

# Statement

2008

## International Corporate Social Responsibility

**SER**

Sociaal-  
Economische  
Raad

# Statement

on  
**International Corporate  
Social Responsibility**

19 december 2008

## The Social and Economic Council in the Netherlands

The Social and Economic Council (Sociaal-Economische Raad, SER) advises government and parliament on the outlines of national and international social and economic policy and on matters of important legislation in the social and economic sphere. Employers, employees and independent experts are equally represented in the SER. Their recommendations voice the opinion of organised industry.

In addition to its advisory function, the council is responsible for the execution of certain laws.

A brochure on tasks, structure and procedures of the SER can be obtained, free of charge, from its Sales Department. Please also visit the SER's home page: [www.ser.nl](http://www.ser.nl). It offers a host of information, such as the composition of the Council and its committees, press releases and the latest news.

Social and Economic Council

Bezuidenhoutseweg 60

PO Box 90405

2509 LK The Hague

The Netherlands

T +31 (0)70 3499 499

F +31 (0)70 3832 535

E [ser.info@ser.nl](mailto:ser.info@ser.nl)

I [www.ser.nl](http://www.ser.nl)

© 2009, Sociaal-Economische Raad

All rights reserved. Sections from the SER advisory reports may be used for the purpose of quotation, with due acknowledgement of the source of the publication.

This English-language publication consists of selected sections of the SER advisory report *Duurzame Globalisering: een wereld te winnen* (2008, 334 pp., ISBN 90-6587-973-0 / CIP), that may be relevant for readers outside the Netherlands. Where necessary, concepts and terms specific to the Netherlands have been explained. The full text of the report is available only in Dutch. An online version can be found at [www.ser.nl](http://www.ser.nl); a print version can be purchased (at cost) from [verkoop@ser.nl](mailto:verkoop@ser.nl).

Translated by: Balance, Maastricht/Amsterdam

ISBN 90-6587-983-8 / CIP

# Contents

<b>Statement</b>	<b>5</b>
<b>Explanatory supplement</b>	<b>11</b>
<b>1 ILO Declaration on fundamental principles and rights at work</b>	<b>12</b>
1.1 Description and commentary	12
1.2 Text	15
<b>2 Tripartite declaration of principles concerning multinational enterprises and social policy</b>	<b>17</b>
2.1 Description and commentary	17
2.2 Text	21
<b>3 OECD Guidelines for Multinational Enterprises</b>	<b>37</b>
3.1 Description and commentary	37
3.2 Text	41
3.3 Role of the Dutch National Contact Point (NCP)	51
<b>4 ICC-Guidance and ICC-Guide to responsible sourcing</b>	<b>53</b>
4.1 Description and commentary	53
4.2 Text ICC-Guidance on supply chain responsibility	55
4.3 Text ICC-Guide to responsible sourcing	61
<b>5 Guideline 400 and the Guide to Sustainability Reporting of the Dutch Accounting Standards Board</b>	<b>67</b>
5.1 Description and commentary	67
5.2 Text Guideline 400 (relevant selection)	71
5.3 Text Guide to Sustainability Reporting (management summary)	75
<b>Appendix</b>	
1 International and national public/private CSR initiatives: a selective list	77
2 Composition Committee international corporate social responsibility	91



# Statement

## Background and considerations

Since the publication in 2000 of the Social and Economic Council's advisory report *De Winst van Waarden* (the translation, *Corporate Social Responsibility: A Dutch Approach*, was published in 2001), there has been a steady stream of new CSR initiatives. A growing number of companies see CSR as a vital component of modern enterprise, both national and international, and report on their efforts in their annual report or in a separate document. A colourful array of voluntary private and public-private initiatives (including Global Compact) has arisen at all levels – industry national, European, and worldwide.<sup>1</sup>

The Social and Economic Council of the Netherlands believes it is advisable to encourage and facilitate CSR at all levels. A particularly complex theme at international level is that of supply chain responsibility. This issue is drawing growing attention due to the increasingly fragmented nature of the production process, the result of foreign direct investment or outsourcing to such countries as China and India.

In its advisory report *On Sustainable Globalisation: A World to be won* (June 2008), the Social and Economic Council reasserted the approach to CSR that it had expounded in 2000, based on voluntary commitment and diversity. Like preceding Dutch Governments, the present administration supports this approach.<sup>2</sup>

On 10 December 2008, the Frijns Committee published a revised version of the 2003 Dutch Corporate Governance Code.<sup>3</sup> One of its recommendations is that the management board should submit socially relevant aspects of the enterprise's activities to the supervisory board for approval and monitoring. The key issues should be described in the enterprise's annual report.

In its advisory report of June 2008, the Social and Economic Council makes a number of recommendations to government and industry concerning the international aspects of CSR in general and international supply chain responsibility in particular. Following on from this, the Council has joined the peak employers' associations and trade unions (hereafter referred to as "the parties") in drawing up this *Statement on International*

---

1 Appendix 1 to this document contains a list of initiatives for international CSR (this list is not exhaustive).

2 See the memorandum *Inspireren, innoveren, integreren; kabinetsvisie maatschappelijk verantwoord ondernemen 2008-2011* (13 December 2007); the Government's communication of 8 July 2008, which includes an initial response to the Council's advisory report; State Secretary Heemskerck's communication to the Lower Chamber of Parliament concerning CSR and corporate governance (7 November 2008); and his December 2008 communication to the Lower Chamber (entitled *Kansen door ketenverantwoordelijkheid*).

3 *De Nederlandse corporate governance code*. The code is also known as the Tabaksblat Code (for the chairman of the Corporate Governance Committee that produced the code).

*Corporate Social Responsibility.* In this way, the Council aims to promote good practices in this area.

#### *Supply chain responsibility: definition*

The Social and Economic Council defines supply chain responsibility as a commitment by enterprises to exert a positive influence on the social and environmental policy of their suppliers. That commitment is voluntary, but it is not free of obligation.<sup>4</sup> Enterprises are not legally responsible for what their international suppliers do. An enterprise may have numerous suppliers, after all, and it cannot be held accountable for *everything* that happens in the supply chain. However, the closer the enterprise's relationship with a supplier, the more contact the two have, and the more familiar the enterprise is with the supplier's situation, the more commitment it can be expected to show.

The relevant measures will take this into account and will be tailored to the specific circumstances in each case. The fact that enterprises commit themselves to exercising supply chain responsibility does not release national governments from their duty to set and enforce social and environmental standards by means of legislation.

## Statement

1 The parties agree that CSR should be encouraged and facilitated at all levels. This also applies to efforts to arrive at international CSR or supply chain responsibility.

In keeping with the views expressed in the Social and Economic Council's advisory reports *Corporate Social Responsibility* (2000) and *On Sustainable Globalisation: A World to be won* (2008), the parties believe that it is primarily up to enterprises themselves to develop national and international CSR and the associated supply chain responsibility, in dialogue with their social environments. With enterprises operating in such a wide range of circumstances, it would be very difficult and, indeed, undesirable to prescribe a precise and uniform set of rules for doing so. Enterprises can be expected to display the necessary transparency in this area, however. Transparency enables enterprises to win the trust of their stakeholders, build their reputations and command their employees' and customers' loyalty. The social context requires openness and transparent communication. That means that the enterprise must respond to legitimate questions and demands.

2 The parties advocate using the following normative framework to identify what can and should be expected of enterprises with respect to the international aspects of CSR and supply chain responsibility. This framework consists of the following:

---

4 For a definition of supply chain responsibility/responsible sourcing, see also Section 4.1 of the explanatory supplement to this Statement on ICC's guidance on supply chain responsibility and ICC's Guide to Responsible Sourcing.

- The ILO Declaration on Fundamental Principles and Rights at Work (1998). This concerns the freedom of association, the right to collective bargaining, and the ban on forced labour, child labour and discrimination. The 1998 ILO Declaration was reaffirmed in the ILO Declaration on Social Justice for A Fair Globalisation, dated June 2008.
- The ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, which makes recommendations on employment, training, conditions of work and life, and industrial relations (2000).
- The OECD Guidelines for Multinational Enterprises (2000), which make recommendations on reporting, employment and industrial relations, the environment, anti-corruption, consumer affairs, science and technology, competition and taxes, and advise enterprises to encourage business partners, including suppliers and sub-contractors, to adhere to the Guidelines.
- The recommendations of the International Chamber of Commerce (ICC) on supply chain responsibility (2007) and the guide to responsible sourcing based on these recommendations, developed in 2008.<sup>5</sup> This involves integrating responsible sourcing into the enterprise's buying practices, making expectations clear to suppliers, helping suppliers set their own business standards, tracking supplier compliance, and, finally, developing a policy for dealing with non-performance.

The parties believe that taken together, these elements offer a suitable framework for deliberately gearing business activities to value creation in three dimensions – People, Planet, Profit – and for identifying what enterprises can and should be expected to do in terms of international CSR in general, and supply chain responsibility in particular.

The explanatory supplement to this Statement explains and describes the various separate elements.

3 The parties agree that international enterprises should use this normative framework in their international operations, thereby promoting good practices in this area. Transparency, verification and internal complaints procedures are important in this regard.<sup>6</sup>

The enterprises concerned will report on such matters in their regular annual report or in a separate report.<sup>7</sup> Sectors may also publish reports on this subject.

---

5 *ICC Policy Statement; Guidance on Supply Chain Responsibility (2007) and the ICC Guide to Responsible Sourcing; Integrating Social and Environmental Considerations into the Supply Chain (2008)*. The latter document concludes with a list of other responsible sourcing initiatives.

6 See Social and Economic Council advisory report *Duurzame globalisering: een wereld te winnen*, section 5.4.5.

7 According to the KPMG *International Survey on Corporate Responsibility Accounting 2008 (2008)*, which covers the 250 largest enterprises in the world and the 100 largest enterprises in 22 countries, 80% reported in one of the two ways (in 2005 that was 50%). Of the 100 largest enterprises in the Netherlands, 63% reported in this manner (in 2005 that was 29%).

See also the *Transparantiebenchmark 2007; maatschappelijke verslaggeving* (Dutch Ministry of Economic Affairs and PricewaterhouseCoopers, December 2007), which reveals that the 171 enterprises surveyed (98 of which were listed), 150 published a financial report, 48 a separate CSR report and 8 a separate annual social report.

The reporting standards will be based on Guideline 400 and the Guide to Sustainability Reporting (2003) issued by the Dutch Accounting Standards Board.<sup>8</sup> The Board will supplement its Guideline by 1 July 2009 with recommendations for international supply chain responsibility.<sup>9</sup>

The explanatory memorandum to this Statement looks in detail at the meaning, content and scope of this Guideline and Guide.

Enterprises and sectors can also communicate (for example on their website) about their approach in other manners (e.g. via mission statements, codes of conduct, special reports, public meetings, etc.).<sup>10</sup>

The Statement will be signed by all central employers' associations and trade unions represented on the Council on behalf of their respective members. These organisations will explicitly draw their members' attention to this document. The Social and Economic Council calls on enterprises and sectors to actively support this Statement in this way.

#### *Monitoring*

Based in part on the reports referred to in point 3 of the Statement, the Social and Economic Council will draw up an annual progress report starting in 2009. The report will review the number of companies reporting along the lines described above, the various subjects that they cover in their reports, good practices, and any problems and challenges encountered.

This annual progress report will be discussed by a special committee set up by the Social and Economic Council. The committee will meet twice a year, the first meeting being scheduled for June 2009. Besides discussion of the progress report, the committee will not have a pre-determined agenda.

The Social and Economic Council undertakes to organise a conference on the normative framework (and its application) in early 2009.

---

8 These are based in part on the *Global Reporting Initiative* guidelines (see also Appendix 1 to this Statement).

9 Letter from the Dutch Accounting Standards Board to the chairman of the Social and Economic Council (16 September 2008). In this letter, the Board is responding to a request by the Council in its advisory report of June 2008.

10 Of the 200 largest enterprises in the world, 86% had a corporate code of conduct in 2008. Of the 100 largest enterprises in the Netherlands, 54% had a code and 10% were busy developing one in 2003 (see Social and Economic Council advisory report *On Sustainable Globalisation: A World to be won*, p. 105). See also *Openheid van zaken; 7 ondernemingen over communicatie met het publiek over MVO* (VNO-NCW, 2005).

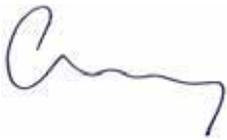
*Evaluation*

The Social and Economic Council will commence an evaluation of the Statement in the second half of 2011 and will complete this evaluation by 1 July 2012, based on the outcomes of monitoring from 2009 onward.

Confident that the necessary progress will be made between now and that date, the Council does not believe there is a need to propose legislation in this area during that period.

The Hague, 19 December 2008

On behalf of the Council



dr. A.H.G. Rinnooy Kan

On behalf of the central organisations

*Confederation of Netherlands  
Industry and Employers  
(VNO-NCW)*



mr. B.E.M. Wientjes

*Dutch Trade Union Federation  
(FNV)*



drs. A.M. Jongerius

*Royal Dutch Association of Small  
and Medium-sized Enterprises  
(MKB-Nederland)*



drs. L.M.L.H.A. Hermans

*National Federation of Christian  
Trade Unions of the Netherlands  
(CNV)*



mr.dr.s. F.J. Paas

*Dutch Federation of Agriculture  
and Horticulture  
(LTO Nederland)*



A.J. Maat

*Trade Union Federation for  
middle and higher level employees  
(MHP)*



mr. E.R. Steenborg



# Explanatory supplement

The following text presents, describes and explains the separate elements of the normative framework. In each case, we note the following details:

- the organisation that drew up the document;
- the importance of the document;
- the scope of the document, in other words: who it addresses and the key issues it covers;
- the document's relationship to other documents in the normative framework;
- how compliance with the document's norms and standards is enforced.

# 1 ILO Declaration on fundamental principles and rights at work

## 1.1 Description and commentary

### *What is the ILO?*

The International Labour Organization (ILO) was founded in 1919 in the wake of the peace negotiations that ended the First World War. Its basic premise is that universal, lasting peace can be accomplished only if it is based on social justice. The ILO is a tripartite United Nations agency that brings together representatives of the governments of its 181 Member States and employers' and workers' organisations in those Member States.

The ILO formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights. Tripartite negotiations are conducted on these standards during the International Labour Conference, which is held in June of each year in Geneva, Switzerland. Before ILO conventions become binding, they must be ratified by the Member States.

The ILO's four strategic objectives are:<sup>1</sup>

- to promote and realise standards and fundamental principles and rights at work;
- to create greater opportunities for men and women to secure decent work and income (employment);
- to enhance the coverage and effectiveness of social protection for all (social protection);
- to strengthen tripartism and social dialogue.

### *The importance of the Declaration*

In 1998, the International Labour Conference adopted an ILO Declaration establishing a number of principles and rights at work as fundamental labour standards of universal validity. Even ILO Member States that have not ratified the relevant ILO conventions are still bound to uphold these fundamental principles and rights. The Social and Economic Council of the Netherlands has emphasised the importance of the ILO's fundamental labour standards on several occasions.<sup>2</sup>

1 See: [www.ilo.org/global/About\\_the\\_ILO/Mission\\_and\\_objectives/lang-en/index.htm](http://www.ilo.org/global/About_the_ILO/Mission_and_objectives/lang-en/index.htm).

