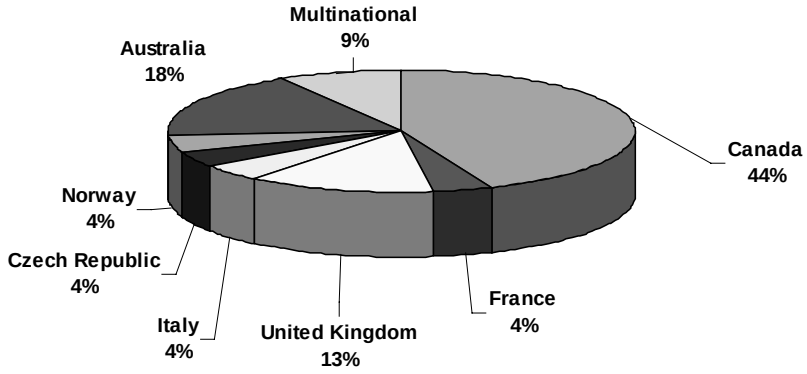
Twenty-six of the 32 company codes are addressed to suppliers and contractors. The majority of the issuers of these code are retailers. Retailers typically are close to the market and directly influenced by consumers' purchasing decision, and they normally use subcontractors to manufacture products. Therefore, they do not have a direct control over the labour standards. What they can do is to proscribe certain labour standards. In 12 cases, the codes speak of the possibility to terminate the contract if the standard is not met. A significant number (23 codes) make no mention of monitoring systems (a few appear to try to establish the possibility of whistle-blowing in their supply chains). Only three companies mention the provision of training and education for promoting the standard.

Extractive Industries

The inventory contains 23 codes of conduct issued by organisations in the extractive industry (mining, petroleum and natural gas).

These entities are based in seven OECD countries, with Canada and Australia being particularly heavily represented (see Figure 17). Seventeen codes are issued by companies and 4 by business association. One code takes the form of an agreement between business and labour union and another one an agreement between a company and governments.

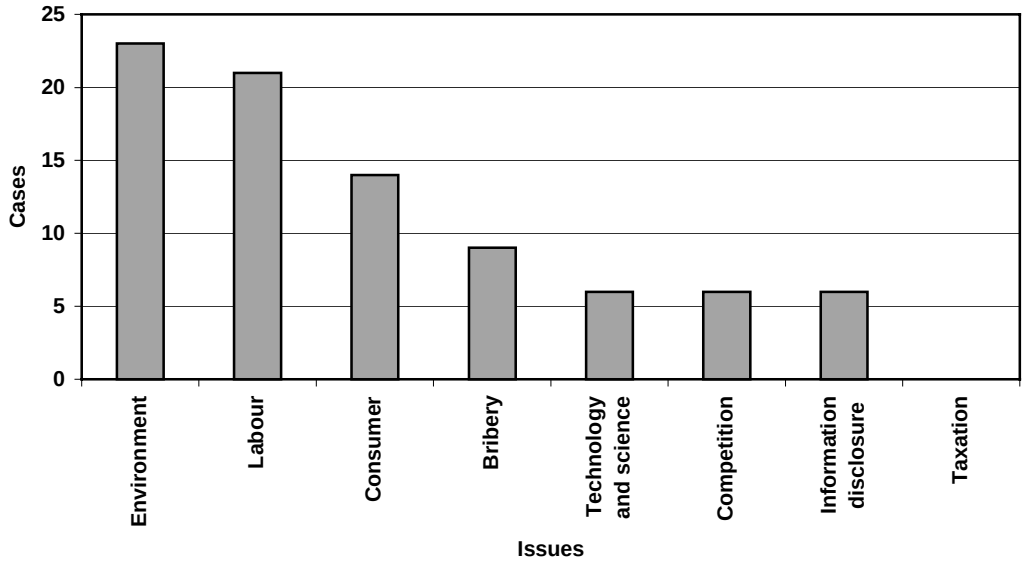
Figure 17. **Countries of Origin of Extractive Industry Codes**



Source: OECD

In contrast to the rather focused codes of the apparel industry, the codes of the extractive industry address a broad range of issues (Figure 18). The areas that receive the most attention are environment and labour: all 23 codes mention environmental issues, and 21 refer to labour standards. Other frequently cited commitments are general ones such as compliance with the law (20 codes), continual improvement (17 codes) and global applicability (16 codes). Another frequently covered issue area (by 17 of the 23 codes) is the need to consider the concerns and welfare of local communities. Five codes (mainly from Canada and Australia state the need to protect indigenous rights. Bribery and corruption, competition, information disclosure, science and technology and technology transfer are other issues which the codes in this sector at times address. Seventeen codes mention the use of internal reporting and performance auditing. Thirteen of the company codes mention that the company publishes an annual report on environment performance and make information publicly available.

