



## FOURTH ITEM ON THE AGENDA

**Information note on corporate social responsibility and international labour standards****Introduction**

1. This paper, as requested by the Governing Body in November 2002, provides information on initiatives in the field of corporate social responsibility (CSR), particularly those that refer to international labour standards, the ILO Declaration on Fundamental Principles and Rights at Work, adopted by the International Labour Conference in 1998, or the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration), adopted by the Governing Body in 1977.
2. There is no generally accepted definition of the term CSR. It is used to describe a wide range of economic, social and environmental initiatives by enterprises that go beyond legal requirements and are mostly voluntary in nature. One author states: "Social responsibility is less programmatic than philosophic. It stems from a deeply held vision by company leaders that business can and should play a role beyond making money."<sup>1</sup> Another considers that CSR is about how companies manage the business process to produce an overall positive impact on society.<sup>2</sup> The European Commission has defined CSR as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".<sup>3</sup> It is important to distinguish the current approach to CSR, which emphasizes its voluntary nature, multiple stakeholders and managing social impacts, from the social responsibilities of enterprises as defined in legally binding and non-binding instruments at the national and international levels.

<sup>1</sup> J. Makower: *Beyond the bottom line: Putting social responsibility to work for your business and the world*, 1994, Tilden Press.

<sup>2</sup> <http://www.mallenbaker.net/csr/CSRfiles/definition.html> (visited 10 Dec. 2002).

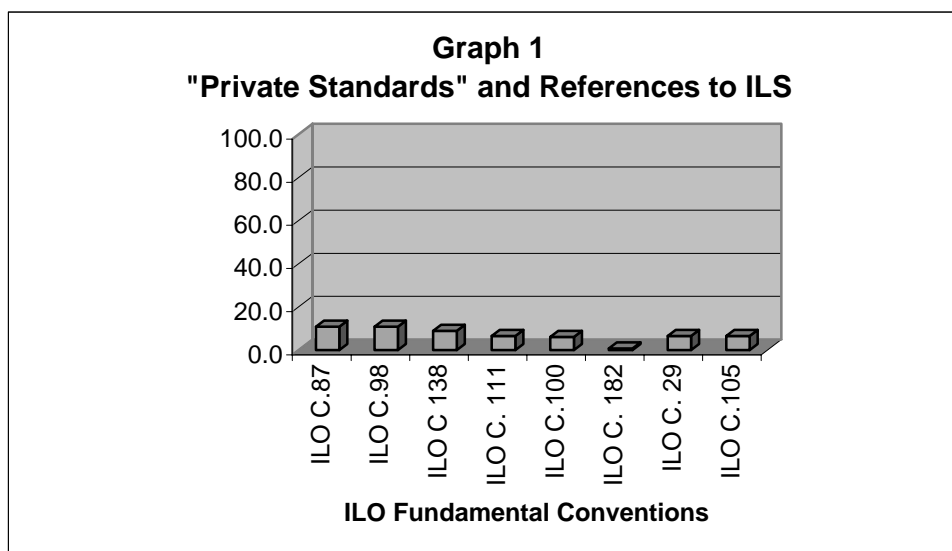
<sup>3</sup> Commission of the European Communities: "Communication from the Commission concerning corporate social responsibility: A business contribution to sustainable development", July 2002, COM (2002) 347 Final, p. 5.

3. Bribery and corruption, treatment of employees, human rights impacts, community involvement and environmental practices all are considered under the subject of CSR. Labour and employment issues are therefore only a part of the CSR picture. Moreover, most CSR initiatives adopt a multi-stakeholder approach involving not only employers and workers but also other stakeholders such as consumers, non-governmental organizations (NGOs) and the community at large. The voluntary character of CSR is also noteworthy as many of the initiatives address subjects and issues that are covered by national law and regulations. CSR thus focuses on voluntary compliance with certain standards and principles rather than on observance of existing national legislation.
4. This paper reviews the characteristics of different types CSR-related initiatives and their relation to international labour standards and other ILO instruments. It distinguishes between workplace initiatives (sometimes also referred to as “private standards”), accreditation and certification schemes, framework agreements, reporting initiatives, management frameworks and (inter)governmental initiatives.

