OECD Guidelines for Multinational Enterprises

GLOBAL INSTRUMENTS FOR CORPORATE RESPONSIBILITY



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Annual Report 2001

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OECD Guidelines for Multinational Enterprises 2001

FOCUS: GLOBAL INSTRUMENTS FOR CORPORATE RESPONSIBILITY

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Foreword

To many people, international investment by multinational enterprises is what globalisation is all about. Promoting appropriate business conduct among such companies is a growing challenge since their operations often straddle dozens of countries and hundreds of cultural, legal and regulatory environments. The OECD Guidelines for Multinational Enterprises aim to help businesses, labour unions and NGOs meet this challenge by providing a global framework for responsible business conduct. Although observance of the Guidelines is voluntary for businesses, adhering governments are committed to promoting them and to making them influential among companies operating "in or from" their territories. This Annual Report on the Guidelines, the first in a series, describes what governments have done over the past year to live up to this commitment.

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The National Contact Points and the OECD Committee on International Investment and Multinational Enterprises wish to thank all of those who invested their time and resources in order to participate in the Roundtable. The participants included representatives of major corporate responsibility instruments as well as speakers from business, labour and non-governmental organisations. Their names appear below. Special thanks are due to Business for Social Responsibility, which not only participated in the Roundtable discussions, but also allowed a table they had developed that compares various instruments for social responsibility to be reproduced. This table can be found in the Annex of the Roundtable's background paper "Global Instruments for Corporate Responsibility: A Comparative Analysis".

Roundtable speakers and outside participants

Chair: Mr. *Vernon MacKay*, Investment Trade Policy Division, Department of Foreign Affairs and International Trade, Canada.

R*epresentatives of major global responsibility initiatives*:

UN Global Compact: M*me Jacqueline Aloisi de Larderel*, Director, Division of Technology, Industry and Economics, United Nations Environment Programme.

OECD Guidelines for Multinational Enterprises: M*r. Seiichi Kondo*, Deputy Secretary General.

UN Global Compact and other ILO instruments: M*r. Kari Tapiola*, Executive Director for Fundamental Principles and Rights at Work, International Labour Organisation.

Global Reporting Initiative: M*r. Alan White*, Director, Senior Advisor.

Global Sullivan Principles: D*r.* C.T. W*right*, Executive Director and Chief of Staff, IFESH.

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***Speakers*:**

Mr. *James Baker*, Director of Multinationals and Organising, International Confederation of Free Trade Unions.

Mr. *John Brookes*, Société Générale de Surveillance, International Certification Services, Headquarters, Geneva, Switzerland.

M*me Corinne Dreyfus*, European Commission.

Dr. K*ristian Ehinger*, General Counsel, Foreign Holdings, Volkswagen AG, Germany.

Ms. P*atricia Feeney*, Senior Policy Adviser, Oxfam, Oxford, United Kingdom.

M*me Anne Christine Habbard*, General Secretary, International Federation for Human Rights, Paris, France.

Ms. K*atherine Hagen*, Principal Consultant and CEO, HRI – Hagen Resources International.

Mr. S*tephen Hine*, Ethical Investment Research Service (EIRIS), London, United Kingdom.

Mr. P*ieter Kroon*, Public Affairs Division, ING Bank, The Netherlands.

Mr. M*ark Lee*, Business for Social Responsibility, San Francisco, California, USA.

Mr. M*ike Peirce*, Institute for Social and Ethical Accountability, London, United Kingdom.

Mr. N*eil Roger*, World Bank, Economic Adviser, Private Sector Advisory Services.

Mr. P*ieter Van der Gaag*, ANPED Northern Alliance for Sustainability, Amsterdam, The Netherlands.

Ms A*nna Walker*, Manager Labor Affairs and Corporate Responsibility, US Council for International Business.

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P*art* I

MEETING OF NATIONAL CONTACT POINTS – AN OVERVIEW OF GUIDELINES-RELATED ACTIVITIES

Summary Report of the Chair of the Meeting on the Activities of National Contact Points

Personal message from the Chair

In introducing this report, I should like, on a personal level, to express two overall thoughts prompted by the trends in the Guidelines that I have been observing for more than 25 years.

1. At the meeting of the National Contact Points, I was struck by the number of replies received and by the constructive and co-operative spirit in which it took place. The same applies to the exchange of views held at the meeting.
2. I believe, however, that we cannot stop halfway. My experience in this area entitles me to draw your attention, in particular, to the advantages to be derived from the possibility of constructive relations between National Contact Points. The same applies to reports concerning actual experiences. If this sort of climate is established and maintained within the CIME, we will in future have Guidelines that take account of the problems raised by the globalisation of the economy and that seek to settle them in a balanced manner.

Roland Charlier

Background

On 18 June 2001, the National Contact Points (NCPs) of the OECD Guidelines for Multinational Enterprises ("the Guidelines") held their first annual meeting. This meeting was preceded by consultations with Business Industry Advisory Council (BIAC), Trade Union Advisory Council (TUAC) and non-governmental organisations[1] and was followed by a Roundtable on Global Instruments for Corporate Responsibility. Six of the countries that have asked to adhere to the OECD Declaration on International Investment and Multinational Enterprise ("the Declaration") were present at these meetings as observers.[2] The NCP meeting responded to the requirement in the OECD Council Decision of June 2000 stating that: "The National Contact Points shall meet annually to share experiences and report to the Committee on International Investment and Multinational Enterprises (CIME)".

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The 2001 meeting of the NCPs provided an opportunity to take stock of the first year of NCP activity since the completion of the review of the Guidelines and to reflect on directions for future activity. The present report reviews NCP activity based on written reports submitted by individual NCPs, consultations with business, trade unions and NGOs and the discussions during the NCP meeting. The report covers only activities actually undertaken (not planned or prospective activities). As of early July 2001, twenty-nine NCPs had sent reports to the Secretariat on their Guidelines-related activities over the past year. In addition, the European Commission submitted a report on its promotional activities, though it does not have a National Contact Point.

Prior to the NCP meeting, Brazil submitted a report explaining that in "accordance with its constitutional procedures, the Brazilian government is awaiting Congressional approval of the Guidelines before proceeding to the actual establishment of a National Contact Point".[3] The countries whose NCPs did not send reports and did not attend the meeting are Argentina, Chile and Iceland. In response to enquiries after the meeting, Argentina and Chile stated that they were not in a position to provide the report at this time.

This Report of the Chair of the NCP Meeting is organised under the three following headings: institutional arrangements, information and promotion, implementation in specific instances. The fourth and final section is entitled "Progress to date and considerations for future action". It provides a general summary of the first year of activity after the revision of the Guidelines and proposes some considerations for the thrust of future work.

I. Institutional arrangements

The NCP reports show that adhering governments have used the flexibility accorded to them under the Guidelines in determining the institutional structure of their NCPs. Reflecting the underlying diversity of adhering countries, a wide range of structures is evident in the NCP reports (see Annex I). The NCPs reports show 17 "single department" NCPs and 5 "multi-departmental" NCPs (that is, involving several ministries). Five of the NCPs are tripartite, involving business and trade union representatives and several ministries. One NCP (Finland) is "quadripartite", involving several ministries, the social partners as well as NGO representation.

This typology of the NCP institutional structure – single department, multi-department, tripartite or quadripartite – does not provide a full picture of the scope and breadth of consultation. NCPs, regardless of their structure, typically seek to draw on expertise and advice from many government departments and to consult with businesses, labour unions and NGOs. At times these broader consultations are institutionalised in a permanent structure. This is the case, for example,

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in Austria, Switzerland and the United States, where special Guidelines advisory groups have been created or existing groups used to encourage business, trade union and NGO participation in Guidelines implementation.

Beyond these formal arrangements for involving NGOs, most of the reports mention consultation with NGOs on an informal basis. Even where such permanent institutional structures are absent, such consultations have often been substantive, involving development of promotional materials, the drafting of the NCP report and discussions of specific instances and of the functioning of NCPs. Some NCP reports note that NGOs were not always enthusiastic about participating in Guidelines implementation. The Swedish report states that NGOs' expressions of interest in the Guidelines were "limited", while the Canadian report notes that NGOs seemed quite sceptical about the Guidelines' effectiveness.

The European Commission does not have a national contact point, but has made an official responsible for promoting the Guidelines.

II. Information and promotion

Translations. The Guidelines have been translated into nearly all of the languages of the countries that reported on their activities.[4]

Handbooks, booklets and press releases. Many NCPs have developed handbooks or booklets on the Guidelines. These range from "user guides" giving substantial background information (*e.g.* the United Kingdom) to compilations of Guidelines texts and documents. Some NCPs drew on advice from business, labour and civil society when developing this material. A number of NCPs issued press releases in order to highlight Guidelines activities and events (*e.g.* Hungary).

Web sites. Most countries have placed the Guidelines on websites. In some cases, NCPs maintain "dedicated" websites containing extensive background and explanatory material on the Guidelines. In other cases, the Guidelines text and supporting procedural documents are posted on an existing Ministerial website. As a result of this activity and of interest elsewhere the web coverage of the Guidelines is now quite significant.[5] The European Commission's web-site features links to various Guidelines sites.

Conferences and seminars. Many NCPs note that they have sponsored Guidelines conferences, workshops and seminars (*e.g.* Australia; Denmark; Finland, Greece, Japan, Netherlands, Sweden, Turkey, United Kingdom). Ireland used the preparations and consultations for the WTO Ministerial Meeting as a venue for promoting the Guidelines. Several reports (*e.g.* Canada, Germany, and Switzerland) mention promotion activities in the context of other meetings on related subjects sponsored by unions, business associations or by governments. In Germany, the OECD Berlin Centre organised, in co-operation with a German NGO, a panel discussion on the topic "Opportunities and Limitations of the OECD Guidelines". The European

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Commission sponsored a conference in May, which its report describes as "a significant step in the implementation process of the Guidelines at European level". The Polish NCP presented the Guidelines at seminars organised for trade unions.

P*romotional activities in the business community*. The Guidelines have continued to benefit from the positive working relationships with the business community that were established during the review. Business associations have also sponsored conferences and seminars. A major French business federation, the MEDEF, is sponsoring a Guidelines conference in conjunction with the NCP meeting and Roundtable. In addition, business associations have invited NCPs to participate in other events for which the Guidelines were relevant (*e.g.* Germany, Netherlands, UK). The business community has also promoted the Guidelines in its newsletters (*e.g.* Ireland, Belgium).

P*romotional activities undertaken by trade unions*. During the review period, TUAC set up a project to promote and implement the OECD Guidelines. TCO, the Swedish Confederation of Professional Employees, held a seminar on "workers' rights in the globalised economy" and the Guidelines were presented there. In Jakarta, the International Federation of Building and Wood Workers, also held a conference on how to promote workers' rights and, again, the Guidelines were presented by the TUAC Secretariat.

P*romotional activities among* NGOs, *think tanks and universities*. The Norwegian report notes that a group of 60 NGOs has issued human rights and environmental guidelines asking companies to adhere to the OECD Guidelines. NGOs have also invited NCPs to promote the Guidelines during their meetings and conferences (*e.g.* Ireland). The National Policy Association, a think tank in the United States, has sponsored two conferences on the Guidelines. NCPs in Canada and Belgium have been invited to present the Guidelines at university-sponsored events.

P*romotion within government*. A number of the reports describe efforts to raise the visibility of the Guidelines within adhering governments. The UK NCP has sent a "telegram to all British posts overseas requesting their active participation in promoting the Guidelines". The Netherlands NCP presented the Guidelines during that country's annual ambassadors' conference and keeps Parliament informed of its proposed activities. Sweden has sent copies of the Guidelines to all of its embassies. The Department of Foreign Affairs and International Trade in Canada has taken steps to inform its staff about the Guidelines and provides information sessions on the Guidelines for its overseas trade officials. The Swedish Foreign Minister, in the course of a Parliamentary debate on corporate activity and human rights in Sudan, stated that, rather than developing new behavioural norms, the Swedish government "wants to ensure that existing rules, in particular the OECD Guidelines, are followed".

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Links with investment promotion and export credit agencies. Several reports mention various sorts of link with export credit and investment promotion agencies. The European Commission notes that the Guidelines are part of the briefing package of delegations on foreign direct investment. In Germany, the application form for investment guarantees refers to the Guidelines and to their German language Internet address. Investment development groups within Industry Canada provide the Guidelines in response to requests from "client groups". The Finnish report notes that the Parliament has stated that Finnvera, plc, the national export credit agency, should inform companies about the Guidelines when offering export credit guarantees. Finnvera is currently preparing for the implementation of such a policy. The Netherlands NCP reports that a letter from the Minister of Foreign Trade has been sent to Parliament with proposals for linking the OECD Guidelines to "government investment and export promotion programmes like export credit guarantees". The Swedish report mentions "information co-operation" from the Export Credit Guarantee Board and the Swedish Trade Council. The US NCP has undertaken discussions with the Export-Import Bank, the Overseas Private Investment Corporation (OPIC) and the Department of Commerce on the provision of information on the Guidelines to applicants for their programmes in support of US business activity abroad. The Polish NCP is located in the national investment promotion agency.

High level promotion. Promotion activities by Ministers tend to raise the political profile and weight of the Guidelines. Various activities by Ministers – speeches, letters and meetings – are mentioned in the NCP reports [*e.g.* Denmark, the European Commission, Germany, Ireland, Netherlands, Sweden (at State Secretary level)].

III. Implementation in specific instances

Specific instances: number and nature. The procedural guidance asks NCPs to provide a "forum for discussion" so as to "contribute to the resolution of issues that arise relating to implementation of the Guidelines in specific instances". A number of "specific instances" have been brought to the attention of the NCPs (all but one of them at the end of the period under review). A number are or were the subject of active consideration by the NCP:

Belgium reports that one new specific instance concerning Chapter IV of the Guidelines was recently brought to its attention.

The United Kingdom reports that one instance was called to its attention by another NCP and two others by NGOs. Two of these instances relate to the activities of UK companies in non-adhering countries.

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The French NCP now has 3 specific instances. All three "cases" concern issues covered in chapter IV of the Guidelines and one pertains to business behaviour in a non-adhering country.

Trade unions raised a number of issues with the NCP in the United States. In one case, the parties reached an agreement after entering into direct negotiations. Another instance was in the preliminary assessment phase at the time the US NCP submitted its report.

P*rocedures for dealing with specific instances*. Some NCPs have developed procedures for dealing with specific instances to enhance all parties' understanding of what the process consists of and to enhance the fairness of the process. The UK NCP publishes its procedures on its web-site. The French NCP is developing an internal code of conduct for conducting discussions of specific instances. The Korean NCP has defined general procedures for their handling and for acquainting the relevant ministries of the result. Australia is working with business, labour and NGOs to put "appropriate procedures in place for dealing with issues when they arise". The Hungarian NCP has issued procedural guidelines for dealing with all types of Guidelines-related enquiries. Other NCPs prefer to gather practical experience as a basis for possible development of additional procedures.

IV. Progress to date and considerations for future action

The past year has seen significant progress in relation to the core criteria of visibility, accessibility, transparency and accountability. The institutions that promote and implement the Guidelines have been developed and reinforced. Some governments that had allowed Guidelines institutions to become dormant prior to the review have since established active NCPs. Nearly all of the individual NCP reports indicate that the Guidelines have been translated into the language of the reporting country. Numerous web-sites have been created and the web coverage of the Guidelines is now quite extensive. Promotional events – conferences, seminars and workshops – have been organised. National publications explaining the text and implementation procedures of the Guidelines have been issued. Businesses have also been active in promoting the Guidelines in various ways, as have trade unions and NGOs. Viewed as a whole, the NCPs and their partners have taken important steps in amassing the stock of information and "user recognition" that are necessary to establish the Guidelines as a useful tool for businesses, governments, unions, NGOs and other interested parties.

In addition, a number of specific instances have been brought to the attention of the NCPs. Many of these were brought toward the end of the review period and are still being discussed. Nevertheless, some of these deal with issues outside adhering countries and having high profile in the international debate on corporate conduct (*e.g.* forced labour).

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However, much remains to be done to ensure that the Guidelines are viewed by business and other interested parties as a vital tool. The frank assessment in the Polish NCP report is telling: "Despite many efforts aimed at making the Guidelines better known by the parties concerned, they are still not widely recognised in Poland as an effective instrument for assuring the appropriate standards of business conduct." The same observation would probably be valid for many other adhering countries as well.

Clearly, enhancing the visibility and effectiveness of the Guidelines will require a sustained effort. The activities of the NCPs and their partners in the business and labour communities, in civil society and in non-member governments will determine the success of this effort. The strategic issues that were discussed in the course of the meetings and consultations include the following:[6]

- *Policy coherence*. The Guidelines are expressions of the shared views of adhering countries regarding the conduct of enterprises operating in or from their territory. Many adhering countries have policies that affect the conduct and competitive position of multinational enterprises in various ways. One theme apparent in the NCP discussions and reports relates to how adhering governments can show that they take seriously the recommendations they make in the Guidelines by linking them to other policies affecting their enterprises' international activities. While many NCPs underscored the desirability of coherence between the Guidelines and other policies, some were also concerned that such linkages, if not carefully designed, could undermine the voluntary nature of the Guidelines and break the thread of trust connecting the business community to the Guidelines process.

- *Relation of Guidelines implementation to national procedures*. A number of the specific instances and enquiries mentioned in the NCP reports were considered in parallel with other legal, regulatory and administrative procedures. No major conflicts were reported, but the challenge of enhancing the value added of Guidelines implementation procedures (or of determining whether they have any value added at all) relative to other national procedures did emerge as an issue.

- *Burma and the Guidelines*. The question of human rights violations in Burma was raised during the consultations and the NCP meeting. TUAC tabled a letter noting the June 2000 adoption by the International Labour Conference of a "Resolution on Burma" under article 33 of the ILO Constitution and asking the CIME to discuss how "the Guidelines can be used to contribute to the elimination of forced labour in Burma". A number of specific instances or enquiries have also been raised with NCPs in connection with Burma. BIAC stated that it shared the general concern about human rights violations in Burma, but expressed confidence in the ILO when dealing with the particular issue of forced labour.

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- A *"third way" for Guidelines implementation*. The discussion in the NCP meeting tended to stress the significant progress made over the past year in promoting the Guidelines. However, two NCPs (Austria and Sweden) also cited a need for improvements in how the Guidelines are used to influence business conduct. In particular, they stressed the importance of developing a distinctive and balanced approach to Guidelines implementation that reflects the NCPs dependence on the trust and co-operation of the business community in order to promote meaningful change. This approach would highlight and promote the many instances of "best practice" in business conduct that are called to the attention of the NCPs.[7] However, it also involves the search for ways to help correct alleged deficiencies in corporate behaviour,[8] while preserving the trust and co-operation of companies whose activities have been called into question.
- B*alance of promotion – the Guidelines versus the other instruments in the* D*eclaration*. The business community expressed concern about the balance of CIME's efforts to promote the Guidelines in comparison with its efforts to promote other elements of the OECD Declaration. It feared that these efforts were disproportionate relative to those expended on the other instruments in the Declaration. However, on a number of occasions, the presence in the meeting of observers representing of six governments that have asked to adhere to the Declaration was welcomed and the promise that this held for the future promulgation of the Declaration was noted.

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Annex I

Structure of the National Contact Points*

	Composition of the NCP	Governmental location of the NCP	Other Ministries and/or Agencies involved**	Comments and notes
Australia	Single department	Foreign Investment Review Board	Ministry of Treasury	The Australian NCP is currently considering changes in the structure of its NCP and is consulting on this matter with businesses, trade unions and NGOs.
Austria	Single department	Export and Investment Policy Division, Federal Ministry of Economic Affairs and Labour		An Advisory Committee composed of representatives from other Federal government departments, social partners and interested NGOs supports the NCP. The Committee has its own rules of procedure, met three times over the review period and discussed all Guidelines-related business.
Belgium	Tripartite with regional governments and several ministries as well as business and labour representatives	Ministry of Economic Affairs	Ministry of Environment Ministry of Labour Ministry of Foreign Affairs Ministry of Finance Ministry of Justice Region of Brussels Flemish Region Walloon Region	
Canada	Interdepartmental Committee		Department of Foreign Affairs and International Trade Industry Canada Human Resources Development Canada Environment Canada Natural Resources Canada Department of Finance Canadian International Development Agency	A regular point of contact has not been established with the NGO community, although the Guidelines have been promoted with a number of these organisations.

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	Composition of the NCP	Governmental location of the NCP	Other Ministries and/or Agencies involved**	Comments and notes
Czech Republic	Single Department	Ministry of Finance	Ministry of Labour and Social Affairs Ministry of Industry and Trade Ministry of Justice Ministry of Foreign Affairs Ministry of the Environment Czech National Bank Office for the Protection of Economic Competition	The NCP works in co-operation with the social partners.
Denmark	Tripartite with several ministries	Ministry of Labour	Danish Agency for Trade and Industry Environmental Protection Agency Ministry of Economy Ministry of Foreign Affairs	
Finland	Quadri-partite with several ministries	Advisory Committee on International Investment and Multinational Enterprises, Ministry of Trade and Industry	Ministry of Foreign Affairs Ministry of Justice Ministry of Finance Ministry of Social Affairs and Health Ministry of Labour Ministry of Environment	
France	Tripartite with several ministries	Treasury Department, Ministry of Economy and Finance	Ministry of Labour Ministry of Environment Ministry of Foreign Affairs	
Germany	Single Department	Federal Ministry of Economics	Ministry of Foreign Affairs Ministry of Justice Ministry of Finance Ministry of Economic Co-operation Ministry of Labour Ministry of Environment	The NCP works in close co-operation with the social partners. The composition of the NCP is under discussion.

	Composition of the NCP	Governmental location of the NCP	Other Ministries and/or Agencies involved**	Comments and notes
Greece	Single Department	Directorate for International Organisations and Policies, Ministry of National Economy		
Hungary	Interdepartmental Office	Ministry of Economic Affairs	Ministry of Economic Affairs Ministry of Finance Ministry of Foreign Affairs National Bank of Hungary	
Ireland	Single Department	Enterprise Policy Unit, Department of Enterprise, Trade and Employment		
Italy	Single Department	Direction Générale, Ministry of Production Activities		
Japan	Single Department	Economic Affairs Bureau, Ministry of Foreign Affairs	Ministry of Health, Labour and Welfare Ministry of Economy, Trade and Industry	
Korea	Interdepartmental Office, with regional governments and several ministries	Executive Committee on Foreign Direct Investment	Ministry of Foreign Affairs Ministry of Finance and Economy Korean Trade-Investment Promotion Agency	
Mexico	Single Department	Ministry of Economy		
Netherlands	Interdepartmental Office	Ministry of Economic Affairs	All departments, especially: • Ministry of Social Affairs • Ministry of Environment • Ministry of Foreign Affairs	Regular consultations with all stakeholders.
New Zealand	Single Department	Trade Negotiations Division, Ministry of Foreign Affairs and Trade		Consultations are currently being held within government and with the non-government sector on whether it is appropriate for the location or structure of the NCP to be changed.

