

**SECOND ITEM ON THE AGENDA****Developments in other organizations**

1. This paper summarizes developments relating directly or indirectly to multinational enterprises and social policy issues in a number of international organizations. It updates the information submitted to the Subcommittee in March 2003.<sup>1</sup>

**The United Nations Global Compact**

2. In 2003, the Global Compact organized policy dialogues on HIV/AIDS, supply-chain management and partnerships. The dialogue on HIV/AIDS, which took place at ILO headquarters, explored the impact of HIV/AIDS in the workplace. It called upon all actors to contribute to prevention, awareness raising, care, support and treatment. It endorsed the use of the ILO code of practice on HIV/AIDS and the world of work and encouraged the dissemination of examples of good practice and partnership projects in this area. An important outcome of the meeting was the adoption by the International Organisation of Employers (IOE) and the International Confederation of Free Trade Unions (ICFTU) of a joint declaration on fighting HIV/AIDS.
3. The dialogues on supply-chain management and partnerships, which were organized in tandem at United Nations headquarters, provided a platform to exchange experiences, identify good practices in supply-chain management and advance a better understanding of how to practically implement partnership projects involving the United Nations system and the private sector. As a follow-up the Global Compact is organizing, together with the World Bank, a series of regional meetings to increase awareness of good practice and stimulate measures for capacity building among suppliers. The first of these meetings, "Global Compact Latin American Workshop on Supply-Chain Management: The Agricultural and Apparel Sectors", took place in Brazil in December 2003, in conjunction with the third Global Compact Learning Forum meeting. The latter focused on the effective implementation of the nine Global Compact principles; the structuring of partnerships; ways in which to communicate on progress made; corruption; and human rights.
4. Events were also organized to launch the Global Compact in different countries, often with the support of local affiliates of the IOE and ICFTU. In a number of countries this led to

<sup>1</sup> GB.286/MNE/3.

the establishment of national Global Compact networks and focal points. To aid participating companies in the understanding and implementation of the Global Compact and its principles, the ILO and UNEP took the lead in producing a *Global Compact Resource Package*, available on CD-ROM and in hard copy. Work also started on a more substantial *Performance source book* for publication in 2004.

## United Nations Commission on Human Rights

5. In August 2003, the United Nations Sub-Commission on the Promotion and Protection of Human Rights, a body composed of 26 human rights experts, adopted a document entitled *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights* and recommended that the United Nations Commission on Human Rights, which comprises 53 representatives of United Nations Member States, review the document with a view to its formal adoption. The document, which currently does not have any formal legal status, covers issues such as corruption, bribery, product safety, marketing practices, environmental protection and human rights in general. The preamble of the document refers to a list of international instruments, including the ILO Declaration on Fundamental Principles and Rights at Work, the MNE Declaration, the OECD Guidelines and the Global Compact. The preamble also makes a general reference to “the Conventions and Recommendations of the ILO” and a specific reference to Conventions Nos. 87 and 98 (on freedom of association and collective bargaining). In the paragraphs concerning freedom of association and collective bargaining, reference is again made to “relevant Conventions of the ILO”. For the other fundamental principles and rights the document uses the formulation “as set forth in relevant international instruments and national legislation as well as international human rights and humanitarian law”. The Office is in communication with the Office of the High Commissioner for Human Rights to ensure that the Commission receives information about the relevant international labour standards and ILO procedures in this area.

## United Nations Conference on Trade and Development (UNCTAD)

6. UNCTAD’s World Investment Report 2003, *FDI Policies for development: National and international perspectives*, focused on the reasons for the downturn in foreign direct investment (FDI) and the role of national policies and international investment agreements in attracting FDI to a country and optimizing its benefits. The report shows how FDI flows dropped drastically in 2002 and states that UNCTAD does not expect a rebound in 2003. It analyses the reasons for the downturn from a global perspective, as well as by region. The report also examines key issues that straddle national FDI policies and international investment agreements with a view to bringing out the development dimension, paying special attention to the rise in international investment agreements, the right to regulate, home country measures and corporate social responsibility.
7. In the area of corporate social responsibility, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) agreed in September 2003 that its secretariat should carry out further work on corporate social responsibility reporting and set up an informal consultative group of experts to examine existing CSR indicators with a view to introducing comparability among reporting practices. As part of this exercise a workshop on “Disclosure of the Impact of Corporations on Society” in October 2003 brought together 128 participants from 51 countries, including representatives of research centres; international organizations; civil society organizations from Africa and Asia; multinational investment firms; trade unions; national and multinational corporations; corporate social responsibility reporting initiatives; and

international accounting organizations. The workshop revealed the gaps in current reporting initiatives and identified the need to improve comparability of reports, integrate development concerns and reduce the cost of reporting on corporate social responsibility activities.<sup>2</sup>

## **United Nations Environment Programme (UNEP)**

8. The Twentieth Annual UNEP Consultative Meeting with Industry Associations (October 2003) dealt with such issues as the climate change debate; sustainable cities management; the follow-up on the World Summit on Sustainable Development industry sector reports process; corporate environmental and social responsibility; and new developments in the trade and environment debate. A multi-stakeholder panel reviewed the latest developments in corporate environmental and social responsibility and the related challenges and opportunities for industry associations. Another panel discussed the role and take-up of sustainability reporting, challenges in introducing reporting in small and large companies, and new developments in the Global Reporting Initiative process. Three working groups were set up to develop sector supplements to the Global Reporting Initiative guidelines.