Figure 18. **Issues addressed in the extractive industry codes**



Source: OECD

The most frequently cited specific aspect of the environment issue is the provision of environmentally friendly products (14 codes) and conservation of energy (14 codes), followed by conservation of materials and recycling (12 codes).

Among labour issues, the far most frequently cited commitment is the provision of a reasonable work environment (19 codes). This mostly refers to the provision of a safe work environment in the context of extractive industry and is linked to the compliance with occupational safety laws. Unlike in the apparel industry, the concern for forced labour and child labour is very low (2 codes respectively). Likewise, discrimination and freedom of association are infrequently mentioned (6 and 4 codes respectively). Thirteen codes include a commitment to human resource development through provision of training, but only five codes mention the existence of a monitoring system.

What Code Texts Show About Implementation

The purpose of this section is to explore what code texts show about the kind of activities that organisations undertake or are expected to undertake in order to put code commitments into practice.

Codes may or may not provide much information in this regard. Companies and business associations may separately issue instruction manuals, audit checklists and other documentation that map out procedures for code implementation and follow-up. In fact, 49 of the 246 code texts make reference to other, published or unpublished, material of that type, which was not available for the purpose of this study. Also, implementation may call for different types of procedures and activities depending on such factors as the issue area which commitments address, the industry sector and company size, which are not taken into account in this analysis. Therefore, examination of code content can provide only a very impressionistic picture about code implementation procedures. The data obtained from the content analysis are presented in Table 8 for the main implementation aspects covered by the 246 codes inventoried. No conclusions about actual practices can be drawn from the findings.

Activities to promote code awareness among employees and other stakeholders

It is relatively common for the codes surveyed to include language describing policies and procedures aimed at familiarising relevant personnel inside the organisation and/or outside business partners (and also members in the case of business associations or partnerships of stakeholders) with the requirements of the code and the responsibilities attendant to it. One hundred and forty-seven of the codes (60%) contain provisions in this regard.

Of these codes, 108 (or 74%) mention that the organisation has a policy in place to communicate the code to internal stakeholders, such as employees or, in the case of business associations, members and their employees.

Approaches taken vary across the codes. Some statements are broad formulations. For example, the code of an Australian company in the extractive sector contains the following statement:

> *"It is [company's] policy to ensure that its employees and suppliers of goods and services are informed about this policy and aware of their environmental responsibilities in relation to [company] business."*

Ninety-six (or 90%) of the codes mentioning internally oriented communication provide for an 'active' information policy: a requirement for managers to personally distribute codes to employees, or for management to discuss codes in meetings, or for management to show codes to newly hired employees or a requirement for employees to acknowledge periodically that they have read the code, or for suppliers to publicly display a sourcing code so that workers know of its existence.

The code of practice setting out principles for agreements between oil companies and resellers in the petroleum industry of a Pacific nation states:

> *"The Code Administration Committee shall publicise the existence and effects of the code and the administration rules to oil companies and resellers who are parties to the code. This should include detailed briefing of staff by their respective oil companies and of resellers by their respective associations."*

The licensee and supplier code of conduct of a North American services company includes the following statement:

> *"Product Suppliers shall take appropriate steps to ensure that the provisions of this Code are communicated to employees, including the prominent posting of the Code (in the local language) in their manufacturing facilities."*

In the case of a few of the other codes stating an internal communications policy, the approach taken is to make information about the code available upon request (6 codes). Contact points for answering questions about code-consistent practices and/or unclear situations are mentioned by 34 (or 32%) of the codes that provide for an internal communications policy .