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	Composition of the NCP	Governmental location of the NCP	Other Ministries and/or Agencies involved**	Comments and notes
Norway	Tripartite, with several ministries	Department for Trade Policy, Environment and Resources, Ministry of Foreign Affairs	Ministry of Foreign Affairs Ministry of Industry and Trade Ministry of the Environment	
Poland	Single Department	Polish Agency for Foreign Investment		
Portugal	Single Department	ICEP Portugal (the Portuguese Investment Promotion Agency)		
Slovak Republic	Interdepartmental Office	Slovak Investment and Trade Development Agency	Ministry of Economy Ministry of Finance Ministry of Labour, Social Affairs and Family Ministry of the Environment Ministry of Construction and Regional Development Ministry for Administration and Privatisation of National Property Office of the Government	
Spain	Single Department	General Secretary for International Trade, Ministry of Economy		
Sweden	Tripartite, with several ministries	Department for International Trade and Policy, Ministry for Foreign Affairs	Ministry of Industry, Employment and Communications Ministry of Environment Ministry of Justice National Board of Trade	

	Composition of the NCP	Governmental location of the NCP	Other Ministries and/or Agencies involved**	Comments and notes
Switzerland	Single Department	International Investment and Multinational Enterprises Sector, Federal Department of Economy		Co-operation with business, trade unions and NGOs is institutionalised through a liaison group that meets regularly.
Turkey	Single Department	General Directorate of Foreign Investment, Undersecretariat of Treasury		
United Kingdom	Single Department	International Investment Policy Unit, Department of Trade and Industry	Foreign and Commonwealth Office Department for International development	The NCP liases with other government departments as necessary and has regular informal contacts with business, trade union and NGO representatives.
United States	Single Department	Office of Investment Affairs of the Department of State		The US NCP queries other agencies as needed and, when necessary, an interagency committee chaired by the Office of Investment Affairs meets to discuss Guidelines issues. Business, labour and civil society organisations are consulted regulatory via the Advisory Council on International Economic Policy or individually on an *ad hoc* basis.

* This table is based on information provided by the National Contact Points in their annual report.
** The information provided here is based on the ministries and/or government agencies explicitly mentioned in the NCP reports.

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Annex II

Strategic Issues Facing NCPs

- Are the Guidelines contributing to helping enterprises achieve appropriate norms for business conduct in their day-to-day operations? To what extent are they contributing to the broader goal of strengthening the "basis of mutual confidence between enterprises and the societies in which they operate"?[9] What are the respective roles of promotion and specific instances in contributing to achieving this goal?
- In association with their annual meeting the NCPs are soliciting advice from other actors – businesses, trade unions, NGOs and other international organisations – on the similarities and differences among the various other global instruments designed to enhance corporate responsibility, both in terms of content and implementation. How can the contributions and synergies of the Guidelines relative to other global instruments be maximised and overlaps be avoided?
- Several NCP reports describe contacts with other NCPs. These often occurred in connection with enquiries or specific instances. The European Commission organised an informal meeting of European Union NCPs. Is there a need to take further steps to improve co-operation among NCPs?
- Has the "objective of functional equivalence"[10] of the national contact points been achieved? What needs to be done to improve the ability of all NCPs to operate in accordance with the core criteria of visibility, accessibility, transparency and accountability?
- Some of the NCP reports mention various linkages between the Guidelines and investment promotion and export credit agencies. The Chair of BIAC has written a letter objecting to one country's proposed approach to this linkage. If such linkages are created, how should they be structured so as to enhance the effectiveness of the Guidelines and to avoid undermining the trust and co-operation of the business community?

– The task of making the Guidelines both visible and meaningful with larger companies is already a difficult one. Among smaller companies this problem is compounded by a lack of resources and, at times, a lack of specialised managers (*e.g.* compliance officers) that would typically work on such matters in large companies. How can the Guidelines be promoted among smaller companies?

– A number of the specific instances and enquiries mentioned in the NCP reports (*e.g.* Finland, France) were considered in parallel with other legal or administrative processes at the national level. How can the NCPs best ensure that the relationship between Guidelines follow-up procedures and formal judicial enquiries or dispute resolution mechanisms is a complementary and effective one?

- How are the Guidelines to be promoted and made meaningful in non-adhering countries? Can OECD outreach activities be used for this purpose? A few of the NCP reports mention the promotion of the Guidelines in the context of regional economic initiatives. Is there further scope for this kind of activity?

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Notes

1. NGOs were represented by ANPED – the Northern Alliance for Sustainability – and by Oxfam.
2. The observers were representatives of Estonia, Israel, Latvia, Singapore, Slovenia and Venezuela.
3. The Brazilian report also states that the Guidelines and other relevant links can be found on the Foreign Ministry website and that "interested parties may contact the Foreign Ministry online in connection with all matters related to the Guidelines".
4. Czech, Danish, Dutch, Finnish, German, Hungarian, Greek, Norwegian, Japanese, Polish, Portuguese, Slovak, Spanish, Swedish, Turkish, and the official languages of Belgium and Switzerland.
5. A web search of English language sites shows 2666 non-repeating pages dealing with the Guidelines.
6. The set of strategic considerations that were distilled from the individual NCP reports and that were proposed as a basis for discussion during the NCP meetings are presented in Annex II.
7. Several examples of positive efforts by businesses and business associations were discussed during the Roundtable on Global Instruments for Corporate Responsibility. Some companies were shown to be making significant efforts to improve their non-financial reporting and accountability, while also contributing to the accumulation of the reporting and auditing guidelines and standards that will make it easier for other companies to do the same thing at some future date.
8. For example, trade unions and NGOs expressed concerns during the consultations about the conduct of OECD based multi-national enterprises in Burma and Zambia. One of the NCP reports (Sweden) mentions concerns about business activity in Sudan.
9. Quote is from the first paragraph of the Preface to the Guidelines.
10. Quote from Procedural Guidance of the Guidelines.

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Background – The Role of the National Contact Points in the Implementation of the OECD Guidelines for Multinational Enterprises

The institutions that promote and implement the Guidelines are set forth in the OECD Council Decision, a binding declaration subscribed to by all adhering countries. The Council Decision requires each adhering government to set up a National Contact Point. These, arguably, play the most important role of any Guidelines institution in establishing the Guidelines as an effective and vital tool for international business (see Diagram below). The National Contact is responsible for encouraging observance of the Guidelines in its national context and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties.

The National Contact Point:

- Handles enquiries about the Guidelines.
- Discusses matters related to the Guidelines and assists in solving problems that may arise in this connection. This includes the consideration of "specific instances", which provides for "consensual and non-adversarial" consideration of whether or not a particular company has observed the Guidelines recommendations.
- Gathers information on national experiences with the Guidelines and reports annually to the CIME.

Because of its central role, the National Contact Point's effectiveness is a crucial factor in determining how influential the Guidelines are in each national context. While it is recognised that governments should be accorded flexibility in the way they organise National Contact Points, it is nevertheless expected that all National Contact Points should function in a visible, accessible, transparent and accountable manner. These four criteria should guide National Contact Points in carrying out their activities. The June 2000 review enhanced the accountability of National Contact Points by calling for annual reports of their activity, which are to serve as a basis for exchanges of view on the functioning of the National Contact Points among the adhering governments. The current publication summarises the reports by the individual National Contact Points and provides an overview of the discussions during the first annual meeting of the National Contact Points held in June 2001.

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CONSULTATIONS – CONTRIBUTIONS BY BUSINESS, TRADE UNIONS AND NGOs

BIAC Statement

Dr. Kristian Ehinger (General Counsel, Volkswagen AG, Germany)
Vice-Chairman of the BIAC Committee on International Investment and Multinational Enterprises (MNEs)

Introduction

One year ago, we met here in Paris at the OECD Ministerial to recognise completion of the revision of the Guidelines, and acknowledged that what lay ahead was the challenge of implementation. At that time BIAC recognised the "remarkable responsibility assumed by governments in the proposed implementation of the Guidelines", and stated that "implementation must go forward with full recognition of the complexities and diversity of the global market place". Since the revision was complete BIAC has continued to stress that implementation must go forward in good faith by all parties.

Today BIAC very much appreciates this important opportunity to present to you our assessment and experience regarding implementation of the revised Guidelines during the past year. Of course, we are also very much looking forward to hearing about the National Contact Points' (NCPs) experiences with implementation during the past year.

Value of the guidelines

The OECD Guidelines for Multinational Enterprises, is still the only comprehensive set of principles for international business conduct collectively endorsed by governments. At the outset, they were intended to provide a framework for good business conduct and, as part of the wider OECD Declaration on International Investment and Multinational Enterprises, to encourage a balance of responsibility between international business and governments.

The official and clear aim of the Guidelines is to improve the climate for foreign direct investment and promote the positive contribution that multinational enterprises can bring. For their part, OECD governments undertook not to discriminate against multinationals, to avoid imposing conflicting requirements on them, and to co-operate on official incentives and disincentives to international investors.

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Through BIAC, the business community was actively involved in the revision of the Guidelines, which has brought added value to the Guidelines for business. Through extensive consultation in the revision process, and now implementation, there is growing awareness of the Guidelines throughout the business community.

Throughout the revision process and in implementation, industry has taken a positive stance in support of the process, and continues to promote the following underlying principles relating to the Guidelines:

- The Guidelines are part of the OECD Declaration on International Investment and Multinational Enterprises and must always be considered as such.
- The Guidelines are voluntary – that is, not legally binding – and must remain so.
- The process of educating companies and organisations about the Guidelines takes time and business continues to take a proactive approach in informing the private sector about the Guidelines as part of the implementation process.
- Implementation of the Guidelines, in practice, must concur with the wide variety of circumstances in which companies operate throughout the world.
- Companies cannot be required to solve all the world's problems – they have neither the mandate nor the organisation to do so.

Business assessment of implementation

Business must and does understand the Guidelines as serious Government recommendations and thus must and does take the Guidelines seriously, and this of course includes implementation.

During the past year BIAC and its member organisations have worked to communicate and promote the Guidelines at international, national and local levels. In working towards this goal, BIAC member organisations have taken and continue to take concrete proactive measures to reinforce communication and information related to the Guidelines.

First, upon completion of the revision process, BIAC member organisations took on the responsibility of serving as focal points responsible for dissemination of information and fielding questions on the Guidelines from the business community. The focal points have also worked to strengthen business communication with their NCPs and inform BIAC of activities taking place at a national level.

Business activities to promote the Guidelines have included the organisation of seminars with the participation of government officials and OECD staff, presentations to companies and the publication of Guidelines-related articles in newspapers, journals and magazines. Many BIAC members have built or are building

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websites and have developed linkages with government websites on the Guidelines. BIAC organisations have also been co-operating with NCPs to communicate and promote the Guidelines and, where tripartite NCPs exist, BIAC member organisations participate in the development and activities of NCPs for national implementation of the Guidelines.

Some examples – BIAC members present at the meeting may want to elaborate further on their activities:

- The UK Business community, through the Confederation of British Industry (CBI), co-operated with the UK NCP in the Department of Trade and Industry to draft the UK National Contact Point information booklet which has been applauded by the business community as an exceptionally well-crafted communication piece on the Guidelines.
- This week MEDEF is holding a high-level conference on the Guidelines involving representatives from numerous government departments, business, labour and NGOs, including participation of the French NCP.
- During the CCIB's annual Trade Policy Day in March 2001, a breakout session focused on the Revised Guidelines. In Canada the CCIB is discussing the possibility of co-hosting seminars on the Guidelines with the NCP. The CCIB has disseminated articles about the Guidelines through the Canadian Chamber of Commerce's electronic newsletter, News@Chamber, and through the CCIB's own distribution list.
- In Japan, Keidanren regularly holds meetings with Ministry officials regarding the Guidelines. In July 2000, Keidanren held a seminar on the MNE Guidelines, which included Japanese Ministry officials and over 100 company representatives.
- In Germany, in December 2000, the BDI participated in the workshop "International Rules for the Economy" held by the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund – DGB) and presented its views on the Guidelines and their implementation.
- Just last week the BDI also conducted a symposium on "Freedom in Responsibility: Multinational Enterprises in Globalisation" with the active participation of the Federal Minister of Economy and Technology, the State Secretary of the Foreign Ministry and the Deputy Secretary General of the OECD.

With respect to outreach to non-OECD members, BIAC has responded to inquiries of non-OECD members with respect to the Guidelines, with particular interest having been shown by the Brazilian business community.

While business has emphasised that the communication and promotion of the Guidelines will take time, BIAC members have observed that implementation procedures on the government side also take time and, in some cases, it has been

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a slow process. In this respect, it is important to note that NCPs differ according to culture and, thus, develop and function at a different pace in different countries.

With respect to application of the core criteria of NCPs (visibility, accessibility, transparency and accountability), there is room for improvement as the implementation process moves forward. Dialogue based on trust between all concerned parties is critical to this process.

With respect to implementation, the business message has been, and remains, clear: the main objective of the OECD Declaration, of which the Guidelines are a part, is to improve the international investment climate. Promotion of the Guidelines supports this objective.

Issue of linkages

As we stated earlier, implementation must be carried out in good faith by all parties. Otherwise, there is a serious risk that the main aim – namely, to improve the climate for foreign direct investment – may fail. This may not happen and we have to continue to work together in the spirit underlying the Declaration.

With this in mind, BIAC is extremely concerned regarding the Dutch government proposal to link official "acceptance" of the MNE Guidelines by individual companies to the availability of government subsidies and export credit coverage. The Guidelines and their related implementation procedures are unequivocal in underscoring their voluntary nature with regard to MNEs. To render an essential element of international financial competitiveness conditional upon "acceptance" and to pursue such acceptance with tools of "enforcement" – or, in other words, negative "sanctions" – are abridgements of the terms and spirit of the Guidelines and of the premise upon which BIAC leadership submitted the Guidelines to members for their consideration. Indeed, the consensus upon which Ministerial action was based would appear to business as having been eroded, and the value of the Guidelines as the only governmental type diminished.

Such an action would set a very negative precedent that should be avoided and in no way should be followed by other countries.

BIAC has submitted a letter to the OECD CIME on this issue, which has been distributed to all members of the Committee.

However, we also have positive news in this respect. The German government has just amended its regulations on investment guarantees. In this context it now attaches to the application form an explanatory note covering various points including information about the existence of the June 2000 OECD Guidelines for Multinational Enterprises. This is all. There will be no "conditioning", no reporting requirement or anything of a similar nature. It is simply an additional tool of making the Guidelines known to German business.

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Going forward

The Guidelines, as part of the OECD Declaration on International Investment, must be considered in the context of the global economy and the "new economy" where innovation drives global sustainable growth that results in benefits at the local and international levels. Therefore, special emphasis must be placed on the outreach activities of the Declaration.

The Guidelines must remain voluntary – not legally binding. They are not designed to replace national or international legislation or individual company or sectoral codes of conduct. For companies, the wide coverage of the Guidelines represents a blueprint for management systems and practice in today's world where companies are subject to wider public scrutiny than ever before. Used positively, the Guidelines are a helpful tool for companies positioning themselves in the global economy.

In the year to come there remains a lot of work to be done on implementation:

- They must remain voluntary, legally non-binding.
- Promotion and communication of the Guidelines must continue.
- Dialogue between business, government and other social partners on the Guidelines must continue and be further strengthened.

Business is faced with a plethora of instruments, codes and principles that are being developed at company, sectoral, and international levels. It is important that policy makers keep in mind that the benefit of such initiatives is the implementation of effective management systems within companies. With this in mind, both governments and business alike need to be sure that policy decisions in these areas enhance and do not inhibit the benefits of trade and investment that can be reaped for developing and developed countries alike.

BIAC represents the business community – companies of the 30 OECD member countries. The global presence of many of these companies involves them in every market in the world, contributing jobs, technology, training and – not least – capital. Business will be a more effective instrument for social change if it continues to be able to focus on its core activity: creating prosperity.

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TUAC Survey of the Functioning of National Contact Points

Introduction

Prior to the latest review of the OECD Guidelines for Multinational Enterprises it was commonly accepted that only a handful of NCPs functioned effectively. The revision created an environment, which led governments to re-affirm their commitment to establish and activate NCPs. The new Procedural Guidance and the Commentaries also helped strengthen the implementation procedures, including the NCPs themselves, because they have a central role in the implementation of the Guidelines. It is therefore of utmost importance that they function effectively.

As a follow up to the "TUAC Submission to the CIME – 1996 Review of the Role of the National Contact Points" and in preparation for the first OECD annual meeting of NCPs we conducted a survey on the functioning of NCPs. The survey is not exhaustive, though it gives a good indication of how trade unions perceive whether the NCPs are functioning or not. We have received replies from 22 unions in 17 countries: Australia (ACTU), Belgium (CSC and FGTB), Brazil (CUT), Canada (CLC), the Czech Republic (CMKOS), Denmark (LO and FTF), Finland (SAK), France (CGT-FO and CFDT), Germany (DGB), Italy (CGIL), Japan (Rengo), the Netherlands (FNV), New Zealand (NZCTU), Poland (NSZZ Solidarnosc), Spain (CC.OO and UGT), Sweden (LO and TCO) and the UK (TUC). Those affiliates not responding to the questionnaire for the most part have yet to register any meaningful NCP activities. Some affiliates are positive and have noticed a change in their government's efforts to promote the Guidelines, while others await a commitment by governments to take them seriously.

The establishment of NCPs

Even before the review, by virtue of the Decision of the OECD Council, governments adhering to the Guidelines were obliged to set up NCPs though few functioned well. We welcome the positive developments in a number of NCPs since the review, but are concerned that several countries have as yet failed to make progress. Trade unions in Brazil, Spain, Italy, New Zealand and Poland are

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unaware of any NCP activities. The Spanish trade union confederations, UGT and CC.OO, wrote in January 2001 to their government asking for information about this. As of 10 May 2001, they had yet to receive a response. The New Zealand Council of Trade Unions has requested a broad-based NCP, which is currently with the OECD desk at the Ministry of Foreign Affairs and Trade, but without any result. Information received from one of our Italian affiliates, CGIL, suggests that little has been achieved by the government. This lack of activity extends also to Japan. We are particularly concerned at the lack of progress in those non-OECD countries that have adhered to the Guidelines.

The Council decision states that the business community, employee organisations and other interested parties "shall be informed of the availability of the NCP". According to the Procedural Guidance NCPs should develop and maintain relations with representatives of employee organisations (as well as the business community and other interested parties). It is clear from the trade union responses that several governments have yet to fulfil these requirements.

Composition of NCPs

The composition of the NCPs and the location of the responsible government official or officials varies across governments. NCPs are most commonly composed of one government official. However, in a number of countries (Sweden, Belgium, Finland, Denmark, the Netherlands, France and the Czech Republic) the NCPs are tripartite or accord trade unions more formal involvement in their work.

Some NCPs have been re-constituted and/or are still discussing the role of the social partners and NGOs, but have not yet established a clear structure. For example, the German NCP is expected to be transformed into a tripartite body.

The UK NCP holds consultations with trade unions and other parties, but on an informal basis. The Australian Council of Trade Unions reports that the government has agreed to hold consultations with all stakeholders twice a year.

In Japan the NCP is a government official in the Ministry of Foreign Affairs, which does not have regular meetings with trade unions. But there is a tripartite committee on multinationals in the Ministry of Labour where the Guidelines are discussed.

Most NCPs appear to treat employers' federations and trade unions in the same way. As regards NGOs, some NCPs (eg Finland) involve them directly, but for the most part NGOs are handled outside the formal NCP structure.

The NCPs are meant to act in accordance with four core criteria: "visibility, accessibility, transparency and accountability". It should also be noted that the NCP leadership should be such that it retains the confidence of the social partners. In practice, these criteria seem to be fulfilled only in a few countries.

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Information and promotion

The NCPs are responsible for making the Guidelines known and available. Many NCPs have put the Guidelines on their website and they have been translated into many different languages, *e.g.* Dutch, Danish, German, Finnish, Swedish and Czech.

Too few NCPs have involved the social partners and NGOs in promoting the Guidelines, as recommended by the Procedural Guidance. In some countries, among them Germany, Australia, Sweden, the UK and the Czech Republic, trade unions have been invited to comment on the NCP activity reports to the annual meeting of NCPs.

Several NCPs have arranged, or are going to arrange, seminars on the Guidelines – Netherlands (only for business so far), Denmark, Germany, Finland and Sweden. Quite a few NCPs, *e.g.* the UK, have already produced, or are going to produce, booklets/pamphlets/handbooks/brochures on the Guidelines.

Inward and outward investors

Only one of the TUAC affiliates – DGB – has reported that inward and outward investors are being provided with copies of the Guidelines. The UK government is using the Internet to draw the attention of investors to the main provisions of the Guidelines and to their relevance. However, some governments only provide investors with information that the government supports the Guidelines. This, however, falls short of what is stated in the Procedural Guidance namely that prospective investors should be informed about the Guidelines.

Export credits

In Finland, companies that receive export credits are assumed to observe the Guidelines while, in Germany, the Ministry of Economics has included a reference to the Guidelines in the application forms for the outward investment guarantees that the government grants. The Netherlands government has also put forward a proposal to link the Guidelines to export credits.

TUAC believes that the Guidelines should be used as a reference point for anticipated corporate good behaviour for those companies receiving voluntary state assistance, including export credits guarantees.

Cases

Many trade unions are either still developing their strategic orientation to the Guidelines, or are undecided as to whether they will become a valuable tool to secure effective corporate social accountability. Because of this, it has taken some time for cases under the new Guidelines to come through but this is beginning to happen now.

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Since the review, the Dutch trade union confederation, FNV, reports that it has posed questions to the NCP on possible cases without receiving any reply. This is not in accordance with the Guidelines. NCPs should respond to all legitimate requests for information.

On 9 April 2001 the French trade union confederations, CFDT and CGT-FO, formally raised the case of Marks and Spencer with the French NCP (this was later supported by another French confederation, UNSA). The case concerned the closure of the company's stores in France, which had been announced without any prior information and consultation processes. The Belgian trade union confederations, CSC and FGTB, have also raised this issue in their NCP. The case is still ongoing, but contacts have been made between the French and the UK NCPs. It is too early to draw any conclusions, but one welcome development concerns the decision by the French NCP to start discussing procedures on how to deal with cases.

CFDT, CGT-FO and later UNSA also raised the issue of French companies operating in Burma with the NCP. The purpose was to investigate whether French companies with activities in Burma observe the Guidelines and, if so, what this means under the Guidelines.

A case has been raised in the US NCP regarding Trico Marine Services, which is conducting an anti-union campaign. The case was raised by the International Transport Workers' Federation (ITF) together with five US trade unions. The NCP was requested to facilitate resolution of the dispute.

TUAC, in a letter to the chair of the CIME, has raised Burma as a horizontal issue that ought to be discussed by the Committee.

Several other cases are also underway or being raised with NCPs.

Conclusions

TUAC recognises that improvements have been made in the functioning of several NCPs and that a number of governments have made efforts to establish and/or activate them. However, much remains to be done. We are a long way from being able to say that the bulk of NCPs meet the four criteria of "visibility, accessibility, transparency and accountability". Too many NCPs are still dormant and/or fail to consult with trade unions and other interested parties.