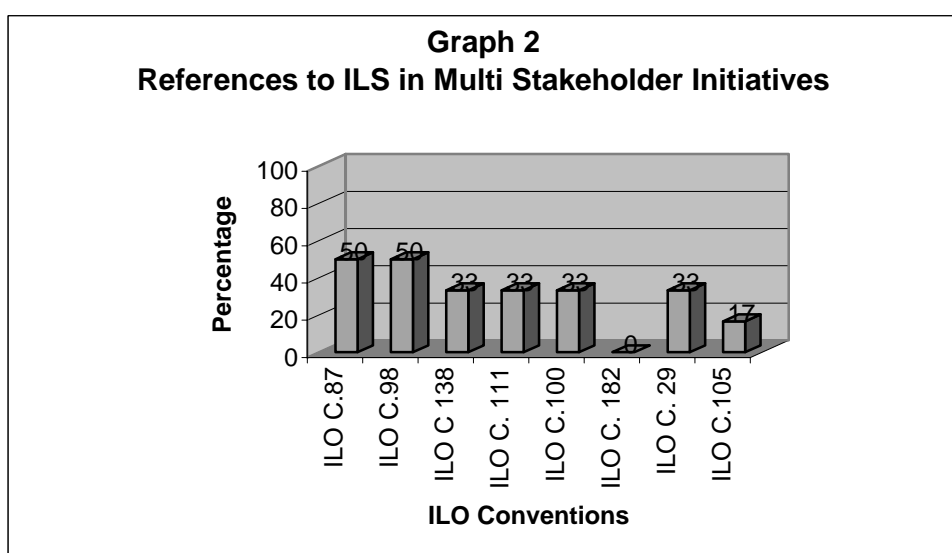
## Workplace initiatives

5. The term “workplace initiatives” is used here to refer to corporate codes of conduct, corporate policies, corporate codes of ethics, multi-stakeholder codes and model codes promulgated by employers’ and workers’ organizations and governments. Some of these initiatives apply only to a company’s own operations, whether domestic or foreign, while others also apply to business partners such as suppliers, subcontractors, and licensees. Thus, initiatives in the apparel, footwear, textiles, agriculture and food processing sectors tend to apply to business partners, primarily suppliers and subcontractors, while initiatives in the mechanical and electrical engineering, mineral extraction, chemical, finance and metals sectors focus more on owned operations and equity relationships. This distinction is important since many multi-stakeholder initiatives deal exclusively with supplier and subcontracting relationships and most of the public debate about monitoring corporate labour practices has focused on these. Codes that cover the supply chain raise an important conceptual question since it is not always clear whether this type of initiative constitutes a new approach to regulation or aims at strengthening compliance with national law and international labour standards.
6. The ILO’s business and social initiatives database (BASI) ([www.ilo.org/basi](http://www.ilo.org/basi)) now includes well over 300 initiatives, compared to some 200 in 1998. Although most still are from industrialized countries, the number from developing countries is increasing. Corporate codes and policies contain relatively few references to the fundamental international labour standards (see graph 1). While ILO research has shown that some codes and policies refer to the MNE Declaration, most of them do not, and some even contain language that could be interpreted as undermining international labour standards. The codes and policies being developed by companies in developing and transition countries seem to be a reaction to the multitude of CSR initiatives from industrialized countries with which they are confronted. Many of them try to cover the requirements of a range of business partners and multi-stakeholder initiatives and are thus quite comprehensive.<sup>4</sup>

<sup>4</sup> This occurred for instance in Kenya where the Kenyan Flower Council developed its own code incorporating the provisions of all buyer codes.



7. The number of multi-stakeholder initiatives also continues to expand, although at a slower pace than corporate codes and policies or framework agreements. NGOs, trade unions and companies or industry associations, at times acting together and sometimes acting individually, develop this type of initiative. A notable development is that increasingly this type of initiative tries to deepen standards by addressing monitoring and effectiveness questions. The ILO has undertaken a detailed analysis of a large number of initiatives of this kind<sup>5</sup> and references to ILO standards in these corporate social responsibility initiatives are relatively high (see graph 2). How this type of initiative is implemented and monitored in companies and how effective these initiatives are in achieving their objectives is, however, hotly debated.



<sup>5</sup> M. Urminsky (ed.): "Self-regulation in the workplace: Codes of conduct, social labelling and socially responsible investment", Working Paper No. 1 Series on management systems and corporate citizenship (ILO, 2001), pp. 28-34. ILO: *Codes of conduct and multinational enterprises*, ILO, 2001, Chap. 12.

8. A noteworthy example is the London-based Ethical Trading Initiative (ETI), an alliance of companies, NGOs and trade unions working together to identify and promote good practice. ETI does not certify company performance or conduct audits but focuses on learning and sharing experiences with implementing international labour standards in supply chains. ETI member companies commit to adopting the standards contained in the ETI Base Code and submit annual reports on their experience.