The primary role of a code is to communicate principles and commitments which organisations pledge to uphold. For some of the codes included in the inventory, the importance which high-level management attach to the contents of the code and its application is underlined by how the code is presented. In the case of 22% of the 246 codes inventoried (and 30% of all company codes), the chairman of the board of a company, the president or other top officer has signed either an attached foreword, usually formulated as a message to employees or association members which introduces and stresses the importance of the commitments made, or the code text itself.

Also, 36 codes inventoried mention explicitly that the code has been adopted by the highest level of decision-makers, i.e. the council, board or equivalent body. The majority of these codes are issued by industry, trade or professional associations.

Seventy (or 48%) of the codes which make mention of a communication policy state that information about the code is or ought to be shared with external stakeholders and/or the general public, either as a general rule or in response to inquiries. For example, the code issued by an association in the Pacific region that represents a consumer products industry provides:

> *"The [association] shall widely publicise the existence of the Code and the administration rules (and any alterations thereto) to the industry, the general public and other relevant audiences."*

One means for making a code widely available is to post it on the Internet. Based on information provided in code texts or the type of document submitted (no effort was made to search the Internet), 38 codes are made public in this way. Codes that are made publicly available via the Internet or through other channels are more often issued by associations and partnerships of stakeholders than individual companies.

Code-related education and training

Education and training of staff in the meaning of codes and application of the commitments set forth is an element of ensuring compliance on the part of employees or association members, which 21% of the codes mention explicitly. The relevant statements vary in their specificity. For example, the environmental policy statement of a European forestry company contains the following language:

> *"Personnel are given both specialised and general training in environmental matters. The aim is to develop a sense of responsibility for the environment and its protection. This training also equips personnel to follow and take part in the public debate on environmental issues."*

A detailed statement from the business ethics code of a major U.S. company reads:

> *"Each operating group and division will establish a training program. The program will be designed to ensure that all employees have an awareness of the [company's code] and the standards of conduct and legal requirements that are relevant to their work at a level of detail appropriate to their job functions. Managers and employees in sensitive positions, such as sales, marketing, finance, contract, and material, require more comprehensive training as well as periodic refresher courses."*

The fair practices code adopted by an association of services providers in New Zealand states:

> *"Members will train staff and their agents at all levels in the requirements of the [code], ensure that procedures are in place to train both new and existing staff and their agents, and to provide refresher courses to remind them of their obligations under the Code."*

Some of the codes that do not mention training in such explicit terms contain various illustrative and other educational material designed to give employees guidance or instructions about what would be code-consistent conduct or business practice in specific situations which employees may come to face in their dealings with customers, suppliers, etc. In particular codes issued by professional organisations can include long text with task or situation-specific instructions. A contact point (such as a manager, supervisor) where employees and other stakeholders can seek clarifications of the Code or situation-specific advise is another way how some organisations seek to promote code-consistent behaviour.

Code management systems

Codes differ greatly in the information which they provide about an organisation's management systems applicable to the implementation of code commitments. Many codes do not go into the details of the management systems used, as the following statement from the ethics code of a British producer of consumer goods shows:

> *"We will institute appropriate monitoring, auditing and disclosure mechanisms to ensure our accountability and demonstrate our compliance with these principles"*

a) Assignment of responsibilities and administrative structure

It is common for the codes issued by companies and business associations to point out that the primarily responsibility for the observance of the code lies with the individual employee and member company, respectively. Some of the codes issued by companies merely state that it is the responsibility of management to ensure that the codes are understood and taken seriously by all employees. Similarly, some of the codes issued by business associations content themselves with stating that member companies are expected to set up adequate and effective internal control mechanisms and procedures.

For example, a multinational oil company states in its code of conduct:

> *"We expect everybody who works for [company] to take responsibility for lining up to these commitments…Line managers are accountable for policy implementation and for providing assurance on compliance for their area of responsibility."*

The environmental policy statement issued by a European company operating in the forestry sector provides that the company:

> *"…through its line organisation, ensure that all of its plants set objectives and impose requirements in accordance with [company's] environmental policy…"*

While code administration is sometimes described as being part of the regular day-to-day management process, language contained in other codes provides for a code-specific structure and procedures for carrying out and overseeing the implementation of code commitments.