The ultimate responsibility for whether the Guidelines become an effective tool of governance and accountability covering the activities of enterprises lies with governments. It is they who have adopted them through the Council Decision. Only they can fulfil the legal and moral commitment to create properly functioning NCPs, and to ensure the practical implementation of the Guidelines in practice by enterprises. If governments do not take the Guidelines seriously it is

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unlikely that companies will do so. The use or otherwise by trade unions, business and NGO's of the Guidelines depends on whether governments meet this challenge. The first annual meeting of NCPs under the new Guidelines is an opportunity to judge whether governments are meeting their obligations.

Our expectations of the annual NCP meeting goes beyond just reporting on activities. We urge government participants in the meeting to agree on the following practical steps to be taken in the coming period:

- Those NCPs found to be currently inactive must raise their standard to meet those of the best performers.
- Targets should be set on efforts to promote the Guidelines within adhering countries, and among non-adherents.
- Governments wishing to accede to the Guidelines must be questioned on their ability and commitment to set up effective NCPs.
- An OECD outreach programme on the Guidelines with non-members should be established.
- Evidence must be presented on the inclusion of the Guidelines in inward and outward investment policies.
- A stocktaking exercise must be undertaken by the OECD to ensure that all relevant meetings and activities organised by it include the Guidelines.
- Future annual meetings of the NCPs could include a review on the experience with particular chapters of the Guidelines. For example, the 2002 meeting could examine developments around the implementation of the Employment and Industrial Relations chapter.

Whilst accepting that there can be no "one size fits all" model for fully functioning and effective NCPs, TUAC has nevertheless identified a set of illustrative factors that can help to achieve that objective. See the attached TUAC note for affiliates.

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Annex I

TUAC Note for Affiliates on the Characteristics of a "Good" National Contact Point

Several TUAC affiliates have asked for information on how NCPs should function and what constitutes good practice. The TUAC secretariat has therefore prepared the attached note on characteristics of a good NCP.

Institutional arrangements

A National Contact Point can be set up in several different ways. The NCP can be a tripartite body or it can be a government official. What is important is that the NCP regularly consults and involves trade unions, business and NGO's in its work. The parties should be informed of where the NCP is located, how to proceed if a party wants to raise a case, and be provided with news of ongoing cases and other activities of the NCP.

The NCP is usually located in a Ministry or government department. The NCP should be open and co-operate with other Ministries. If the NCP is located within the Ministry of Foreign Affairs or Economics, for example it is essential that it co-operates with the Ministry of Labour. Civil servants from other Ministries concerned should be invited to the NCP meetings, though participation will vary depending on the issues discussed. At least business and labour should be regularly invited as well.

The NCP should hold meetings regularly, at least 3-4 times every year. The NCP should be open to the ideas and initiatives from trade unions and other interested parties, which should be able to influence the agenda and the issues discussed at the meetings.

When the NCP consists of more than one person there must be a chairperson. In a tripartite body the chair will have to make the final decision when the social partners disagree on something. Even in bodies where decisions are based on consensus the chair should have the casting vote.

It would be an advantage if the NCP/chair is a high ranking government official. This will give the NCP weight and standing. There should also be a Minister with specific responsibilities for the Guidelines.

Activities

The NCPs should operate according to the four core criteria visibility, accessibility, transparency and accountability.

One of the tasks of the NCPs is to promote and implement the Guidelines. Some suggested activities include: translation of the Guidelines into national language, a booklet or brochure explaining what the Guidelines are, seminars to discuss the Guidelines, press

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releases and press articles, surveys of the Guidelines and meetings with companies and public authorities to give information about the Guidelines. Another idea is to arrange regional NCP meetings. These could be good opportunities to exchange information, learn how other NCPs work and get new input and ideas. NCPs could also be involved in outreach activities and disseminating the Guidelines in non-adhering countries and to other government institutions, particularly those involved with inward and outward investments. Trade unions and other interested parties should be involved in these activities. In addition, all prospective investors should be provided with a copy of the Guidelines. Reports to national parliaments on the Guidelines would also be welcome. Furthermore, the NCP shall report annually to CIME on its activities.

For the NCPs to be able to carry out these activities and thereby fulfil their mandate they have to have adequate resources.

The NCP could also serve as a broader body where the social partners and other stakeholders could meet to discuss issues concerning multinational enterprises and social corporate responsibility in general.

TUAC believes that the Guidelines should be used as a reference point for anticipated corporate good behaviour for those companies receiving voluntary state assistance including export credits guarantees.

Cases

One of the main tasks of the NCP is to help solve problems that may arise regarding the implementation of the Guidelines. The NCP should consider itself as having a responsibility to ensure that the Guidelines are applied in specific instances and try to resolve issues at the national level. To raise a case one of the parties should contact the NCP. The NCP/chair will then determine if the issue merits further examination. If the NCP/chair decides not to follow up an issue it must have good reasons for not doing so and it will have to explain why to the party(ies) concerned. Otherwise the NCP/chair should try to reach agreement between the parties and resolve the issue. To assist in dealing with the issue conciliation or mediation might be needed. If that does not succeed the NCP/chair should make a statement and give recommendations as how the Guidelines should be applied. Sometimes most effective is informal discussions whereby the government indicates the importance it attaches to the application of the Guidelines.

The same procedures are applicable when a case concerns a non-adhering country.

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Annex II

The TUAC Questionnaire

A. Institutional arrangements

- Has the NCP notified your organisation of its existence and location?
- Who is the responsible government official and what is the composition of the NCP (please specify how trade unions are involved and whether other government departments or agencies are involved)?
- How does the NCP relate to business groups and other NGOs?

B. Information and promotion

- How have the Guidelines been made available in your country (translation, webpage or website, etc)?
- How is co-operation with trade unions, business, NGOs and the interested public undertaken, especially as regards information and promotion of the Guidelines (consultations, distribution of the Guidelines)?
- Has the NCP taken or does it plans to take other measures to provide information on, or to promote the Guidelines (seminars and/or conferences on the Guidelines – in general or specific subjects – other publications)?
- Are inward/outward investors provided with copies of the Guidelines?
- Will access to public subsidies for MNEs (*e.g.* export credits) be conditional on adherence to the Guidelines?

C. Implementation in specific instances

- Has your organisation brought cases to the attention of the NCP?
- If yes, please provide details. Did the NCP adopt a proactive and timely role in helping to solve the problems?
- What form of intervention was taken by the NCP, and did it change the behaviour of the company?
- Did the NCP report publicly on the outcome of the case?
- If your experience of the NCPs handling of the case was negative, please give your views on why this was so.
- Have cases in non-adhering countries been taken to the NCP?
- If yes, what was the outcome?

D. Other

- Please provide any further comments relating to your experience with the Guidelines, MNEs, and NCPs (positive and negative).

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NGO Statement on the OECD Guidelines for Multinational Enterprises

A year has passed since the adoption of the revised OECD Guidelines for Multinational Enterprises by the OECD Ministerial Council of June 2000. Since then, adhering governments have moved forward at different speeds on promotion and implementation of the Guidelines. Business, trade unions, and NGOs have participated in some of these processes, and have undertaken actions on their own. The undersigned NGOs appreciate this opportunity to deliver our views and concerns to the OECD Committee on International Investment and Multinational Enterprises regarding the implementation of the Guidelines and future work.

From the side of NGOs, our efforts have been focused on information sharing and awareness raising on the potential benefits of the OECD Guidelines. As the revised Guidelines are relatively new, the responses have been few and guarded, but the interest to test its potential is growing considerably. Now that there has been time to familiarise ourselves with the Guidelines and their possible applications, the undersigned non-governmental organisations are convinced that the National Contact Points will see an increased interest in their activities from their NGO stakeholders.

For the purpose of this consultation, we would like to focus your attention on future actions that could be undertaken by the CIME and the working group in particular. We would like for the CIME to pay attention to the following specific issues:

1. Regular and systematic involvement of NGOs at the CIME level, including access to documentation.
2. Developing concrete work programmes on outstanding or unresolved issues in the Guidelines such as supply Chain responsibility and social and environmental disclosure.
3. Benchmarking of NCP performance in future annual meetings at the CIME level.
4. Establishing a workplan for the monitoring and evaluation of the effectiveness of the revised Guidelines.

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5. Working to increase coherence and synergies with existing and new governmental instruments and policies regarding inward and outward investments, including financial instruments such Export Credit Agencies and the OECD Guidelines for Multinational Enterprises.

6. Making information on the Guidelines available in non-adhering countries and ensuring OECD wide authorisation of the NCP to accept complaints transmitted through the embassies by local NGOs.

1. Involvement of NGOs at the CIME level

A result of the June 2000 revision was the formal exclusion of NGOs in the implementation of the OECD Guidelines at the international level, especially within the CIME. The unconvincing explanation given is that the NGOs are not organised in a similar fashion as BIAC and TUAC.

At a consultation held by the OECD Public Affairs Department in March 2001 it was agreed that the make-up and diversity of the NGO community prevented the formation of an NGO Advisory Committee to the OECD. Instead the OECD secretariat was assigned to investigate alternative structures of NGO involvement in the proceedings of the OECD.

We urge the CIME to take on board the recommendations formulated by the OECD secretariat and review its decision on excluding interested NGOs from the CIME proceedings. We urge the CIME to present an amendment allowing NGO participation during NCP annual meetings and CIME work related to the implementation of the Guidelines on an equal basis with BIAC and TUAC to the 2002 OECD ministerial.

2. Future work regarding outstanding issues

At recent meetings on the implementation of the OECD Guidelines involving representatives of NGOs, Trade Unions, and Business, two major issues stood out as needing further clarification and work. These were issues related to supply chain responsibility and disclosure of social and environmental information. We realise that both these issues are very difficult issues to deal with, but they are vital and central to the debate on institutionalising corporate social and environmental responsibility. We suggest that the CIME organises a seminar on each subject to collect the state-of-the-art thinking that exists in the Governmental, NGO, Trade-Union, Academic and Business community and undertake steps to progressively update the texts currently found in the Guidelines dealing with these matters based on the conclusions of these seminars.

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3. Benchmarking of NCP performance

We applaud the intention of the NCPs to meet annually at the OECD to review their work, and submit their activities to peer-review. We would urge the CIME to develop a set of benchmarks/criteria/indicators to measure the effectiveness of each NCP in meeting their obligations.

4. Establishing a system of monitoring and evaluation

We urge the OECD to develop a system of evaluation of the effectiveness of the OECD Guidelines in achieving corporate sustainable behaviour. As was stated by the representatives of the NGO community throughout the revision process, we have no interest in an instrument that will not have an actual impact on the ground. As the CIME did commit to a regular review of the Guidelines, we hope that work will be done to evaluate and measure the impact the Guidelines have in ensuring corporate responsible behaviour.

Future reviews of the OECD Guidelines will need the information generated by this evaluation to ensure that the revisions of the Guidelines will meet the needs of society.

5. Policy coherence

We are encouraged by recent moves of the Dutch government to establish a certain measure of policy coherence between expressing on the one hand their expectations of corporate behaviour globally through the OECD Guidelines, and financial instruments under their control in relation to investment and export stimulation. We urge the CIME to recognise the need for such policy coherence and agree to investigate where such policy coherence can be established within the national policy regimes of the adhering countries to the OECD Guidelines.

6. Non-adhering countries

Concern has been expressed that there is a lack of information available in non-adhering countries on the Guidelines. It is unclear what the role of adhering country embassies and missions, EC missions, and other diplomatic channels will be in transmitting findings and complaints to home country NCPs. We urge the CIME to ensure that all adhering countries have authorised their NCPs to accept complaints raised by host-country NGOs in non-adhering countries.

We hope that this statement will be duly considered in the deliberations on Monday and we look forward to a good discussion.

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The undersigned,

Aidrom – *Romania*
Alternative Consumers Union – *the Netherlands*
ANPED, *the Northern Alliance for Sustainability* (*International*)
COS – *the Netherlands*
Clean Clothes Campaign – *International*
Dutch Association of World Shops – *the Netherlands*
Evert Vermeer Stichting –*the Netherlands*
Friends of the Earth – *England, Wales and Northern Ireland*
Friends of the Earth (BUND) – *Germany*
Friends of the Earth (*Milieudefensie*) – *the Netherlands*
Germanwatch – *Germany*
Groundwork – *South Africa*
Integrative Strategies Forum – *United States*
Irene – *the Netherlands*
Netherlands Committee for India – *the Netherlands*
Oxfam – *United Kingdom*
Pax Christi – *the Netherlands*
SOMO – *The Netherlands*
The Netherlands Humanist Committee on Human Rights – *The Netherlands*
VBDO – *The Netherlands*
World Economy, Ecology and Development (WEED) – *Germany*
Women in Europe for a Common Future (WECF) – *International*
WWF – *International*

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Part II

ROUNDTABLE ON GLOBAL INSTRUMENTS FOR CORPORATE RESPONSIBILITY – MAXIMISING THE CONTRIBUTION OF THE GUIDELINES RELATIVE TO OTHER GLOBAL INSTRUMENTS

Box 1. **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.

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Summary 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. Box 1 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

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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".

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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.

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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.

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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

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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.

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The OECD Guidelines and Other Corporate Responsibility Instruments: A Comparison

Introduction

The OECD Guidelines are recommendations by governments to multinational enterprises (MNEs) operating in or from the 33 countries that adhere to the Guidelines. The Guidelines help ensure that MNEs act in harmony with the policies of countries in which they operate and with societal expectations. They are the only comprehensive, multilaterally endorsed code of conduct for MNEs. They establish non-binding principles and standards covering a broad range of issues in business ethics. The basic premise of the Guidelines is that internationally agreed principles can help to prevent misunderstandings and build an atmosphere of confidence and predictability among business, labour, governments and society as a whole.

The recent review of the Guidelines, concluded in June 2000, brought significant change to the contents of the Guidelines' recommendations and sought to enhance their distinctive implementation procedures. At the time of the review, many participants noted the intense international activity in the area of corporate responsibility. Among other initiatives, a number of global instruments for corporate responsibility had been issued or were in preparation. Here, the term "global instrument" refers to a code or standard that provides guidance to international business in relation to non-financial performance and practices. The OECD Guidelines for Multinational Enterprises are one such instrument.

Companies use these instruments as guidance understand their responsibilities and to formulate public commitments – often called codes of conduct – related to various aspects of business conduct. An OECD study of codes of conduct and related management and reporting systems (OECD 2001*b*) notes that most large multinational enterprises have issued such codes. However, it also notes, that while such practices are a global phenomenon, there is significant variation among companies in their commitments and management practices that cannot be easily explained by differences in their business environments. These findings suggest that now is a particularly promising time for global instruments to have a major impact on international business behaviour and to play a prominent role in the public debate about the respective roles of companies, governments

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and individuals in ensuring that a broad cross section of the world's people can enjoy improved economic, social and environmental welfare.

This paper examines the similarities and differences between the Guidelines and six other global instruments. It aims to provide background for consultations by the National Contact Points (NCPs) with businesses, trade unions and NGOs. (Created by each of the adhering governments, NCPs are responsible for promoting observance of the Guidelines among "their" multinational enterprises). In organising a Roundtable in connection with the First Annual Meeting of the National Contact Points (NCPs), the NCPs hope to gather ideas on how the contribution of the OECD Guidelines can be enhanced. In particular, the NCPs would like to explore with Roundtable participants how potential synergies with other influential global instruments can be developed and functional overlaps avoided.

The Guidelines and other major instruments for corporate responsibility

In addition to the OECD Guidelines, the following instruments are reviewed: the Caux Principles for Business, the Global Reporting Initiative, Global Sullivan Principles, the Principles for Global Corporate Responsibility: Benchmarks, Social Accountability 8000 (SA 8000) and the United Nations Global Compact. The review is based on material developed by Business for Social Responsibility (BSR), a business association that advises companies on the design of their corporate responsibility programmes. BSR selected these instruments because they are among the prominent initiatives shaping individual company initiatives. The discussion of this material is divided into three sections – sponsors of the instruments, content and follow-up.

Box 2 describes the sponsors and the aims of these initiatives. The Annex Table reviews the content of the initiatives using eight general issue areas defined by BSR.

Sponsors

The global instruments reviewed here have different sponsors – intergovernmental organisations, individuals, religious groups and groups of business executives. The question of sponsors – whose ideas and principles the instrument represents, how broad the consensus underpinning the instrument is – is a key consideration in trying to understand the channels through which these instruments might influence business conduct. In this sense, the group of instruments considered here and in the BSR report is diverse – one is a consensus of top executives from very large multinational companies, while another expresses the shared views of numerous religious NGOs from English-speaking companies. The impetus for others comes from individuals with significant personal credibility in the field of corporate responsibility, while others represent the views of alliances of businesses, trade unions and NGOs.

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The OECD Guidelines are unusual in that they are rooted in long-standing inter-governmental co-operation and are closely linked to a broader framework for international investment, the OECD Declaration on International Investment. The Guidelines are an expression of the shared expectations of the adhering governments. These governments agree to promote them among "their" multinational enterprises and sign a binding Council Decision that requires them to set up National Contact Points (see below) and to participate in other facets of Guidelines implementation. Another instrument sponsored by an international organisation is the United Nations Global Compact. The Global Compact was initiated by United Nations Secretary General, Kofi Annan, who provided much of its original impetus and stature. Various UN Secretariats are now involved in promoting the Compact and many companies have endorsed it (see below under "Follow up"). The United Nations membership does not adhere to the Compact nor did it participate in negotiations to develop the Compact's nine principles.

The Caux Principles for Business were issued by a group of senior executives from major multinational enterprises with headquarters in Europe, Japan and North America. The group aims to provide a foundation for action and dialogue among business leaders. Another prominent instrument, the "Global Corporate Responsibility: Benchmarks," ("Benchmarks") is sponsored by a non-denominational alliance of religious groups based in the United States, Canada and the United Kingdom. The Global Sullivan Principles were developed by the Reverend Leon Sullivan, a well-known anti-apartheid activist. The instrument is underpinned by his contacts and credibility with the international business community.

The objectives of the sponsors of the Global Reporting Initiative (GRI) and Social Accountability 8000 (SA 8000) are quite different than those of the other five instruments. Both seek to help companies go beyond the "commitment phase" of corporate responsibility initiatives into the monitoring and reporting phases. By providing international standards for external verification of management practices and for non-financial performance reporting, SA 8000 and the GRI hope to enhance the credibility of individual company initiatives. SA 8000 – developed by an alliance of trade unions, NGOs and businesses – is an auditable standard designed to promote external verification of performance in relation to labour relations and human rights commitments in factories. The GRI – which is being developed by a broad alliance of diverse organisations and partially funded by the United Nations Environment Programme – is a reporting standard designed for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services.

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Box 2. **Global Instruments for Corporate Responsibility [material adapted from Business for Social Responsibility (2000)]**

Caux Principles for Business: (issued in 1994) The Caux Principles are an aspirational set of recommendations covering many areas of corporate behaviour. They "seek to express a world-wide standard for ethical and responsible corporate behaviour and are offered as a foundation for dialogue and action by business and leaders world-wide." Issued in 1994, the Principles are sponsored by the Caux Roundtable (comprised of senior business leaders from Europe, Japan and North America). No formal mechanism for corporate commitment to these principles exists.

Global Reporting Initiative (GRI): (issued in 1999, but development is ongoing) The GRI is an international reporting standard for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services. Using input from reporters and report users, the GRI has sought to develop a list of specific indicators for reporting on social, environmental and economic performance. Note that the GRI, since it is a non-financial reporting framework, does not provide recommendations on business conduct, but the framework is necessarily underpinned by norms for business conduct. The GRI is led by the Coalition of Environmentally Responsible Economies (CERES) and includes NGOs, corporations, consultancies, accounting firms, business associations, academics and others. UNEP provided some financing. The GRI does not assess companies' conformity with its reporting guidelines.

Global Sullivan Principles: (issued in 1999) The Global Sullivan Principles are an aspirational standard developed with the input of several multinational corporations. The principles include eight broad directives on labour, business ethics and environmental practices of multinational companies and their business partners. Issued in 1999, the Principles were written by the Reverend Leon Sullivan, whose original Sullivan Principles provided guidelines for companies doing business in South Africa during the period of apartheid. Companies endorse the Principles by publicly pledging to integrate them into their operations. Continuing support requires that companies provide an annual letter to Reverend Sullivan restating the company's commitment and outlining progress to date.

OECD Guidelines for Multinational Enterprises: (revised in 2000) The Guidelines are recommendations covering nine areas of business conduct addressed by governments to multinational enterprises. While observance of the recommendations by enterprises is purely voluntary, adhering governments sign a binding decision to participate in Guidelines implementation and to promote their observance by enterprises operating in or from their territory.

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Box 2. **Global Instruments for Corporate Responsibility [material adapted from Business for Social Responsibility (2000)]** (*cont.*)

Principles for Global Corporate Responsibility – Benchmarks: (revised in 1998) The "Benchmarks" are designed to provide a "model framework" through which stakeholders can assess corporate codes of conduct, policies and practices related to corporate social responsibility expectations. The principles were revised in 1998 to include the input of a range of human rights, environmental and labour groups, religious organisations and companies. The standard contains nearly 60 principles the sponsors consider "fundamental to a responsible company's actions". Finally the standard includes "benchmarks" to be used by external parties to assess the company's performance related to the recommended policies and practices. Benchmarks' sponsors (several religious NGOs based in the United Kingdom and North America) do not seek endorsements from companies.

Social Accountability 8000 (SA 8000): (issued in 1998) SA 8000 is a voluntary, factory based monitoring and certification standard for assessing labour conditions in global manufacturing operations. SA 8000 is modelled after the quality and environmental auditing processes developed through the International Standards Organisation in its ISO 9000 and ISO 14000 standards. SA 8000 relies on certified monitors to verify factory compliance with the standard. The sponsor of the standard, Social Accountability International (an NGO), is currently reviewing the standard and hopes to issue a revised version in Spring 2001.

United Nations Global Compact: (issued in 1999) The UN Global Compact was announced at the World Economic Forum in Davos, Switzerland in January 1999 and formally launched in September 2000. UN Secretary General Kofi Annan called on world business leaders to "embrace and enact" a set of nine principles in their individual corporate practices and by supporting complementary public policy initiatives. The standard includes specific practices that endorsing companies would commit to enact. Endorsements from companies are sought under the Global Compact (see discussion in "Follow up" section of main text).

Content

The content of all six instruments reflects the influence of the framework of international declarations and conventions that has been built up gradually over several decades. Some of the key elements of this framework are described in Box 3. This section compares the content and styles of the recommendations or principles contained in the seven global instruments. It refers to the eight broad issue areas addressed in the BSR report – accountability, business conduct, community involvement, corporate governance, environment, human rights, consumer

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Box 3. **The Normative Framework – International Declarations and Treaties**

The Universal Declaration of Human Rights states that "every individual and organ of society" has the responsibility to strive "to promote respect for these rights and freedoms" and "by progressive measures, national and international, to secure their universal and effective recognition and observance". As important "organs" of society, businesses have a responsibility to promote world-wide respect of human rights. Human rights concerns of particular interest for businesses and their employees include core labour standards, management of security forces, and indigenous peoples' rights.