2 See, for example: SER Advisory Report (2000) *Sociaal-economische grondrechten in de EU*, p. 11; SER Advisory Letter *Globalisering* (2001); SER Advisory Report (2008) *On Sustainable Globalisation: A World to be won*, p. 92-3.

*What does the ILO Declaration on Fundamental Principles and Rights at Work say?*

The fundamental principles and rights at work concern:

- freedom of association and acknowledgment of the right to collective bargaining (ILO convention nos. 87 and 98);
- the elimination of all forms of forced and compulsory labour (ILO convention nos. 29 and 105);
- the effective abolition of child labour (ILO convention nos. 138 and 182);
- non-discrimination in employment (ILO convention nos. 100 and 111).

The ILO has called on its Member States to give priority to ratifying these eight fundamental conventions.

*Relevance for enterprises/relationship with other elements of the normative framework*

This Declaration emphasises the importance of complying with the ILO's fundamental labour standards. The message is mainly intended for governments, in particular with respect to compliance with the conventions that describe these fundamental principles and rights in detail. After all, the conventions must be ratified and implemented by the governments of the ILO's Member States. However, given the fundamental nature of the labour standards involved and the strong international support that they have gained, it is important for *all* the parties involved – including multinational enterprises (MNEs) – to be guided by these standards. This also reflects the fact that the ILO is supported not only by governments but also by employers' and workers' organisations. The parties must naturally do so within the context of the applicable legislation and regulations.

*Supervisory mechanisms*

The Member States submit reports on the fundamental conventions every other year and on all other ratified conventions every five years. The reports need only be concerned with changes that have arisen in the intervening period. A permanent committee monitors compliance with respect to the freedom of association. One notable feature of this monitoring procedure is that action can also be taken against nations that have not signed the relevant conventions.

Finally, an evaluation procedure has been introduced with respect to the 1998 Declaration on Fundamental Principles and Rights at Work. The evaluation mechanism consists of two parts. Member States that have not signed all the fundamental conventions must report to the ILO's Governing Body on the four principles and rights to which the conventions refer. Secondly, the Governing Body issues an annual report on the implementation of the ILO's fundamental principles and rights at work.





## 1.2 ILO Declaration on fundamental principles and rights at work

86th Session, Geneva, June 19th 1998

Whereas the ILO was founded in the conviction that social justice is essential to universal and lasting peace;

Whereas economic growth is essential but not sufficient to ensure equity, social progress and the eradication of poverty, confirming the need for the ILO to promote strong social policies, justice and democratic institutions;

Whereas the ILO should, now more than ever, draw upon all its standard-setting, technical cooperation and research resources in all its areas of competence, in particular employment, vocational training and working conditions, to ensure that, in the context of a global strategy for economic and social development, economic and social policies are mutually reinforcing components in order to create broad-based sustainable development;

Whereas the ILO should give special attention to the problems of persons with special social needs, particularly the unemployed and migrant workers, and mobilize and encourage international, regional and national efforts aimed at resolving their problems, and promote effective policies aimed at job creation;

Whereas, in seeking to maintain the link between social progress and economic growth, the guarantee of fundamental principles and rights at work is of particular significance in that it enables the persons concerned, to claim freely and on the basis of equality of opportunity, their fair share of the wealth which they have helped to generate, and to achieve fully their human potential;

Whereas the ILO is the constitutionally mandated international organization and the competent body to set and deal with international labour standards, and enjoys universal support and acknowledgement in promoting Fundamental Rights at Work as the expression of its constitutional principles;

Whereas it is urgent, in a situation of growing economic interdependence, to reaffirm the immutable nature of the fundamental principles and rights embodied in the Constitution of the Organization and to promote their universal application;

The International Labour Conference

### 1. Recalls:

- (a) that in freely joining the ILO, all Members have endorsed the principles and rights set out in its Constitution and in the Declaration of Philadelphia, and have undertaken to work towards attaining the overall objectives of the Organization to the best of their resources and fully in line with their specific circumstances;
- (b) that these principles and rights have been expressed and developed in the form of specific rights and obligations in Conventions recognized as fundamental both inside and outside the Organization.



2. Declares that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:
  - (a) freedom of association and the effective recognition of the right to collective bargaining;
  - (b) the elimination of all forms of forced or compulsory labour;
  - (c) the effective abolition of child labour; and
  - (d) the elimination of discrimination in respect of employment and occupation.
  
3. Recognizes the obligation on the Organization to assist its Members, in response to their established and expressed needs, in order to attain these objectives by making full use of its constitutional, operational and budgetary resources, including, by the mobilization of external resources and support, as well as by encouraging other international organizations with which the ILO has established relations, pursuant to article 12 of its Constitution, to support these efforts:
  - (a) by offering technical cooperation and advisory services to promote the ratification and implementation of the fundamental Conventions;
  - (b) by assisting those Members not yet in a position to ratify some or all of these Conventions in their efforts to respect, to promote and to realize the principles concerning fundamental rights which are the subject of these Conventions; and
  - (c) by helping the Members in their efforts to create a climate for economic and social development.
  
4. Decides that, to give full effect to this Declaration, a promotional follow-up, which is meaningful and effective, shall be implemented in accordance with the measures specified in the annex hereto, which shall be considered as an integral part of this Declaration.
  
5. Stresses that labour standards should not be used for protectionist trade purposes, and that nothing in this Declaration and its follow-up shall be invoked or otherwise used for such purposes; in addition, the comparative advantage of any country should in no way be called into question by this Declaration and its follow-up.

## 2 Tripartite declaration of principles concerning multinational enterprises and social policy

### 2.1 Description and commentary

The Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) was originally drafted by governments and employers' and workers' organisations in 1977. It was revised in 2000 to include the ILO's fundamental principles and rights at work. More recently (2006), the Declaration was amended once again to update its references to other ILO instruments.

#### *Importance of the Declaration*

The MNE Declaration is important because it expresses a very broad, international tripartite consensus on the proper conduct of enterprises with respect to work and social policy.

#### *Purpose of the Declaration*

The aims of the Declaration are to encourage the positive contributions of MNEs to economic and social progress and minimise and resolve the difficulties to which their operations may give rise. The principles enshrined in the ILO's Declaration are intended to help multinationals, governments, and employers' and workers' organisations craft their social policy and to inspire multinational enterprises to introduce good practices.

#### *Relationship with other elements of the normative framework*

This ILO Declaration integrates the ILO's other most important declarations and conventions and, consequently, its fundamental labour standards. The Declaration specifies what is expected from MNEs within this context. It contains the most comprehensive summary of rights at work of relevance to MNEs. The most important points have also been incorporated into the OECD Guidelines for Multinational Enterprises, Part IV (employment and industrial relations).

#### *Who does the Declaration address?*

The Declaration makes recommendations to both governments and MNEs. Paragraph 6 of the Declaration states that "To serve its purpose this Declaration does not require a precise legal definition of multinational enterprises". In general, the Declaration defines a multinational enterprise as an enterprise that owns or controls production, distribution, service or other facilities outside the country in which it is based. The form of ownership is of no relevance. The recommendations are intended for all the various entities of an MNE (parent company and/or local entities). Depending on the actual distribution of responsibilities, the various entities are deemed to cooperate and provide assistance to

one another as necessary to facilitate observance of the principles laid down in the Declaration.

The Declaration does not aim to impose stricter standards on multinational enterprises than on national ones, as that could undermine their competitiveness. The Declaration therefore states explicitly that “the principles laid down in this Declaration do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises”: the expectations and principles laid down in the Declaration pertain to all enterprises.

*What the Declaration says about the conduct of MNEs*

Below is a list of recommendations for multinational enterprises.

**General principles and human rights:** Obey national laws and respect international standards, such as the UN’s Universal Declaration of Human Rights. Contribute to the realisation of the fundamental principles and rights at work. Consult with government, employers’ and workers’ organisations to ensure that operations are consistent with national development priorities.

**Employment:** Endeavour to increase employment opportunities and standards, work security and the company’s long-term future. Give priority to the employment, occupational development, promotion and advancement of the nationals of the host country. Hire local contractors whenever possible. Extend equality of opportunity and treatment in employment. Assume a leading role in promoting security of employment. Provide reasonable notice of intended changes in personnel and avoid arbitrary dismissal.

**Training:** Provide training for all levels of employees to meet the needs of enterprises as well as the development policies of the host country. Participate in programmes to encourage training, skill formation and career choices. Afford opportunities within the MNE for local management to broaden their experience in such fields as industrial relations.

**Conditions of work and life:** Do not provide wages, benefits and conditions of work that are less favourable than those observed by comparable employers in the host country. If there are no comparable employers, endeavour to provide the best possible wages, benefits and conditions of work, within the framework of government policies, to meet the basic needs of employees and their families. Respect the minimum age for admission to employment. Do everything possible to eradicate the worst forms of child labour. Maintain the highest standards of safety and health at work; provide transparent information about the standards maintained and investigate potential risks.

**Industrial relations:** Observe industrial relations no less favourable than those observed by comparable employers in the host country. Respect workers' freedom of association and the right to collective bargaining and protect them against anti-union discrimination. Support representative local employers' organisations. Do not threaten to transfer workers or operating units in order to influence unfairly bona fide negotiations or prevent workers from organising. Provide worker representatives with information required for meaningful negotiations and to obtain a true and fair view of the performance of the enterprise. Consult regularly with employees on matters of mutual concern. Make sure that a proper grievance procedure is introduced.

*Supervisory mechanisms*

In 1993, the ILO's Governing Body installed the Subcommittee on Multinational Enterprises within the framework of the Committee on Legal Issues and International Labour Standards. The Committee's mandate is to conduct periodic surveys on the effect given to the MNE Declaration and to consider requests for the interpretation of the provisions of the MNE Declaration.





International Labour Organization

**TRIPARTITE DECLARATION OF PRINCIPLES CONCERNING  
MULTINATIONAL ENTERPRISES AND SOCIAL POLICY**

*(adopted by the Governing Body of the International Labour  
Office at its 204th Session (Geneva, November 1977) as amended  
at its 279th (November 2000) and 295th Session (March 2006))*

The Governing Body of the International Labour Office;

Recalling that the International Labour Organization for many years has been involved with certain social issues related to the activities of multinational enterprises;

Noting in particular that various Industrial Committees, Regional Conferences, and the International Labour Conference since the mid-1960s have requested appropriate action by the Governing Body in the field of multinational enterprises and social policy;

Having been informed of the activities of other international bodies, in particular the UN Commission on Transnational Corporations and the Organization for Economic Cooperation and Development (OECD);

Considering that the ILO, with its unique tripartite structure, its competence, and its long-standing experience in the social field, has an essential role to play in evolving principles for the guidance of governments, workers' and employers' organizations, and multinational enterprises themselves;

Recalling that it convened a Tripartite Meeting of Experts on the Relationship between Multinational Enterprises and Social Policy in 1972, which recommended an ILO programme of research and study, and a Tripartite Advisory Meeting on the Relationship of Multinational Enterprises and Social Policy in 1976 for the purpose of reviewing the ILO programme of research and suggesting appropriate ILO action in the social and labour field;

Bearing in mind the deliberations of the World Employment Conference;

Having thereafter decided to establish a tripartite group to prepare a Draft Tripartite Declaration of Principles covering all of the areas of ILO concern which relate to the social aspects of the activities of multinational enterprises, including employment creation in the developing countries, all the while bearing in mind the recommendations made by the Tripartite Advisory Meeting held in 1976;

Having also decided to reconvene the Tripartite Advisory Meeting to consider the Draft Declaration of Principles as prepared by the tripartite group;

Having considered the Report and the Draft Declaration of Principles submitted to it by the reconvened Tripartite Advisory Meeting;

Hereby approves the following Declaration which may be cited as the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted by the Governing Body of the International Labour Office, and invites governments of States Members of the ILO, the employers' and workers' organizations concerned and the multinational enterprises operating in their territories to observe the principles embodied therein.

1. Multinational enterprises play an important part in the economies of most countries and in international economic relations. This is of increasing interest to governments as well as to employers and workers and their respective organizations. Through international direct investment and other means such enterprises can bring substantial benefits to home and host countries by contributing to the more efficient utilization of capital, technology and labour. Within the framework of



development policies established by governments, they can also make an important contribution to the promotion of economic and social welfare; to the improvement of living standards and the satisfaction of basic needs; to the creation of employment opportunities, both directly and indirectly; and to the enjoyment of basic human rights, including freedom of association, throughout the world. On the other hand, the advances made by multinational enterprises in organizing their operations beyond the national framework may lead to abuse of concentrations of economic power and to conflicts with national policy objectives and with the interest of the workers. In addition, the complexity of multinational enterprises and the difficulty of clearly perceiving their diverse structures, operations and policies sometimes give rise to concern either in the home or in the host countries, or in both.

2. The aim of this Tripartite Declaration of Principles is to encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise, taking into account the United Nations resolutions advocating the establishment of a New International Economic Order, as well as subsequent developments within the United Nations, for example, the Global Compact and the Millennium Development Goals.

3. This aim will be furthered by appropriate laws and policies, measures and actions adopted by the governments and by cooperation among the governments and the employers' and workers' organizations of all countries.

4. The principles set out in this Declaration are commended to the governments, the employers' and workers' organizations of home and host countries and to the multinational enterprises themselves.

5. These principles are intended to guide the governments, the employers' and workers' organizations and the multinational enterprises in taking such measures and actions and adopting such social policies, including those based on the principles laid down in the Constitution and the relevant Conventions and Recommendations of the ILO, as would further social progress.

6. To serve its purpose this Declaration does not require a precise legal definition of multinational enterprises; this paragraph is designed to facilitate the understanding of the Declaration and not to provide such a definition. Multinational enterprises include enterprises, whether they are of public, mixed or private ownership, which own or control production, distribution, services or other facilities outside the country in which they are based. The degree of autonomy of entities within multinational enterprises in relation to each other varies widely from one such enterprise to another, depending on the nature of the links between such entities and their fields of activity and having regard to the great diversity in the form of ownership, in the size, in the nature and location of the operations of the enterprises concerned. Unless otherwise specified, the term "multinational enterprise" is used in this Declaration to designate the various entities (parent companies or local entities or both or the organization as a whole) according to the distribution of responsibilities among them, in the expectation that they will cooperate and provide assistance to one another as necessary to facilitate observance of the principles laid down in the Declaration.

7. This Declaration sets out principles in the fields of employment, training, conditions of work and life and industrial relations which governments, employers' and workers' organizations and multinational enterprises are recommended to observe on a voluntary basis; its provisions shall not limit or otherwise affect obligations arising out of ratification of any ILO Convention.



## GENERAL POLICIES

8. All the parties concerned by this Declaration should respect the sovereign rights of States, obey the national laws and regulations, give due consideration to local practices and respect relevant international standards. They should respect the Universal Declaration of Human Rights and the corresponding International Covenants adopted by the General Assembly of the United Nations as well as the Constitution of the International Labour Organization and its principles according to which freedom of expression and association are essential to sustained progress. They should contribute to the realization of the ILO Declaration on Fundamental Principles and Rights and Work and its Follow-up, adopted in 1998. They should also honour commitments which they have freely entered into, in conformity with the national law and accepted international obligations.