## **Accreditation, certification, monitoring and inspection initiatives**

9. The number of international initiatives concerned with accreditation, certification, monitoring and inspection that the Office has knowledge about increased from three in 1998 to 12 by the end of 2002. These range from those controlled and managed by a single corporation, usually a multinational enterprise, covering their subsidiaries and supply chain, to comprehensive independent accreditation and certification programmes. The latter often issue some kind of label or other public acknowledgement. The common characteristic of this type of initiative is their private nature and the focus on labour standards. They usually involve some sort of private standard that is used to monitor workplace operations.
10. Accreditation and certification programmes are the most common among this type of initiative. Companies that use these programmes do so for different reasons, including consumer pressure, quality control or business ethics. Most involve a lead organization which administers the programme and accredits other organizations to act as registrars. These registrars in turn certify workplace and company compliance with the private standard. Examples can be found in several sectors, including light manufacturing, textiles, apparel, footwear, agriculture and food processing, fishing and forestry. Although often referred to as social labelling programmes, not all of them make use of product labels as part of the initiative. Therefore, simply analysing labelling programmes does not give the full picture of the different schemes under this heading. It should also be kept in mind that these programmes still have limited coverage in most sectors.
11. Different initiatives operate differently but most cover the following aspects: governance, in particular the control systems used to ensure the quality and performance of the entire programme; the characteristics of the registrars and the mechanisms they set up to deliver their services including training audit staff, ensuring consistency in the services they offer, staying updated on current trends and techniques in social auditing and in the sector concerned; developments concerning labour and employment issues; the methodologies they develop and use to monitor labour standards; and the relationship between the registrar and the workplace or company that is being audited. It is difficult to conduct in-depth research on these programmes, as much of the information and methodologies used is confidential. Actual audit methodologies are only released by a few organizations and the rules governing the operation of the programmes at various levels are rarely publicly available.
12. International labour standards, the 1998 Declaration of Fundamental Principles and Rights at Work as well as the 1977 MNE Declaration are highly relevant to this type of initiative. Most importantly, all programmes reviewed for this paper use a private standard that incorporates various employment and labour issues. In spite of the frequent references to international labour standards or at least to the subjects covered by international labour standards there is sometimes little correspondence between the text of the private standard and the actual operation of the programme. For instance, several programmes, while making reference to international labour standards on freedom of association and the right to organize, also contain clauses that state that where national law does not protect these

rights the company should facilitate parallel means of assuring freedom of association and collective bargaining. Little is known about how the programmes concerned apply these provisions, which were designed to deal with countries where national legislation is not in line with the relevant Conventions.

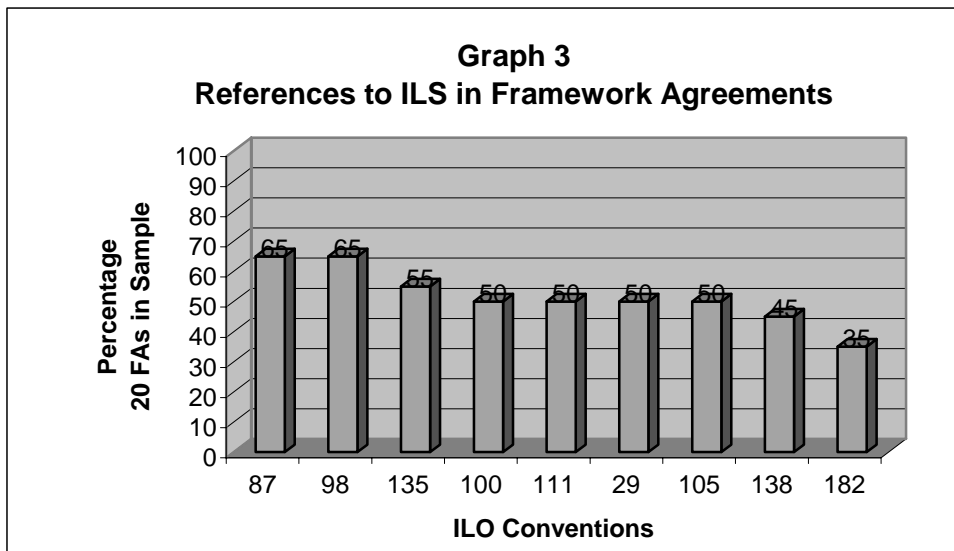
13. Accreditation and certification programmes are multi-issue in character. Some (e.g. FLA and SAI)<sup>6</sup> focus entirely on labour standards, while others combine labour standards with other concerns such as customs compliance and drug interdiction (e.g. the WRAP principles). When labour and environmental standards are both included (e.g. FSC and IFOAM) the former are rarely well developed. The most common labour standards monitored concern child labour, forced labour, non-discrimination, freedom of association and the right to collective bargaining, harassment and abuse, occupational safety and health, wages and benefits, and working hours. The inspection and auditing involved is usually undertaken by the large international accounting and consulting companies as well as by smaller consulting firms, often specifically set up for the purpose, and often involving NGOs as well.
14. On-site inspections, a document review and interviews with workers, management and civil society organizations are among the most common techniques used by accreditation and certification programmes. In some cases, the interview process also involves informal discussion groups while on-site inspections may include the measurement of possible health and safety risks.<sup>7</sup> This does not imply, however, that overall agreement exists about how to use these techniques, nor is there convergence in the details of audit methodologies. Among other things, there is disagreement on how and where to conduct interviews and inspections, on what to look for in the document review, and on the size and composition of the audit team. It is difficult to measure the impact of accreditation and certification programmes. General studies on the issue are limited in number and scope, and the programmes themselves are quite diverse, making comparison difficult. Moreover, given that this phenomenon is relatively recent, reliable data and analysis are not yet available. The public information provided by these programmes rarely provides insight into their successes or failures.