The ILO *Conventions* establish norms covering all aspects of working conditions and industrial relations. Some of the most important cover core labour standards (that is, basic human rights in the workplace). These include freedom of association (No. 87), right to organise and to collective bargaining (No. 98), minimum age (No. 138), freedom from discrimination in employment and occupation (No. 111) and freedom from forced labour (No.s 29 and 105). ILO Conventions are binding on all countries that have ratified them, although not all countries have ratified all treaties and not all countries that have ratified them succeed in enforcing them. The co-operative approach of the ILO, which focuses on providing technical assistance to enable countries to implement their responsibilities, receives strong support from ILO membership, especially from developing countries.

The ILO *Declaration on Fundamental Principles and Rights at Work* is based on the core labour standards outlined in the ILO Conventions. The Declaration is not binding but applies to all ILO states by virtue of their membership in the ILO. It contains a mechanism for annual review of the efforts made by member states that have not yet ratified the core labour standards Conventions. Its ultimate aim is to provide a basis for ILO assistance to member states in establishing these rights in law and in practice to allow for ratification of the Conventions. The Declaration cannot be invoked as the justification for applying economic sanctions against a country. Rather, the ILO can use the Declaration alongside offering technical assistance and co-operation, in order to help states to provide these rights. The approach is one of building countries' capacity to have well functioning labour markets. The Declaration also reinforces the application of core labour standards in private voluntary initiatives.

The ILO *Tripartite Declaration* of Principles Concerning Multinational Enterprises and Social Policy is a global instrument designed to provide guidelines to governments, employers and workers in areas of employment, training, conditions of work and industrial relations. All core labour standards are covered in the Declaration. Although it is a non-binding instrument, its implementation is nevertheless the object of regular reviews and there is a procedure for examining disagreements concerning its application by means of an interpretation of its provisions.

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Box 3. **The Normative Framework – International Declarations and Treaties** (*cont.*)

The 27 principles *of the Rio Declaration* define the rights and responsibilities of nation as they pursue human development and well-being. Negotiated in 1992, the Declaration is based on the notion of sustainable development and defines a number of basic principles (*e.g.* precautionary principle, polluter pays principle, the right to development). The meetings at Rio de Janeiro also produced other significant documents. Agenda 21 provides guidance for governments, business and individuals on how to contribute to making development socially, economically and environmentally sustainable. The UN Framework Convention on Climate Change, the Convention on Biodiversity and a statement of principle on forest management were also signed by many governments during the Rio meetings.

protection, labour relations. As shown in the Annex, the BSR report then provides detail on treatment of these eight broad areas in the form of 54 specific issues. The general impression left by the Annex Table and by the BSR report is that there are major differences among the instruments in terms of coverage, concepts and style. Among the eight broad issue areas, only two – transparency and human rights – are covered by all the global instruments reviewed here. The OECD Guidelines address a wide range of issues.[1] Like three other instruments (Caux Principles, GRI and "Benchmarks"), the Guidelines deal with all eight of the major issues in business ethics. SA 8000, dealing with transparency, human rights and labour rights is the most focused of the instruments reviewed here. The UN Global Compact addresses 6 of the 8 broad issue areas.

The treatment of these issue areas in the Guidelines tends to be relatively detailed. The Annex Table shows that the OECD Guidelines are the second most detailed of the instruments studied. The Guidelines cover 38 of the 54 more specific corporate responsibility issues identified in the BSR report. The only instrument covering more issues is the "Principles for Global Corporate Responsibility: Benchmarks" ("Benchmarks"), which covers 44 of the issues. In contrast, the Global Compact and the Global Sullivan Principles set forth broad behavioural principles, without providing detailed recommendations for companies (neither instrument covers more than 20 of the 54 issues). The idea behind these two initiatives is to establish general principles and then to use the instruments' endorsement processes as a way of engaging multinational companies and promoting a process of continuous improvement in their conduct (see below under "Follow-up").

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Compared with the treatment they receive in the other instruments, environment and consumer protection are given particularly detailed attention in the Guidelines (all the major issues identified by BSR are addressed). The Guidelines treatment of general business conduct is also quite detailed compared with that of other instruments. In contrast, the Guidelines' treatment of human rights issues provides relatively few details and does not deal with such high profile issues as indigenous peoples' rights and security forces. Overall, however, the general impression of the content of the Guidelines' recommendations is that they are both comprehensive and detailed.

Follow-up

Some of the most striking differences between these instruments lie in their follow-up or implementation procedures. Two of the instruments – the Caux Principles and the Global Corporate Responsibility Benchmarks – have no formal follow-up or promotional procedures. A quote from the Benchmarks text illustrates the role foreseen for these texts by their sponsors: "Benchmarks is designed to be used as an accountability tool through which concerned actors may evaluate companies, their codes of conduct and their implementation." Thus, these two initiatives seek to influence thinking about global corporate responsibility, but do not attempt to create other links between companies and sponsors.

The implementation procedures for the OECD Guidelines are very much focused at activities within individual adhering countries and their effectiveness depends mainly on that of the 33 "National Contact Points". Each adhering country's National Contact Point – often a government office – is responsible for encouraging observance of the Guidelines in its national context and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties. The National Contact Point (NCP) gathers information on national experiences with the Guidelines, handles enquiries, discusses matters related to the Guidelines and assists in solving problems that may arise in this connection. When issues arise concerning implementation of the Guidelines in relation to specific instances of business conduct, the NCP is expected to help resolve them. Any person or organisation may approach a National Contact Point to enquire about a matter related to the Guidelines.

NCPs are expected to function in a visible, accessible, transparent and accountable manner. The review of the Guidelines completed in June 2000 enhanced accountability by calling for annual meetings and reports on NCP activity. The reports will serve as a basis for exchanges of view among the adhering governments on the functioning of the NCPs. The Committee on International Investment and Multinational Enterprises is the OECD body responsible for over-

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seeing the functioning of the Guidelines and it is expected to take steps to enhance their effectiveness.

Business and trade unions – or their OECD representatives, BIAC and TUAC – as well as other interested parties (including non-governmental organisations) may request consultations with the National Contact Points on issues related to the Guidelines. BIAC and TUAC can also raise such issues directly with the OECD body responsible for overseeing the Guidelines, the Committee on International Investment and Multinational Enterprises (CIME). In addition, they are responsible for informing their member federations about developments in the Guidelines and for seeking their members' inputs in Guidelines implementation procedures. They may also participate in promotional activities and consultations organised by the NCPs or by the CIME on a national, regional or multilateral basis.

The follow up on the UN Global Compact involves an effort to enlist the support of the world business community in order to "safeguard sustainable growth within the context of globalisation by promoting a core set of universal values which are fundamental to meeting the socio-economic needs of the world's people" (quotes in this paragraph are from United Nations promotional material). Businesses are asked to contribute to the effectiveness of the Global Compact by:

- Taking a lead in corporate citizenship: "The Global Compact offers business people the opportunity to demonstrate their leadership role as world citizens."
- Embracing and enacting the principles of the Global Compact: "Primary responsibility for upholding standards for the environment, human rights and labour lies with governments. But corporations and business leaders can help by endorsing and championing the nine principles … and making sure they are carried out in corporate practice."
- Working with UN Agencies: "As a neutral broker, the UN can play a key role in promoting change, fostering practical co-operation and acting as an advocate. The International Labour Office, the Office of the High Commission for Human Rights and the UN Environment Programme stand ready to work directly with corporations to aid in the implementation of the Global Compact."
- Advocating a strong UN: "Today, the UN is part of the solution. Significantly enhancing the authority and resource base of the UN and especially of those agencies that are charged with addressing environmental, human rights and labour issues is the most sensible way forward."

The Global Sullivan Principles and the UN Global Compact both seek the endorsement of companies and have been quite successful in securing them. The BSR report shows that both instruments have attracted about 50 corporate sponsors (as of the latter half of 2000). Under the Global Sullivan Principles, endorsing

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companies pledge to abide by them and to integrate them into their operations. Continuing support of the Principles requires that companies provide an annual letter to Reverend Sullivan restating the company's commitment to the Principles and outlining progress to date. The Reverend Sullivan decides which companies qualify to be on the register.

Under the UN Global Compact, endorsing companies pledge to publicly advocate the Compact in their mission statements, annual reports and other public statements and to post, at least once a year, specific examples of progress they have made or lessons they have learned in putting the principles into practice. Companies also pledge to work with the UN in partnership projects, either at the policy or at the operational levels. Under both the Global Compact and the Global Sullivan Principles, the annual renewal of corporate commitment and endorsement is an attempt to get firms to "ratchet up" their performance in the areas covered by the two sets of principles. Thus, both of these initiatives seek to create a framework that will encourage firms to make continuous improvements in their non-financial performance, as set forth in the two sets of principles.

Some of the difficulties of seeking public endorsement from companies should be noted. These stem from the continuing large disagreements among various actors about what constitutes appropriate conduct for international business. Because of these wide divergences of view, endorsements by companies may be associated with public recriminations from trade unions and NGOs. For example, significant dissent and acrimony accompanied corporate endorsements of the UN Global Compact. Some NGOs claimed that a number of the endorsing companies had poor records in the areas covered by the Compact. These accusations tended to deflect public debate away from the intended focus on continuous improvement in international business conduct and towards recriminations for alleged misbehaviour. Other NGOs are concerned that the United Nations, by associating itself with corporate actors that allegedly have poor records in human rights, labour relations and environment, will compromise its own reputation and effectiveness.[2]

As noted, the other two instruments – the Global Reporting Initiative and SA 8000 – seek to help companies with the management and reporting phases of their corporate responsibility initiatives. In this sense they clearly have strong synergies with all of the other initiatives that focus on the commitment phase. Companies wishing to be certified for SA 8000 must be monitored and assessed by accredited external certification agencies or organisations. These certifications have to be periodically renewed. The BSR report lists 66 companies (including 50 companies from developing countries) as having been certified for SA 8000 (as of mid-2000). The GRI does not assess or make judgements on the degree to which companies conform to its guidelines, but 21 major multinational companies

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with headquarters in Europe, North America and Japan participated in the pilot test of the standard that was completed last year (BSR 2000).

Maximising the contribution of the Guidelines – Issues for discussion

When the review of the Guidelines began in late 1999, many participants noted that the Guidelines are complementary with other initiatives being undertaken by businesses, business associations, NGOs, governments and intergovernmental organisations. It was agreed that the governments undertaking the review should be aware of these other initiatives and should seek to orient the Revisions so as to maximise the Guidelines' contribution. By adding the weight of adhering governments' views to the general public debate on many issues in international business ethics, the Guidelines process has already succeeded in raising the legitimacy and profile of corporate attempts to address these issues. The Guidelines implementation procedures have also been enhanced, especially in relation to the functioning of the National Contact Points. They remain unique.

However, the officials seeking to maximise the contribution of the Guidelines now must address a number of other issues, especially in relation to the orientation of the follow-up procedures. In sponsoring this Roundtable, the National Contact Points are seeking advice on this matter from the business community, from trade unions and NGOs and from other international organisations. The following sections propose several issues for discussion of strategies for maximising the contribution of the Guidelines.

Further work on exploring the implications of recommendations

The Annex Table suggests that the various global instruments take rather different approaches to commitment. Some establish general principles (*e.g.* UN Global Compact) while others make quite specific recommendations (*e.g.* OECD Guidelines and "Benchmarks"). Some concentrate on a few issue areas (*e.g.* SA 8000), while others cover most or all issue areas (*e.g.* OECD Guidelines). The Guidelines cover most areas of international business ethics, but the detail of the recommendations varies by issue area. The National Contact Points seek the advice of Roundtable participants on whether any further exploration of some business ethics issues would be useful within the context of Guidelines follow up institutions. Of course, this could not take the form of changing or adding to the recommendations themselves, since there is no mandate for a review. Rather, it could consist of a "fact finding" exercise (exploring what companies are doing in particular areas) or exploration of the options that are available to companies in trying to attain particular corporate responsibility objectives (for example, how

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can companies control environmental outcomes in their supply chains and what are the costs of benefits of these options?).

Is there a need for further exploration of particular issue areas? Are there any areas in which the Guidelines implementation processes (involving annual meetings of National Contact Points as well as CIME oversight) might play a useful role?

Would it be useful to involve other bodies within the Organisation so as to draw on other initiatives and on larger pools of contacts and expertise (e.g. the Guidelines for Consumer Protection in the Context of Electronic Commerce, the Environment Directorate, the Working Party on Bribery)?

Structuring relationships with companies and other interested parties

Two of the comprehensive instruments reviewed here – the Global Sullivan and the UN Global Compact – solicit public endorsements by individual companies. Much of the practical involvement of the business community with these two instruments is focused on qualifying for and maintaining endorsement [see BSR (2000)].

The Procedural Guidance of the Revised Guidelines calls on the National Contact Points "to further the effectiveness of the Guidelines" and to operate "in accordance with the core criteria of visibility, accessibility, accountability and transparency". The National Contact Points seek the advice of Roundtable Participants on how to go about achieving this basic goal. In particular, they would like to be advised on how, aside from their consideration of "specific instances", they might contribute to ongoing attempts by companies and other actors to promote appropriate standards of business conduct.

Are there any pitfalls associated with existence of a wide array of global codes? How do stakeholders view this situation whereby thy are confronted with a menu of instruments to chose from – do they find this helpful or confusing? Is there a need for international organisations to work more closely together in promoting their corporate responsibility instruments?

The UN Global Compact and the Global Sullivan Principles both solicit company endorsements and seek to create working relationships with endorsing companies. In the past, the follow-up institutions for the Guidelines have not actively sought out endorsements from individual companies, but have worked closely with BIAC and with some of the federations of business that have endorsed the Guidelines. Is this still a reasonable way to proceed?

Would an annual publication (probably accompanying the annual report of National Contact Points) that notes major public, private and inter-governmental initiatives contribute to progress in the field of corporate responsibility? Would this provide a context in which positive contributions, especially by the business community could be highlighted?

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The analysis above notes that the Global Reporting Initiative and SA 8000 have clear synergies with the other global instruments because they seek to increase the credibility of management and reporting initiatives in various aspects of corporate responsibility. How can their synergies with the Guidelines be further enhanced?

Notes

1. Note that the OECD Guidelines cover some issues that are not included in the BSR table (for example, the recommendations made in the "taxation" chapter of the Guidelines).
2. See for example, *www.corpwatch.org/trace/globalization/un/unfacts.html/* reference to version available on 26 March 2001.

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Annex

Tabular Information on Global Instruments for Corporate responsibility

***Information prepared by* Business *for* Social *Responsibility* (BSR) N*ovember* 2000**

Annex Table. A Brief Summary of Issues Referenced

Accountability
Business Conduct
Community involvement
Corporate governance
Environment
Human rights
Marketplace/consumers
Workplace/employees

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Annex Table. **A Brief Summary of Issues Referenced**

Corporate Social Responsibility Issues Referenced[1, 2]	Caux Principles for Business	Global Reporting Initiative[3]	Global Sullivan Principles	OECD Guidelines for Multinational Enterprises	Principles for Global Corporate Responsibility: Benchmarks	Social Accountability 8000 (SA 8000)	UN Global Compact
Accountability							
Transparency	✓	✓	✓	✓	✓	✓	✓
Stakeholders/Stakeholder engagement	✓	✓		✓	✓		
Reporting							
Performance related to standard		✓	✓	✓	✓	✓	✓
Environmental performance		✓		✓	✓		
Human rights issues		✓				✓	
Monitoring/Verification							
Performance related to standard		✓				✓	
Environmental performance		✓		✓	✓		
Human rights issues		✓			✓	✓	✓
Standard applies to:							
Company	✓	✓	✓	✓	✓	✓	✓
Business partners	✓		✓	✓	✓	✓	✓
Business Conduct							
General CSR	✓	✓		✓	✓		
Compliance with the law	✓		✓	✓	✓	✓	
Competitive conduct (*e.g.*, price fixing, collusion, anti-trust)	✓		✓	✓	✓		
Corruption and bribery	✓		✓	✓	✓		
Political activities				✓			✓
Proprietary information/ Intellectual property rights	✓		✓	✓			
Whistle-blowers				✓	✓		
Conflicts of interest					✓		

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Annex Table. **A Brief Summary of Issues Referenced** (*cont.*)

Corporate Social Responsibility Issues Referenced[1, 2]	Caux Principles for Business	Global Reporting Initiative[3]	Global Sullivan Principles	OECD Guidelines for Multinational Enterprises	Principles for Global Corporate Responsibility: Benchmarks	Social Accountability 8000 (SA 8000)	UN Global Compact
Community Involvement							
Broad/General reference	✓		✓		✓		
Community economic development	✓			✓	✓		✓
Employment of local and/or under-utilized workers	✓		✓	✓	✓		
Philanthropy	✓	✓			✓		
Corporate Governance							
Broad/General reference	✓	✓		✓	✓		
Rights of shareholders	✓				✓		
Environment							
Broad/General reference	✓	✓	✓	✓	✓		✓
Precautionary principle[4]		✓		✓	✓		
Product life cycle		✓		✓	✓		
Stakeholder engagement on environmental issues				✓	✓		✓
Appoint designated person or people with responsibility for environment/Provide employee training				✓	✓		
Establish environmental management system/ Environmental code of conduct				✓	✓		
Public policy on environmental issues				✓			
Human Rights							
Broad/General reference	✓	✓	✓	✓	✓	✓	✓
Health and safety	✓	✓	✓	✓	✓	✓	✓
Child labor		✓	✓	✓	✓	✓	✓

Annex Table. **A Brief Summary of Issues Referenced** (*cont.*)

Corporate Social Responsibility Issues Referenced[1, 2]	Caux Principles for Business	Global Reporting Initiative[3]	Global Sullivan Principles	OECD Guidelines for Multinational Enterprises	Principles for Global Corporate Responsibility: Benchmarks	Social Accountability 8000 (SA 8000)	UN Global Compact
Forced labor		✓	✓	✓	✓	✓	✓
Freedom of association/ Collective bargaining		✓	✓	✓	✓	✓	✓
Wages and benefits (including "living wage")	✓	✓	✓		✓	✓	✓
Indigenous peoples' rights	✓	✓			✓		
Appoint designated person or people with responsibility for human rights					✓	✓	
Discipline			✓			✓	
Use of security forces		✓					✓
Working hours/Overtime					✓	✓	
Marketplace/Consumers							
Broad/General reference	✓	✓		✓	✓		
Marketing/Advertising	✓	✓		✓	✓		
Product quality and/or safety	✓			✓	✓		
Consumer privacy				✓			
Recalls				✓			
Workplace/Employees							
Broad/General reference	✓			✓	✓	✓	
Non-discrimination	✓	✓	✓	✓	✓	✓	✓
Training	✓	✓		✓			
Downsizing/Layoffs	✓			✓	✓		
Harassment/Abuse					✓	✓	
Child/Elder care					✓		
Maternity/Paternity leave					✓		

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1. BSR did not approach the comparison of the standards with a pre-established list of topics. Rather, the list of issues included for comparison was developed in an iterative fashion, stemming from both the commonalties and differences in issues referenced by the selected standards. The main topic headings (*e.g.*, Accountability, business Conduct) are ordered alphabetically. With the exception of the first section on Accountability, within each main topic area, "broad/general reference" is always listed first, with the remaining issues listed in descending order based on the number of standards that reference the particular issue. Where multiple issues are referenced by the same number of standards, the issues are listed in alphabetical order.
2. A check-mark indicates only whether or not a particular issue is referenced in a standard. There is considerable variation in the specific performance recommendations made by the different standards on a particular issue. For detailed information on the recommendations expressed in the different standards, please see the accompanying chart.
3. The Global Reporting Initiative (GRI) differs from the other standards compared in this chart because it is a reporting standard with recommendations on what indicators companies should use in reporting social, environmental and economic performance. It does not include recommendations for specific standards of performance, policies or practices. Social Accountability 8000 contains auditable code of practice and is accompanied by "accreditation" processes for auditors.
4. For the purposes of this report, the "precautionary principle" refers to the notion that the burden of proof for determining the environmental consequences of an action lies with company to definitively prove environmental safety rather than environmental harm.

CONTRIBUTIONS BY INTERNATIONAL ORGANISATIONS, BUSINESSES, TRADE UNIONS AND NGOS

Note by the Secretariat: The following texts are published in their original form. The views expressed are those of the authors, and do not necessarily reflect those of the Organisation or of its Member countries.

Opening Address

Seiichi Kondo
Deputy Secretary-General, OECD

I am delighted to address this Roundtable on Global Instruments for Corporate Responsibility and I am grateful to the many businesses, unions, NGOs and international organisations that have joined us today to discuss how the contribution of the Guidelines can be enhanced and overlaps with other global instruments avoided. My remarks will focus on the OECD Guidelines as we have other speakers today who will discuss important initiatives such as the United Nations Global Compact, the Global Reporting Initiative and the Global Sullivan Principles.

The Roundtable comes on the occasion of the first anniversary of the OECD Ministerial's agreement to establish renewed guidelines that include strengthened measures to ensure that the Guidelines are actively promoted and implemented. National Contact Points have been established – usually government entities – to work to ensure that the Guidelines are taken seriously by companies in their operations both at home and abroad, and by other parties concerned.

These National Contact Points held their first annual meeting yesterday in order to exchange experiences and work to promote greater awareness and use of the Guidelines.

But we recognise that it is not National Contact Points alone that will spur companies to follow these voluntary Guidelines. The people and organisations represented in this room today also have a vital role to play.

So I would like to talk to you about why, in this age of globalisation, it is indeed in the interests of businesses, trade unions, governments, international organisations and civil society to work constructively to ensure that we all gain from global economic trends. The Guidelines for Multinational Enterprises, like the other global instruments that you will discuss today, provide a tool for such co-operation.

In establishing a kind of internationally applicable benchmark for business conduct, they have relevance not only for multinationals, but for any company that is operating in a market with competitors, who may be applying such a benchmark.

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But before going into detail about the OECD's Guidelines, I would first like to talk about the broader global context in which these Guidelines were agreed, and how the OECD is attempting to respond to concerns that globalisation raises.

What is the international climate in which the Guidelines have emerged?

I believe that we have entered a new age since the end of the Cold War, an age where 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. In such an environment, international order and prosperity is no longer achieved through a traditional balance of power among states, nor through the hegemony of a superpower. In this new age of globalisation, co-operation among four key actors – states, international organisations, civil society, and markets – has become more essential than ever.

None of the four actors can be a dominant power. 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. For example, when the economic crisis hit Asia a few years ago, the ramifications affected all in the region, and many beyond it – our economies, our governments, and our social cohesion. To avoid such difficulties, it is clearly in our interests to achieve a kind of interdependent co -operation that some political scientists have called "global governance".

But global governance cannot be achieved with rigid, one-size-fits-all solutions. It requires constant dialogue among interested parties, backed by a spirit of co-operation and flexibility. The OECD has used such an approach to establish "soft law" Recommendations and Guidelines for its Member governments. These are often also adhered to by non-Member governments, and provide co-ordinated responses to the challenges of globalisation. They generally allow some room for interpretation, but nevertheless establish a kind of best practice model which countries can look to in seeking to address global concerns on such issues as corporate governance, investment, tax policy, competition policy, and, on today's main subject, guidelines for multinational enterprises.