9. Governments of States which have not yet ratified Conventions Nos. 29, 87, 98, 100, 105, 111, 122, 138 and 182 are urged to do so and in any event to apply, to the greatest extent possible, through their national policies, the principles embodied therein and in Recommendations Nos. 35, 90, 111, 119, 122, 146, 169, 189 and 190<sup>1</sup>. Without prejudice to the obligation of governments to ensure compliance with Conventions they have ratified, in countries in which the Conventions and Recommendations cited in this paragraph are not complied with, all parties should refer to them for guidance in their social policy.

10. Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers' and workers' organizations concerned.

11. The principles laid down in this Declaration do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all. Multinational and national enterprises, wherever the principles of this Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular.

12. Governments of home countries should promote good social practice in accordance with this Declaration of Principles, having regard to the social and labour law, regulations and practices in host countries as well as to relevant international standards. Both host and home country governments should be prepared to have consultations with each other, whenever the need arises, on the initiative of either.

---

1 Convention (No. 29) concerning Forced or Compulsory Labour; Convention (No. 87) concerning Freedom of Association and Protection of the Right to Organise; Convention (No. 98) concerning the Application of the Principles of the Right to Organise and to Bargain Collectively; Convention (No. 100) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; Convention (No. 105) concerning the Abolition of Forced Labour; Convention (No. 111) concerning Discrimination in Respect of Employment and Occupation; Convention (No. 122) concerning Employment Policy; Convention (No. 138) concerning Minimum Age for Admission to Employment; Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour; Recommendation (No. 35) concerning Indirect Compulsion to Labour; Recommendation (No. 90) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; Recommendation (No. 111) concerning Discrimination in Respect of Employment and Occupation; Recommendation (No. 119) concerning Termination of Employment at the Initiative of the Employer; Recommendation (No. 122) concerning Employment Policy; Recommendation (No. 146) concerning Minimum Age for Admission to Employment; Recommendation (No. 169) concerning Employment Policy; Recommendation (No. 189) concerning General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises; Recommendation (No. 190) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.



## EMPLOYMENT

### *Employment promotion*

13. With a view to stimulating economic growth and development, raising living standards, meeting manpower requirements and overcoming unemployment and underemployment, governments should declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment.<sup>2</sup>

14. This is particularly important in the case of host country governments in developing areas of the world where the problems of unemployment and underemployment are at their most serious. In this connection, the general conclusions adopted by the Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour (Geneva, June 1976),<sup>3</sup> and the Global Employment Agenda (Geneva, March 2003)<sup>4</sup> should be kept in mind.

15. Paragraphs 13 and 14 above establish the framework within which due attention should be paid, in both home and host countries, to the employment impact of multinational enterprises.

16. Multinational enterprises, particularly when operating in developing countries, should endeavour to increase employment opportunities and standards, taking into account the employment policies and objectives of the governments, as well as security of employment and the long-term development of the enterprise.

17. Before starting operations, multinational enterprises should, wherever appropriate, consult the competent authorities and the national employers' and workers' organizations in order to keep their manpower plans, as far as practicable, in harmony with national social development policies. Such consultation, as in the case of national enterprises, should continue between the multinational enterprises and all parties concerned, including the workers' organizations.

18. Multinational enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels in cooperation, as appropriate, with representatives of the workers employed by them or of the organizations of these workers and governmental authorities.

19. Multinational enterprises, when investing in developing countries, should have regard to the importance of using technologies which generate employment, both directly and indirectly. To the extent permitted by the nature of the process and the conditions prevailing in the economic sector concerned, they should adapt technologies to the needs and characteristics of the host countries. They should also, where possible, take part in the development of appropriate technology in host countries.

20. To promote employment in developing countries, in the context of an expanding world economy, multinational enterprises, wherever practicable, should give consideration to the conclusion of contracts with national enterprises for the manufacture of parts and equipment, to the use of local raw materials and to the progressive promotion of the local processing of raw materials. Such arrangements should not be used by multinational enterprises to avoid the responsibilities embodied in the principles of this Declaration.

---

2 Convention (No. 122) and Recommendation (No. 122) concerning Employment Policy; Recommendation (No. 169) concerning Employment Policy; and Recommendation (No. 189) concerning General Conditions to stimulate Job Creation in Small and Medium-Sized Enterprises.

3 ILO, World Employment Conference, Geneva, 4-17 June 1976.

4 ILO Global Employment Agenda, 2003, ILO, Geneva.

*Equality of opportunity and treatment*

21. All governments should pursue policies designed to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin.<sup>5</sup>

22. Multinational enterprises should be guided by this general principle throughout their operations without prejudice to the measures envisaged in paragraph 18 or to government policies designed to correct historical patterns of discrimination and thereby to extend equality of opportunity and treatment in employment.<sup>6</sup> Multinational enterprises should accordingly make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff at all levels.

23. Governments should never require or encourage multinational enterprises to discriminate on any of the grounds mentioned in paragraph 21, and continuing guidance from governments, where appropriate, on the avoidance of such discrimination in employment is encouraged.

*Security of employment*

24. Governments should carefully study the impact of multinational enterprises on employment in different industrial sectors. Governments, as well as multinational enterprises themselves, in all countries should take suitable measures to deal with the employment and labour market impacts of the operations of multinational enterprises.

25. Multinational enterprises equally with national enterprises, through active manpower planning, should endeavour to provide stable employment for their employees and should observe freely negotiated obligations concerning employment stability and social security. In view of the flexibility which multinational enterprises may have, they should strive to assume a leading role in promoting security of employment, particularly in countries where the discontinuation of operations is likely to accentuate long-term unemployment.

26. In considering changes in operations (including those resulting from mergers, take-overs or transfers of production) which would have major employment effects, multinational enterprises should provide reasonable notice of such changes to the appropriate government authorities and representatives of the workers in their employment and their organizations so that the implications may be examined jointly in order to mitigate adverse effects to the greatest possible extent. This is particularly important in the case of the closure of an entity involving collective lay-offs or dismissals.

27. Arbitrary dismissal procedures should be avoided.<sup>7</sup>

28. Governments, in cooperation with multinational as well as national enterprises, should provide some form of income protection for workers whose employment has been terminated.<sup>8</sup>

---

5 Convention (No. 111) and Recommendation (No. 111) concerning Discrimination in Respect of Employment and Occupation; Convention (No. 100) and Recommendation (No. 90) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value.

6 See the two following ILO codes of practice: *HIV/AIDS and the world of work*, ILO code of practice, 2001, ILO, Geneva; *Managing disability in the workplace*, ILO code of practice, 2002, ILO, Geneva.

7 Recommendation (No. 119) concerning Termination of Employment at the Initiative of the Employer.

8 *ibid.*



## TRAINING

29. Governments, in cooperation with all the parties concerned, should develop national policies for vocational training and guidance, closely linked with employment.<sup>9</sup> This is the framework within which multinational enterprises should pursue their training policies.

30. In their operations, multinational enterprises should ensure that relevant training is provided for all levels of their employees in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers' and workers' organizations and the competent local, national or international institutions.

31. Multinational enterprises operating in developing countries should participate, along with national enterprises, in programmes, including special funds, encouraged by host governments and supported by employers' and workers' organizations. These programmes should have the aim of encouraging skill formation and development as well as providing vocational guidance, and should be jointly administered by the parties which support them. Wherever practicable, multinational enterprises should make the services of skilled resource personnel available to help in training programmes organized by governments as part of a contribution to national development.

32. Multinational enterprises, with the cooperation of governments and to the extent consistent with the efficient operation of the enterprise, should afford opportunities within the enterprise as a whole to broaden the experience of local management in suitable fields such as industrial relations.

## CONDITIONS OF WORK AND LIFE

### *Wages, benefits and conditions of work*

33. Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.

34. When multinational enterprises operate in developing countries, where comparable employers may not exist, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies.<sup>10</sup> These should be related to the economic position of the enterprise, but should be at least adequate to satisfy basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard.<sup>11</sup>

35. Governments, especially in developing countries, should endeavour to adopt suitable measures to ensure that lower income groups and less developed areas benefit as much as possible from the activities of multinational enterprises.

---

9 Convention (No. 142) concerning Human Resources Development and Recommendation (No. 195) concerning Human Resources Development: Education, Training and Lifelong Learning, recalling the voluntary nature of the substance and levels of collective bargaining.

10 Recommendation (No. 116) concerning Reduction of Hours of Work.

11 Convention (No. 110) and Recommendation (No. 110) concerning Conditions of Employment of Plantation Workers; Recommendation (No. 115) concerning Workers' Housing; Recommendation (No. 69) concerning Medical Care; Convention (No. 130) and Recommendation (No. 134) concerning Medical Care and Sickness Benefits.



### *Minimum age*

36. Multinational enterprises, as well as national enterprises, should respect the minimum age for a admission to employment or work in order to secure the effective abolition of child labour and should take immediate and effective measures within their own competence to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency.<sup>12</sup>

### *Safety and health*

37. Governments should ensure that both multinational and national enterprises provide adequate safety and health standards for their employees. Those governments which have not yet ratified the ILO Conventions on Guarding of Machinery (No. 119), Ionising Radiation (No. 115), Benzene (No. 136) and Occupational Cancer (No. 139) are urged nevertheless to apply to the greatest extent possible the principles embodied in these Conventions and in their related Recommendations (Nos. 118, 114, 144 and 147). The list of occupational diseases and the codes of practice and guides in the current list of ILO publications on occupational safety and health should also be taken into account.<sup>13</sup>

38. Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements, bearing in mind their relevant experience within the enterprise as a whole, including any knowledge of special hazards. They should also make available to the representatives of the workers in the enterprise, and upon request, to the competent authorities and the workers' and employers' organizations in all countries in which they operate, information on the safety and health standards relevant to their local operations, which they observe in other countries. In particular, they should make known to those concerned any special hazards and related protective measures associated with new products and processes. They, like comparable domestic enterprises, should be expected to play a leading role in the examination of causes of industrial safety and health hazards and in the application of resulting improvements within the enterprise as a whole.

39. Multinational enterprises should cooperate in the work of international organizations concerned with the preparation and adoption of international safety and health standards.

40. In accordance with national practice, multinational enterprises should cooperate fully with the competent safety and health authorities, the representatives of the workers and their organizations, and established safety and health organizations. Where appropriate, matters relating to safety and health should be incorporated in agreements with the representatives of the workers and their organizations.

---

12 Convention No. 138, Article 1; Convention No. 182, Article 1.

13 Recommendation (No. 194) concerning the List of Occupational Diseases and the Recording and Notification of Occupational Accidents and Diseases. The ILO Conventions and Recommendations referred to are listed in the Catalogue of ILO Publications on Occupational Safety and Health, ed. 2000, ILO, Geneva. See also <<http://www.ilo.org/public/english/protection/safework/publicat/index.htm>>.



## INDUSTRIAL RELATIONS

41. Multinational enterprises should observe standards of industrial relations not less favourable than those observed by comparable employers in the country concerned.

### *Freedom of association and the right to organize*

42. Workers employed by multinational enterprises as well as those employed by national enterprises should, without distinction whatsoever, have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorisation.<sup>14</sup> They should also enjoy adequate protection against acts of anti-union discrimination in respect of their employment.<sup>15</sup>

43. Organizations representing multinational enterprises or the workers in their employment should enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration.<sup>16</sup>

44. Where appropriate, in the local circumstances, multinational enterprises should support representative employers' organizations.

45. Governments, where they do not already do so, are urged to apply the principles of Convention No. 87, Article 5, in view of the importance, in relation to multinational enterprises, of permitting organizations representing such enterprises or the workers in their employment to affiliate with international organizations of employers and workers of their own choosing.

46. Where governments of host countries offer special incentives to attract foreign investment, these incentives should not include any limitation of the workers' freedom of association or the right to organize and bargain collectively.

47. Representatives of the workers in multinational enterprises should not be hindered from meeting for consultation and exchange of views among themselves, provided that the functioning of the operations of the enterprise and the normal procedures which govern relationships with representatives of the workers and their organizations are not thereby prejudiced.

48. Governments should not restrict the entry of representatives of employers' and workers' organizations who come from other countries at the invitation of the local or national organizations concerned for the purpose of consultation on matters of mutual concern, solely on the grounds that they seek entry in that capacity.

### *Collective bargaining*

49. Workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organizations of their own choosing recognized for the purpose of collective bargaining.

50. Measures appropriate to national conditions should be taken, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between

---

14 Convention No. 87, Article 2.

15 Convention No. 98, Article 1(1).

16 Convention No. 98, Article 2(1).



employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements.<sup>17</sup>

51. Multinational enterprises, as well as national enterprises, should provide workers' representatives with such facilities as may be necessary to assist in the development of effective collective agreements.<sup>18</sup>

52. Multinational enterprises should enable duly authorized representatives of the workers in their employment in each of the countries in which they operate to conduct negotiations with representatives of management who are authorized to take decisions on the matters under negotiation.

53. Multinational enterprises, in the context of bona fide negotiations with the workers' representatives on conditions of employment, or while workers are exercising the right to organize, should not threaten to utilize a capacity to transfer the whole or part of an operating unit from the country concerned in order to influence unfairly those negotiations or to hinder the exercise of the right to organize; nor should they transfer workers from affiliates in foreign countries with a view to undermining bona fide negotiations with the workers' representatives or the workers' exercise of their right to organize.

54. Collective agreements should include provisions for the settlement of disputes arising over their interpretation and application and for ensuring mutually respected rights and responsibilities.

55. Multinational enterprises should provide workers' representatives with information required for meaningful negotiations with the entity involved and, where this accords with local law and practices, should also provide information to enable them to obtain a true and fair view of the performance of the entity or, where appropriate, of the enterprise as a whole.<sup>19</sup>

56. Governments should supply to the representatives of workers' organizations on request, where law and practice so permit, information on the industries in which the enterprise operates, which would help in laying down objective criteria in the collective bargaining process. In this context, multinational as well as national enterprises should respond constructively to requests by governments for relevant information on their operations.

### *Consultation*

57. In multinational as well as in national enterprises, systems devised by mutual agreement between employers and workers and their representatives should provide, in accordance with national law and practice, for regular consultation on matters of mutual concern. Such consultation should not be a substitute for collective bargaining.<sup>20</sup>

---

17 Convention No. 98, Article 4.

18 Convention (No. 135) concerning Protection and Facilities to be Afforded to Workers' Representatives in the Undertaking.

19 Recommendation (No. 129) concerning Communications between Management and Workers within the Undertaking.

20 Recommendation (No. 94) concerning Consultation and Co-operation between Employers and Workers at the Level of Undertaking; Recommendation (No. 129) concerning Communications within the Undertaking.