## Framework agreements

15. Although framework agreements between multinational enterprises and global union federations are strictly speaking not CSR initiatives, they are often referred to in the CSR debate. Some 20 framework agreements were signed in the period 1999-2001. Framework agreements contain more references to international labour standards than any other type of CSR initiative (see graph 3). Furthermore, even when they do not refer directly to specific ILO Conventions they usually mention international labour standards in general. Framework agreements are also noteworthy for the follow-up procedures they establish. Mostly, these involve monitoring or accreditation procedures, as do multi-stakeholder codes, but they generally emphasize dialogue, complaints procedures and awareness-raising activities. In this sense, framework agreements are substantially different from workplace initiatives and certification and accreditation programmes, and they can be considered to be one feature of natural developments in industrial relations in an era of globalization.

<sup>6</sup> See appendix for list of acronyms and abbreviations used.

<sup>7</sup> The pilot audits conducted by social accountability in sustainable agriculture (SASA) suggest the use of discussion groups.



- 16.** Most framework agreements establish a type of review function or follow-up mechanism where senior executives, managers and worker representatives meet to oversee application of the agreement.<sup>8</sup> It is also common for the implementation sections of these agreements to call for specific action on the part of management and workers' representatives. Some agreements call for company-wide dissemination (and translation, where necessary) of the agreement. One agreement also refers to the development of joint training programmes.<sup>9</sup> Several agreements call for monitoring of the agreement by local management, workers and their representatives.<sup>10</sup> It is also common for agreements to include mechanisms to deal with problems that cannot be solved at the local level.
- 17.** Some of the early framework agreements have recently been renegotiated, leading to substantial changes. In one case, the original agreement applied a set of standards to the company's supply chain and established a joint monitoring group composed of international worker representatives and company management.<sup>11</sup> The revised agreement annexes the company's code of conduct for suppliers and envisages that both parties will meet twice a year to discuss implementation of the code. This is an interesting case because it is the only framework agreement so far to revert to a company's own code of conduct and the internal monitoring programme, while maintaining oversight by a joint committee. Framework agreements often refer to the fundamental Conventions; in addition, there are also frequent references to Convention No. 135 on Workers' representatives.

<sup>8</sup> For example, IUF Fonterra: "Fonterra agreement between Fonterra, the IUF and the New Zealand Dairy Workers' Union" and IUF/COLSIBA and Chiquita "Agreement on freedom of association, minimum labour standards and employment in Latin American banana operations" are two framework agreements which establish "Review Committees".

<sup>9</sup> NOPEF/ICEM and Statoil.

<sup>10</sup> Norske Skog and ICEM.

<sup>11</sup> IFBWW-IKEA: "Agreement on rights of workers" available at [http://oracle02.ilo.org/vpidocuments/ITS\\_IFBWW\\_1.htm](http://oracle02.ilo.org/vpidocuments/ITS_IFBWW_1.htm).