Without such models, and without adherence to such models, we risk the sort of backlash that we've seen in Seattle or Davos, which could prompt governments to adopt more rigid regulations that are not as adaptable to the rapidly changing conditions we all face in this age of globalisation.

This era of globalisation has also involved the rapid growth of international investment, bringing immense benefits to the world economy – rising incomes for many, greater consumer choice, and faster dissemination of technological and managerial innovations.

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However, globalisation has raised legitimate public concerns. While globalisation has lifted incomes for many, others have been left behind, both within the OECD area and beyond. Also, OECD-based multinationals are perceived as being party, sometimes inadvertently, to serious problems – corruption of public officials, human rights abuses and marketing of unsafe products. In managing these problems, businesses must deal with a patchwork of regulatory, legal and cultural environments.

Ensuring that globalisation works for all is, naturally, not the sole responsibility of multinational enterprises. The home and host countries also have a part to play, as do multilateral institutions.

It is in this context that the adhering countries decided to launch and last year completed a thorough review of the Guidelines, which I will now talk about more specifically.

What are the Guidelines?

The OECD Guidelines are recommendations to MNEs to help them to face these ethical and management challenges and to make a positive contribution to the societies in which they operate.

The Guidelines are voluntary, but help define a level of appropriate practice for international business.

The Guidelines cover ten areas including labour relations, environment, combating bribery and consumer protection.

How are the Guidelines implemented in participating countries?

The implementation of the Guidelines relies on National Contact Points. These are often government offices, but many countries use a tripartite structure involving government, business and labour. The National Contact Point is responsible for encouraging observance of the Guidelines by companies operating in or from the national territory. When issues arise concerning implementation of the Guidelines in relation to specific instances of business conduct, the National Contact Point is expected to help resolve them. Any person or organisation may approach a National Contact Point to enquire about a matter related to the Guidelines.

As I mentioned in my introduction, the National Contact Points held yesterday their first annual meeting since the review of the Guidelines was completed in 2000.

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What is the added value of instruments on corporate responsibility in general and of the Guidelines in particular?

Adherence to corporate responsibility standards is seen as being not only a way towards more sustainable development for the host countries of the multinational enterprises concerned, but, increasingly, as being in the self interest of the enterprises themselves. Adoption of standards such as those in the OECD Guidelines responds to consumer demands, to legal and regulatory incentives and to the expectations of shareholders and of representatives of civil society. Thus, corporate responsibility and profit-maximisation are often complementary objectives.

The Guidelines have distinctive contributions to make that are complementary to other global instruments for corporate responsibility. While an instrument for corporate responsibility such as the UN Global Compact seeks to create co-operative relations with business via endorsements and follow-up at company level, the OECD Guidelines are based on intergovernmental and national processes informed by extensive consultations with business, labour and civil society. This process and the system of National Contact Points gives them a broad base of legitimacy and a strong capacity for implementation.

The Guidelines have several other distinctive features.

- First, they are part of the OECD Declaration on International Investment, which provides a balanced framework for international investment by defining the rights and responsibilities of the business community and of adhering governments.
- Second, the development of the Guidelines was very much the fruit of an inter-governmental process – they express the shared expectations for business conduct of thirty governments. It has also reflected extensive consultation with countries outside the OECD, business and civil society.
- Third, although observance by firms is voluntary, the adhering governments have committed to promote the Guidelines and to see to it that they are a meaningful instrument.
- Finally, as stated in the Guidelines text, the Guidelines reflect good practice for all: multinational and domestic enterprises are subject to the same expectations in respect to their conduct wherever the Guidelines provisions are relevant to both.

What has been, thus far, the reaction of enterprises to such initiatives?

The OECD's research indicates that many multinational enterprises have taken steps to respond to the issues addressed in the Guidelines. They have improved the management controls and practices they use to achieve appropriate

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standards of business conduct in their day-to-day operations. Businesses are working with other actors – especially with unions and NGOs – to improve their policies and management and reporting practices in the economic, social and environmental fields.

An OECD study shows that many firms are actively participating in this management trend. For example, it shows that over 95 per cent of the largest 100 multinational enterprises have issued codes of conduct dealing with labour relations, environment or occupational health and safety.

The Guidelines seek to reinforce and to complement these private efforts.

In conclusion

I would like to reiterate why I believe it is in all of our interests to try to make the MNE Guidelines work. First, they are a good reference, based on review of best practices across all 30 OECD Member countries. Second, governments, businesses and other stakeholders have all had and will continue to have the opportunity to influence the development of the Guidelines, as participants in both past and future OECD consultation processes, giving the Guidelines a broad-based legitimacy. Third, given this broad legitimacy, businesses that publicly commit to following the Guidelines can benefit from a kind of "seal of approval" – and at the same time be held accountable – as they respond to questions from shareholders, stakeholders and journalists about corporate responsibility issues.

As I mentioned at the outset of my remarks, I believe that this voluntary and co-operative approach reflects a broader trend towards a new paradigm of governance that seems to be emerging among all four major actors. This system of governance relies upon increasingly sophisticated management efforts, internationally accepted non-binding guidelines, and domestic legal requirements. In a country such as my own, Japan, where government intervention has long been a driving force behind corporate behaviour, this is a new development. Building a global system of governance will require that we develop new attitudes, new skills and new ways of doing things. It is now up to all of us to work together to ensure that this new paradigm of governance can succeed in bringing benefits to us all.

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Freedom of Association and Corporate Social Responsibility

Jim Baker, Director of Multinationals and Organising, International Confederation of Free Trade Unions (ICFTU)

At CSR conferences, it is always necessary to state the obvious, because the din of fine words combined with hucksterism sometimes drowns out the obvious. Corporate social responsibility will never take the place of governments assuming their responsibilities, including taking binding measures to protect the rights of workers. In the course of human history, private voluntary initiatives, by themselves, have never been sufficient to protect working people. Unfortunately, at the global level, many still seem to believe that law and order should only protect the powerful. Vague notions of social responsibility are deemed adequate to protect the weak.

This does not mean, of course, that CSR and voluntary action in general are not important. Trade unions consider, for example, that free collective bargaining, while essentially voluntary, is a quite effective means to protect workers. The State or States should provide the framework, but collective bargaining is often a far superior method than regulation to fill in the details. One of the few solid indicators of CSR is, in fact, the corporate practice of constructive industrial relations and the negotiation of agreements with trade unions

CSR is not philanthropy and it must be more than just obeying the law. It concerns the impact of companies on society's needs and goals. This is not at all the same as, in the name of CSR, trying to re-define the expectations of society, instead of responding to them. As with the implementation of the OECD Guidelines, this requires the respect of democratic institutions and processes.

It is not the mission of companies to take care of people by remote control that they can make no claim to represent. It is important, however, that through global action for decent corporate behaviour workers obtain the respect of their right to take care of themselves. CSR is useful to the extent it opens up the possibility for workers to define and defend their own interests.

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The central issue in corporate social responsibility is, therefore, trade union rights: freedom of association and the right to organise as well as the right to collective bargaining. Workers need solidarity, not charity. They need power, not empowerment.

The key to any ambition for useful and credible CSR is:

- a standard of conduct that includes all core labour standards, particularly trade union rights;
- serious application of CSR policy inside the enterprise; and
- engagement, including by governments, and social dialogue in order to implement standards.

When unilateral company codes of conduct first came into fashion, most of them did not contain trade union rights. They were fairly empty and obvious public relations responses to adverse publicity that revealed, for example, that the global market had become a delivery system for products made by children.

In recent years, progress has been made in terms of what is considered acceptable for the content of codes of conduct. Any code that does not include freedom of association and collective bargaining cannot even pretend to be credible.

The idea that corporations should respect freedom of association and collective bargaining is, of course, not new. A quarter of a century ago, the pioneering efforts in this area, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Principles on Multinational Enterprises and Social Policy, featured trade union rights. And, 20 years before that, the ILO created the Committee on Freedom of Association to give special attention to those central liberties and enabling rights, a mechanism that applies to all member countries whether or not they have ratified conventions 87 and 98.

In addition to purely unilateral codes and instruments that have emerged for international bodies, private codes supported by large numbers of companies have developed. These include SA 8000 and the Ethical Trading Initiative. Both prominently include freedom of association and collective bargaining.

However, there are still many unilateral codes of conduct that exclude these fundamental principles. And there is one code without trade union rights that has multiple corporate supporters, the Global Sullivan Principles, although in fairness to a number of companies that have endorsed it, it should be pointed out that many of them have listed trade union rights in their own codes. This sham code does not include collective bargaining at all and speaks of what it calls "voluntary freedom of association".

Freedom of association has a meaning. The ILO Committee of Experts and the Governing Body's Committee on Freedom of Association has defined it over

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decades. What does the Global Sullivan Principles reference to "voluntary freedom of association" mean? In fact, what does "voluntary freedom" mean in general? Is it the opposite of "involuntary freedom?"

It is shocking to have the Global Sullivan Principles included in a conference like this, sharing the limelight with legitimate instruments with credible content, like the OECD Guidelines. There is enormous amount of effort that must take place to improve corporate conduct, even with codes that meet international standards. That work will not be furthered by the acceptance of "CSR light" as if it were the real thing.

There are now a large number of codes that include all of the international, universal, and fundamental labour standards, the same ILO standards that are incorporated in the OECD Guidelines. Unfortunately, such codes as well often mean little or nothing. And the responsibility for them is frequently given to those who exercise their craft with smoke and mirrors rather than to those who do the real work of running companies.

The proliferation of codes of conduct has led to the rapid growth of the social auditing industry. The industry has developed a real talent for building Potemkin villages, where the truth is obscured rather than revealed and creative approaches are being taken to the definition rather than the application of freedom of association. Increasingly, the weaknesses of these so-called "independent" social-auditing firms are increasingly being discovered, including by client companies.

These failures should have been anticipated. If you have a car in need of repair and you take it to somebody who has never seen a car, you wouldn't expect brilliant results. Even a barely competent government labour inspector would have more training and experience than social auditors. Labour inspectors, like trade unions, have considerable experience in policing conditions at the workplace.

However, better professional competence and standards will not solve all of the problems nor will they guarantee CSR results. Better techniques may reveal some of the mistakes of previous auditing teams, as has already been the case. But one has to recognise that even if many more advances are made, such procedures cannot replace the effectiveness and efficiency of workers defending their own interests.

Social auditing works best when it is closest to financial auditing. One can examine records and check wages stubs, one can test the air and measure exposure to dangerous chemicals, although even in those areas, tricks are possible and practised. But, there is no way to guarantee or verify that there is freedom of association in the absence of a free trade union with a collective bargaining agreement.

Even the most "progressive" approach from the outside does nothing to alter the power relationship in the workplace. And, outside observers, regard-

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less of skill levels don't see everything and, after a couple of days, they leave. A free trade union, on the other hand, is the creation and voice of workers themselves. Trade unionism liberates people from the pervasive fear that dominates unorganised workplaces. And, it stays with them every minute of the day, day in and day out.

Many firms have made efforts, often very expensive ones, to implement their codes. They have taken the important step of making CSR based on universal standards a policy throughout their companies and incorporating it in their management systems. However, after years of experience and improvement, some companies are beginning to realise that they cannot provide credible guarantees that their codes are being put into practice. It is time to take the next step, engagement and social dialogue.

Talking to oneself is not dialogue. Hiring consultants to help you talk to yourself is not dialogue. Doing surveys of workers and conducting focus groups, even if the results are presented with Power Point, is not dialogue. Social dialogue requires talking with and listening to legitimate interlocutors.

Freedom of association and collective bargaining are not just rights. They are means as well. That is why they work. That is why they are so powerful. And, that is why they are so feared by autocrats, public and private.

National or local social dialogue is no longer enough. The global economy requires global social dialogue. Fortunately, that is beginning to emerge, in spite of the lack of any binding inter-government framework or mandate. One sign that the Earth is growing more fertile for social dialogue is the UN Global Compact. The Compact is, of course, not a code, although it is built on a foundation of fundamental principles covering labour standards, human rights, and the environment. It has significant potential because it is a global, rather than purely national social dialogue instrument. As such, it encourages responsibility through engagement at the global level.

And, global dialogue is leading to agreements. A few months ago, a global collective bargaining agreement was signed between a group of ship-owners and the International Transport Workers Federation. Nine framework agreements have been signed between major multinational enterprises and international trade secretariats; seven of which have been reached within the last three years. These agreements are voluntary in the same sense that collective bargaining is voluntary, but they are legitimate and bind the parties to common principles. Good global industrial relations also provide a sensible way to solve problems based on the recognition that conflict exists between workers and employers. In the interest of both parties, progress depends on dealing with conflict in a satisfactory manner rather than trying to suppress or ignored it.

The future of corporate social responsibility is not in replacing government responsibility. It fact, it will only fully realise its potential when it can operate on a

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more level playing field in the context of effective global rules. Although not legally binding, the OECD Guidelines are rules. They should be treated as expectations, not options. The Guidelines are a unique CSR instrument precisely because of the role of governments. Governments can use the Guidelines to insist on corporate social responsibility. This instrument should be driving the CSR debate rather than being only a small part of that discussion. That requires governments to do more than simply commending or contracting them out to enterprises.

CSR requires acceptance of ILO core labour standards, all of them, spreading them throughout companies and their suppliers, having a positive attitude towards trade unions, and engaging in an active social dialogue. It calls for the development of sound industrial relations rather than "transmission belt" human relations' management. Such an approach, real, tangible and accountable can lead to changes that are veritable and verifiable by those who do the work.

Freedom of association and strong and comprehensive systems of collective bargaining at the national level are not just positive for the rights and protections of workers and for economic and social progress. They are vital roots that sustain democracy itself and contribute to building stable and productive communities. Globalisation may not be fully understood, but we know that its origin is not extra-terrestrial. The wisdom derived from human experience and success about the key role of rights in the organisation of society, locally and in the Nation-State, is relevant and should inform the evolution of the global community.

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International Standards and Instruments

John Brookes
Société Générale de Surveillance
***– International Certification Services* (SGS ICS)**

I'd like to thank you for inviting me to speak here today. It has been interesting to hear about all the other initiatives, instruments and codes. I work for Société Générale de Surveillance (SGS), an international group of companies providing a wide range of testing, inspection and verification services to businesses and governments worldwide. My particular role over recent years has seen an increasing responsibility for social accountability services of one sort or another. I am a member of the US National Accreditation Program Council for Environmental Management Systems (ISO 14001) and I have also served as the auditing body representative on the SA 8000 Advisory Board since its inception by Social Accountability International (SAI) in 1997.

I want to say just a few words about SA 8000, as it hasn't received a lot of attention so far this morning. Unlike some of the other instruments that have been discussed, SA 8000 was not primarily developed as a tool for multinational enterprises. SA 8000 was developed more to empower the supplier-side of the equation; to enable the supplier organisations to gain recognition for their efforts in the area of social accountability. Invariably, because of the "political" situation, the nature of press allegations and the need for multinational enterprises to manage their risks, SA 8000 has become a tool for multinational enterprises to further improve their own social accountability performance and that of their supplier base. This is not necessarily wrong, but, to repeat, SA 8000 was developed to respond to supplier needs rather than those of multinational enterprises.

SA 8000 was developed in 1997. It was put together by an advisory board convened by Social Accountability International (SAI). The advisory board comprises trade union representatives, local and international NGOs, "buying" businesses from the US and Europe, "supplying" businesses from the US and overseas, and representatives from the financial and auditing communities. Thus, there was full

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multi-stakeholder representation. The standard was developed rather quickly in order to address an urgent need.

Over the past 12 months, the standard has been undergoing a review. (In fact, there will be an advisory board meeting discussing the standard next week, at which it is hoped that amendments and updates to the standard will be voted upon and a new standard subsequently issued.) There are not to be major changes to SA 8000. Most of the changes are clarifications. Some of the wording in the original standard has proved to be confusing to some users and a little over-simplified in some areas. The one area where I anticipate that there will be an additional requirement will be the introduction of language to address management systems in relation to home working. This will be completely new.

I now turn to the question of international instruments and their influence. Over the years, we have been involved not only with SA 8000, but also with a number of different company codes and other international instruments. Clearly these have had a major influence on the way that NGOs, unions, workers and corporations actually view their responsibilities in the social accountability arena.

There are, however, some challenges, particularly with SA 8000 and the other instruments that focus on human and labour rights in the workplace. I want to highlight the most significant challenges. At SGS, an organisation operating in some 140 countries, we see two main problems. Firstly, there is an ineffective rule of law in many of those countries. Competitive forces, both in the developed and the developing world, continue to drive the "race to the bottom". This has resulted in a large gap between the reality of the situation on the ground, (in developing countries in particular but also in developed countries in various industry sectors) versus the principles that are embodied in some of the international instruments. The reality of the situation is that the aspirations of the international instruments are a long way away from where companies are operating today.

The second challenge is basically one of the monitoring cost versus a company's acceptable risk. Unlike many of the other standards, codes and instruments, SA 8000 has a transparent accredited process for qualifying verifiers and managing, to some degree, the way that verifiers carry out their duties. However, the expectations of both industry and civil society are extremely high regarding the results and the effectiveness of the verification process. Ideally both would like a watertight process, such that the results can be relied on 100 per cent. Of course, this is not reality. In striving to achieve that goal, however, verification organisations have to use extremely high-calibre personnel having a very high code of ethics and a substantial knowledge of the industry sector practices in which they will perform their work. This doesn't come without a cost. Nor does the level of sampling or the degree of monitoring that has to take place to get the bot-

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tom of some of the issues. Here I have in mind issues that are endemic in certain sectors or certain countries (such as double or triple bookkeeping). So there is a real challenge in finding a balance between what is acceptable as a verification process and how much resource cost is associated with that process.

A couple of people today have brought up the idea of the plethora of codes and "cherry picking" the most advantageous. I think that this is worthy of further discussion, but my personal view is that all the codes, all the standards, all the instruments are valid and that anything that can be done to make a difference today is extremely important. Clearly, we are in a less-than-ideal situation at the present time. Efforts by national governments, trade unions and other traditional forms of oversight of compliance with requirements are not as effective as we would like them to be. Any initiative to improve matters, any effort, makes a difference.

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Governments, Stakeholders and How to Stimulate Companies in Creating and Protecting Sustainable Societies

Pieter Van Der Gaag, Executive Director, Northern Alliance for Sustainability (ANPED)

I want to focus my remarks on three things. First I want to ensure that all participants to this roundtable have a sense of urgency regarding the need for Corporate Responsibility. Second, I want to discuss with you how I envision where governments can play a role in speeding up the process of achieving corporate sustainable development. Lastly, I wish to focus on three global instruments that come closest to my demands.

Urgency

I will have to put my experience with codes of conduct in the perspective of my conviction that speed is of the essence if we want our planet to become sustainable, and continue giving its inhabitants the quality of life they desire. The explosion of the number of corporate codes signals an awareness that something needs to be done. Yet the gap between the words and the actions is still large. The "bad guys", a term frequented even by some business representatives, are still holding back the rest.

The explanation is still that for business getting used to giving priority to sustainability is a process of, sometimes slow, continuous improvement. It's a learning process. Some learn very fast, some learn … not at all.

However, we need to have to introduce the sense of urgency here. Since the 70s, the trends in environmental sustainability and the trends in improvement in the living standards of the bulk of the worlds population have steadily deteriorated. I could run through all the statistics here, but I would refer you to two OECD documents that support this assertion. The OECD environmental outlook published this year and the OECD Sustainable Development Policy Report adopted by the 2001 Ministerial all agree that urgent action is needed.

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Continuous improvement should then have the word fast inserted, if we want to tackle and solve the problems we are facing and that are keeping us from providing a quality of life to all on this planet, not only now, but also in the future.

Government

Government has taken on a specific responsibility to ensure that society develops sustainably. The OECD ministerial of last may, confirmed this commitment, and also acknowledged the fact that indeed the tasks at hand need to be dealt with urgently. It is recognised that not any one actor holds the key to the answers and solutions our current problems require.

To achieve sustainability, information and dialogue from all actors in society is needed. By increasing the complexity of the information used in decision making, by adding the different perspectives of the stakeholder groups through, for example, multi-stakeholder dialogues, societies can be protected from decisions based on prejudiced, one-sided, and untested theory.

Now this could be done on the company level, but we believe that the setting of norms and standards will need to be done at the legitimate governmental level. We can use the "knowledge networks" that have emerged from the interactions on this issue between business, trade unions and NGOs to find out what the discussion is about, but in the end, especially in systems of democratic governance it is the government that is to take on the responsibility of ensuring society wide implementation and it is government that in the face of uncertainty or ambiguity or disagreement is to cut to the chase and make a decision. Here we are not looking for a consensus process, but at least all sides of the complex issues that are at hand must be heard and understood. Consensus may emerge from that, but is not a prerequisite of good governance.

Information, so vital to this dialogue is limited. Corporate environmental and social reporting, and certainly verified reporting is scarce. As this information, provided by the actors in society with the greatest impact, is so crucial to sustainable development policy making, it should be clear that there should be a legal requirement to provide this information. We could wait for the thinking to continuously improve, but speed is of the essence here and the resistance that still exists needs to be broken.

Finally on this point, governments need to display a certain amount of policy coherence, especially related to linking the codes they sign up to and their own financial incentive instruments. I will explain further later on.

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The global instruments

We were specifically asked to describe our experience with global instruments. There are already a few global instruments in place. All of them are non-binding and none of them claim to be complete or completely able to fulfil the task at hand. All of them are however contributions to the problem solving that needs to be done.

First, I should discuss the Global Compact, of which we heard more this morning. The Compact consists of 9 applaudable principles. Yet its insistence on limiting monitoring and verification on scrutinised best-practice cases is not what my organisation believes will meet the demand of urgency. There are already plenty of scrutinised best practice cases out there that should already lead as shining examples. Yet all this best-practice material has not lead us to conclude that we are actually moving fast enough in the right direction. Our interest is no longer to read about more best-practice cases. We want to know what is going wrong, and why. I actually believe that this "all is well" approach could cause a slow-down of the so necessary fast continuous improvement I mentioned in the beginning that the planet needs so much. Again, the Compact is a worthwhile effort, but is not what my experience tells me Corporate Responsibility and Accountability in relation to sustainability really needs NOW.

The OECD Guidelines will have a good chance of bringing us fast improvements. Some of the language fell victim to the usual negotiated text ambiguity, but the spirit of many needed standards and principles has survived. What is interesting about these Guidelines is that they will enable the scrutinisation of so-called "bad practice". The fact that citizens around the world can raise their concerns with home governments of internationally operating companies under the Guidelines is exactly what is needed. What is also needed is the systemised non-threatening dialogue that is offered by the implementation mechanism of the OECD Guidelines. The value of the different perspectives that are brought in while dealing with difficult issues like supply chain responsibility, implementation on the corporate level of the precautionary principle, human rights, whistleblower protection, and some of the other difficult points in the Guidelines will perhaps start creating the common understanding needed to build good policy. The resulting policy package may remain still unprescriptive but the detail and the fact it is based on real-life experience that warrants change may ensure fast improvement and thus the type of creative forces sustainable development needs.