*Examination of grievances*

58. Multinationals as well as national enterprises should respect the right of the workers whom they employ to have all their grievances processed in a manner consistent with the following provision: any worker who, acting individually or jointly with other workers, considers that he has grounds for a grievance should have the right to submit such grievance without suffering any prejudice whatsoever as a result, and to have such grievance examined pursuant to an appropriate procedure.<sup>21</sup> This is particularly important whenever the multinational enterprises operate in countries which do not abide by the principles of ILO Conventions pertaining to freedom of association, to the right to organize and bargain collectively, to discrimination, to child labour and to forced labour.<sup>22</sup>

*Settlement of industrial disputes*

59. Multinationals as well as national enterprises jointly with the representatives and organizations of the workers whom they employ should seek to establish voluntary conciliation machinery, appropriate to national conditions, which may include provisions for voluntary arbitration, to assist in the prevention and settlement of industrial disputes between employers and workers. The voluntary conciliation machinery should include equal representation of employers and workers<sup>23</sup>.

Geneva, 28 March 2006

- 
- 21 Recommendation (No. 130) concerning the Examination of Grievances within the Undertaking with a View to Their Settlement.
- 22 Convention (No. 29) concerning Forced or Compulsory Labour; Convention (No. 87) concerning Freedom of Association and Protection of the Right to Organise; Convention (No. 98) concerning the Application of the Principles of the Right to Organise and to Bargain Collectively; Convention (No. 100) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; Convention (No. 105) concerning the Abolition of Forced Labour; Convention (No. 111) concerning Discrimination in Respect of Employment and Occupation; Convention (No. 138) concerning Minimum Age for Admission to Employment; Convention (No. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour; Recommendation (No. 35) concerning Indirect Compulsion to Labour; Recommendation (No. 90) concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; Recommendation (No. 111) concerning Discrimination in Respect of Employment and Occupation; Recommendation (No. 146) concerning Minimum Age for Admission to Employment, and Recommendation (No. 190) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour.
- 23 Recommendation (No. 92) concerning Voluntary Conciliation and Arbitration.



## ANNEX

**List of international labour Conventions and Recommendations  
referred to in the Tripartite Declaration of Principles concerning  
Multinational Enterprises and Social Policy**

*(adopted by the Governing Body of the International Labour Office  
at its 204th Session (Geneva, November 1977) as amended  
at its 279th (November 2000) and 295th Session (March 2006))*

## CONVENTIONS

- No. 29 concerning Forced or Compulsory Labour, 1930  
No. 87 concerning Freedom of Association and Protection of the Right to Organise, 1948  
No. 98 concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, 1949  
No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, 1951  
No. 105 concerning the Abolition of Forced Labour, 1957  
No. 110 concerning Conditions of Employment of Plantation Workers, 1958  
No. 111 concerning Discrimination in Respect of Employment and Occupation, 1958  
No. 115 concerning the Protection of Workers against Ionising Radiations, 1960  
No. 119 concerning the Guarding of Machinery, 1963  
No. 122 concerning Employment Policy, 1964  
No. 130 concerning Medical Care and Sickness Benefits, 1969  
No. 135 concerning Protection and Facilities to be Afforded to Workers' Representatives in the Undertaking, 1971  
No. 136 concerning Protection against Hazards of Poisoning arising from Benzene, 1971  
No. 138 concerning Minimum Age for Admission to Employment, 1973  
No. 139 concerning Prevention and Control of Occupational Hazards caused by Carcinogenic Substances and Agents, 1974  
No. 142 concerning Vocational Guidance and Vocational Training in the Development of Human Resources, 1975  
No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, 1999

## RECOMMENDATIONS

- No. 35 concerning Indirect Compulsion to Labour, 1930  
No. 69 concerning Medical Care, 1944  
No. 90 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, 1951  
No. 92 concerning Voluntary Conciliation and Arbitration, 1951  
No. 94 concerning Consultation and Co-operation between Employers and Workers at the Level of the Undertaking, 1952  
No. 110 concerning Conditions of Employment of Plantation Workers, 1958  
No. 111 concerning Discrimination in Respect of Employment and Occupation, 1958  
No. 114 concerning the Protection of Workers against Ionising Radiations, 1960  
No. 115 concerning Workers' Housing, 1961



- No. 116 concerning Reduction of Hours of Work, 1962  
No. 118 concerning the Guarding of Machinery, 1963  
No. 119 concerning Termination of Employment at the Initiative of the Employer, 1963  
No. 122 concerning Employment Policy, 1964  
No. 129 concerning Communications between Management and Workers within the Undertaking, 1967  
No. 130 concerning the Examination of Grievances within the Undertaking with a View to Their Settlement, 1967  
No. 134 concerning Medical Care and Sickness Benefits, 1969  
No. 144 concerning Protection against Hazards of Poisoning arising from Benzene, 1971  
No. 146 concerning Minimum Age for Admission to Employment, 1973  
No. 147 concerning Prevention and Control of Occupational Hazards caused by Carcinogenic Substances and Agents, 1974  
No. 169 concerning Employment Policy, 1984  
No. 189 concerning General Conditions to stimulate Job Creation in Small and Medium-Sized Enterprises, 1998  
No. 190 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, 1999  
No. 194 concerning the List of Occupational Diseases and the Recording and Notification of Occupational Accidents and Diseases, 2002  
No. 195 concerning Human Resources Development: Education, Training and Lifelong Learning, 2004

#### ADDENDUM I

**List of international labour Conventions and Recommendations  
adopted since 1977 which contain provisions relevant  
to the Tripartite Declaration of Principles concerning  
Multinational Enterprises and Social Policy**

(adopted by the Governing Body of the International Labour Office at its 238th Session (Geneva, November 1987), as amended at its 264th Session (Geneva, November 1995) and 279th Session (Geneva, November 2000) and 295th Session (Geneva, March 2006))

A number of international labour Conventions and Recommendations containing provisions relevant to the Declaration are referred to in footnotes in the Declaration as well as in an Annex. These footnotes do not affect the meaning of the provisions of the Declaration to which they refer. They should be considered as references to relevant instruments adopted by the International Labour Organization in the corresponding subject areas, which have helped shape the provisions of the Declaration.

Since the adoption of the Declaration by the Governing Body on 16 November 1977, new Conventions and Recommendations have been adopted by the International Labour Conference. The text below is a consolidation of the lists of Conventions and Recommendations adopted since 1977 (including those adopted in June 1977), containing provisions relevant to the Declaration. Like the footnotes included in the Declaration at the time of its adoption, the new references do not affect the meaning of the provisions of the Declaration.



In keeping with the voluntary nature of the Declaration, all of its provisions, whether derived from ILO Conventions and Recommendations or other sources, are recommendatory, except of course for provisions in Conventions which are binding on the member States which have ratified them.

List of Conventions and Recommendations adopted since 1977 (inclusive)  
which contain provisions relevant to the Declaration

**CONVENTIONS**

	Number and title of Convention and Recommendation	Paragraphs of the declaration to which the instrument is relevant
No. 148	concerning the Protection of Workers against Occupational Hazards in the Working Environment due to Air Pollution, Noise and Vibration, 1977	37
No. 154	concerning the Promotion of Collective Bargaining, 1981	9, 50
No. 155	concerning Occupational Safety and Health and the Working Environment, 1981	37
No. 156	concerning Equal Opportunities and Equal Treatment for Men and Women Workers: Workers with Family Responsibilities, 1981	21
No. 158	concerning Termination of Employment at the Initiative of the Employer, 1982	9, 26, 27, 28
No. 161	concerning Occupational Health Services, 1985	37
No. 162	concerning Safety in the Use of Asbestos, 1986	37
No. 167	concerning Safety and Health in Construction, 1988	37
No. 168	concerning Employment Promotion and Protection against Unemployment, 1988	13
No. 170	concerning Safety in the Use of Chemicals at Work, 1990	37
No. 173	concerning the Protection of Workers' Claims in the event of the Insolvency of their Employer, 1992	28
No. 174	concerning the Prevention of Major Industrial Accidents, 1993	37
No. 176	concerning Safety and Health in Mines, 1995	37
No. 184	concerning Safety and Health in Agriculture, 2001	37

**RECOMMENDATIONS**

	Number and title of Convention and Recommendation	Paragraphs of the declaration to which the instrument is relevant
No. 156	concerning the Protection of Workers against Occupational Hazards in the Working Environment Due to Air Pollution, Noise and Vibration, 1977	37
No. 163	concerning the Promotion of Collective Bargaining, 1981	52, 55, 56
No. 164	concerning Occupational Safety and Health and the Working Environment, 1981	37



No. 165	concerning Equal Opportunities and Equal Treatment for Men and Women Workers: Workers with Family Responsibilities, 1981	21
No. 166	concerning Termination of Employment at the Initiative of the Employer, 1982	9, 26, 27, 28
No. 171	concerning Occupational Health Services, 1985	37
No. 172	concerning Safety in the Use of Asbestos, 1986	37
No. 175	concerning Safety and Health in Construction, 1988	37
No. 176	concerning Employment Promotion and Protection against Unemployment, 1988	13
No. 177	concerning Safety in the Use of Chemicals at Work, 1990	37
No. 180	concerning the Protection of Workers' Claims in the event of the Insolvency of their Employer, 1992	28
No. 181	concerning the Prevention of Major Industrial Accidents, 1993	37
No. 183	concerning Safety and Health in Mines, 1995	37
No. 192	concerning Safety and Health in Agriculture, 2001	37

#### ADDENDUM II

(adopted by the Governing Body of the  
International Labour Office at its  
277th Session (Geneva, March 2000))

The International Labour Conference adopted in June 1998 the ILO Declaration on Fundamental Principles and Rights at Work. By this adoption, Members renewed their commitment to respect, promote and realize the following fundamental principles and rights at work, namely: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation. The ILO Declaration on Fundamental Principles and Rights at Work applies to all Members. Nevertheless, the contribution of multinational enterprises to its implementation can prove an important element in the attainment of its objectives. In this context, the interpretation and application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy should fully take into account the objectives of the ILO Declaration on Fundamental Principles and Rights at Work. This reference does not in any way affect the voluntary character or the meaning of the provisions of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.



PROCEDURE FOR THE EXAMINATION OF DISPUTES CONCERNING THE  
APPLICATION OF THE TRIPARTITE DECLARATION OF PRINCIPLES  
CONCERNING MULTINATIONAL ENTERPRISES AND SOCIAL POLICY  
BY MEANS OF INTERPRETATION OF ITS PROVISIONS

*(adopted by the Governing Body of the International Labour Office  
at its 232nd Session (Geneva, March 1986)<sup>24</sup>)*

1. The purpose of the procedure is to interpret the provisions of the Declaration when needed to resolve a disagreement on their meaning, arising from an actual situation, between parties to whom the Declaration is commended.

2. The procedure should in no way duplicate or conflict with existing national or ILO procedures. Thus, it cannot be invoked:

- (a) in respect of national law and practice;
- (b) in respect of international labour Conventions and Recommendations;
- (c) in respect of matters falling under the freedom of association procedure

The above means that questions regarding national law and practice should be considered through appropriate national machinery; that questions regarding international labour Conventions and Recommendations should be examined through the various procedures provided for in articles 19, 22, 24 and 26 of the Constitution of the ILO, or through government requests to the Office for informal interpretation; and that questions concerning freedom of association should be considered through the special ILO procedures applicable to that area.

3. When a request for interpretation of the Declaration is received by the International Labour Office, the Office shall acknowledge receipt and bring it before the Officers of the Committee on Multinational Enterprises. The Office will inform the government and the central organizations of employers and workers concerned of any request for interpretation received directly from an organization under paragraph 5(b) and (c).

4. The Officers of the Committee on Multinational Enterprises shall decide unanimously after consultations in the groups whether the request is receivable under the procedure. If they cannot reach agreement the request shall be referred to the full Committee for decision.

5. Requests for interpretation may be addressed to the Office:

- (a) as a rule by the government of a member State acting either on its own initiative or at the request of a national organization of employers or workers;
- (b) by a national organization of employers or workers, which is representative at the national and/or sectoral level, subject to the conditions set out in paragraph 6. Such requests should normally be channelled through the central organizations in the country concerned;
- (c) by an international organization of employers or workers on behalf of a representative national affiliate.

6. In the case of 5(b) and (c), requests may be submitted if it can be demonstrated:

- (a) that the government concerned has declined to submit the request to the Office; or
- (b) that three months have elapsed since the organization addressed the government without a statement of the government's intention.

7. In the case of receivable requests the Office shall prepare a draft reply in consultation with the Officers of the Committee on Multinational Enterprises. All appropriate sources of information

24 *Official Bulletin* (Geneva, ILO), 1986, Vol. LXIX, Series A, No. 3, pp. 196-197 (to replace Part IV of the Procedures adopted by the Governing Body at its 214th Session (November 1980)). See *Official Bulletin*, 1981, Vol. LXIV, Series A, No. 1, p. 89-90.



shall be used, including government, employers' and workers' sources in the country concerned. The Officers may ask the Office to indicate a period within which the information should be provided.

8. The draft reply to a receivable request shall be considered and approved by the Committee on Multinational Enterprises prior to submission to the Governing Body for approval.

9. The reply when approved by the Governing Body shall be forwarded to the parties concerned and published in the Official Bulletin of the International Labour Office.

# 3 OECD Guidelines for Multinational Enterprises

## 3.1 Description and commentary

### *Importance of the Guidelines*

The OECD Guidelines (1976, updated in 2000) are recommendations jointly addressed to multinational enterprises by the thirty members of the OECD and eleven other nations.<sup>1</sup> The social partners were closely involved in drawing up the Guidelines via the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC). The Guidelines provide principles and standards of good practice consistent with applicable laws. Observance of the Guidelines by enterprises is voluntary and not legally enforceable (Article 1 of the Guidelines).

The added value of the Guidelines is the all-embracing nature of the recommendations; they extend beyond the factors covered above (the fundamental principles and rights at work, industrial relations) to also encompass the environment, bribery and consumer interests, as well as supervision of the interpretation and implementation of the Guidelines by the National Contact Points (NCPs, see below). Dutch trade and industry gave full support to the OECD Guidelines in the Social and Economic Council's advisory report *De winst van waarden* published in 2000 (see p. 98 of this report).

### *Purpose of the Guidelines*

The Guidelines aim to ensure that the operations of MNEs 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.<sup>2</sup>

### *Who do the Guidelines address?*

The Guidelines are recommendations jointly addressed by governments to the multinational enterprises operating in their countries. The Guidelines adhere to the general definition of multinational enterprises set out in the ILO's MNE Declaration. Like that Declaration, the Guidelines do not intend to discriminate between multinational and national enterprises: the expectations and principles laid down in the Guidelines pertain to all enterprises.

The governments recommend that MNEs should encourage business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines.

---

1 Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Peru, Romania and Slovenia.

2 See the Foreword to the Guidelines, item 1.

*Most important elements of the OECD Guidelines*

The Guidelines encourage international enterprises to consider the effects of their activities within the context of corporate social responsibility. Significant recommendations include the following:

**General principles and human rights:** Contribute to economic, social and environmental progress with a view to achieving sustainable development. Respect the human rights of those affected by the enterprise's activities. Encourage local capacity building through close cooperation with the local community. Encourage business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with the Guidelines. Abstain from any improper involvement in local political activities.