## Socially responsible investment

18. Socially responsible investment (SRI) is becoming more and more prominent in the CSR debate. It covers three major types of activity: indexes, ratings and funds. Some SRI advocates have argued that the creation of sustainability stock market indexes, such as the Dow Jones Sustainability Index or the FTSE4Good Index, would have a standardizing effect on the SRI industry.<sup>12</sup> However, the large number of investment funds offering various portfolios of socially responsible financial products, each with its own standards and procedures for evaluating if a company is worthy of inclusion, would seem at odds with this assertion.
19. Total investments using at least one social investment criterion (screening, shareholder advocacy and community investing) have grown from US\$40 billion in 1984 to over US\$2.34 trillion in 2001 in the United States alone, according to a 2001 report.<sup>13</sup> SRI is also an issue in a number of developing countries. In South Africa, the King Report on Corporate Governance urges all companies operating in South Africa to adhere to the report's Code of Corporate Practices and Conduct and the Johannesburg Stock Exchange now requires all listed companies to comply with the Code. The South African Institute of Chartered Accountants is preparing a set of guidelines to help the Johannesburg Stock Exchange implement this requirement.
20. The labour criteria used in SRI are usually not very specific and far from standardized. An examination of the labour criteria of 62 US-based funds<sup>14</sup> in 2001 revealed that 43.5 per cent of the funds' screens had labour relations<sup>15</sup> criteria and that topics falling broadly into the category of equal opportunity and non-discrimination were part of 70.9 per cent of the screens.<sup>16</sup> Recent ILO research of several rating agencies identified some that incorporate the full range of core labour standards. These include Calvert, CoreRatings, EIRIS (Ethical Investment Research Service), PIRC (Pensions and Investment Research Consultants Ltd.) and Vigeo/ARESE. Another, SAM, specifically asks whether a company publicly endorses the MNE Declaration. Other rating agencies, such as KLD, cover the subjects dealt with in core labour standards but do not refer to specific ILO Conventions.<sup>17</sup>

<sup>12</sup> FTSE: "FTSE develops standard for socially responsible investment", 2001, available at <http://www.ftse4good.com>.

<sup>13</sup> Social Investment Forum: "Report on socially responsible investing trends in the United States", available at [www.socialinvest.org](http://www.socialinvest.org).

<sup>14</sup> The funds in the sample are members of the Social Investment Forum, a non-profit membership organization promoting the concept, practice and growth of socially responsible investing.

<sup>15</sup> The term "labour relations" appears to encompass a wide variety of issues including discrimination, trade union relations, corporate labour policies, wages and other issues. It also includes references to non-investment in Mexican *Maquiladoras*, and the AFL-CIO boycott list. These are usually defined very broadly and the metrics involved in measurement are generally unspecified. The Social Awareness Fund of Friends Ivory Social Awareness Fund for example "favours companies that provide excellent workplaces and strong benefits to increase employee loyalty". The Domini Social Equity Fund "seeks to invest in companies that involve employees in day-to-day operations".

<sup>16</sup> Calculation based on data at <http://www.socialinvest.org>.

<sup>17</sup> P. Schantz: "Rating of socially responsible investments: Does information quality matter", 2002, pp. 26-29.

## Reporting

**21.** Corporate reporting on the environmental and social impact of companies' operations has become standard practice among multinational enterprises and a growing number of domestic companies in industrialized and developing countries alike. Increasingly, these reports are called sustainability reports as they include information on the social, environmental and economic impact of a firm. However, the labour and employment information disclosure in this type of report is generally quite weak. ILO research shows some interesting trends with respect to reporting on the subjects dealt with in the MNE Declaration (see table 1).

**Table 1. Labour and employment issues referred to in social and sustainability reports<sup>18</sup>**

Subject in MNE Declaration	Policy average	Process average	Performance average		
			Total	Quantity	Quality
Child labour	8.9	2.3	1.9	0.9	1.9
Forced labour	7.5	1.4	1.4	0.9	1.4
Freedom of association	9.9	2.3	5.2	2.8	3.3
Collective bargaining	8.0	8.0	7.0	0	7.0
Non-discrimination and equal opportunity	30.5	11.7	16.9	13.1	15.9
Equal remuneration	0	0	0	0	0
Wages	36.2	29.1	61.0	54.9	28.2
Hours of work	5.2	1.4	4.7	2.8	1.9
Training	43.7	35.7	49.8	27.2	43.7
Health and safety	45.5	40.8	45.5	39.9	42.7
T/CE (total employment and changes in total employment)	4.2	24.9	71.8	71.8	5.6
Job security	2.8	0	2.8	1.9	0.9
Employment of host country nationals	6.1	2.3	6.1	4.7	3.3
Technology	0.9	1.4	0.9	0	0.9
Disciplinary practice	0	0	0	0	0
Linkages with national enterprises	3.8	3.8	4.7	1.4	3.8

**22.** Table 1 is based on the top 100 MNEs in OECD countries according to the UNCTAD World Investment Report 2000 and the top 50 developing country MNEs. The social reports of these companies were collected from company web sites and their contents analysed using 64 indicators derived from the ILO MNE Declaration. This statistical analysis showed some interesting trends with respect to corporate social reporting. The issues most frequently reported on included wages, non-discrimination, training, health and safety, and total employment. The subjects least frequently reported on included equal remuneration (a fundamental category), job security, the effect of technology on employment quality and quantity, disciplinary practices and establishing linkages with

<sup>18</sup> These statistics are provided by the Multinational Enterprises Programme on Corporate Social Reports.



national enterprises. The fundamental principles and rights regarding freedom of association, collective bargaining, forced and child labour, as well as references to working hours and the employment of host country nationals were also relatively low, all being covered by under 10 per cent of the reports analysed.