While the OECD Guidelines are strong on financial disclosure, they are weak on environmental and social monitoring and verification. I do believe that NGOs and trade unions have an important role to play in the implementation and verification of codes. They are the natural whistleblowers. They are the ones best placed to bring to the surface those practices that are most painful. Yet more continuous, more systematic information gathering is needed in the environmental and social sphere.

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This brings me to support the Global Reporting Initiative presented this morning. This multi-stakeholder initiative to develop environmental and social reporting standards is crucial. Again, policy must be based on information. The GRI, once further developed and broadly used by industry, will be a great help in ensuring that the information is comparative, complete and useful.

Yet, when these standardised reporting rules exist, and are developed further. There remains the need for this information to be credible. Independent verification, not by consumers, trade unions or NGOs but by recognised and experienced verifiers is the last element that is vital. This is common place when financial reporting is done. I would argue that the importance of knowing if money is spent correctly, pales in the face of the importance of knowing if the environment is not harmed or if social rights are observed. The current cost argument – especially against verification – implies again to me a lack of sense of urgency.

Finally, my main concern remains that all codes delineating standards remain mainly words. I find it shocking that a government can sign onto the OECD Guidelines for Multinational Enterprises and spend public money on corporate behaviour that is directly contradictory. Governments should, since it is their right to decide the criteria for their subsidy or export credit regimes, put the criteria of these financial instruments in line with the expectations of the OECD Guidelines for Multinational Enterprises. That is a logical next step and, in the face of the discussion raging about government credibility and coherence in policy making, a vital one.

In conclusion

In conclusion, international codes of corporate conduct with government involvement, under a coherent policy framework, combined with monitoring and verification, will help us to further develop the policies needed to ensure a fast transition to sustainable development. The recognition by international institutions that they have an important role to play in establishing the standards for all these processes is important and welcome. However, our planet cannot wait much longer. The learning curve needs to be pushed up, and codes with a clear implementation procedure that will lead to compliance and codes that ensure monitoring and information generation are what our attention should be focused on. When, for example, the OECD Guidelines in combination with a system like that proposed by the GRI is further built on, I believe we will then be moving fast enough in the right direction.

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The Integration of Human Rights in Corporate Principles

Anne-Christine Habbard, General Secretary,
***International Federation for Human Rights* (FIDH)**

First of all, may I thank the convenors of this meeting for inviting the FIDH; we welcome the opportunity to submit this paper on corporate responsibility.

It has been argued that human rights organisations have no business dealing with multinational companies: indeed, under international human rights law, states are the primary duty-bearers: they have primary responsibility for upholding these rights and freedoms; they are the ones who are ultimately responsible for protecting and implementing rights. This means that governments are our natural "targets", since our aim is to make them comply with their obligations.

But the international scene is no longer just about formal, diplomatic relations between states – it has witnessed the emergence of increasingly powerful non-state actors; powerful in the sense that their activities have a major and direct impact on the lives of millions of people, on international relations, on conflicts… These non-states actors operate in the financial and economic fields, and they are essentially of three types: international institutions such as the International Monetary Fund, the World Bank and the World Trade Organisation; public or semi-public national bodies such as export credit agencies; and private entities such as multinational enterprises (MNEs). The problem is that their power is not matched by a corresponding degree of responsibility and accountability. Some MNEs have a budget that far exceeds that of many developing countries – and still, there is no mechanism to hold them accountable for the violations of human rights that their activities generate. In many developing countries where these MNEs operate, the rule of law is ineffective; there are no legal remedies, and no possibilities of redress – which goes to say that the MNEs can act in near-total impunity.

Basically, this means that international law has to evolve so as to become a global instrument that limits the power and rights of organised institutions, obliging them to abide by universally accepted norms and values; in turn, this comes down to recognising the superior standing of the Universal Declaration of Human Rights in the international legal framework, *i.e.* recognising that it prevails over any

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other international treaties. The issue here is that of the supremacy of international human rights law – a supremacy now widely acknowledged, and backed by powerful legal arguments.

In other terms, one should try to prevent the insulation of trade and investment practices from other aspects of international relations and international law. Economic, trade, or financial policies and practices should be subordinated to what is universally acknowledged as the supreme principles in international law: respect for human rights.

This focus on law is not intended to privilege legal enforcement as opposed to voluntary initiatives, which have a value as a first step towards ensuring universal compliance for human rights. But the emphasis here is threefold:

1. First, that the question of legal accountability of multinational enterprises is important and that international law should play an important role in reinforcing such accountability.
2. Second, that international human rights law offers a comprehensive framework for the companies' commitments in the field of corporate responsibility, as it consists in a holistic approach, which encompasses the full spectrum of civil and political rights as well as economic, social and cultural rights. This is why the FIDH promotes a rights-based approach.
3. Third, that any functioning guidelines will have to be both *retro*spective and *pro*spective: *i.e.* both open the possibility to seek redress for harm done, and prevent future harm.

Now, this has several consequences, among which three are singularly important in the context of our discussion:

1. Public authorities can do a lot to force companies to abide by human rights standards. For example, the Security and Exchange Commission in the US recently ruled that information dealing with human rights (based on the State Department Report) is "material information" and must be reported by the firm; in the UK, the government ruled that pension funds must declare whether they incorporate ethical criteria when investing, etc. There is a whole array of actions that a government can take to incite its corporations to comply with human rights, such as, for instance, imposing strong guidelines for its credit export agency. One could add here that actually States have a *legal* obligation to regulate the behaviour of non-state actors and to ensure that these agents do not violate human rights.
2. The second point is that the key to a satisfactory implementation of any guideline or of any code of conduct is the *control mechanism*. In a recent OECD publication *Corporate responsibility, private initiatives and public goals*, the authors noted the ambiguity of the term "voluntary" when it comes to vol-

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untary codes of conduct: such initiatives are often the result of a very strong pressure (by public opinion, by public authorities, possibly by shareholders…) put on the company. In other terms, companies *do not spontaneously* want to be regulated in these non-trade aspects; this means that, unfortunately, one cannot grant them the benefit of the doubt when it comes to the implementation of such charters, as the examples of Total in Burma, of pharmaceutical companies in developing countries, of diamond companies in Africa, amply demonstrate. One should acknowledge the virtues of dialogue with multinational companies – but unfortunately also the limits of such a dialogue. For companies to satisfactorily implement their charter, the same type of pressure as that which led to its adoption has to be applied, which means that *an independent and credible enforcement procedure* has to be put in place. This is indeed the big stumbling block of many of these guidelines, including the OECD Guidelines. It is obviously notoriously difficult to check the correct implementation of a code within an MNE, if only because of its often sprawling companies, its multiple and often hidden sub-contractors, etc… But a good hint is always: what control mechanisms has the company provided for in its charter? Is the firm open to public scrutiny? This is obviously linked to the issue of transparency.

3. Due to the intrinsic limitations of voluntary charters, intergovernmental institutions should envisage setting up *binding* guidelines for MNEs. Respect for human rights, and particularly of labour rights, cannot be left to the mere good will of the company.

Now, if I turn to the OECD Guidelines, what would the flaws be in this respect? The 2000 review of the Guidelines indeed marked a progress, insofar as it makes reference to human rights (§ II, 2). The FIDH considers that this is a welcome step, though yet not enough.

I will limit myself here with more general remarks on the OECD Guidelines.

1. The first problem is that the Guidelines are non-binding in character, though their implementation procedure is binding on member-states.
2. The second problem is the disappointing record of National Contact Points (NCPs) in promoting and enforcing the Guidelines.
3. The National Contact Points can refer issues to the OECD's Committee on International Investment and Multinational Enterprises (CIME), but the CIME cannot judge the behaviour of individual companies nor can it reveal their names; it can merely clarify the meaning of the Guidelines for the future; it can also "make recommendations as necessary to improve the functioning of NCPs, and the effective implementation of guidelines".
4. Under the revised Guidelines, the National Contact Points consider "specific instances" bur their decisions are not technically binding on the parties.

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> This amounts to saying that there is no effective enforcement. This is made worse by the fact that, due to the voluntary nature of company participation in consideration of "specific instances", National Contact Points are reluctant to alienate companies by aggressively publicising clear cases of wrong doing.

The point here is to underscore the necessity for strong enforcement mechanisms precisely because the mechanisms that enforce human rights standards at the international level are weak, based essentially on diplomatic and public pressure. One should not underestimate the power of public exposure, which could actually be possible under the OECD Guidelines as the NCPs are allowed to release the results of their investigations. The presumption should be in favour of disclosure instead of the other way around.

Transparency is thus essential both for the enterprises in order to ensure their commitments are *bona fide* and for the issuing body – in this case, the OECD – in order to maintain its legitimacy and not undermine public confidence in its procedures.

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Ethical Investment Research Service

Steven Hine
Ethical Investment Research Service (EIRIS)

Let me first introduce the organisation I work for, the Ethical Investment Research Service. EIRIS is small, charity-owned service based in London. We provide ethical social and environmental information to investors who have ethical considerations that they want to take into account. These investors include pension funds, unit trusts, mutual funds, churches and charities.

In doing this work, I have come across many of the company, people and organisations represented here today. On the one hand we do research on companies, including on Volkswagen whose representative began this session. We also provide information today to financial institutions, like ING whose representative just spoke. Also represented here today are groups working with instruments like SA 8000, which are important tools for EIRIS as well. And we also work with the people from the OECD Guidelines, which are also shaping the way that we work.

I have to say that, looking at all the interesting things that are happening in corporate responsibility and socially responsible investing, the key message as far as we are concerned is: reporting, reporting, reporting. We need to have the tools and the ability to provide our client base with the information they need to pick and chose among investments. We need consistency, comparability and comprehensiveness. And so we welcome the OECD Guidelines as a very "comprehensive" step in that direction. They do help – backed up with the support of governments (and that is very important) – to lay the foundations for how companies can report on these issues.

There have been a couple of initiatives in the United Kingdom that are worth mentioning because they illustrate how these instruments or guidelines are used. But before I get to that, let me just note that a few of the things that the Guidelines mention in detail (the GRI Guidelines mention them as well) are the very issues about which ethical investors have been coming to groups like EIRIS for years. They would say to us, "Can you explain about human rights? What about the environment? What about labour issues?" And so, while we have been reminded quite correctly here today that

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groups like the ILO have been wrestling with these issues for a long time, certainly individual investors have also been examining their consciences on these self-same issues.

At EIRIS, we do not take these Guidelines precisely and ask ourselves, "Well, how should we apply these to all our research?" However, without these Guidelines, we often cannot do our research because our clients come to us and say that they want to take into account certain considerations. An example is the Financial Time Stock Exchange index – FTSE or Footsie as it is known in the United Kingdom. The FTSE is launching an ethical investment index called "Footsie for Good" and it has very specifically adopted for this purpose the OECD Guidelines (alongside some others, but principally the OECD Guidelines). It has taken these Guidelines and asked research groups like EIRIS to somehow interpret them in order to create criteria that will allow companies to be on or off our particular index. So it is a very specific use of the OECD Guidelines, alongside the Sullivan principles and Caux and a few others. But the OECD Guidelines are they key underpinning instrument plus the very specific one like SA 8000, which requires companies to do some very specific things. So Footsie is probably the first index of its sort to reference these sorts of Guidelines and taking the importance of reporting an attaching it to a particular set of them.

The other big thing in the United Kingdom is the requirement for all pension companies to state whether or not they take into account ethical, social and environmental matters and how they vote the shares in that regard as well. The companies don't have to take them into account, but if they do, they have to state what they do. Again, this has raised the very important issue of reporting. For the first time, pension fund trustees – who have never thought of these issues – and their fund managers – who are not usually part of the ethical investing community – are confronted with a lot of questions: what does all this mean? How do we get this information? What do we do with it? So they come to groups like EIRIS (or our partners or our competitors) and they say: "why don't you tell us what to do?" and we say "what are your concerns?". They say : "there is a particular superannuation scheme for this particular group for which we need to represent this particular angle on the environment or on labour issues or on trade union recognition and so forth."

At that point, we have to figure out how we get this information for our clients. We can send questionnaires to companies, we can visit them, we call them up. We can read all their web-sites, but the principal thing we need is reporting. If there are principles like the GRI Guidelines out there, then we can point to them as way that companies can report. It also makes makes our job easier if there is a series of Guidelines like those of the OECD. We can point to them and say, "Well, look, these have been agreed upon by these leading industrial countries and by your home government" and we can point out that they cover the same types of issues as those we are asking them about. Hence, we are not asking them about these issues because we are a lot of left-wing "radicals" (though some of us might be, of

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course), but because the Guidelines represent common concerns, recognised by governments, recognised by NGOs and consumers and by investors.

So the key features for these Guidelines are consistency, comparability and comprehensiveness. There is a long way to go. They are not perfect. The GRI Guidelines aren't perfect and we are all working to improve them. Some concerns have been expressed at this Roundtable about companies' "cherry picking" of issues and there is a problem of that. However, I expect there to be greater co-ordination as time goes on – that is certainly something that we would seek as an organisation and I think our partners would as well. There are other issues as well – auditing and making sure there is specific shareholding involvement.

However, I think all these codes – particularly the OECD and the GRI Guidelines which, taken together, set out the overall principles and the methods for how these principles can be reported on by companies – are very important if we are go to take forward socially responsible investment. Finally, it is very important also to that the financial and investment community be actively involved in this process. They are the ones that manage the money on behalf of individuals, of the "man on the street" – those of us who own shares, directly or indirectly, and who have ethical, environmental and social concerns about where our money goes.

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UN Global Compact and Other ILO Instruments

Kari Tapiola, Executive Director,
International Labour Organisation

This presentation is divided into three parts. First, I wish to make some observations on the evolution of the topic of multinational enterprise conduct. Second, I am summarising different ways in which the International Labour Organisation and its Secretariat, the International Labour Office, deal with core labour standards. Finally, I wish to briefly point out what in the ILO approaches might be particularly useful for the National Contact Points.

Changed conditions over a quarter century

The current discussion, and activities, relating to multinational enterprises can be seen as the second round of the debate which in 1976 led to the adoption of the OECD Guidelines on Multinational Enterprises. There are some significant differences between the first and the second round, which definitely commenced with the new parameters of globalisation following the end of the Cold War.

The political catalyser of the first round was multinational enterprise action in connection with the coup d'etat in Chile, in 1973. The OECD Guidelines was a – successful – attempt to establish the position of the main home countries of multinationals before the then planned United Nations Code of Conduct. As things turned out, the international momentum was sufficient to encourage the ILO to adopt the Declaration on Multinational Enterprises and Social Policy in November 1977. However, despite prolonged discussions, the United Nations Code of Conduct failed to materialise. In addition, the ILO instrument was adopted by the Governing Body but there was no consensus for action in the form of a Convention or a Recommendation by the International Labour Conference. Very soon even those (particularly, but not exclusively, trade unions) who had been calling for binding instruments acquiesced with the fact that there was no political will to go further and that attention had to be concentrated on the follow-up of voluntary Guidelines.

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In the 1980s, there was little real action for implementing or strengthening the observance of the principles of the OECD and ILO instruments concerned. Most countries were far more interested in obtaining multinational investment than in controlling it. What in the United Nations started as a programme to strengthen the bargaining capacity of home countries *vis-à-vis* multinationals became a success in terms of investment promotion, starting with the development of special economic areas in China. The further opening of borders after the end of the Cold War also served to increase the hunger for foreign investment.

In the 1970s, the desire for a regulatory framework was based on certain premises. The multinationals were seen as potential agents of their home countries, acting against the interests of the host countries in which they established or took over subsidiaries. They were assumed to exercise a high degree of control over the activities of these subsidiaries.

The picture changes when we come to the 1990s. Technological and structural developments, combined with changes in the way in which global sourcing and distribution is done, have weakened and, in some cases, eliminated the identification of the management of a global enterprise with a given home country. The global company is not a suitable tool for aspirations which may arise in a world which no longer is based on confrontation and power struggles between socio-economic and political blocks. Neither is it the monolith it was seen to be in the 1970s. In many cases, it functions more as a conglomerate of small and medium-sized enterprises. Furthermore, it makes use of a vast array of subcontractors and partners without exercising any formal control over their commercial or, indeed, social and labour practices.

In the 1970s model, there were "controlling heights" (to borrow Lenin's notion) of the international economy which, in turn, could be regulated. As of the early 1990s, they are more difficult to identify, and central corporate control is not as all-pervasive as it was at the time when the "global reach" of multinationals became a hot international topic. The enforcement of any given principles has to be compatible with the way in which today's market is structured and functions.

This also explains why the original OECD Guidelines – or, indeed, the ILO Declaration on Multinational Enterprises and Social Policy – did not specifically refer to core labour standards (known as "fundamental principles and rights at work" in the ILO context). The Guidelines were drafted as a set of good management practices, as seen by industrialised countries. No one who drafted or adopted them thought that the world's leading companies would condone forced labour or child labour or crude forms of discrimination in employment. The ILO instrument was closely modelled on the OECD Guidelines, and in extending the scope to the developing countries, it also assumed that headquarters exercised sufficient control over subsidiaries.

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The fact that child labour emerged in the first half of the 1990s as a major issue for global companies illustrates the change that has taken place. The opening up of the world economy has intensified global competition, and strong reactions by consumers and public opinion to unethical production have become an important economic factor. At the same time, working and living conditions in countries where global companies do their sourcing have become increasingly transparent. On the other hand, short of refusing to purchase when in doubt, multinational and national producers do not control their suppliers. Compulsory primary education is not enforced, labour inspection is weak, and the vicious circle of poverty and child labour is difficult to break.

Public opinion, concerns by both national and international business, trade union pressure and the threat of retaliatory trade measures all contributed to an unprecedented emphasis on the elimination of child labour. On the regulatory side, this led in 1999 into the unanimous adoption by the International Labour Conference of Convention No. 182 on the Worst Forms of Child Labour (already 78 registered ratifications to date and a number of decisions taken by Parliaments have not yet officially been transmitted to the ILO). At the same time, the ILO's International Programme for the Elimination of Child Labour (IPEC) has expanded into being the Organisation's biggest single technical co-operation programme.

The ILO and core labour standards

The debate on trade and labour standards in the first part of the 1990s crystallised the notion of core labour standards. When the OECD started its work on trade and labour standards, there still was no consensus on the contents of these standards. The early drafts of the study, which was eventually published in 1996, looked at a very wide set of standards. The consensus around four sets of standards (freedom of association and the right to collective bargaining; the abolition of forced labour; the elimination of child labour; and non-discrimination in employment and occupation) was first established by the World Summit for Social Development in Copenhagen, in March 1995. It was consolidated by the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, in June 1998.

These four categories are essential for much of ILO action. Depending on the actors (countries, enterprises, trade unions, others), their enforcement, supervision and promotion takes different forms.

T*hrough the regular standards supervisory system*, countries which have ratified the eight fundamental Labour Conventions have the constitutional obligation not only to ensure their implementation but also to report every second year. Employers' and workers' organisations can make their own observations. Within the framework

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of the regular standards supervisory system, a Committee of independent experts and the International Labour Conference carry out an annual examination.

Representations can be made by trade unions or employers' organisations if they consider that a member State violates a ratified Convention. Extreme cases – such as forced labour in Myanmar (Burma) – can lead to conclusions and recommendations by a Commission of Inquiry and subsequent action by the International Labour Conference.

Complaints can be made on alleged violations of freedom of association and the right to collective bargaining to the Committee on Freedom of Association. This tripartite Committee, now 50 years old, reports three times a year to the Governing Body of the ILO. As freedom of association is considered to be a constitutional obligation, complaints can be made even if the relevant Conventions have not been ratified by the country concerned.

The Declaration on Fundamental Principles and Rights at Work and its Follow-up were adopted by the International Labour Conference in June 1998. It is a promotional instrument, which does not duplicate but rather complements the regular standards supervisory mechanism. Its approach is based on the agreement at the March 1995 World Summit for Social Development, which defined the four categories of core labour standards and furnished a *mode d'emploi* – those countries which have ratified the core Conventions continue to have a strong obligation to implement them, and the countries which have not ratified them should undertake efforts to live up to the principles in them.

For this second reason, the Declaration establishes an annual reporting system for all non-ratifying countries on the efforts they have made to live up to the principles. In this way, the core labour standards situation of all ILO member States is examined in one way or another. The focus is increasingly on trying to find solutions through advice and technical co-operation. If a country has not ratified a Convention, it naturally does not have legal obligations, but the Declaration furnishes a strong moral obligation, particularly as respect for the four categories of core labour standards are seen to arise from the acceptance by a member State of the Constitution of the ILO.

As part of the follow-up to the Declaration, the International Labour Conference has discussed two Global Reports, which give a picture of the overall situation in all countries. In June 2000, the theme was freedom of association and the right to collective bargaining. Just last Friday the Conference discussed a report on all forms of forced and compulsory labour, including modern forms of forced labour such as trafficking. Next year, the Global Report will be on child labour and the year thereafter on discrimination in employment and occupation.

The first Global Report led into a programme of action on freedom of association and the right to collective bargaining. At present, already up to 35 countries

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participate or are set to participate in this technical co-operation programme. Last Friday's discussion on forced labour will certainly lead into a new programme, which will include at least better identification of the problems and different categories of forced labour; removal and rehabilitation; support measures to prevent people falling back into bondage (for instance through micro-financing); and intensified co-operation by different authorities within societies and between international agencies.

Child labour is already tackled by the IPEC programme, which is now developing such new approaches as time-bound programmes for the complete elimination of worst forms of child labour. In such programmes, targets are set and intense technical co-operation, awareness-raising and broad national action combine to get rid of the worst abuses in, say, 5-10 years.

Once the Global Report of 2003 leads later that year into an action plan on discrimination, the ILO will have technical co-operation based facilities to deal with all four categories of core labour standards. Much will depend on the continued readiness of donors. The experiences of programmes on freedom of association and promises of support for a forced labour programme give rise to a degree of optimism. Also, recipient countries show growing interest, as having a programme with the ILO is one way of demonstrating their commitment to compliance with core labour standards.

A *campaign for ratification of the core Conventions* was started after the Copenhagen Summit in 1995 and has lead to significant results. Most of the Conventions concerned are ratified by 135-158 out of the 175 Member States of the ILO. It is not unreasonable to say that this comes close to a situation of universal ratification. In the future, more attention will have to be paid to the implementation of ratified Conventions.

T*he Declaration on* M*ultinational* E*nterprises and* S*ocial* P*olicy*, adopted by the ILO Governing Body in 1977, is separate from the above-mentioned processes in that it does not focus on the standards supervision and promotion systems of member States. Individual companies may be mentioned in representations, or complaints, in the regular system, but the conclusions and recommendations are always addressed to governments. The MNE Declaration is parallel to the OECD Guidelines in addressing itself to corporate behaviour as well as to governments and workers' organisations. Its nature, as that of the Guidelines, is voluntary, but it makes cross-references to Conventions which, of course, are binding in case of ratification.