**Disclosure:** Disclose regular, reliable and relevant information on the enterprise's activities.

**Employment:** Respect the right of employees to be represented, do not discriminate between employees, and contribute to the effective elimination of child labour and of all forms of forced or compulsory labour (the fundamental labour standards). Do not threaten to transfer employees or operating units in order to influence unfairly bona fide negotiations or prevent employees from organising. Provide information to employee representatives which is needed for meaningful negotiations and which enables them to obtain a true and fair view of the performance of the enterprise. Consult regularly with employees on matters of mutual concern. Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country. Take adequate steps to ensure occupational health and safety in operations, provide transparent information about the standards maintained and investigate potential risks (elements of the ILO's MNE Declaration).

**Environment:** Take due account of the need to protect the environment, public health and safety, establish and maintain a system of environmental management appropriate to the enterprise, and provide adequate education and training to employees in environmental, health and safety matters.

**Combating bribery:** Do not, directly or indirectly, offer, promise, give or demand a bribe or other undue advantage to obtain or retain business or other improper advantage.

**Consumer interests:** Ensure that the goods or services provided meet all agreed or legally required standards for consumer health and safety.

**Science and technology:** Adopt, where practicable, practices that permit the transfer and rapid diffusion of technologies and know-how, with due regard to the protection of intellectual property rights.

**Competition:** Refrain from entering into or carrying out anti-competitive agreements among competitors.

**Taxation:** Contribute to the public finances of the host country.

*Supervisory mechanisms: The National Contact Points*

The governments adhering to the Guidelines have committed themselves to promoting their use and establishing a National Contact Point (NCP) to promote the Guidelines and act as a forum for discussion of all matters related to the Guidelines. The NCPs can also help solve problems related to the implementation and observance of the Guidelines in specific instances. The OECD Ministers' Council has adopted various steps for that purpose and allows the NCPs to mediate between parties. If the parties involved do not reach agreement on the issue raised, the NCP may publish a statement and make recommendations on the application of the Guidelines. In consultation with the parties, the NCP may disclose the results of the mediation procedure, unless preserving confidentiality is in the best interests of their effective implementation. Section 3.3 provides information about the Netherlands' NCP and its structure, working methods and notification procedure.

The governments that adhere to the OECD Guidelines consult with one another about the Guidelines in the OECD Investment Committee. The Committee (on which the Netherlands is represented by an official appointed by the Ministry of Economic Affairs) is authorised to clarify the Guidelines, an aspect thereof, or one of the associated procedural agreements. Decisions are taken by consensus. All NCPs are obliged to adhere to the Committee's interpretations. If the Committee has not adopted an interpretation, the adhering governments are free to adopt their own. The Netherlands tends to interpret the Guidelines broadly, for example its interpretation of the term "investment-related activity".

The OECD rules state that the issues to be considered by the NCPs must include an operation equivalent to a corporate investment. The NCPs themselves assess whether a specific issue concerning the application of the OECD Guidelines is investment-related: this is sometimes referred to as the "investment nexus". The Netherlands interprets the investment nexus broadly; it is not limited to the conduct of the enterprise or subsidiaries over which it has decision-making authority. The Dutch NCP also looks at the enterprise's direct influence in the supply chain. It considers the following questions:

- Are there contacts with steady suppliers?
- Are there steady contacts under specific conditions?
- Does the enterprise exert a direct influence on the local situation or is it more effective to hold another enterprise in the chain accountable?

This broad interpretation of the investment relationship puts the Netherlands at the outer limits of what is possible under the OECD rules.<sup>3</sup>

---

3 See: SER Advisory Report (2008) *On Sustainable Globalisation: A World to be won*, p. 109.

## 3.2 OECD Guidelines

### 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 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 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.

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 including 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;
- 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 cooperate 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.
  
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 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.

## 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.

### 3.3 Role of the Dutch National Contact Point (NCP)

Every OECD country is free to set up its NCP as it sees fit. In 2007, the Dutch government decided to set up an independent NCP with its own budget and staff.<sup>1</sup> The NCP consists of four independent members employed outside government (as of December 2008): F.W.R. Evers (chair), Prof. J.F.G. Bunders-Aelen, H. Mulder and L.J. de Waal, and four consulting members, who are public servants employed by the Ministries of Economic Affairs (also the secretary); Social Affairs and Employment; Housing, Spatial Planning and the Environment; and Foreign Affairs. This committee reports to the State Secretary of Economic Affairs, but it has an autonomous status. The four independent members are not public servants and have distinct powers with respect to public information and the consideration of specific instances. The NCP members are assisted by a secretariat, whose offices are located at the Ministry of Economic Affairs, and a communications expert who works for MVO Nederland expertise centre and whose job is to communicate with the public about the OECD Guidelines. The NCP secretariat serves as the committee's contact address, provides general information, and prepares the committee's assessment and consideration of specific instances.

OECD countries are free to set up their NCP as they see fit. The OECD does, however, set criteria for their visibility, accessibility, transparency and accountability. The NCP observes the latter criterion by organising stakeholder meetings and distributing its annual report. NCP stakeholders are employers' and workers' organisations, NGOs and individual enterprises.

#### *The procedure in specific instances (notification of non-observance)*

If a person or organisation believes that an enterprise has failed to observe the OECD Guidelines, he/it may notify the NCP. The reverse is also possible: an enterprise engaged in a dispute with a stakeholder about the OECD Guidelines may also notify the NCP. If the NCP rules that a specific instance is admissible, it commences a mediation procedure to attempt to resolve the issue. At the end of this procedure, the NCP issues a final statement describing the course of the procedure and how the resolution reflects the OECD Guidelines. If the parties involved do not settle the issue, the NCP still publishes a final statement. In that case, it not only describes the course of the procedure but also states its opinion on the alleged non-observance, based on its own understanding of the facts of the case.

The NCP's consideration of a specific instance is not a judicial procedure, nor can observance of the Guidelines be legally enforced. The NCP's final statement has no validity under administrative law and therefore cannot be appealed against.

---

1 See also the Resolution Inaugurating the National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises, dated 16 February 2007. For more background information, please see the Dutch NCP website: [www.oesorichtlijnen.nl](http://www.oesorichtlijnen.nl).

*Confidentiality*

The NCP's members are obliged to observe confidentiality by virtue of their appointment to a government body. A duty to observe confidentiality is not necessarily contrary to the criteria of transparency. The NCP reports the status of a specific instance on its website, unless the parties involved object to its doing so. If publication of a final statement involves disclosing sensitive business information, the NCP may decide not to issue a statement. It does, however, report its decision on its website.

Source: Netherlands Ministry of Economic Affairs

## 4 ICC-Guidance and ICC-Guide to responsible sourcing

### 4.1 Description and commentary

*What is the International Chamber of Commerce?*

The International Chamber of Commerce (ICC), also known as the World Business Organisation, was founded in 1919 with the aims of promoting an open market for international trade and investment and of protecting intellectual property rights. It represents enterprises in many different sectors in 130 countries. One of the ICC's tasks is to draw up codes and standards for the international business community. In 1991, for example, it drafted a Business Charter for Sustainable Development.

In late 2007, the ICC published its *Guidance on Supply Chain Responsibility*, which offers a general discussion of supply chain responsibility (or “responsible sourcing”) and a number of practical recommendations intended to help enterprises implement supply chain responsibility in their operations. In 2008, the ICC published its *Guide to Responsible Sourcing*, which presents a six-step plan to implementing its recommendations. Section 4.2 contains the general discussion from the *Guidance on Supply Chain Responsibility*; section 4.3 contains the *Guide to Responsible Sourcing* and the six-step plan.<sup>1</sup>

*Why are the ICC Guidance and the Guide to Responsible Sourcing important?*

The value of these ICC documents lies primarily in their international popularity and application. Public expectations go beyond the activities of international enterprises and their subsidiaries; they also, and increasingly, concern the supply chains of international enterprises, specifically in sectors where parts of the production process are outsourced to third parties. The related national legislation and supervision is inadequate in many countries. In its *Guidance on Supply Chain Responsibility*, the ICC looks at this problem and makes specific recommendations describing how enterprises can encourage compliance with social and environmental criteria in their supply chains.

*What is supply chain responsibility?*

The ICC defines supply chain responsibility (or responsible sourcing) as a voluntary commitment by companies to manage their relationships with suppliers in a responsible way.<sup>2</sup> That responsibility encompasses their supplier's performance in both the social (e.g. working conditions) and environmental arena. Since many companies have hundreds and even thousands of suppliers, they can hardly be expected to be responsible for the actions of all suppliers and sub-suppliers in their supply chain. According to the ICC, however, what companies can reasonably be expected to do is to work with their suppliers

---

1 The full text of the *Guidance to Supply Chain Responsibility* is included in appendix 5 to SER Advisory Report (2008) *Duurzame Globalisering: een wereld te winnen*.

2 See the *Guidance on Supply Chain Responsibility*.

on a collaborative basis towards improving their social and environmental performance. An enterprise's ability to exert a positive influence on its supplier's performance depends on the sector in which it operates and how much its business contributes to the particular supplier's overall output and production. In addition to influencing their upstream partners in the chain, i.e. their suppliers, enterprises can also be expected to influence the downstream linkages. The point is to encourage responsible business operations among customers and to minimise the potential negative impact of a product on the environment.

*What do the ICC Guidance and ICC Guide to Responsible Sourcing say?*

In its Guidance, the ICC emphasises that it is the task of the national government to enact and enforce social and environmental legislation. In many parts of the world, however, government involvement is lacking. In order to make effective long-term progress, the ICC believes that national governments must become more closely involved in regulation and enforcement; action on their part will also make their countries more competitive. When government involvement is lacking, enterprises cannot assume that all local companies observe acceptable standards. In order for enterprises to satisfy public expectations with respect to sustainability in their supply chain, they can be expected to use their influence to improve the social and environmental performance of their suppliers. The approaches and tools they can use to achieve this are: providing information and training, conducting audits, drawing up a global supplier code, and monitoring performance. The ICC advises companies to employ a risk-based approach, with their efforts being directed towards suppliers and activities where the incidence of poor labour and environmental performance is most likely to be found.

In the *Guide to Responsible Sourcing*, the ICC describes a six-step plan, a set of specific recommendations to help companies exercise more responsible sourcing:

- 1 Be careful when selecting suppliers.
- 2 Let suppliers know that you expect your business partners to comply with all national laws and regulations.
- 3 Integrate responsible sourcing into your buying practices.
- 4 Support suppliers in setting their own business standards.
- 5 Track supplier compliance.
- 6 Manage stakeholder expectations and reporting.

## 4.2 Text ICC-Guidance on supply chain responsibility

### Policy statement

## ICC guidance on supply chain responsibility

*Prepared by the Commission on Business in Society*

### Introduction

The purpose of this paper is to present ICC views on supply chain responsibility from a global and multi-sectoral perspective. These views are based on the extensive and diverse experience of ICC member companies across a broad range of sectors and geographies. Building on this experience, ICC offers practical recommendations to help companies build effective supplier relationships that will lead to good business practices across their supply chains. This document is also intended to help the public at large, including governments, intergovernmental and non-governmental organizations, gain a better understanding of the policy implications that companies have to consider when managing supply chain issues.

### What is supply chain responsibility?

Supply chain responsibility, also referred to as responsible sourcing, can be broadly defined as a voluntary commitment by companies to manage their relationships with suppliers in a responsible way. As a result of their purchasing activities, companies may have some opportunities to influence constructively their suppliers' social and environmental performance. This can be done using several incentives, including information and training, as well as audits of suppliers' practices. Whatever mechanism is used, the most effective way to achieve sustained improvement over time is through the development of a long-term collaborative relation between corporate buyers and their suppliers, through which suppliers can internalize change by participating in the shaping of social and environmental performance objectives, based on their own perception of their business capacity and needs.

### A corporate commitment

Supply chain responsibility is an area of growing importance for business, particularly in sectors where production is largely outsourced (for example clothing and footwear, electronic and food products) and often takes place in developing countries where the enforcement of social and environmental legislation may be weak or ineffective. In these countries, sometimes characterized by the absence of key elements of sound public governance, companies may not be able to rely on government oversight to ensure that local working conditions and production processes meet acceptable standards.

A number of initiatives have been taken by individual companies and sector associations to assist suppliers in complying with their legal obligations. While these initiatives should not be considered as a substitute for governments' primary responsibility to enact and implement national legislation, they can play a helpful role in the improvement of social and environmental practices, notably in export-oriented sectors, which employ a large and growing share of the workforce of many developing countries.

### **An integral part of supply chain management**

With rising raw material costs and competitive pressures on prices to consumers, it is understandable that companies seek greater efficiencies in their supply chains. But cost cannot be the only factor to be taken into consideration when negotiating business relationships with suppliers. In order to develop sourcing strategies that will support brands over the long term, it is in a company's interest to consider a comprehensive range of supply chain issues including product quality and safety, continuity of supply and delivery, and the protection of intellectual property.

As part of this process, a growing number of companies have chosen to address working conditions and ethical, environmental, health and safety, and human rights issues as an integral component of their procurement strategy, since good practice in these areas can make a significant contribution towards the ultimate goal of supply chain continuity and long-term efficiency.

Companies with brand exposure and consumer visibility have become particularly alert to the strategic importance of supply chain responsibility. As experience has shown, notably in these sectors, one incident with one supplier can cause a disproportionate amount of adverse publicity and damage to a company's reputation and brand image<sup>1</sup>. More generally, a company's overall efforts to manage its activities in a responsible way can be seriously discredited if low standards of business conduct persist in the supply chain.

### **Policy implications**

For companies, a commitment to supply chain responsibility has important implications both from a policy standpoint and in terms of the resources necessary to discharge this responsibility. These will vary depending on the particular circumstances of individual companies, including the commercial environment in which they operate and the nature of their supplier relationships.

#### **The primary role of government**

A basic principle for all companies is to deal with suppliers who comply with the local law in their business activities. Monitoring compliance with the law is a matter of law enforcement and the ownership of this function properly rests with government. In many parts of the world, however, the lack of government involvement in enforcing social and environmental standards makes it difficult for companies to ensure that good business practices prevail across their global supply chains. As a result, corporate buyers find themselves having to address issues that lie outside their core competencies and remit as private institutions, but which they have to shoulder to ensure business continuity and competitiveness.

While companies can help fill this gap through voluntary initiatives, it is clear that no effective long-term progress will be made without greater involvement of governments to ensure that local laws are respected and that domestic working conditions meet acceptable standards. A World Bank study showed a clear consensus among corporate buyers and suppliers that the absence of local government action presented the most significant barrier to the achievement of better social and environmental performance among suppliers<sup>2</sup>.

- 
- 1 "Assurance for a Sustainable Supply Chain", Discussion Paper by the Fédération des Experts Comptables Européens, June 2005.
  - 2 Strengthening implementation of corporate social responsibility in global supply chains, The World Bank Group, October 2003.

Governments should be reminded that there are significant economic and social benefits that flow from effective regulation and enforcement in this area. The drive for higher social and environmental standards can lead to increased productivity and country competitiveness, which in turn attract investment (including foreign direct investment) and help local businesses move up the value chain. Government action also captures entire economies, since national social and environmental regulations are not confined to export-oriented sectors, thereby contributing to broad economic development and the achievement of higher living standards.

### **A shared responsibility**

Many companies have literally thousands of suppliers across the globe. It would be inappropriate from a legal standpoint, and simply impossible from a practical point of view, to expect them to be responsible for the actions of all suppliers and sub-suppliers in their supply chain. However, as a result of their purchasing activities, companies may have leverage to influence and monitor their suppliers' business conduct.