23. The best-known reporting format is the one developed by the global reporting initiative (GRI), “an international multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of organization-level activity”.<sup>19</sup> GRI aims at improving the comparability and credibility of sustainability reporting and has developed its format with the participation of companies, including accounting firms, as well as human rights, environmental, labour and governmental organizations. The purpose of GRI is to develop a widely accepted and recognized standard similar to those used for financial reporting.
24. The GRI format consists of several sections. The first section concerns the reporting principles that are “goals toward which a reporter should strive”.<sup>20</sup> These include transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity and timeliness. The next section deals with report content and takes up the issue of reporting indicators. The labour and employment indicators recommended as core indicators under the heading “Social performance indicators: labour practices and decent work” cover employment, labour relations, health and safety, training and diversity and opportunity and contain references to the MNE Declaration and the OECD Guidelines for Multinational Enterprises, while those included under “Social performance indicators: Human rights” incorporate a reference to the “fundamental human rights Conventions of the ILO” and the Universal Declaration of Human Rights and cover non-discrimination, freedom of association and the right to collective bargaining, child labour, forced and compulsory labour, disciplinary practices, security practices and the rights of indigenous populations. The indicators mention Conventions Nos. 29 (Forced Labour) and 138 (Minimum Age) and also refer to the ILO Guidelines on Occupational Health and Safety Management Systems. Some of the social issues that GRI seeks to develop quantitative measures for are difficult to quantify, however, and quantitative indicators are therefore not necessarily meaningful.
25. This brief examination of corporate social reporting shows that individual corporate initiatives and even multi-stakeholder initiatives such as GRI are yet to lead to comparability and consistency. The debate about disclosure of information, indicators and reporting in general will no doubt continue, as there is strong pressure from different corners to develop the practice of sustainability reporting. To date, international labour standards have not been very prominent in such reporting but this could change now that some governments (e.g. Belgium and France) have imposed, or are about to impose, mandatory reporting obligations for companies of a certain size regarding employment and labour issues.

## Management frameworks

26. The rise of CSR activity has been paralleled by a rise in the number of frameworks that different organizations and groups promote and utilize to help companies achieve their CSR objectives. It is often argued that companies have to adopt special management

<sup>19</sup> [www.globalreporting.org](http://www.globalreporting.org) (visited on 17 Dec. 2002).

<sup>20</sup> GRI Guidelines, p. 51.

practices and systems to implement, monitor and evaluate performance with respect to CSR objectives. Roughly two types of framework can be distinguished. One concerns stand-alone frameworks, mainly promoted by consultants, NGOs and other organizations. An example is AA 1000, which was designed to address the challenge of stakeholder engagement. According to its web site: “It was developed to address the need for organizations to integrate their stakeholder engagement processes into daily activities. Leading businesses, non-profit organizations and public bodies have used it worldwide. The framework helps users to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting systems needed to ensure its effectiveness in overall organizational performance.”<sup>21</sup>

27. The second type of management framework generally follows the ISO model as exemplified in its ISO 9000 and 14000 quality and environmental standards. An example is SA 8000. Modelled on ISO 9000, it claims to build on the “proven merits of ISO auditing techniques: specifying corrective and preventive actions; encouraging continuous improvement; and focusing on management systems and documentation proving these systems’ effectiveness”.<sup>22</sup> Another management framework that follows this approach is the performance model being developed by the Global Compact. ISO itself has established a multi-stakeholder CSR Advisory Group to advise on desirability and feasibility of developing its own CSR management framework. The ILO, IOE and ICFTU are members of this advisory group, which started its work in January 2003.
28. Although the development of management systems and tools is certainly important and necessary, the relationship of existing frameworks to international labour standards is not always clear. Even when they do refer to labour standards this is often on a selective basis. None of the frameworks that the Office is familiar with refers to the Declaration on Fundamental Principles and Rights at Work or to the MNE Declaration, in spite of the fact that they constitute highly relevant benchmarks.