The textual analysis finds that 27% of the 246 codes mention at least one specialised body or a commitment to create such a body. Such provisions are more common for codes issued by partnerships of stakeholders and business associations than for companies. The terms frequently used are "Ethics Committee" or "Code Administration Committee"; one company has a "Committee on Social and Environmental Accountability". Responsibilities vary in scope but always require the body in question to facilitate and supervise proper implementation of the code and participate in the review the policies and practices relating to the standards or goals set.

Consider for example the following code issued by a U.S. company, which states:

> *"The structure includes the Corporate Responsibility Committee of the Board of Directors and the Leadership Committee, which have oversight responsibility; the Compliance Council, whose duties include education, monitoring and response; and all employees of the Company."*

A code of practice for environmental marketing issued by an association of companies based in the Pacific region and operating in the consumer goods sector states:

"A Management Committee, consisting of one representative of each company which is a signatory to the Code, a nominee from an appropriate Government regulatory authority, and a representative of the [association] Secretariat will be responsible for the administration and general operation of the Code."

Some of these specialised bodies also handle complaints by employees, conduct investigations and take decisions with respect to disciplinary measures. Some (predominantly association) codes provide for separate complaint bodies and/or dispute settlement procedures (see next section).

b) Monitoring of compliance

Among the elements of code implementation that a large number of the codes mention are monitoring procedures aimed at preventing and detecting violations of code commitments.

A majority of codes (66% of all codes and 71% of all company codes) mention some type of monitoring procedure. These are predominantly internal systems. In the case of company codes, internal monitoring is often described as being part of the regular management process, with managers being responsible for ensuring, as part of their regular duties, that the standards are being observed.

Closer examination reveals that a significant number (79%) of the codes that refer to internal procedures for monitoring provide for a mechanism whereby code compliance is pursued 'actively' rather than wait for suspected violations to be reported by employees. Active monitoring can range from requiring company employees to annually certify that they are complying with a code to instructing managers to regularly review code standards with their staff.

The code of a mining company from the Pacific region states:

"Each year the Managing Director will ask you to sign a reconfirmation of your commitment to and understanding of the Code of Conduct."

It is quite common for codes which extend to contractors to make specific reference to inspection of partners' production facilities and records. Consider the following statement made by the code of a North American corporation:

"[Company] and its subsidiaries will undertake affirmative measures, such as on-site inspection of production facilities, to monitor compliance with the …standards. [Company] Contractors must allow [company] representatives full access to the contractor's production facilities and books and records and respond promptly to reasonable inquiries by [company] representatives concerning the operations of the contractor's facilities."

Of the 45 codes in the inventory which specifically target the conduct of contractors and other entities from which a company purchases (sourcing codes), more than two-third (71%) mention that monitoring will or may involve on-site inspections. A few of the remaining sourcing codes state that their compliance program consists of screening suppliers prior to the placing of any orders. Almost all of these codes address labour practices.

At times, active monitoring is complemented by policies and procedures to receive, investigate and respond to complaints. Some company codes mention only this type of compliance activity. For example, statements in some codes expressly encourage employees to report suspected violations or failure to comply with code standards. This procedure enables managers or associations to deal with violations once they have occurred. Codes adopted by business associations frequently also mention such policies. They

also mention the existence of rather formal dispute-settlement bodies, which are to receive and rule on complaints about a member's conduct which other members of the association, the clients of the member companies and other interested parties may wish to bring.

Codes that mention active monitoring often also make reference to requirements for record-keeping.

Another aspect of code management which is relatively frequently mentioned in code texts are prospective penalties or other consequences of non-observance for employees, business partners or members of business associations. Forty-two per cent of the company codes and even 78% of the codes issued by partnerships of stakeholders make statements in this regard.

Performance assessment and reporting

Forty-five per cent of the codes examined mention some procedure of preparing and disclosing data on an organisation's performance in relation to stated commitments. Reporting can occur to the public, to selective external stakeholders (including government authorities), within a company to higher-level management, or to boards or councils within business associations. Reporting activities mentioned are usually carried out on some regular basis.

Statements affirming that an organisation's performance relative to the standards and commitments contained in the code will be evaluated periodically are found in 37% of the codes. The codes issued by partnerships of stakeholders are much more likely to include a reference (66% contain such statements) than company codes (29%).