What companies can reasonably be expected to do to manage their supply chain responsibly is to work with their suppliers on a collaborative basis towards improving their social and environmental performance. This can best be achieved by using a combination of approaches and tools such as:

- providing information and training to suppliers on the development of management systems;
- organizing on-site visits and worker interviews;
- using a global supplier code as a benchmark for compliance;
- incorporating supplier requirements into commercial contracts, and
- carrying out assessments of suppliers' facilities and practices, including through independent monitoring where appropriate.

Measuring suppliers' social and environmental performance raises the question of which standards should be used as a benchmark. A minimum requirement should be compliance with applicable national legislation, including relevant labour and environmental laws. Some companies also decide to promote standards reflecting various international conventions and declarations on social and environmental issues, which may sometimes go beyond local legislation.

A useful point of reference in this respect is the Global Compact and its "ten principles" covering human rights, labour standards, the environment and anti-corruption<sup>3</sup>. These principles, which are derived from relevant intergovernmental instruments such as the ILO Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights, are specifically addressed to companies and have enjoyed increased recognition as a benchmark for good business practice.

### **The variety of supplier relationships**

The expectations of the public with regard to responsible sourcing have been largely influenced by the experiences of sectors in which supply chain relationships are characterized by large multinational companies being able to exert strong influence on small suppliers. But it is important to note that the nature of supply chain relations can vary greatly across economic sectors and from company to company.

---

3 See [www.unglobalcompact.org](http://www.unglobalcompact.org).

A company's supply chain is constituted by all those involved, through upstream and downstream linkages, in processes and activities delivering value in the form of products or services to the user. Companies have many different types of suppliers: suppliers that provide components, parts and services for the company's products, and suppliers that provide services, resources or products that enable a company to carry out its business. In many ways, the nature of a company's business relationships with its suppliers will determine its ability to promote and influence change.

For example, some companies account for only a small percentage of their supplier's output and turnover, making it difficult for them to have an influence on their behaviour. Companies may also deal with monopolistic suppliers of specialty products, leaving them with very little leverage to impose additional requirements of any kind. In the manufacturing sector, large-scale suppliers of resource inputs (e.g. supplies from the oil industry) are often larger and able to exert more influence than their customers. In other cases, companies might engage with suppliers on short-term contracts or one-off orders, making it difficult to plan and implement long-term responsible sourcing strategies. The agricultural sector presents its own challenges as the suppliers in question are often smallholder farmers, using only their families and some casual labour to assist them. In these cases, promoting and ensuring responsible practices can become a difficult exercise as they are not employees or suppliers in the normal sense and are widely dispersed geographically.

#### **The merits of a risk-based approach**

For companies dealing with large numbers of suppliers, monitoring social and environmental compliance across the supply base may lead to logistical and financial challenges that far exceed their capacity. In this context, a risk-based approach can lead to positive results by helping companies to allocate resources more efficiently and to concentrate efforts where they are most needed, and most likely to bring about change.

An essential dimension of this approach for companies is to treat the supplier-selection phase as a key step in the process of integrating supply chain responsibility considerations into their commercial purchasing and risk management systems. When considering sourcing from low-cost countries, companies should envisage undertaking risk analysis at the outset, so that labour and environmental issues that could arise are known early on and accounted for as part of the cost-benefits analysis for such sourcing.

Because not all suppliers present risks, and many of them will have good business practices already in place, companies should focus attention and resources on high risk areas and avoid the implementation of supply chain monitoring systems that apply "across the board". For example, a leading mobile telecommunication company has developed a system to identify high-risk suppliers with which it decides to conduct more detailed evaluations and engage in corrective action in areas falling below requirements. Such an approach requires that companies weigh the costs of training their suppliers against their broader commercial interests, which could sometimes lead them to favour terminating high-risk supplier relationships.

Another matter for companies to consider is how far down the supply chain should their involvement extend. A practicable approach would be to focus on suppliers responsible for the main steps in the production process, for example, in textile and footwear production, the cutting, sewing and assembly of clothing and footwear, since this is where the greatest incidence of poor labour and environmental performance is likely to be found.

In other sectors, where risks may be more diffused down the supply chain, companies may find it most effective to work with their direct suppliers to ensure that social and environmental considerations in turn play a role in their direct suppliers' relations with second and third tier suppliers. But this approach may not be practicable for sectors that operate through middle markets, where hundreds or thousands of small producers feed in to, and for which it is virtually impossible to identify the supply chain.



## 4.3 Text ICC-Guide to responsible sourcing

ICC Commission on Business in Society

### ICC guide to responsible sourcing

*Integrating social and environmental considerations into the supply chain*

#### Introducing responsible sourcing

##### What is responsible sourcing?

Responsible sourcing, also referred to as supply chain responsibility, is a voluntary commitment by companies to take into account social and environmental considerations when managing their relationships with suppliers.

This strategy is now an integral part of effective supply chain management. As production chains expand, companies of all sizes and sectors are devoting more efforts to managing supply chain risks and building long-term supplier relationships. Improving social and environmental performance in production chains is becoming a major element of this process.

As experience has shown, one bad incident with one supplier can lead to a disproportionate amount of adverse publicity, damaging a company's reputation and brand image. This has led a growing number of companies to develop and promote responsible sourcing practices.

Indeed, effective supply chain management is a way for businesses to build a competitive advantage, especially in sectors where production is largely outsourced, such as clothing, footwear, electronics, or food products.

For many companies, working towards improving social and environmental standards in the supply chain has become a natural extension of their commitment to corporate responsibility and, as such, forms part of their overall business model.

##### Getting involved

Many companies have literally thousands of suppliers across the globe. While a company cannot be held accountable for the actions of all its suppliers, its purchasing activities may create leverage to influence and monitor its suppliers' conduct in areas such as working conditions, respect for labour rights and environmental protection.

The ability of companies to influence their suppliers' business conduct will vary greatly depending on the commercial environment in which they operate and the nature of their supplier relationships. The great diversity that exists within business requires companies to consider a range of tools and approaches so that these can be tailored to their specific circumstances.

To help companies develop their own approaches to responsible sourcing, this guide prepared by the International Chamber of Commerce (ICC) provides a series of practical steps from a global and multistakeholder perspective. These steps are based on real-life experiences collected from ICC member companies around the world, and can be used by companies of all sizes, sectors and regions.

## Six steps to responsible sourcing

The following guidance presents basic steps that companies can take to influence and monitor social and environmental performance in their global supply chains.

Because not all suppliers pose risks, and many have good business practices already in place, a company should focus on high-risk areas, concentrating efforts where they are needed most and most likely to bring about change.

### Step one: selecting a supplier

A careful selection of suppliers is one of the best ways to ensure continuity and long-term efficiency of the global supply chain as well as enduring brand support.

When choosing a supplier, in addition to making a final determination on cost, companies often need to evaluate a range of supply chain issues: product quality and safety, continuity of supply and speed of delivery, and intellectual property protection. Criteria such as working conditions, environmental practices, safety standards, and human rights policies should also be factored into the selection process.

When sourcing from low-income countries, a risk analysis should be conducted at the beginning, so that labour and environmental issues can be identified early on and integrated into a cost-benefit analysis.

As a first step, companies should check basic facts about the social and environmental legislation and the level of enforcement in the country of production, to assess potential production risks.

### Step two: set clear expectations on compliance with the law

When contracting with a supplier, companies should make it known that they expect their business partners to comply with all national laws and regulations, including labour and environmental laws, and as appropriate, to take into account principles from relevant international instruments, which may sometimes go beyond local legislation.

These instruments include the International Labor Organization (ILO) *Declaration on Fundamental Principles and Rights at Work*, other ILO conventions, and the *Universal Declaration of Human Rights*. Another useful reference is the Global Compact and its “10 principles” covering human rights, labour standards, the environment, and anti-corruption.

A company can also adopt a supplier code of conduct. Before doing so, it should consider the possible difficulties for suppliers to comply with the proliferation of such codes and their requirements.

To ease the compliance burden on suppliers, which are often small and medium-sized enterprises, a company may consider partnering with a sectoral association that has developed an industry-wide supplier code of conduct.

Examples of such initiatives include the Business Social Compliance Initiative, the Electronics Industry Citizenship Coalition and the International Council of Toy Industries CARE Foundation.

### Step three: integrate responsible sourcing into buying practices

By integrating responsible sourcing into its own buying practices, a company should avoid undermining the capacity of suppliers to respect social and environmental standards. Inefficient practices, such as rush orders, last-minute changes or placing orders that surpass suppliers’ capabilities, which often lead to excessive overtime work and other compliance violations, should be avoided.

A company can initiate direct improvements in two ways: by raising awareness among its corporate buyers of the impact their decisions might have at factory level; and by encouraging

more coordination among corporate buyers, a supplier's sales team, and production units when planning production schedules.

#### **Step four: support suppliers in setting their own business standards**

A company should encourage suppliers to develop their own responsible practices rather than imposing requirements on them. In doing so, it is essential to stress the commercial benefits of responsible business practices on quality, productivity, contract renewals, and lowering employee turnover.

To help them internalize change, suppliers should be directly involved in the shaping of performance objectives. This way, suppliers can integrate these objectives into their own business strategy, based on their individual capacity and needs.

If useful, a company can provide training to its suppliers to help them improve their management practices and performance. Such support is an integral element of the knowledge transfer that comes with sourcing. Training programmes for management and employees may cover supervisory skills, environmental management, and raising awareness of health and safety practices.

In sectors where labour or health and safety risks may be present further down the supply chain, a company can also work with its direct suppliers to ensure that social and environmental considerations in turn play a role in their relations with second and third tier suppliers.

#### **Step five: track supplier compliance**

Companies can ask their suppliers to provide comprehensive information about their social and environmental practices. On-site visits can also be organized to monitor suppliers' progress, or lack of progress, in meeting social and environmental performance objectives. Evaluating this information may become part of a company's regular assessments of business requirements, such as quality control.

To make performance checks truly effective, companies should involve their suppliers' factory management and workers in monitoring, and give them the training and tools to develop their own compliance system and to identify problems.

Taking a risk-based approach can help with a large base of suppliers when monitoring social and environmental compliance. Companies should focus on high-risk suppliers rather than monitoring across the board, as well as on suppliers in charge of the main steps in the production process.

A company can save monitoring costs by collaborating with other companies from the same sector and developing common approaches for auditing suppliers.

To harmonize monitoring practices and ease the compliance burden of suppliers, several sector associations have brought together manufacturers of branded goods, suppliers, retailers and customers with a view to develop common tools and rationalize supply chain requirements.

Initiatives which bring together non-governmental organizations, trade unions and companies can also help encourage dialogue and build overall confidence in the compliance process.

#### **Step six: manage stakeholder expectations and reporting**

To build customer trust, companies can collect information on supplier performance across markets, and publish it in an annual report or other publicly-available format. Reporting efforts should be used to measure performance and flag areas for improvement.

Some companies also choose to validate their first or second-party monitoring (audits conducted by the company or on behalf of a company by another organization) by third-party monitoring (conducted by independent bodies). A company's strategy in this area will often be shaped by the way it manages its broader stakeholder relationships, for example its relations with consumers and local communities.

## Minding supply chain gaps

The various steps set forth in this guide are meant to help companies define their basic approach to responsible sourcing.

However it is important to bear in mind that integrating social and environmental considerations in global supply chains is a shared responsibility that embraces a wide range of actors.

### The role of government

Responsible sourcing can go a long way towards improving social and environmental practices across industries and production chains. But no long-term progress is possible without greater government involvement in passing and enforcing laws.

The positive role of many governments in this area should be highlighted. In some parts of the world, however, the will or capacity of governments to enforce basic rules is lacking. In such cases, voluntary initiatives by companies can help fill the gap, but should not be considered as a substitute to government action.

Some governments should be reminded of the significant economic and social benefits that flow from effective regulation and enforcement. The drive for higher social and environmental standards can lead to increased productivity and greater competitiveness, which in turn attracts investment and helps local businesses move up the value chain. Government action also captures entire economies, since national social and environmental regulations are not confined to export-oriented sectors, thereby contributing to broad economic development and the achievement of higher living standards.

### How to deal with non-performance

Improving social and environmental performance in global supply chains can only be achieved with the effective participation of stakeholders at all levels, including suppliers which are directly in charge of integrating social and environmental standards into their business operations.

However, companies must be prepared to face the risk of non-compliance in their supply chain.

When suppliers do not meet expectations, or when a company discovers a serious compliance violation, the company should agree with the supplier on a realistic timetable of improvements.

If solutions cannot be found and performance does not improve, termination of relationship should be seriously considered, but only as a last resort. Deciding to terminate a supplier relationship should be carefully weighed as it may deprive a supplier of the resources necessary to improve business practices and lead to worsening worker conditions.

## Moving forward with responsible sourcing

### *A checklist for companies engaged in supply chain relationships*

The following checklist summarizes some of the important steps that companies can take when entering supply chain relationships:

- Check basic facts about the social and environmental legislation in the countries of production of prospective suppliers. Find out about the level of enforcement in these countries to assess production risks.

- Check whether prospective suppliers qualify for independent certification of conformity with recognized social and environmental standards.
- Clearly define your expectations to your suppliers. Make clear that compliance with all applicable laws is a minimum.
- Explore potential risk areas with suppliers and agree on the desired level of performance. If necessary, use a supplier code of conduct as a benchmark for compliance and incorporate supplier requirements into commercial contracts.
- Raise awareness among your purchasing officers of the impact that their purchasing practices might have on production at factory level.
- Carry out assessments of suppliers' facilities and practices, including through independent monitoring where appropriate, or by organizing onsite visits and worker interviews.
- Find out about sectoral initiatives which can help conduct assessments and provide information and training to suppliers on responsible business practices.

### Some examples of responsible sourcing initiatives

A number of initiatives led by sectoral associations and multi-stakeholder bodies have emerged with a view to provide more specific guidance on basic requirements which can be expected from suppliers, as well as to develop operative frameworks for conducting supplier assessments and training programmes.

Participation in such initiatives can come with important benefits in terms of harmonizing approaches and fostering dialogue. Examples of well-known initiatives include the following:

- The Business Social Compliance Initiative ([www.bsce-u.org](http://www.bsce-u.org)), a European business-driven platform for the improvement of social compliance in all supplier countries and for all consumer goods;
- The ICTI-CARE process ([www.icti-care.org](http://www.icti-care.org)), the international toy industry's ethical manufacturing programme, aimed at ensuring safe and humane workplace environments for toy factory workers worldwide;
- The Electronic Industry Code of Conduct ([www.eicc.info](http://www.eicc.info)), a code of best practices adopted and implemented by some of the world's major electronics brands and their suppliers with a view to improve conditions in the electronics supply chain;
- The Fair Labour Association ([www.fairlabor.org](http://www.fairlabor.org)), a network of companies, civil society organizations, and universities protecting workers' rights and improving working conditions worldwide by promoting adherence to international labour standards;
- The Ethical Trading Initiative ([www.ethicaltrade.org](http://www.ethicaltrade.org)), an alliance of companies, non-governmental organizations and trade union organizations which promotes the implementation of corporate codes of practice covering supply chain working conditions;
- Worldwide Responsible Apparel Production ([www.wrapapparel.org](http://www.wrapapparel.org)), an independent organization dedicated to the certification of lawful, humane and ethical manufacturing in apparel production;
- SA8000 ([www.sa-intl.org](http://www.sa-intl.org)), a comprehensive system for managing ethical workplace conditions throughout global supply chains.