## **(Inter)governmental initiatives**

29. Governments and inter-governmental organizations are becoming increasingly active in the CSR area. The OECD took the first significant initiative when, in 1976, it adopted its *OECD Guidelines for Multinational Enterprises*. The MNE Declaration of the ILO elaborated further on the contents of the OECD Guidelines and made use of them for a global tripartite approach. The OECD Guidelines were revised in 2001 and currently cover such areas as disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation. They also now include a specific reference to the fundamental principles and rights at work of the 1998 ILO Declaration.<sup>23</sup> Further, the revision strengthens the requirement to establish national contact points (NCPs) for the follow-up of the voluntary Guidelines. The OECD Guidelines are taken seriously by governments and multinational enterprises and receive a great deal of interest from employers’ and workers’ organizations and NGOs. The latter two groups see the guidelines as one of the international mechanisms with the greatest potential to address social and environmental impact of multinational enterprises. The guidelines can also affect operations in non-adhering countries since NCPs can “take steps to develop an understanding of the issues involved, and follow these procedures where

<sup>21</sup> See <http://www.accountability.org.uk/aa1000/default.asp> .

<sup>22</sup> See <http://www.cepaa.org/introduction.htm> .

<sup>23</sup> OECD: *OECD Guidelines for Multinational Enterprises* (Paris, 2000).

relevant and practicable”.<sup>24</sup> Moreover, the OECD Council noted in June 2002 that “since the operation of multinational enterprises extends throughout the world, international cooperation in issues relating to the Declaration should extend to all countries”. The revised role of NCPs, the procedural guidance given to them and the fact that they meet regularly to share experiences and report on their activities has strengthened the implementation procedures of the guidelines considerably.

- 30.** More recently the European Union has also become active in the CSR area. In 1998, the European Parliament passed a resolution entitled “Report on EU standards for European enterprises operating in developing countries: towards a European Code of Conduct”. The resolution referred to fundamental labour standards and the MNE Declaration of the ILO. With reference to other international institutions it stated that the EU should work to strengthen existing ILO and EU instruments and those within the United Nations. In 2001, the European Commission published a Green Paper on CSR. Following a debate and consultations on this paper the Commission issued a communication in July 2002, entitled “Corporate social responsibility: A business contribution to sustainable development”. The communication recognizes the voluntary nature of CSR, emphasizes the need for credibility and transparency, and focuses on activities where community involvement adds value. It proposes a comprehensive approach to CSR including economic, social and environmental issues as well as consumer interests, attention to the needs and characteristics of small and medium-sized enterprises (SMEs) as well as support for and compatibility with existing international agreements and instruments such as fundamental labour standards and the OECD Guidelines. It aims at increasing knowledge about good practices through the promotion and development of CSR management skills, fostering CSR among SMEs, facilitating convergence and transparency of CSR practices and tools, and promoting CSR in development cooperation. The Commission has also launched a multi-stakeholder forum on CSR,<sup>25</sup> which includes representatives from employers’ and workers’ organizations, NGOs, consumer organizations, as well as observers from the European Parliament, ILO, OECD and the United Nations Global Compact Office.
- 31.** The United Nations has taken up CSR issues in a number of ways. The most important of them is the Global Compact.<sup>26</sup> In his January 1999 speech to the World Economic Forum in Davos, the UN Secretary-General challenged the world’s business leaders to “make global markets work for everyone” by basing their business practices on nine universal principles in the areas of human rights, labour and the environment. The labour principles are the same as the four categories of the ILO Declaration on Fundamental Principles and Rights at Work. In July 2000 the Global Compact was formally launched as a UN programme with the cooperation of ILO, the Office of the High Commissioner for Human Rights (OHCHR) and the United Nations Environmental Programme (UNEP). Since then it has become active in some 30 countries around the world while more than 700 companies have formally indicated their support for the initiative. Employers’ and workers’ organizations, including the IOE and the ICFTU, also participate actively in the Global Compact, which has evolved into a multi-stakeholder forum promoting learning and dialogue in the area of CSR.
- 32.** Another initiative has been the establishment by the United Nations Subcommittee on the Promotion and Protection of Human Rights of a working group to draft a document on *Human rights principles and responsibilities for transnational corporations and other*

<sup>24</sup> OECD: op. cit., p. 37.

<sup>25</sup> Commission of the European Communities: op. cit.

<sup>26</sup> See [www.unglobalcompact.org](http://www.unglobalcompact.org) for more information.