The parallelism of the Guidelines and the MNE Declaration has been recognised by the OECD since the first review of the Guidelines. The ILO instrument can be relevant for the OECD process where it brings in more specific detail. In the process of negotiating the MNE Declaration of the ILO, in particular the employers'

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and workers' groups agreed to base the text largely on the Employment and Industrial Relations chapter of the already existing OECD Guidelines.

When there still was a possibility that the United Nations Code of Conduct could have become a reality (in the late 1970s), there was a high degree of consensus that the MNE Declaration of the ILO would have become the "social chapter" of such a UN code. This was reflected in later drafts of the UN code which, however, had one additional feature: A reference to information and consultation arrangements for the representatives of workers.

T*he Global Compact* consists of 9 principles in the areas of human rights, labour rights and environmental principles. The four labour principles of the Global Compact are the same as in the ILO Declaration on Fundamental Principles and Rights at Work. The ILO organises and supports meetings around the Global Compact, such as a meeting which took place with representatives of the International Organisation of Employers (IOE) from developing countries in Geneva in June 2000 and another one for African employers in Tunis in May 2001. Another meeting is planned for Asian employers in Bangkok in November 2001.

Research work undertaken by the Management and Corporate Citizenship programme examines, among other things, the positive contributions of international labour standards to productivity and competitiveness at the enterprise level. One project studies how companies manage labour issues in their supply chain in certain sectors, of which a draft report has already been completed for the global footwear industry. Yet another project looks at socially sensitive restructuring. In addition, the ILO has developed the only existing database which is focused exclusively on employment and labour issues in the area of corporate social responsibility.

A set of training materials – which is to be ready for testing in early 2002 – for company managers on the labour principles in the Global Compact will be aimed at convincing managers that respecting the principles of the Global Compact is in their interest as well as demonstrating how this can be done. This responds to an increased interest on the part of the corporate world to have information on core labour standards and their application.

D*irect involvement of the corporate sector in eliminating child labour* is a part of a number of IPEC projects. Examples of these are a project with the garment manufacturers in Bangladesh and the Sialkot Chamber of Commerce and Industry in Pakistan. In both cases, the project has teams of monitors who make unannounced visits to ensure that there is no violation of minimum age rules in the industry. Children under 14 are removed and placed in a social protection scheme, mainly non-formal education. As the industry benefits from this action, which helps their position in the global supply chain, it also shares in the costs. However, it is not possible for the ILO to give any kind of a formal guarantee, or label, that a given product would be "child labour free".

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It might be noted that a survey commissioned by the ILO on *voluntary corporate codes of conduct* noted that there is a degree of variety in the actual issues covered by such codes. There are other issues than the core labour standards, which is by no means surprising. After all, the OECD Guidelines go beyond the core labour standards. In addition, codes and other policy statements reflect the specific features of any given industry. On the other hand, not all of such codes recognised freedom of association and the right to collective bargaining. This was the case where codes or other similar documents were negotiated with the trade unions, but unilateral statements more easily left this category out.

What conclusions for the National Contact Points?

The fact that the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration on Multinational Enterprises and Social Policy remain parallel also means that the ILO instrument can continue to be used in the OECD context in the cases where it is more specific. The follow-up procedures of both voluntary instruments have over the years not produced contradictory conclusions, and thus the danger of "forum-shopping" (or trying to get a more favourable second opinion) has been avoided.

One conclusion is that knowledge of this ILO instrument and its functioning is necessary for the National Contact Points. In the late 1970s, suggestions were made to the effect that the NCPs should in one way or another merge with the national tripartite ILO Committees. It seems that in practice, if there have been links at the national level between the OECD and ILO processes, they have been ensured by the participation of labour ministries and, from the side of the social partners, persons who have been involved in both organisations.

The following observations would seem to be relevant for assessing how the interaction between the different processes could function:

1. The ILO standards supervisory system does not address enterprises directly but it has produced a considerable amount of jurisprudence on how standards should be interpreted and enforced. This covers the expectations that national standards systems, in line with international standards, place on corporate conduct.
2. The global consensus on the contents of the core labour standards is summarised in the 1998 ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. These standards are further elaborated in the eight core Conventions of the ILO. (In addition to Conventions No. 29 and 105 on forced labour, 87 and 98 on freedom of association and the right to collective bargaining, 100 and 111 on discrimination and 138 on minimum age for employment, Convention No. 182 on the worst forms of child labour was added to this group when it entered force in November 2000.)

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3. Technical co-operation is increasingly made available to countries which agree to make efforts for the promotion and realisation of these principles and rights at work. Business organisations and trade unions are in many cases direct participants and beneficiaries of such co-operation.
4. As part of its input to the Global Compact, the ILO is developing data and training materials for companies which wish to respect the labour principles of the Global Compact; these labour principles are the four categories of the 1998 Declaration, *i.e.* the core labour standards.

The new element in all of this is that the ILO is in a better position than earlier to assist governments, the business sector and trade unions in identifying problems related to the observance of core labour standards. The means of action do not limit themselves to supervision and often conflictual procedures; neither do they only address law and practice issues of labour legislation. The 1998 Declaration has set out to build bridges between the identification of problems and their solution through assistance and technical co-operation. The Global Compact points out to the need to assist the corporate sector in better understanding and realising these principles and rights at work.

The knowledge generated by these different processes is, naturally, at the disposal of national authorities who have the mandate to deal with social aspects of international investment. The core labour standards debate has concluded that the standards concerned are those identified by the Copenhagen Social Summit in 1995 and the ILO 1998 Declaration. These four categories of fundamental principles and rights at work should continue to be the benchmark for other international organisations as well. The supervision and promotion of these standards remains one of the strategic objectives of the ILO. When looking at concrete situations involving these standards, other bodies should be able to rely on the knowledge and, as the case might be, different kinds of assistance which the ILO can provide or participate in.

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US Business View of Corporate Responsibility

Anna Walker, Manager, Labour Affairs and Corporate Responsibility,
US *Council for* International Business

The US Council for International Business welcomes the opportunity to speak at this roundtable as the issue of corporate responsibility has gained increased attention from US companies, governments, and a range of interest groups over the past few years. The number of corporate responsibility initiatives being developed, the groups engaged in their development, and the issue areas they address have all grown significantly.

Much of the current debate surrounding corporate responsibility is driven by concerns among non-governmental organisations, environmental groups, consumer groups and trade unions that multinational corporations have somehow become too big and are supplanting government authority through the process of globalisation. Alternatively, multinationals are seen by some as a way to circumvent ineffective and inefficient governments in providing basic services to the communities in which they operate, including education and health care.

Concern's about the pace of globalisation is being used to drive broad national and international debates about a range of social and environmental issues. Non-governmental organisations, environmental groups, consumer groups, trade unions and their supporters argue that multinational corporations, by their global reach, are eluding national regulatory controls and influence. Alleging that globalisation results in lower environmental and labour standards, commonly mischaracterised as "a race to the bottom", these groups assert the right to impose restrictions on corporate actions, as well as a right to monitor and judge corporate behaviour.

In these often emotional and misleading debates, the many positive contributions multinational corporations make are overlooked or purposely ignored. The evidence is clear that multinational corporations have helped raise living standards around the world and have acted as engines of development and growth through the economic activity they generate, their transfer of technology and skills, and improved labour, health, safety and environmental conditions. In general, multina-

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tional corporations apply higher environmental and labour standards than those required by the host government or followed by local companies.

Multinational corporations, themselves, must become better at telling the good stories about the impact of their overseas operations in raising standards and generating growth. This will help to combat the misperceptions about multinationals and slow the calls for corporate accountability.

Moreover, the focus on foreign investors, multinationals in particular, and the use of corporate responsibility initiatives has diverted attention from the primary determining factor for environmental and labour protections, something which has also been mentioned today by several speakers, the implementation and enforcement of national laws and regulations.

US multinational corporations can and do play an important role in improving the social, environmental, and labour conditions in the communities in which they operate. The decision to adopt a corporate code of conduct or one of the many corporate responsibility initiatives we have discussed today will depend on the objectives of the individual company and the relative value added each code or initiative provides the company. The primary audience for many codes remains the company itself, namely its business units, managers, employees, and shareholders. Some companies may adopt a code to signal its sound business practices to current or potential host governments, thereby maintaining or enhancing the company's license to operate. Additionally, corporate responsibility initiatives may be used to communicate a company's involvement with the communities in which it operates, in which case local or national frameworks may be best suited. Finally, corporate responsibility initiatives are targeted to a company's customers or suppliers, enhancing brand image and protecting the supply chain, respectively.

Given the growing number of corporate responsibility initiatives and the range of issue areas they address, a more recent factor in a company's decision-making is the desire to prevent or at least minimise redundancies among the codes that a company has adopted. Many codes, particularly those developed by governments, are framed as a dedicated program within each supporting company to implement the code, employing unique input mechanisms and/or reporting obligations that could easily drain resources where multiple codes are implemented.

Today, we have discussed the plethora of corporate responsibility initiatives or proliferation of initiatives. I would agree that many companies are confused by the plethora of initiatives to which they are being asked to subscribe, and they are calling for an end to the proliferation. Yet this does not mean they want a standardised code for all business. As we have discussed today and as I have just stated, the differences between companies and the audiences, to which the corporate responsibility initiatives are addressed, make it clear that a "one-size-fits-all" approach to corporate responsibility will not be effective.

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The way to guarantee a greater business contribution to environmental and social progress is not through more – and more prescriptive – codes and regulations. Everyone benefits from a co-operative, flexible and open working environment with sound policies and practices consistent with the framework and guiding instruments described above. Business will continue to lead by example and communicate what companies stand for, their employment and environmental practices in home and host countries, and their contributions to economic growth and social well being.

Lastly, it is the behaviour of the company that counts–not the existence of a formal set of business principles. So, whether or not a company decides to adopt and publish business principles, this should not be seen as the only indicator of its commitment to good corporate practices.

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Enhancing the Contribution of the OECD Guidelines for Multinational Enterprises: Lessons to be Learned

Corinne Dreyfus, European Commission

It is an honour for me, and also a difficult task, to set the scene for this concluding session. This Roundtable has been the occasion for all of us to learn more from each other's experiences in the field of corporate social responsibility, and to reach out to instruments we are less accustomed to hear about.

Representatives of adhering countries to the OECD Guidelines here today, like myself, know more about the Guidelines. A number of National Contact Points present today were also attending the final stages of the 2000 review, and some have also been involved in the Guidelines implementation for a longer time.

Participants from the business, trade unions, non-governmental organisations have been working with many, if not all "global instruments", and representatives from specific global initiatives have also explained us how they work and what their added value is.

The first observations after today's discussions might be: what diversity, and possibly, what confusion! How can coherence be found in so many initiatives? I believe that the proliferation of initiatives reflects growing interest and that it creates new objectives and courses of actions. These initiatives can be mutually beneficial if synergies are examined and used. In this regard, speed and timing are important, as a number of participants have observed today.

1. What is the context?

The key word is "globalisation". In this regard, investors' rights might be seen as excessive in the face of the impact they have on the home or host country, and the people or environment that can be affected – in a positive or negative manner – by their activities.

This is one of the reasons that development of corporate social responsibility by multinational enterprises can prove to be a step in the right direction towards enhanced investors' responsibilities.

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Corporate social responsibility applies at an early stage, before law and regulation step in if they exist. It does not replace national law and governments responsibilities, but helps build a path to sustainable development by all stakeholders. As multinational enterprises operate globally it is often difficult to trace back the relevant jurisdiction and legislation. Therefore, it is a supplementary guarantee for citizens if companies endeavour to implement voluntary commitments to be good corporate citizens. This type of market pressure can be very powerful.

2. What do the Guidelines bring?

As observed by the ILO representative, the Guidelines are a codification of consensual standards at a given period of time and around a defined set of objectives.

The adoption on 27 June 2000 of the revised text of the Guidelines for Multinational Enterprises by the Ministers of OECD countries and of Argentina, Brazil and Chile is a useful step towards enhanced public initiatives relating to corporate social responsibility. These Guidelines lay down the principles and standards that the governments of 33 adhering countries exhort their companies to apply and respect *wherever they operate*. They provide a comprehensive checklist that can be used by managers to assess their own codes of conduct.

The Guidelines are particularly *extensive in their coverage*. They address consumer protection, taxation, technology transfers, which are less often cited than human rights, social or environment chapters. They refer to basic international texts such as the Universal Declaration on Human Rights and the ILO Tripartite Declaration. They are backed by adhering countries, which are required to set up National Contact Points to help in implementing the Guidelines. They also offer mediation in specific cases, providing for a high quality dialogue among stakeholders, involving public authorities, enterprises, trade unions and also non-governmental organisations.

The architecture of this follow-up mechanism is unique, especially inasmuch as it involves public authorities stepping in to promote dialogue and to help find solutions. This architecture is embedded in the commitment of adhering countries.

This is the value added of the Guidelines for all: for enterprises as a useful point of reference, for stakeholders as a high quality vehicle for dialogue, and for developing countries as a partnership and co-operation-building instrument.

3. The other global initiatives are also reference tools and benefit from high profile endorsements

The reference document provided to us today by the OECD Secretariat (see page 57), as well as its study "Corporate Responsibility: Private Initiatives and

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Public Goals" (OECD, 2001), offer useful background that helps understand this architecture.

Further work on the interrelations and synergies between various initiatives will be needed in the future. I take it that today's meeting will not be an isolated event. People involved in the initiative discussed today have to go on working together to reinforce co-operation and to promote achievement of their shared, ultimate objective of pursuing effective implementation of CSR.

I would tend to think that each of the examined initiatives has its merits and fills a specific role that can help in developing a genuine CSR culture and implementation.

UN Global Compact, O'Sullivan and Caux Principles have a high profile and their direct endorsement by companies brings a visibility value that the Guidelines process could certainly consider. The "Benchmarks" also provide for a high level standing.

As regards their content and follow-up procedures, these initiatives vary according to their sponsors, and this is perfectly normal.

4. Implementation and follow-up

Concrete implementation and difficulties are at the heart of CSR credibility.

4.1. *Implementation*

The concrete aspect of implementation of the Guidelines by firms, building on the experience of companies who have adopted and incorporated in their management practice principles of corporate social responsibility, is the "difficult" part of the Guidelines process. There is a growing body of experience, some of which was shared during this Roundtable. The emergence of management tools for the purpose of implementing individual or sectoral codes of conduct or the OECD Guidelines is also noteworthy. Management structures, practical and concrete steps to be taken in the face of specific problems need to be changed and assessed in front of increasingly important criteria of corporate social responsibility.

The Guidelines can be seen as common ground or as a checklist of the behaviour that a socially responsible company is expected to match. It is up to companies to use them as a proactive communication tool that can provide them with feed back on their activities and products. Since a two-way flow of information can derive from such a dialogue, this increases the credibility of the firm as a socially responsible corporate citizen, and, through this transparency, provides for accountability and assessment of its conduct.

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Managing corporate social responsibility principles in a company needs to create new management tools:

- internal compliance programmes, which integrate both legislative and regulatory obligations, as well as supplementary voluntary commitments from the company;
- training, and a two-way dialogue within the enterprise, that genuinely encompasses all workers;
- and a corporate culture that extends from the headquarter to the line managers and any employee of the firm, even possibly spreading to the supply chain. For instance, the difficult question of freedom of association, which is often not mentioned in companies' codes, can be referred to through the Guidelines.

Commitment from the top is a necessary ingredient for successful corporate action and this is being reflected in the various private Global initiatives presented today.

4.2. E*valuation*

It is necessary to assess and measure companies' success in translating this type of commitment, into action. This underscores the need for proper accounting methods integrating social or environmental dimensions of corporate performance. It is also necessary to develop credible monitoring schemes.

It can be said that social and environmental reporting are areas "under construction". Auditing firms are developing methodology on these issues. Trade unions or non-governmental organisations are also being brought in as partners for external monitoring.

But problems of scarce resources and methodology also emerge here. How to make a credible, objective and fair evaluation? A balance has to be found between internal and external auditing and monitoring schemes, in order to produce evaluations that are both credible and fair in the eyes of companies and of stakeholders.

Where and how can public assessment of local projects lead to improved overall performance of a company on corporate social responsibility? Local communities and local organisations can be involved in partnerships on specific co-operations.

The issues of monitoring and accountability are crucial in this regard, and it is certainly necessary to develop objective measurements that are fair for all sides. How can best practices be spread in the company and to other companies operating in the same sector or area, or transposed for other sectors and countries?

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Socially Responsible Investment is also creating market pressures in this direction. Social Accountability 8000 and the Global Reporting Initiative, despite their different "sponsors", aim at ensuring this very objective: enhancing credibility of CSR commitments, through standards for evaluation, monitoring and accounting of CSR. These two global initiatives help provide benchmarks for reporting and provide for good building blocks.

At EU level, I would like to point out two types of instruments that we also consider of importance:

- The European Eco-Efficiency Initiative (EEEI), is an initiative of the World Business Council for Sustainable Development and the European Partners for the Environment in partnership with the European Commission, aims to integrate eco-efficiency throughout European business, and in European Union (EU) industrial and economic policies (*www.wbcsd.ch/eurint/eeei.htm*).
- Environmental and sustainability Impact Assessments are a prime means to ensure the compatibility of planned activities with goals such as the protection of the environment or sustainable development. In the context of corporate social responsibility they can therefore play an important role for companies in the definition of their strategy in these two areas.

Evaluation is ultimately the yardstick that will permit the "reality" of CSR to be measured. If CSR are merely principles and standards of behaviour that remain on bookshelves in headquarter offices but make little or no difference on the ground, the credibility of the process will be eroded. Multiple initiatives could eventually lead to convergence of standards.

It is therefore a contribution that we would expect from today's meeting: to know that multiple global initiatives address the same CSR implementation objectives. These initiatives can mutually reinforce one another, so that all CSR aspects can be worked upon. Their relevance extends the CEO's office to the factory floor in a developing country. They can help to develop genuine corporate culture in favour of high standards of business conduct inside companies, with employees and their representatives, and in co-operation with shareholders, consumers, local communities, and with public authorities, at local or national level. Creating partnerships to define and implement commitments is ultimately what CSR is all about.

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Appendix 1

Déclaration on International Investment and Mutinational Enterprises

27 June 2000

ADHERING GOVERNMENTS[1]

CONSIDERING:

- That international investment is of major importance to the world economy, and has considerably contributed to the development of their countries.
- That multinational enterprises play an important role in this investment process.
- That international co-operation can improve the foreign investment climate, encourage the positive contribution which multinational enterprises can make to economic, social and environmental progress, and minimise and resolve difficulties which may arise from their operations.
- That the benefits of international co-operation are enhanced by addressing issues relating to international investment and multinational enterprises through a balanced framework of inter-related instruments.

DECLARE:

Guidelines for Multinational Enterprises

I. That they jointly recommend to multinational enterprises operating in or from their territories the observance of the Guidelines, set forth in Annex 1 hereto,[2] having regard to the considerations and understandings that are set out in the Preface and are an integral part of them".

National Treatment

II.1. That adhering governments should, consistent with their needs to maintain public order, to protect their essential security interests and to fulfil commitments relating to international peace and security, accord to enterprises operating in their territories and owned or controlled directly or indirectly by nationals of another adhering government (hereinafter referred to as "Foreign-Controlled Enterprises") treatment under their laws, regulations and administrative practices, consistent with international law and no less favourable than that accorded in like situations to domestic enterprises (hereinafter referred to as "National Treatment").

2. That adhering governments will consider applying "National Treatment" in respect of countries other than adhering governments;

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3. That adhering governments will endeavour to ensure that their territorial subdivisions apply "National Treatment".

4. That this Declaration does not deal with the right of adhering governments to regulate the entry of foreign investment or the conditions of establishment of foreign enterprises.

Conflicting Requirements

III. That they will co-operate with a view to avoiding or minimising the imposition of conflicting requirements on multinational enterprises and that they will take into account the general considerations and practical approaches as set forth in Annex 2 hereto.[3]

International Investment Incentives and Disincentives

IV.1. That they recognise the need to strengthen their co-operation in the field of international direct investment.

2. That they thus recognise the need to give due weight to the interests of adhering governments affected by specific laws, regulations and administrative practices in this field (hereinafter called "measures") providing official incentives and disincentives to international direct investment.

3. That adhering governments will endeavour to make such measures as transparent as possible, so that their importance and purpose can be ascertained and that information on them can be readily available.

Consultation Procedures

V. That they are prepared to consult one another on the above matters in conformity with the relevant Decisions of the Council.

Review

VI. That they will review the above matters periodically with a view to improving the effectiveness of international economic co-operation among adhering governments on issues relating to international investment and multinational enterprises.

Notes

1. As at 27 June 2000 adhering governments are those of all OECD Members, as well as Argentina, Brazil, Chile and the Slovak Republic. The European Community has been invited to associate itself with the section on National Treatment on matters falling within its competence.
2. The text of the Guidelines for Multinational Enterprises is reproduced in Annex II of this publication.
3. The text of General Considerations and Practical Approaches concerning Conflicting Requirements Imposed on Multinational Enterprises is available from the OECD website *www.oecd.org/daf/investment/*.

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Appendix 2

The OECD Guidelines for Multinational Enterprises: Text and Implementation Procedures

Text

Preface

1. The OECD *Guidelines for Multinational Enterprises* (the *Guidelines*) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The *Guidelines* aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises. The *Guidelines* are part of the OECD *Declaration on International Investment and Multinational Enterprises* the other elements of which relate to national treatment, conflicting requirements on enterprises, and international investment incentives and disincentives.

2. International business has experienced far-reaching structural change and the *Guidelines* themselves have evolved to reflect these changes. With the rise of service and knowledge-intensive industries, service and technology enterprises have entered the international marketplace. Large enterprises still account for a major share of international investment, and there is a trend toward large-scale international mergers. At the same time, foreign investment by small- and medium-sized enterprises has also increased and these enterprises now play a significant role on the international scene. Multinational enterprises, like their domestic counterparts, have evolved to encompass a broader range of business arrangements and organisational forms. Strategic alliances and closer relations with suppliers and contractors tend to blur the boundaries of the enterprise.

3. The rapid evolution in the structure of multinational enterprises is also reflected in their operations in the developing world, where foreign direct investment has grown rapidly. In developing countries, multinational enterprises have diversified beyond primary production and extractive industries into manufacturing, assembly, domestic market development and services.

4. The activities of multinational enterprises, through international trade and investment, have strengthened and deepened the ties that join OECD economies to each other and to the rest of the world. These activities bring substantial benefits to home and host countries. These benefits accrue when multinational enterprises supply the products and services that consumers want to buy at competitive prices and when they provide fair returns to suppliers of capital. Their trade and investment activities contribute to the efficient use of capital, technology and human and natural resources. They facilitate the transfer of technology

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among the regions of the world and the development of technologies that reflect local conditions. Through both formal training and on-the-job learning enterprises also promote the development of human capital in host countries.

5. The nature, scope and speed of economic changes have presented new strategic challenges for enterprises and their stakeholders. Multinational enterprises have the opportunity to implement best practice policies for sustainable development that seek to ensure coherence between social, economic and environmental objectives. The ability of multinational enterprises to promote sustainable development is greatly enhanced when trade and investment are conducted in a context of open, competitive and appropriately regulated markets.