The code of conduct by a North American manufacturer of metals products provides as follows:

> *"Education, updating and general compliance with [code title] will be measured by audits. These audits will also review reporting and recording procedures, compliance seminars and any refresher programs and the audited locations."*

An agreement committing two organisations representing companies and trade unions in the textile and clothing sector to promoting certain labour practices among their membership and at company level provides:

> *"[Organisation] and the [organisation] agree to follow up … the progressive accomplishment of the implementation of this Charter. To this effect, [organisation] and the [organisation] will conduct a yearly evaluation of the Charter's implementation, the first evaluation will take place no later than [date]."*

a) Internal disclosure

Data on disclosure commitments presented in Section IV indicate that internal reporting prevails over public disclosure in those company codes that address this issue. Codes issued by business associations tend to give external stakeholders more attention. As the examples given below show, the degree of detail of codes' provisions for internal disclosure varies, as does the scope of activities and type of information subject to reporting.

The business ethics code of a North American transport equipment manufacturer states:

"The Committee reports periodically to the Audit Committee of the Board of Directors on the company's ethics and business conduct program and related compliance activities."

The code of conduct adopted by a European financial services provider states:

"The main Board will receive an annual report from the Group Chief Executive on the extent to which the provisions of this Code are understood by all employees and applied by them in their day-to-day conduct of business."

The code of practice issued by a consumer products industry association in the Pacific region prescribes:

"The Committee shall report at least annually on its activities including the number of complaints, types of complaints, and whether complaints were substantiated. The Council [of the organisation] shall produce an annual report on the Code and its administration and make it available to interested parties."

b) External disclosure

Provisions for reporting on the organisation's performance to external stakeholders are contained in about 29% of all codes and almost half of the 32 codes issued by partnerships of stakeholders. They are especially frequent in the codes that deal with environmental management issues. Their statements can be very short but usually contain some reference to separately issued environmental reports or inclusion of environmental information in annual financial reports. For example, the code setting forth a North American petroleum company's health, environmental and safety (HES) principles states:

"We support the concept of accountability for HES performance and will provide annually to the public a report on our HES performance in measurable terms."

Yet more elaborate, the following statement is taken from the code of business practice of a leading multinational mining company:

"We prepare annually and half yearly reports and financial statements for our shareholders on all aspects of our business performance…These reports are available to anyone else who requests them…In several areas we go further. On health, safety and the environment, for example, we not only review in out annual report to shareholders major aspects of policy and practice, but we also publish a separate health, safety and environment report, extending the quality and quantity of the information we provide. The report deals with present performance in managing the key HSE issues and the work under way to achieve further improvements in the future. It is independently verified and then widely circulated within the Group. Copies are available to both shareholders and members of the public."

Of the 111 texts containing a provision for disclosure, 43% mention reporting to both, internal and external stakeholders.

Code review and revision

The examination of code texts finds that codes are "living documents" that organisations may choose to review and revise periodically. For example, a U.S. company's statement of business ethics included in the survey is the fourth version of a code that was issued for the first time in 1961. A total of 55

codes (22%) make mention of code review and/or revision procedures. The process can involve representatives from several stakeholders. Again, statements range from more general formulations to detailed descriptions.

The code of conduct issued by a large European consumer goods retailer provides:

"Whilst accepting the need for continuity and consistency, we also recognise that this Code must be developed over time in the light of practical experience and changing circumstances. We will therefore ensure that the Code is reviewed on a regular basis and revised where necessary. All employees and suppliers will be invited to contribute towards the further development of the Code over time."

A professional association states:

"Comments shall be sought from interested parties on the review and evaluation of the Code and on proposed amendments."

The code of practice issued by an industry organisation in New Zealand states:

"This Code is reviewed every three years by the [organisation], in consultation with community and consumer groups. These groups include the [names of various stakeholders]."

On the other hand, 47 codes (19%) speak of progressive or continuous improvement of an organisation's performance relative to stated commitments. About two-third of these codes set forth environmental management commitments. Many of the issuers of environmental codes also commit themselves to carrying out research and development in environmental matters as part of the overall effort to achieve stated objectives.

An illustration provides the following statement from a code of an Australian company belonging to the extractive industry:

"To fulfil this commitments, the Company will…progressively establish and maintain company-wide environmental standards for our operations throughout the world…continually improve our environmental performance, including reducing the effect of emissions, developing opportunities for recycling, and more efficiently using energy, water and other resources."