Whatever mechanism is used, it is important to remember that the most effective way to achieve sustained improvement over time is by developing a long-term collaborative approach between companies and their suppliers, through the involvement of local management and employees in the shaping of social and environmental performance objectives.

## For further background on responsible sourcing, the following papers will provide useful reading:

- **ICC guidance on supply chain responsibility** – Policy statement by the International Chamber of Commerce, October 2007
- **Beyond monitoring: a new vision for sustainable supply chains** – Business for Social Responsibility, July 2007
- **Corporate social responsibility in China's information and communications technology sector** – Foreign Investment Advisory Service and Business for Social Responsibility, July 2007
- **Meaningful change: raising the bar in supply chain working standards** – Roseann Casey, prepared for John Ruggie, UN Secretary-General Special Representative on business and human rights, November 2006
- **Assurance for sustainable supply chains** – Fédération des Experts Comptables Européens, June 2005
- **Strengthening implementation of corporate social responsibility in global supply chains** – World Bank Group, October 2003

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. ICC promotes an open international trade and investment system and the market economy, and helps business corporations meet the challenges and opportunities of globalization.

Business leaders and experts drawn from ICC's global membership establish the business stance on broad issues of trade and investment policy as well as on vital technical subjects.

ICC was founded in 1919 and today it groups member companies and associations in 130 countries.

### ICC Commission on Business in Society

This guide to responsible sourcing has been developed by the ICC Commission on Business in Society. The commission is ICC's main working body on corporate responsibility issues, helping to define the role of business in the context of globalization and changing societal expectations. Members of the commission are senior corporate responsibility executives within global companies in a variety of sectors.

For further reading about responsible sourcing and other commission activities, please visit

[www.iccwbo.org/policy/society](http://www.iccwbo.org/policy/society) or email [julian.kassum@iccwbo.org](mailto:julian.kassum@iccwbo.org)

38 Cours Albert 1er, 75008 Paris, France

T +33 (0)1 49 53 28 28

F +33 (0)1 49 53 28 59

I [www.iccwbo.org](http://www.iccwbo.org)

# 5 Guideline 400 and the Guide to Sustainability Reporting of the Dutch Accounting Standards Board

## 5.1 Description and commentary

*What is the Dutch Accounting Standards Board (DASB) [Raad van de Jaarverslaggeving]?*

Founded in 1981, the Foundation for Annual Reporting [*Stichting voor de Jaarverslaggeving*] aims to foster quality in external reporting, particularly in the annual accounts, of legal entities and other organisations in the Netherlands. It seeks to achieve this objective by publishing authoritative statements and recommendations on external reporting and by issuing opinions on external reporting requirements to the government and to other regulatory bodies, either of its own accord or in response to requests.

The Foundation's board is made up of representatives of the following organisations: Confederation of Netherlands Industry and Employers (VNO-NCW); Dutch Trade Union Federation (FNV); National Federation of Christian Trade Unions of the Netherlands (CNV); Order of the Netherlands Institute of Registered Accountants (NIVRA); Association of Investment Analysts (VBA); Dutch Order of Accountant-Administrator Consultants (NOvAA); Royal Dutch Association of Small and Medium-sized Enterprises (MKB-Nederland) and Eumedion. The Dutch Accounting Standards Board (DASB) is the executive body of the Foundation and made up of the representatives of the preparers, the users and the auditors of annual accounts. It is charged with the task of drafting and publishing the authoritative statements and recommendations and of advising the government and other regulatory bodies.

*Why is Guideline 400 important?*

The Social and Economic Council of the Netherlands emphasised the importance of transparency within the context of CSR in its advisory report *On Sustainable Globalisation: A World to be won*.<sup>1</sup> Enterprises are advised to clarify their own objectives and values and how they go about achieving them. Transparency enables enterprises to win the trust of their stakeholders, build their reputations and command their employees' and customers' loyalty.

It is against this background that the Council referred in its 2000 advisory report *De Winst van Waarden* to the possibility of the DASB publishing further guidelines. The DASB thereupon issued two publications in 2003:

- a new version of its Annual Report Guideline 400 [*Richtlijn 400 Jaarverslag*], adapted to include information on CSR in the report of the board of directors/board of management as regards existing financial reporting;

---

<sup>1</sup> See the SER Advisory Report *On Sustainable Globalisation*, p. 110. See also the SER advisory report *Corporate Social Responsibility: A Dutch Approach*.

- a guide to separate sustainability reporting.

Guideline 400 was amended in 2005. Pursuant to Section 2:391(1) of the Dutch Civil Code, enterprises are now asked to present information in their annual reports on non-financial performance indicators, including environmental and employee matters, insofar as necessary to acquire a good understanding of their results or their position. In this way, the Netherlands complies with the EU's Accounts Modernisation Directive. Similar arrangements therefore apply in every EU Member State.

*Who does Guideline 400 address?*

Guideline 400 basically applies for all large and medium-sized legal entities. In its Accounts Modernisation Directive,<sup>2</sup> the European Commission indicates that every Member State may allow for exemptions based on enterprise size. The Dutch Civil Code allows a partial exemption for medium-sized enterprises (see Section 2:397(7) of the Code). These enterprises are not required to discuss non-financial performance indicators in their annual reports as referred to in Section 391(1). Small enterprises are not obliged to draw up an annual report at all (Section 2:396(6) BW). The box below discusses how the Civil Code defines medium-sized and small enterprises.

### Definition of small and medium-sized legal entities in the Dutch Civil Code

“Small legal entities” (Section 2:396 of the Civil Code) are legal entities that satisfy two or three of the following requirements (see paragraph 1, Section 2:396 of the Code): 1) their total assets do not exceed EUR 4.4 million, 2) their net commercial turnover does not exceed EUR 8.8 million and 3) they employ fewer than 50 workers throughout the financial year. “Medium-sized legal entities” (Section 2:397 of the Code) are legal entities that satisfy two or three of the following requirements (see paragraph 1, Section 2:397 of the Code): 1) their total assets do not exceed EUR 17.5 million, 2) their net commercial turnover does not exceed EUR 35 million and 3) they employ fewer than 250 workers throughout the financial year. Medium-sized legal entities are large, but they are not among the largest enterprises or corporate groups.

The amounts cited may be altered by a general administrative order [*algemene maatregel van bestuur*].

*What are the most important CSR elements in Guideline 400?*

The Guideline's recommendations concern the following aspects:

<sup>2</sup> Directive no. 2003/51/EC of the European Parliament and of the Council of 18 June 2003, OJEC L 178.

**General aspects:** the enterprise's most important challenges, the extent to which these determine its business strategy, the role of the stakeholders in this context, the relationship between environmental, social and economic aspects and the impact on the public of such product and service factors as safety and quality.

**Environmental aspects (Planet):** the attitude of the enterprise toward the environment, the impact of environmental risks and obligations on the enterprise's financial position.

**Social aspects (People):** employment, policy on employment terms, co-determination, health and safety, etc. This also includes human rights (including worker rights and the policy on child labour, forced labour, non-discrimination and anti-corruption).

**Economic aspects (Profit):** taxation, distribution of added value among stakeholders, knowledge generation and dissemination to society by means of research and development, training and so forth.

In all these aspects, the Guideline advises enterprises to focus on dialogue with stakeholders, the relevant policy and how it is organised, policy implementation and outcomes, and expectations for the future.

#### *Guide to Sustainability Reporting*

In addition to amending Guideline 400 in 2005, the DASB has also developed a conceptual framework for separate sustainability reporting (the Guide to Sustainability Reporting [*Handreiking voor maatschappelijke verslaggeving*]). The Guide focuses on the group of medium-sized and large enterprises that come within the scope of the Annual Report Guideline 400. As the DASB states in its foreword, however, the Guide may also be applied by other organisations. The Guide provides points of reference and considerations. Section 5.3 presents the Guide's management summary.

The provisions of Guideline 400 and the Guide to Sustainability Reporting are based in part on the guidelines developed by the Global Reporting Initiative (see Appendix 1 to the Statement).

#### *Revision of Guideline 400 and recommendations on supply chain reporting*

The Dutch Government would like the DASB to evaluate the revised recommendations on sustainability reporting and to amend or tighten them up where necessary. As the field of sustainability reporting is evolving, the Government does not wish to lay down legal requirements.<sup>3</sup>

---

3 See the policy document *Inspireren, innoveren, integreren: kabinetsvisie maatschappelijk verantwoord ondernemen 2008-2011*, 13 December 2007, p. 12.

The Social and Economic Council of the Netherlands has asked the DASB to supplement Guideline 400 and the Guide to Sustainability Reporting by developing recommendations for enterprises concerning their reporting on international supply chain responsibility, based on the ICC's Guidance on Supply Chain Responsibility and good practices in this context. The DASB has responded positively to this request (letter to Social and Economic Council chairman, 16 September 2008).

## 5.2 Text Guideline 400 (relevant selection)

### INFORMATION ON ASPECTS OF CORPORATE SOCIAL RESPONSIBILITY

117. Three aspects of sustainability are generally associated with business activities: environmental, social and economic. By consciously considering these aspects and the impact of business activities on them, legal entities can make a contribution to sustainable development. This is often referred to as corporate social responsibility. The public increasingly expects legal entities to report on the impact of the sustainability aspects of their business activities. Such reporting should cover the enterprise's policy, its implementation and outcomes, and future sustainability/CSR expectations. The standards for such disclosure are still under development.

Compared with annual financial reporting, sustainability reporting by legal entities is still in its infancy. Our notions of what constitutes good sustainability reporting can only evolve if we provide guidance for such reporting.

Such guidance should be based not only on national models and ideas, but also on international concepts and proposals. One important example is the Global Reporting Initiative (GRI), which has the active support of the United Nations (UNEP).

118. In the present state of debate about sustainability reporting, the preparers and users of such reports must themselves indicate what information they believe should be provided and what information they prefer to receive.

The purpose of sustainability reporting is not solely to meet the information needs of users, but also to give the relevant legal entity the opportunity to reveal its commitment to the community through its business objectives and actions.

119. In order to promote transparency in the actions of legal entities, paragraphs 120 to 123 offer a framework for supporting and guiding sustainability reporting and how such reporting is evolving. We recommend that this framework be applied when reporting on the sustainability aspects of business. The concepts used within this context are explained below.

120. We recommend reporting on the sustainability aspects of business in the legal entity's annual report or in a separate document (for example a separate annual sustainability report, annual social report and/or annual environmental report; we refer to the Guide to Sustainability Reporting, version 2003) or in both the annual report and a separate report.

If the legal entity reports on sustainability aspects in both the annual report and a separate report, the separate report should provide more detailed information than the annual report. It would then be advisable for the annual report annex annual accounts to refer to the separate report. This also applies only if a separate reporting document is issued. The annual report may also refer to the intention to publish a separate report of this kind.

121. Where required in order to understand the development, results or position of the legal entity and group enterprises, the analysis given in the annual report should encompass both financial and non-financial performance indicators, including on environmental and personnel

matters. When reporting on corporate social responsibility, it is advisable to consider each of the following aspects:

a. general aspects

The most important problems/challenges faced by the legal entity, to what extent they affect corporate strategy, the role played by the legal entity's stakeholders, the relationship between environmental, social and economic aspects (see b., c. and d. below), and the sustainability aspects of the products sold and/or services rendered (e.g. safety, quality).

b. environmental aspects

Information on the attitude of the legal entity toward the environment, the implications of environmental risks and obligations for the legal entity's financial position, and the environmental performance of the legal entity insofar as this has implications for its financial position.

The Explanatory Note recommends that the following information be provided with respect to environmental matters:

1. the legal entity's environmental protection policy and programmes, specifically those intended to prevent pollution/contamination;
2. improvements in important areas of environmental protection since the policy was introduced;
3. the extent to which environmental protection measures have been or are being implemented, based on the relevant legislation;
4. information on environmental performance, for example energy, material and water consumption, emissions and waste disposal, provided this information is appropriate and significant given the nature and size of the legal entity;
5. if the legal entity issues a separate environmental report, a reference to that report.

The information referred to in point 4. may then consist of a brief summary of the environmental information and a reference to the environmental report.

c. social aspects

These include employment-related matters, for example employment (staff numbers and average staff turnover), employment terms, employee labour market and social insurance provisions (including measures to prevent occupational disability, outplacement facilities and labour pools), consultations between employees and management, employee co-determination, health and safety, education and training, diversity and career opportunities. They also include human rights (including worker rights and the policy on child labour, forced labour and non-discrimination), integrity (anti-corruption policy), commitment to the community, etc.

d. economic aspects

These include the financial contribution to the community in which the legal entity operates in the broadest sense (for example in the form of taxes), the entity's financial contribution to its stakeholders (customers, suppliers, employees, financing bodies and government) and the generation and general dissemination of knowledge (R&D) (see also paragraphs 111 to 116), training and so forth.

- 122 In reporting on the aspects listed in paragraph 121, it is advisable to consider the following elements of each relevant aspect:
- *dialogue with stakeholders*  
The amount of detail in the report depends in part on whether or not the stakeholders play an active role;
  - *policy pursued on the particular aspect*  
This should cover what policy is pursued with respect to each aspect and what the primary concerns are. The legal entity can align its policy with existing national and international declarations, conventions and guidelines. This element also concerns the financial and economic aspects;
  - *the organisation of that policy*  
This concerns the distribution of duties and responsibilities within the legal entity and how these are managed (the governance structure and related management information systems);
  - *the implementation of that policy and its outcomes*  
This concerns information on policy implementation, based on the results recorded in the year under review, for example a list of measures and achievements. The information provided here should also include a review of the audits performed on policy implementation measures and policy outcomes and the realisation of any previously announced expectations; and
  - *expectations for the future*  
See paragraphs 110 and 126 to 132 for recommendations concerning the information to be provided on this element.
- 123 It may be important to distinguish between different segments when providing the information described above. We recommend adhering to the relevant provisions in Chapter 350, Segmented Information.

#### INFORMATION ON THE USE OF A CODE OF CONDUCT

- 124 Dutch legal entities listed on the stock exchange and subject to the 23 December 2004 Decree establishing further instructions concerning the content of the annual report [*Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag*] must provide information in their annual report on their compliance with the Dutch corporate governance code pursuant to this Decree. The legal entity must indicate whether or not it complies with a code of conduct and which code of conduct that is. Furthermore, it must indicate whether its compliance with this code of conduct is mandatory or voluntary. The legal entity must also refer in its annual report (or table of contents) to a source of information about compliance with the code of conduct (for example the website).



### 5.3 Text Guide to Sustainability Reporting (management summary)

The objective of this guide is to provide a conceptual framework which organisations can use for the preparation of their sustainability report. It gives points of reference and considerations. The user group of sustainability reports is diverse. Moreover, the sustainability aspects are specific to each organisation. In addition to using guides, it is therefore important to conduct a dialogue with stakeholders.