## **Organisation for Economic Co-operation and Development (OECD)**

9. At the 2003 annual meeting of the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises (June 2003), the NCPs shared their experiences since the adoption of the revised Guidelines in 2000. As usual, consultations with the Business Industry Advisory Council (BIAC), the Trade Union Advisory Committee (TUAC) and NGOs were also held. A special consultation took place with representatives of the Global Reporting Initiative. According to the meeting's report, the third year of implementation of the revised Guidelines saw gains in the visibility, stature and user recognition of the Guidelines. More than 60 specific instances had been raised with the NCPs, dealing with such issues as labour standards, environment and the fight against corruption. The report also highlights the challenge now facing adhering governments and the other actors involved (the NCPs themselves, businesses, trade unions, NGOs and non-adhering governments) of ensuring that the Guidelines realize their full potential. A round table on corporate responsibility was held in conjunction with the NCP meeting where anti-corruption practitioners discussed how business can contribute to the fight against corruption and how the Guidelines can be used in synergy with other anti-corruption instruments.

## **European Commission**

10. The European Union multi-stakeholder forum on corporate social responsibility held a series of eight round-table meetings in 2003, as well as high-level meetings in July and November. The forum is composed of 20 European representative organizations of employers, trade unions, business networks and NGOs. The ILO, OECD and the Global Compact, among others, have observer status in the forum, which is chaired by the

<sup>2</sup> For more information on ISAR, see <http://r0.unctad.org/isar/>.

European Commission. The forum should lead to the adoption by mid-2004 of conclusions and recommendations on a range of issues, including the relationship between corporate social responsibility and competitiveness; the contribution of CSR to sustainable development (in particular in developing countries) and gender mainstreaming; aspects specific to small and medium-sized enterprises; supply-chain issues; effectiveness and credibility of codes of conduct; guidelines and criteria for measurement; reporting, assurance and labelling; and socially responsible investment.

11. The European Commission continued to support the *European Business Campaign for Corporate Social Responsibility*.<sup>3</sup> Seven conferences were held in Belgium, Ireland, Italy, Poland, Portugal, Sweden and Switzerland. Tools developed by the Campaign include: the SME key, an online support tool that helps small businesses evaluate and strengthen their social responsibility activities; the European Academy of Business in Society, a joint research project between Europe's leading business schools and more than a dozen major multinational enterprises that intends to be a reference point for CSR practice, theory and education, and enhance models for sustainable business success; the SRI survey, a Europe-wide survey among financial experts to evaluate the degree to which European investors recognize the benefits of socially responsible investment; and the SRI Compass, an online catalogue of socially responsible investment funds in Europe. The second edition of the Campaign's *Annual excellence report* was published in December 2003, providing examples of cross-sector dialogue and partnerships and tracking corporate social responsibility initiatives in European countries.

## World Bank

12. To coordinate its work on CSR the World Bank has established a so-called Corporate Social Responsibility Practice within its Private Sector Advisory Services Department. The main purpose of the Practice is to provide technical advice to developing country governments on the role of the public sector in stimulating CSR and to assist them in developing policy instruments. It has developed a diagnostic framework and appraisal tool that includes checklists to examine the status of business activities in the field of CSR as well as an inventory of public policy options. The Practice also provides technical support to other units in the World Bank, mainly on a sectoral basis, in connection with lending operations and economic analyses. The CSR Practice further collaborates with the Bank's Foreign Investment Advisory Service to advise national governments on CSR frameworks that can enhance a country's attractiveness to foreign direct investment. In 2003 the Practice published the following reports: *Public sector roles in strengthening corporate social responsibility: A baseline study*; *Race to the top: Attracting and enabling global sustainable business*; and *Company codes of conduct and international standards: An analytical comparison*.

## The International Financial Corporation (IFC)

13. The International Finance Corporation (IFC) further strengthened its review procedure to appraise the social and environmental impacts of its lending operations in developing countries. The review is based on an exclusion list, ten safeguard policies and 30 guidelines, developed after consultation of stakeholders. To receive IFC funding, a project cannot involve activities mentioned in the exclusion list and has to comply with

<sup>3</sup> For more information on the European Business Council for Corporate Social Responsibility, visit <http://www.csrcampaign.org/>.

applicable safeguard policies and guidelines. If IFC proceeds to invest in the project, performance is also monitored against the applicable standards. Its exclusion list currently includes provisions on child labour and forced labour. IFC has also issued a good practice note on addressing child labour in the workplace and the supply chain. Following a review of its safeguard policies in 2003, the IFC is considering adding provisions on freedom of association and collective bargaining as well as discrimination to the exclusion list.

- 14.** The Subcommittee may wish to express its views on the implications of the developments in other organizations outlined above for the work of the Office in the area of multinational enterprises and social policy.

Geneva, 21 January 2004.

*Submitted for discussion.*