6. Many multinational enterprises have demonstrated that respect for high standards of business conduct can enhance growth. Today's competitive forces are intense and multinational enterprises face a variety of legal, social and regulatory settings. In this context, some enterprises may be tempted to neglect appropriate standards and principles of conduct in an attempt to gain undue competitive advantage. Such practices by the few may call into question the reputation of the many and may give rise to public concerns.

7. Many enterprises have responded to these public concerns by developing internal programmes, guidance and management systems that underpin their commitment to good corporate citizenship, good practices and good business and employee conduct. Some of them have called upon consulting, auditing and certification services, contributing to the accumulation of expertise in these areas. These efforts have also promoted social dialogue on what constitutes good business conduct. The *Guidelines* clarify the shared expectations for business conduct of the governments adhering to them and provide a point of reference for enterprises. Thus, the *Guidelines* both complement and reinforce private efforts to define and implement responsible business conduct.

8. Governments are co-operating with each other and with other actors to strengthen the international legal and policy framework in which business is conducted. The post-war period has seen the development of this framework, starting with the adoption in 1948 of the Universal Declaration of Human Rights. Recent instruments include the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and Agenda 21 and the Copenhagen Declaration for Social Development.

9. The OECD has also been contributing to the international policy framework. Recent developments include the adoption of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and of the OECD Principles of Corporate Governance, the OECD Guidelines for Consumer Protection in the Context of Electronic Commerce, and ongoing work on the OECD Guidelines on Transfer Pricing for Multinational Enterprises and Tax Administrations.

10. The common aim of the governments adhering to the *Guidelines* is to encourage the positive contributions that multinational enterprises can make to economic, environmental and social progress and to minimise the difficulties to which their various operations may give rise. In working towards this goal, governments find themselves in partnership with the many businesses, trade unions and other non-governmental organisations that are working in their own ways toward the same end. Governments can help by providing effective domestic policy frameworks that include stable macroeconomic policy, non-discriminatory treatment of firms, appropriate regulation and prudential supervision, an impartial system of courts and law enforcement and efficient and honest public administration. Governments can also help by maintaining and promoting appropriate standards and policies in support of sustainable development and by engaging in

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ongoing reforms to ensure that public sector activity is efficient and effective. Governments adhering to the *Guidelines* are committed to continual improvement of both domestic and international policies with a view to improving the welfare and living standards of all people.

I. Concepts and principles

1. The *Guidelines* are recommendations jointly addressed by governments to multinational enterprises. They provide principles and standards of good practice consistent with applicable laws. Observance of the *Guidelines* by enterprises is voluntary and not legally enforceable.

2. Since the operations of multinational enterprises extend throughout the world, international co-operation in this field should extend to all countries. Governments adhering to the *Guidelines* encourage the enterprises operating on their territories to observe the *Guidelines* wherever they operate, while taking into account the particular circumstances of each host country.

3. A precise definition of multinational enterprises is not required for the purposes of the *Guidelines*. These usually comprise companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another. Ownership may be private, state or mixed. The *Guidelines* are addressed to all the entities within the multinational enterprise (parent companies and/or local entities). According to the actual distribution of responsibilities among them, the different entities are expected to co-operate and to assist one another to facilitate observance of the *Guidelines*.

4. The *Guidelines* are not aimed at introducing differences of treatment between multinational and domestic enterprises; they reflect good practice for all. Accordingly, multinational and domestic enterprises are subject to the same expectations in respect of their conduct wherever the *Guidelines* are relevant to both.

5. Governments wish to encourage the widest possible observance of the *Guidelines*. While it is acknowledged that small- and medium-sized enterprises may not have the same capacities as larger enterprises, governments adhering to the *Guidelines* nevertheless encourage them to observe the *Guidelines* recommendations to the fullest extent possible.

6. Governments adhering to the *Guidelines* should not use them for protectionist purposes nor use them in a way that calls into question the comparative advantage of any country where multinational enterprises invest.

7. Governments have the right to prescribe the conditions under which multinational enterprises operate within their jurisdictions, subject to international law. The entities of a multinational enterprise located in various countries are subject to the laws applicable in these countries. When multinational enterprises are subject to conflicting requirements by adhering countries, the governments concerned will co-operate in good faith with a view to resolving problems that may arise.

8. Governments adhering to the *Guidelines* set them forth with the understanding that they will fulfil their responsibilities to treat enterprises equitably and in accordance with international law and with their contractual obligations.

9. The use of appropriate international dispute settlement mechanisms, including arbitration, is encouraged as a means of facilitating the resolution of legal problems arising between enterprises and host country governments.

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10. Governments adhering to the *Guidelines* will promote them and encourage their use. They will establish National Contact Points that promote the *Guidelines* and act as a forum for discussion of all matters relating to the *Guidelines*. The adhering Governments will also participate in appropriate review and consultation procedures to address issues concerning interpretation of the *Guidelines* in a changing world.

II. General policies

Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should:

1. Contribute to economic, social and environmental progress with a view to achieving sustainable development.
2. Respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments.
3. Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice.
4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.
8. Promote employee awareness of, and compliance with, company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against employees who make *bona fide* reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the *Guidelines* or the enterprise's policies.
10. Encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the *Guidelines*.
11. Abstain from any improper involvement in local political activities.

III. Disclosure

1. Enterprises should ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance. This information should be disclosed for the enterprise as a whole and, where appropriate, along business lines or geographic areas. Disclosure policies of enterprises should be tailored to the nature, size and location of the enterprise, with due regard taken of costs, business confidentiality and other competitive concerns.

2. Enterprises should apply high quality standards for disclosure, accounting, and audit. Enterprises are also encouraged to apply high quality standards for non-financial information includ-

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ing environmental and social reporting where they exist. The standards or policies under which both financial and non-financial information are compiled and published should be reported.

3. Enterprises should disclose basic information showing their name, location, and structure, the name, address and telephone number of the parent enterprise and its main affiliates, its percentage ownership, direct and indirect in these affiliates, including shareholdings between them.

4. Enterprises should also disclose material information on:

   a) The financial and operating results of the company.

   b) Company objectives.

   c) Major share ownership and voting rights.

   d) Members of the board and key executives, and their remuneration.

   e) Material foreseeable risk factors.

   f) Material issues regarding employees and other stakeholders.

   g) Governance structures and policies.

5. Enterprises are encouraged to communicate additional information that could include:

   a) Value statements or statements of business conduct intended for public disclosure including information on the social, ethical and environmental policies of the enterprise and other codes of conduct to which the company subscribes. In addition, the date of adoption, the countries and entities to which such statements apply and its performance in relation to these statements may be communicated.

   b) Information on systems for managing risks and complying with laws, and on statements or codes of business conduct.

   c) Information on relationships with employees and other stakeholders.

IV. Employment and industrial relations

Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices:

1. *a*) Respect the right of their employees to be represented by trade unions and other *bona fide* representatives of employees, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on employment conditions.

   b) Contribute to the effective abolition of child labour.

   c) Contribute to the elimination of all forms of forced or compulsory labour.

   d) Not discriminate against their employees with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job.

2. *a*) Provide facilities to employee representatives as may be necessary to assist in the development of effective collective agreements.

   b) Provide information to employee representatives which is needed for meaningful negotiations on conditions of employment.

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c) Promote consultation and co-operation between employers and employees and their representatives on matters of mutual concern.

3. Provide information to employees and their representatives which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole.

4. *a*) Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.

   b) Take adequate steps to ensure occupational health and safety in their operations.

5. In their operations, to the greatest extent practicable, employ local personnel and provide training with a view to improving skill levels, in co-operation with employee representatives and, where appropriate, relevant governmental authorities.

6. In considering changes in their operations which would have major effects upon the livelihood of their employees, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of their employees, and, where appropriate, to the relevant governmental authorities, and co-operate with the employee representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. In light of the specific circumstances of each case, it would be appropriate if management were able to give such notice prior to the final decision being taken. Other means may also be employed to provide meaningful co-operation to mitigate the effects of such decisions.

7. In the context of *bona fide* negotiations with representatives of employees on conditions of employment, or while employees are exercising a right to organise, not threaten to transfer the whole or part of an operating unit from the country concerned nor transfer employees from the enterprises' component entities in other countries in order to influence unfairly those negotiations or to hinder the exercise of a right to organise.

8. Enable authorised representatives of their employees to negotiate on collective bargaining or labour-management relations issues and allow the parties to consult on matters of mutual concern with representatives of management who are authorised to take decisions on these matters.

V. Environment

Enterprises should, within the framework of laws, regulations and administrative practices in the countries in which they operate, and in consideration of relevant international agreements, principles, objectives, and standards, take due account of the need to protect the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development. In particular, enterprises should:

1. Establish and maintain a system of environmental management appropriate to the enterprise, including:

   a) Collection and evaluation of adequate and timely information regarding the environmental, health, and safety impacts of their activities.

   b) Establishment of measurable objectives and, where appropriate, targets for improved environmental performance, including periodically reviewing the continuing relevance of these objectives; and

   c) Regular monitoring and verification of progress toward environmental, health, and safety objectives or targets.

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2. Taking into account concerns about cost, business confidentiality, and the protection of intellectual property rights:
   a) Provide the public and employees with adequate and timely information on the potential environment, health and safety impacts of the activities of the enterprise, which could include reporting on progress in improving environmental performance; and
   b) Engage in adequate and timely communication and consultation with the communities directly affected by the environmental, health and safety policies of the enterprise and by their implementation.
3. Assess, and address in decision-making, the foreseeable environmental, health, and safety-related impacts associated with the processes, goods and services of the enterprise over their full life cycle. Where these proposed activities may have significant environmental, health, or safety impacts, and where they are subject to a decision of a competent authority, prepare an appropriate environmental impact assessment.
4. Consistent with the scientific and technical understanding of the risks, where there are threats of serious damage to the environment, taking also into account human health and safety, not use the lack of full scientific certainty as a reason for postponing cost-effective measures to prevent or minimise such damage.
5. Maintain contingency plans for preventing, mitigating, and controlling serious environmental and health damage from their operations, including accidents and emergencies; and mechanisms for immediate reporting to the competent authorities.
6. Continually seek to improve corporate environmental performance, by encouraging, where appropriate, such activities as:
   a) Adoption of technologies and operating procedures in all parts of the enterprise that reflect standards concerning environmental performance in the best performing part of the enterprise.
   b) Development and provision of products or services that have no undue environmental impacts; are safe in their intended use; are efficient in their consumption of energy and natural resources; can be reused, recycled, or disposed of safely.
   c) Promoting higher levels of awareness among customers of the environmental implications of using the products and services of the enterprise; and
   d) Research on ways of improving the environmental performance of the enterprise over the longer term.
7. Provide adequate education and training to employees in environmental health and safety matters, including the handling of hazardous materials and the prevention of environmental accidents, as well as more general environmental management areas, such as environmental impact assessment procedures, public relations, and environmental technologies.
8. Contribute to the development of environmentally meaningful and economically efficient public policy, for example, by means of partnerships or initiatives that will enhance environmental awareness and protection.

VI. Combating bribery

Enterprises should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should

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enterprises be solicited or expected to render a bribe or other undue advantage. In particular, enterprises should:

1. Not offer, nor give in to demands, to pay public officials or the employees of business partners any portion of a contract payment. They should not use subcontracts, purchase orders or consulting agreements as means of channelling payments to public officials, to employees of business partners or to their relatives or business associates.
2. Ensure that remuneration of agents is appropriate and for legitimate services only. Where relevant, a list of agents employed in connection with transactions with public bodies and state-owned enterprises should be kept and made available to competent authorities.
3. Enhance the transparency of their activities in the fight against bribery and extortion. Measures could include making public commitments against bribery and extortion and disclosing the management systems the company has adopted in order to honour these commitments. The enterprise should also foster openness and dialogue with the public so as to promote its awareness of and co-operation with the fight against bribery and extortion.
4. Promote employee awareness of and compliance with company policies against bribery and extortion through appropriate dissemination of these policies and through training programmes and disciplinary procedures.
5. Adopt management control systems that discourage bribery and corrupt practices, and adopt financial and tax accounting and auditing practices that prevent the establishment of "off the books" or secret accounts or the creation of documents which do not properly and fairly record the transactions to which they relate.
6. Not make illegal contributions to candidates for public office or to political parties or to other political organisations. Contributions should fully comply with public disclosure requirements and should be reported to senior management.

VII. Consumer interests

When dealing with consumers, enterprises should act in accordance with fair business, marketing and advertising practices and should take all reasonable steps to ensure the safety and quality of the goods or services they provide. In particular, they should:

1. Ensure that the goods or services they provide meet all agreed or legally required standards for consumer health and safety, including health warnings and product safety and information labels.
2. As appropriate to the goods or services, provide accurate and clear information regarding their content, safe use, maintenance, storage, and disposal sufficient to enable consumers to make informed decisions.
3. Provide transparent and effective procedures that address consumer complaints and contribute to fair and timely resolution of consumer disputes without undue cost or burden.
4. Not make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent, or unfair.
5. Respect consumer privacy and provide protection for personal data.
6. Co-operate fully and in a transparent manner with public authorities in the prevention or removal of serious threats to public health and safety deriving from the consumption or use of their products.

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VIII. Science and technology

Enterprises should:

1. Endeavour to ensure that their activities are compatible with the science and technology (S&T) policies and plans of the countries in which they operate and as appropriate contribute to the development of local and national innovative capacity.
2. Adopt, where practicable in the course of their business activities, practices that permit the transfer and rapid diffusion of technologies and know-how, with due regard to the protection of intellectual property rights.
3. When appropriate, perform science and technology development work in host countries to address local market needs, as well as employ host country personnel in an S&T capacity and encourage their training, taking into account commercial needs.
4. When granting licenses for the use of intellectual property rights or when otherwise transferring technology, do so on reasonable terms and conditions and in a manner that contributes to the long term development prospects of the host country.
5. Where relevant to commercial objectives, develop ties with local universities, public research institutions, and participate in co-operative research projects with local industry or industry associations.

IX. Competition

Enterprises should, within the framework of applicable laws and regulations, conduct their activities in a competitive manner. In particular, enterprises should:

1. Refrain from entering into or carrying out anti-competitive agreements among competitors:
   a) To fix prices.
   b) To make rigged bids (collusive tenders).
   c) To establish output restrictions or quotas; or
   d) To share or divide markets by allocating customers, suppliers, territories or lines of commerce.
2. Conduct all of their activities in a manner consistent with all applicable competition laws, taking into account the applicability of the competition laws of jurisdictions whose economies would be likely to be harmed by anti-competitive activity on their part.
3. Co-operate with the competition authorities of such jurisdictions by, among other things and subject to applicable law and appropriate safeguards, providing as prompt and complete responses as practicable to requests for information.
4. Promote employee awareness of the importance of compliance with all applicable competition laws and policies.

X. Taxation

It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with the tax laws and regulations in all countries in which they operate and should exert every effort to act in accordance with both the letter and spirit of those laws and regulations. This would include such measures as providing to the relevant authorities the information necessary for the correct determination of taxes to be assessed in connection with their operations and conforming transfer pricing practices to the arm's length principle.

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Implementation Procedures

Decision of the OECD Council on the OECD Guidelines for Multinational Enterprises

June 2000

THE COUNCIL,

Having regard to the Convention on the Organisation for Economic Co-operation and Development of 14th December 1960.

Having regard to the OECD Declaration on International Investment and Multinational Enterprises (the "Declaration"), in which the Governments of adhering countries ("adhering countries") jointly recommend to multinational enterprises operating in or from their territories the observance of Guidelines for Multinational Enterprises (the "Guidelines").

Recognising that, since operations of multinational enterprises extend throughout the world, international co-operation on issues relating to the Declaration should extend to all countries;

Having regard to the Terms of Reference of the Committee on International Investment and Multinational Enterprises, in particular with respect to its responsibilities for the Declaration [C(84)171(Final), renewed in C/M(95)21].

Considering the Report on the First Review of the 1976 Declaration [C(79)102(Final)], the Report on the Second Review of the Declaration [C/MIN(84)5(Final)], the Report on the 1991 Review of the Declaration [DAFFE/IME(91)23], and the Report on the 2000 Review of the Guidelines [C(2000)96].

Having regard to the Second Revised Decision of the Council of June 1984 [C(84)90], amended June 1991 [C/MIN(91)7/ANN1].

Considering it desirable to enhance procedures by which consultations may take place on matters covered by these Guidelines and to promote the effectiveness of the Guidelines.

On the proposal of the Committee on International Investment and Multinational Enterprises.

DECIDES:

To repeal the Second Revised Decision of the Council of June 1984 [C(84)90], amended June 1991 [C/MIN(91)7/ANN1], and replace it with the following:

I. National Contact Points

1. Adhering countries shall set up National Contact Points for undertaking promotional activities, handling inquiries and for discussions with the parties concerned on all matters covered by the Guidelines so that they can contribute to the solution of problems

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which may arise in this connection, taking due account of the attached procedural guidance. The business community, employee organisations, and other interested parties shall be informed of the availability of such facilities.

2. National Contact Points in different countries shall co-operate if such need arises, on any matter related to the Guidelines relevant to their activities. As a general procedure, discussions at the national level should be initiated before contacts with other National Contact Points are undertaken.
3. National Contact Points shall meet annually to share experiences and report to the Committee on International Investment and Multinational Enterprises.

II. The Committee on International Investment and Multinational Enterprises

1. The Committee on International Investment and Multinational Enterprises ("CIME" or "the Committee") shall periodically or at the request of an adhering country hold exchanges of views on matters covered by the Guidelines and the experience gained in their application.
2. The Committee shall periodically invite the Business and Industry Advisory Committee to the OECD (BIAC), and the Trade Union Advisory Committee to the OECD (TUAC) (the "advisory bodies"), as well as other non-governmental organisations to express their views on matters covered by the Guidelines. In addition, exchanges of views with the advisory bodies on these matters may be held at their request.
3. The Committee may decide to hold exchanges of views on matters covered by the Guidelines with representatives of non-adhering countries.
4. The Committee shall be responsible for clarification of the Guidelines. Clarification will be provided as required. If it so wishes, an individual enterprise will be given the opportunity to express its views either orally or in writing on issues concerning the Guidelines involving its interests. The Committee shall not reach conclusions on the conduct of individual enterprises.
5. The Committee shall hold exchanges of views on the activities of National Contact Points with a view to enhancing the effectiveness of the Guidelines.
6. In fulfilling its responsibilities for the effective functioning of the Guidelines, the Committee shall take due account of the attached procedural guidance.
7. The Committee shall periodically report to the Council on matters covered by the Guidelines. In its reports, the Committee shall take account of reports by National Contact Points, the views expressed by the advisory bodies, and the views of other non-governmental organisations and non-adhering countries as appropriate.

III. Review of the decision

This Decision shall be periodically reviewed. The Committee shall make proposals for this purpose.

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Procedural Guidance

I. National Contact Points

The role of National Contact Points (NCP) is to further the effectiveness of the Guidelines. NCPs will operate in accordance with core criteria of visibility, accessibility, transparency and accountability to further the objective of functional equivalence.

A. *Institutional Arrangements*

Consistent with the objective of functional equivalence, adhering countries have flexibility in organising their NCPs, seeking the active support of social partners, including the business community, employee organisations, and other interested parties, which includes non-governmental organisations.

Accordingly, the National Contact Point:

1. May be a senior government official or a government office headed by a senior official. Alternatively, the National Contact Point may be organised as a co-operative body, including representatives of other government agencies. Representatives of the business community, employee organisations and other interested parties may also be included.
2. Will develop and maintain relations with representatives of the business community, employee organisations and other interested parties that are able to contribute to the effective functioning of the Guidelines.

B. *Information and Promotion*

National Contact Points will:

1. Make the Guidelines known and available by appropriate means, including through on-line information, and in national languages. Prospective investors (inward and outward) should be informed about the Guidelines, as appropriate.
2. Raise awareness of the Guidelines, including through co-operation, as appropriate, with the business community, employee organisations, other non-governmental organisations, and the interested public.
3. Respond to enquiries about the Guidelines from:
   a) Other National Contact Points;
   b) The business community, employee organisations, other non-governmental organisations and the public; and
   c) Governments of non-adhering countries.

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C. *Implementation in Specific Instances*

The NCP will contribute to the resolution of issues that arise relating to implementation of the Guidelines in specific instances. The NCP will offer a forum for discussion and assist the business community, employee organisations and other parties concerned to deal with the issues raised in an efficient and timely manner and in accordance with applicable law. In providing this assistance, the NCP will:

1. Make an initial assessment of whether the issues raised merit further examination and respond to the party or parties raising them.

2. Where the issues raised merit further examination, offer good offices to help the parties involved to resolve the issues. For this purpose, the NCP will consult with these parties and where relevant:

   a) Seek advice from relevant authorities, and/or representatives of the business community, employee organisations, other non-governmental organisations, and relevant experts.

   b) Consult the National Contact Point in the other country or countries concerned.

   c) Seek the guidance of the CIME if it has doubt about the interpretation of the Guidelines in particular circumstances.

   d) Offer, and with the agreement of the parties involved, facilitate access to consensual and non-adversarial means, such as conciliation or mediation, to assist in dealing with the issues.

3. If the parties involved do not reach agreement on the issues raised, issue a statement, and make recommendations as appropriate, on the implementation of the Guidelines.

4. *a*) In order to facilitate resolution of the issues raised, take appropriate steps to protect sensitive business and other information. While the procedures under paragraph 2 are underway, confidentiality of the proceedings will be maintained. At the conclusion of the procedures, if the parties involved have not agreed on a resolution of the issues raised, they are free to communicate about and discuss these issues. However, information and views provided during the proceedings by another party involved will remain confidential, unless that other party agrees to their disclosure.

   b) After consultation with the parties involved, make publicly available the results of these procedures unless preserving confidentiality would be in the best interests of effective implementation of the Guidelines.

5. If issues arise in non-adhering countries, take steps to develop an understanding of the issues involved, and follow these procedures where relevant and practicable.

D. *Reporting*

1. Each National Contact Point will report annually to the Committee.

2. Reports should contain information on the nature and results of the activities of the National Contact Point, including implementation activities in specific instances.

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II. Committee on International Investment and Multinational Enterprises

1. The Committee will discharge its responsibilities in an efficient and timely manner.
2. The Committee will consider requests from NCPs for assistance in carrying out their activities, including in the event of doubt about the interpretation of the Guidelines in particular circumstances.
3. The Committee will:
   a) Consider the reports of NCPs.
   b) Consider a substantiated submission by an adhering country or an advisory body on whether an NCP is fulfilling its responsibilities with regard to its handling of specific instances.
   c) Consider issuing a clarification where an adhering country or an advisory body makes a substantiated submission on whether an NCP has correctly interpreted the Guidelines in specific instances.
   d) Make recommendations, as necessary, to improve the functioning of NCPs and the effective implementation of the Guidelines.
4. The Committee may seek and consider advice from experts on any matters covered by the Guidelines. For this purpose, the Committee will decide on suitable procedures.

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