*business enterprises*. The draft document deals with a number of ILO instruments and has adopted language directly from the international labour standards concerned and from observations made by the ILO's supervisory machinery.<sup>27</sup>

33. The World Bank's International Finance Corporation (IFC) recently established a corporate citizenship facility to help further develop and demonstrate the business case for corporate citizenship, and to help IFC clients and the private sector in emerging markets identify corresponding investment opportunities. The IFC has developed a framework for measuring the sustainability of private sector investments, which includes an assessment of the health, safety and welfare of the labour force. Actions that companies are asked to take in the context of this framework include compliance with ILO Conventions, paying "somewhat higher wages than average" and meeting the ILO Code of practice on HIV/AIDS.
34. National governments, particularly in Europe, have also become more active in the CSR area. The Government of Denmark, for example, has funded the development of a human rights impact assessment tool and is compiling an ethical database in the Consumer Information Centre at the Ministry of Commerce, where companies can file their responses on how they deal with recognized labour standards. The Government of Belgium has passed a law that introduces a product label that would certify compliance with core labour standards. In the Netherlands, the Government has examined its role in CSR while the Social and Economic Council has published an advisory report on the Government's role in ETI. In the United Kingdom, the Department of Trade and Industry has established a post of minister with responsibility for CSR. The United Kingdom Government has also required UK pension trustees to disclose how they take account of social, environmental and ethical factors in their investment decisions. The United Kingdom Department for International Development and the Canadian International Development Agency are working together to promote CSR in development, particularly in terms of ensuring a positive impact on the poor. The United Kingdom and the United States Governments' MNEs and trade unions have helped develop voluntary guidelines for the oil industry.

## Activities of the Office

35. Since the Governing Body last considered the subject of voluntary initiatives<sup>28</sup> the Office has kept close track of developments in the CSR area, undertaking activities in the areas of research, information dissemination and technical assistance. Most significant has been the development of the electronic business and social initiatives database,<sup>29</sup> a full text online information resource on different CSR initiatives and organizations. BASI does not analyse or evaluate CSR initiatives but provides a tool to assist constituents and other interested parties in understanding the wide range of ongoing CSR activities and initiatives. BASI is accessed on average 1,250 times per month and has close to 800 entries.
36. The Office has also recently published the book *Corporate success through people: Making international labour standards work for you*, which makes "the business case" for applying a number of international labour standards at enterprise level. Current research

<sup>27</sup> See: [www.unhchr.ch](http://www.unhchr.ch) .

<sup>28</sup> See GB.273/WP/SDL/1.

<sup>29</sup> [www.ilo.org/basi](http://www.ilo.org/basi) .

activities concern the management systems used by MNEs to address CSR, particularly labour issues in supply chains in a number of sectors, social reporting and private labour inspection and monitoring systems.

37. The Office is further undertaking a number of CSR-related technical cooperation activities. Within the context of the Global Compact the ILO is developing a set of management training materials for mid-level managers on the Global Compact's labour principles, i.e. fundamental principles and rights at work. Another project seeks to raise awareness of the MNE Declaration in five countries by engaging multinational enterprises in a dialogue with local governments and employers' and workers' organizations and developing action plans in line with the provisions of the MNE Declaration. A local management development programme aims at strengthening the managerial competencies of local suppliers in international supply chains to introduce good labour practices in their factories in line with the provisions of the MNE Declaration, while a recently approved ILO-UNEP-UNIDO project aims at providing labour-related services through national sustainable production centres.

## Conclusion

38. The above provides a summary of developments in the CSR since the Governing Body Working Party on the Social Dimensions of the Liberalization of International Trade discussed the subject of voluntary initiatives in 1998 and 1999.<sup>30</sup> The Office will continue, as mandated by the Governing Body, to monitor developments in the field of CSR and make this information available to constituents through continuous updating of BASI, further research and other methods. It will also continue to try to respond, within the limited means at its disposal, to the requests for information and advice on CSR issues it receives from ILO constituents, enterprises, business associations, other international organizations and NGOs.

Geneva, 28 January 2003.

<sup>30</sup> See GB.273/WP/SDL/1 and GB.274/WP/SDL.

## Appendix

### Abbreviations and acronyms

BASI	Business and social initiatives database
CSR	Corporate social responsibility
ETI	Ethical trading initiative
EU	European Union
FLA	Fair Labour Association
FSC	Forestry Stewardship Council
GRI	Global reporting initiative
ICEM	International Federation of Chemical, Energy, Mine and General Workers
ICFTU	International Confederation of Free Trade Unions
IFBWW	International Federation of Building and Wood Workers
IFOAM	International Federation of Organic Agricultural Movements
ILS	International labour standards
IOE	International Organisation of Employers
ISO	International Standards Organisation
MNE Declaration	Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
NCPs	National contact points
NGOs	Non-governmental organizations
OECD	Organisation for Economic Cooperation and Development
OHCHR	Office of the High Commissioner for Human Rights
SAI	Social Accountability International
SASA	Social accountability in sustainable agriculture
SIF	Social Investment Forum
SMEs	Small and medium sized enterprises
SRI	Socially responsible investment
UNEP	United Nations Environment Programme
WRAP	Worldwide Responsible Apparel Production Programme