Of the codes with references to continuous improvement, a few also set specific performance targets for the company or industry or mention that measurable targets for improving performance will be included in the business plan. These are almost all codes or undertakings addressing health, safety and environmental performance issues.

Another element of implementation mentioned by a few codes pertains to the sharing of experiences and best practices. Experiences can relate to substantive matters, i.e. the code principles themselves, or to the range of activities undertaken to implement code principles, for example by companies belonging to one and the same industry association that has issued a code for its members. As a multinational oil company puts it:

"We recognise that these commitments may in some cases represent aspirations for the future rather than statements of today's reality. We will share our experiences and best practices. We will endeavour to learn from our mistakes."

Other aspects of code implementation mentioned by the codes

The analysis of the code texts reveals certain other types of activities or elements of implementation.

Some of the codes include statements to the effect that an organisation will actively participate or work actively to assist in the development of public policies, national legislation, regulations or international treaties in those subject matters which the code commitments address.

Few codes make mention of the financial aspect of administering a code. Statements addressing this issue typically are not detailed and appear mostly in codes issued by business associations. These organisations collect fees from members to cover the administration expenses involved in promoting and operating the code.

A number of codes describe various types of community outreach activities which organisations pursue as part of their programmes to give effect to their code and promote code values. This includes financial assistance to communities or projects, support for or sponsorship of various education and awareness programs, etc. For example, the stated policy of a European consumer goods producer is *"…to include environmental projects in our community and charity expenditure budgets"*. Another code addressing child labour mentions the establishment of an autonomous budget to help improve the life and work of children. Some of the codes include descriptions of achievements in these areas.

A few company codes inform the reader of concrete steps which the company has already taken to fulfil code commitments. The sourcing code of a European apparel retailer mentions that, because of violations of the code which the company detected in spot checks of its suppliers, business relations with two factories were cancelled. It also provides the names of these supplier factories.

In conclusion, the available code documents reveal how diverse the approaches are which organisations take to providing in the codes information about implementation structures and procedures. When deciding which elements of implementation to mention in a code of conduct and the degree of detail of the provisions, organisations are selective. While the survey finds that certain elements of the implementation process are more frequently mentioned than others, there is overall not much agreement among the organisations surveyed as to what information about implementation a code should contain.

Table 8. **Main Aspects of Implementation Covered by the Codes**

	All codes	Companies	Business Associations	Partnerships of stakeholders
Number of codes	*246**	*118*	*92*	*32*
Communication policy	**147**	**66**	**59**	**20**
of which:				
- only internal	75	41	23	11
- only external	39	11	22	6
- internal and external	33	14	14	3
Education and training	**52**	**18**	**23**	**10**
Body(ies) with code administration responsibility(ies)	**66**	**21**	**30**	**13**
'Active' internal monitoring	**108**	**62**	**25**	**20**
On-site inspection	**44**	**35**	**4**	**5**
Channel for reporting concerns	**80**	**33**	**36**	**10**
Formal complaint body	**23**	**2**	**18**	**3**
Penalties and other consequences of non-observance	**95**	**50**	**37**	**25**
Performance assessment	**92**	**34**	**34**	**21**
Reporting on performance	**111**	**45**	**34**	**19**
of which:				
- only internal reporting	30	21	4	4
- only external reporting	33	7	18	7
- internal and external	48	17	12	8
Review/revision of code	**55**	**17**	**28**	**8**
Continuous improvement of performance/ progressive code implementation	**47**	**17**	**18**	**12**

Note: * includes 4 codes issued by intergovernmental organisations that are not reported separately

Source: OECD

Notes

1 This report was prepared as part of a joint project undertaken by the Trade Committee and the Committee on International Investment and Multinational Enterprises. It examines in detail the contents of 246 codes from OECD countries with respect to issue coverage and code implementation procedures.

2 Openness to community refers to the local dimension of environmental stewardship – that is, consideration and protection of communities and the environment immediately surrounding a plant site or otherwise affected by company activities

3. Fair competition refers to avoidance of actions which adversely affect competition in the market place through e.g. unreasonable refusal to deal, discriminatory pricing, or predatory behaviour toward competitors.