While sustainability reports are prepared above all by organisations in the production and services sectors, they are relevant to other organisations, too, such as government institutions and civil-society organisations.

Sustainability reports provide information on the economic, environmental and social aspects of an organisation and the effects of its operations on society. One of the objectives of sustainability reporting is to inform an organisation's stakeholders. In this way, an organisation at the same time accounts to its stakeholders for the manner in which it has assumed its responsibilities in different fields. Sustainability reports set the stage for the dialogue between organisations and their stakeholders.

Sustainability reporting not only satisfies the needs of stakeholders for information, however. It has benefits for the reporting organisation as well, in that it considers new market opportunities, provides more insight into risks, and offers an opportunity to improve its reputation, enhance employee motivation, reduce conflict, and contribute to the culture of the business and/or its internal cohesion. It can also lead to lower financing costs.

The information in sustainability reports is understandable, relevant, reliable and comparable. The image that is projected in sustainability reports is representative of the actual situation. The information in sustainability reports is logically structured in its presentation of policies, objectives, management, performance and future developments. For a proper interpretation of an organisation's performance, information is required on the organisation concerned, the scope of the report and reporting policy.

Changes in reporting policy or manner of presentation are adequately explained. Sustainability reports give information on the perception an organisation has of economic, environmental and social sustainability and its policies in these fields. In addition, information is provided on how an organisation has embedded economic, environmental and social sustainability in its management structure and systems. Information is also given on the dialogue with stakeholders and the outcome of such dialogue. It is important in this respect to put the economic, environmental and social performance in the right context and explain it adequately. The manner of presentation is so structured that comparison over time is possible.



Sustainability reports can be published in a variety of ways: separately or in combination with financial reports. Organisations should preferably publish their sustainability report annually, if possible at the same time as their financial annual report. Organisations that publish information via the Internet can opt to update this information more frequently. Organisations make their sustainability report available on request. In order to promote accessibility, the website of the organisation concerned indicates whether it publishes a sustainability report or not.

For the purpose of comparison over time, organisations are expected to retain their sustainability report covering at least three consecutive years.

# Appendix

## International and national public/private CSR initiatives: a selective list<sup>1</sup>

### I. International initiatives

#### **The European Alliance for CSR (2006)**

In March 2006, the European Commission published a Communication on Corporate Social Responsibility (CSR). Following on from this Communication, the European Alliance for CSR was founded in the same year. The Alliance is a European network of enterprises – including a number of Dutch companies – that wish to share their expertise about and promote corporate social responsibility (CSR).

#### **Business Leaders Initiative on Human Rights (BLIHR) (2003)**

This is a programme set up by a number of top business executives and chaired by Mary Robinson, former President of Ireland and former UN High Commissioner for Human Rights. The programme is intended to “help develop the corporate response to human rights”. On 4/5 December 2008, the BLIHR organised a major international seminar on business and human rights in Paris marking the 60<sup>th</sup> anniversary of the Universal Declaration of Human Rights. The BLIHR programme was created in 2003 and will end in 2009. Mary Robinson is also the President of Realizing Rights: the Ethical Globalization Initiative (2002).

#### **Foundation for Natural Leadership (2002)**

The aim of the Foundation is to use various “transformation programmes” to support the development of 21<sup>st</sup> century leadership and to raise consciousness about the connection between nature and humanity, based on a paradigm shift from separateness to interconnectedness.

#### **Earth Charter (2000)**

In 1987, the World Commission on Environment and Development (the Brundtland Commission) called for a “new charter” to set “new norms” to guide the transition to sustainable development. A draft UN Earth Charter was then developed during the Earth Summit in Rio de Janeiro in 1992. After years of consultation with NGOs, professional organisations, national committees and international experts, consensus was finally reached on the draft Charter, which was formally launched in 2000.

---

1 This list is an updated version of the appendix to the SER Advisory Report *Duurzame Globalisering: een wereld te winnen* (June 2008).

The Earth Charter makes a strong moral appeal to human beings and nations to take responsibility for one another, future generations and nature. It sets out a number of principles: respect and care for the community of life, ecological integrity, social and economic justice, democracy, non-violence and peace. Each of these principles is described in detail. One of the standard-bearers of the initiative, former Dutch Prime Minister Ruud Lubbers, compares the Earth Charter with the Universal Declaration of Human Rights (1948), which has acquired significant moral status in the international community. The Earth Charter Handbook, a guide for those who are working with the Earth Charter down on the ground, was published in the autumn of 2008. See also [www.earthcharterinaction.org](http://www.earthcharterinaction.org).

### **Global Compact (1999)**

In 1999, the then Secretary-General of the United Nations, Kofi Annan, speaking at the World Economic Forum in Davos-Klosters (Switzerland), called on enterprises to help the UN improve standards on human rights, labour, the environment and anti-corruption. The Global Compact initiative was launched for that reason. Enterprises align themselves voluntarily with the initiative. Hundreds of enterprises, primarily large ones, now subscribe to the Global Compact principles.

The Global Compact's ten principles are:

#### *Human Rights*

- 1 Businesses should support and respect the protection of internationally proclaimed human rights, and
- 2 make sure that they are not complicit in human rights abuses.

#### *Labour Standards*

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

#### *Environment*

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

#### *Anti-Corruption*

- 10 Businesses should work against all forms of corruption, including extortion and bribery.

The ICC's *Guide to Responsible Sourcing* (2008) (see explanatory note to the Statement) makes reference to these principles.

In the Netherlands, ABN AMRO, Shell, TNT and Unilever set up the Netherlands Network of the UN Global Compact (Global Compact in the Netherlands) in 2006, which now has

35 members. The purpose of Global Compact in the Netherlands is to get more enterprises to sign the Global Compact, to promote mutual learning by means of peer review and information sharing, and to set up joint projects. In June 2008, a conference on responsible sourcing was held at Akzo Nobel under the auspices of Global Compact in the Netherlands.<sup>2</sup>

In November 2008, a number of the Dutch Global Compact enterprises (Akzo Nobel, Essent, Fortis, KLM, Philips, Rabobank, Shell and Unilever) took steps to launch a special project focusing on business and human rights. The project was inspired by the report "Protect, Respect and Remedy: A Framework for Business and Human Rights" by Professor John Ruggie, Harvard Professor and Special Representative of the Secretary-General of the United Nations for Business and Human Rights. The report attempts to clarify the responsibilities borne by governments, businesses and other actors in respecting human rights in global business. The aim of the project is to map out the implications of the report for participating businesses and consider the new opportunities the proposals offer them. The project findings will be shared with other national and international enterprises. The intention is to draw up a set of "good practices" that will be used as input for the second phase of Professor Ruggie's mandate, in which he will develop his proposals in greater and more specific detail.

See [www.unglobalcompact.org](http://www.unglobalcompact.org) .

Global Compact in the Netherlands:

[www.unglobalcompact.org/NetworksAroundTheWorld/country\\_contact/netherlands.html](http://www.unglobalcompact.org/NetworksAroundTheWorld/country_contact/netherlands.html)

#### **Ethical Trading Initiative (ETI) (1998)**

The Ethical Trading Initiative (ETI) is an alliance of companies, NGOs and trade union organisations. It exists to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions. Its ultimate goal is to ensure that the working conditions of workers producing for the UK market meet or exceed international labour standards.

See [www.ethicaltradinginitiative.com](http://www.ethicaltradinginitiative.com) .

#### **Global Reporting Initiative (GRI) (1997)**

The Global Reporting Initiative (GRI) is worldwide network that operates under the auspices of the United Nations (UNEP) and has its headquarters in Amsterdam. The Global Reporting Initiative's vision is that the disclosure of businesses' economic, environmental and social performance should be as commonplace and comparable as financial reporting. The GRI's mission is to develop and continuously improve the GRI Sustainability Reporting Framework, the cornerstone of which are the G3 Sustainability Reporting Guidelines. These Guidelines are the most popular reporting framework in the world.

---

2 For a report on this conference, see: [http://generator.vnoncw.internax.nl/upload/279123\\_7087\\_1217932848496-Symposium\\_verslag.pdf](http://generator.vnoncw.internax.nl/upload/279123_7087_1217932848496-Symposium_verslag.pdf).

The G3 Guidelines consist of reporting principles and 79 environmental, social and economic performance indicators, all of which are based on international conventions and codes. Each indicator is accompanied by a specific technical protocol that refers, where relevant, to international legal and generally accepted conventions, codes and standards. The principles concern such matters as materiality, balance and accuracy. The principle of materiality makes it possible for enterprises to select the topics on which they will report, in consultation with their stakeholders. The GRI is supported by a unique, worldwide multi-stakeholder network of some 30,000 individuals representing businesses, NGOs, trade unions, investors, the academic world and accountancy. The Guidelines are publicly available to enterprises and organisations worldwide.

A KPMG study conducted in 22 countries in 2008 showed that more than 70 percent of the enterprises that report on sustainability make use of the GRI Guidelines. That number includes the majority of listed Dutch companies. The DASB's Guideline 300 refers to the GRI Guidelines.

GRI and the Global Compact have entered into a strategic alliance. The Communication on Progress issued by the UN Global Compact members, for example, is based on the GRI Guidelines.

According to a 2007 study exploring the reasons for using the GRI Guidelines, many enterprises believe that the Guidelines create value in the process of writing a sustainability report. Their motto is: "What you can measure, you can manage; what you can manage, you can change".

#### **Social Accountability International (SAI) (1997)**

The SAI is a multi-stakeholder initiative launched in the USA to promote fundamental labour standards and good working conditions. The SAI's best known standard is the SA8000 (1997; revised in 2001).

See [www.sa-intl.org](http://www.sa-intl.org) .

#### **International Union for the Conservation of Nature (IUCN) (1948)/IUCN National Committee of the Netherlands (1996)**

Also known as the World Conservation Union. The IUCN works to combat the loss of biodiversity. It is the only nature conservation organisation whose members include governments and NGOs. It also has a large network of scientists divided into six commissions. The Dutch members (the state and 35 organisations) are united in the IUCN National Committee, which was recognised by IUCN in 1996. The National Committee serves as a bridge between NGOs, the government, business and science (see [www.iucn.nl](http://www.iucn.nl)).

**World Business Council for Sustainable Development (WBCSD) (1991)**

Initially, the WBCSD concentrated on environmental issues, but its focus has now shifted to include the social dimension of business. Its objectives are: to draw the attention of business to environmental protection and the need for sustainable development, to develop policy that enables business to make an effective contribution to sustainable development, to draw the attention of other members to positive results, and to contribute to a sustainable future via its worldwide network. Some 140 enterprises (five from the Netherlands) in more than thirty countries and twenty different sectors now participate in the WBCSD.

**Coalition for Environmentally Responsible Economies (CERES) (1989)**

CERES is a non-profit coalition of investor groups, environmental organisations, pension funds and labour groups that engages directly with businesses to promote responsible international corporate environmental conduct.

**Social Venture Network (SVN) (1987)**

The SVN is an association of enterprises and individual business leaders who have united to help build a just economy and a sustainable planet. The SVN has drawn up a set of Standards of Corporate Social Responsibility. SVN in the Netherlands organises a number of meetings every year.

**European Business Ethics Network (EBEN) (1987)**

The EBEN is a non-profit association supported by a number of leading European enterprises. It is dedicated to the promotion of ethics and excellence in businesses. The EBEN also has national networks, including in the Netherlands.

**Caux Round Table (CRT) (1986)**

The Caux Round Table is an international network of principled business leaders working to promote moral capitalism. It advocates implementation of the CRT Principles for Business through which “principled capitalism can flourish and sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society”.

See [www.cauxroundtable.org](http://www.cauxroundtable.org).

**Council for Ethical Leadership (late 1970s)**

The Council is a global organisation of leading enterprises, educational institutions and other professional members who work together to promote ethical business leadership and accountability.

**World Economic Forum (1971)**

The WEF is an independent organisation committed to “improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas”. While maintaining its independent status, it is supervised by the Swiss government.

The WEF organises meetings, takes initiatives and publishes reports on numerous aspects of globalisation. Its annual meeting, attended by several thousands of participants, takes place in Davos-Klosters in late January.

See also: [www.weforum.org](http://www.weforum.org) .

#### **Greenleaf Center for Servant Leadership (1970)**

Businessman Robert Greenleaf introduced the concept of “servant leadership” in an essay in 1970, leading to the establishment of the Greenleaf Center. The Center aims to make servant leadership the key leadership concept of the 21<sup>st</sup> century as a manifestation of corporate social responsibility. The Servant Leadership Foundation is the movement’s official representative in the Netherlands. An Academy was set up under the auspices of the Foundation which hosts a variety of different activities (e.g. a European Servant Leadership conference in Bussum on 19 November 2008).

#### **International Organization for Standardization (1947)**

The International Organisation for Standardization (ISO) is the world’s largest developer and publisher of international industrial standards. The national standards institutes of 158 countries are members of its network. The ISO is currently developing a CSR guidance standard (not a certification standard) for organisations: ISO 26000. The standard will refer to many existing standards and arrangements. Stakeholders from 54 countries are involved in developing the standard, in cooperation with the ILO. The standard will become effective in late 2010.

#### **UNIAPAC (1931)**

The aim of the UNIAPAC, a federation of associations and an “international meeting place for Christian Business Leaders” (founded in 1931; VNO-NCW is now a member), is to promote “a vision and a deployment of Corporate Social Responsibility serving people and the common good of the World”. In March 2008, UNIAPAC published ‘The Profit of Values: a Christian Vision on CSR, a Form of Management for Long-lasting Successful Businesses’. This document will form the basis of UNIAPAC’s 2009 international congress in Mexico.

See also [www.uniapac.org](http://www.uniapac.org) .

## **II. Various Dutch initiatives**

#### **Dutch Sustainable Trade Initiative [Initiatief Duurzame Handel] (2007)**

The Dutch Sustainable Trade Initiative was launched by the Dutch Government and civil-society organisations, enterprises and trade unions on 30 June 2007. Its aim is to improve the sustainability of international supply chains. The idea is that supply chains that consider their social and ecological impact can help achieve the Millennium Development Goals on poverty reduction, fair trade, and a sustainable living environment

in developing countries. The IDH focuses mainly on sustainability in production chains in those sectors that have thus far had little experience with CSR and supply chain responsibility, and on increasing the impact of existing initiatives in numerous sectors. The ambition of the IDH is to concentrate and cluster knowledge and experience. It runs two types of programme: improvement and development programmes and the Inter-Sector Learning programme (ISL).

In 2008, four sectors – the stone, soy, cocoa, and timber and other forest products sector – indicated their intention of tackling sustainability in their supply chain within the context of IDH by introducing improvement programmes supported by a consortium of sector-based parties. In addition, the tourism and tea sectors announced their desire to work on sustainability in their supply chains. They will begin with a six-month development programme resulting in their submission of an improvement programme. Other sectors will also be submitting and implementing IDH development and improvement programmes in the years ahead.

#### **Dutch Employers' Cooperation Programme (DECP) (2005)**

The Dutch Employers' Cooperation Programme was launched in 2005. It is a public-private partnership established by Dutch employers and the Ministry of Foreign Affairs with the aim of strengthening the position of employers' organisations in 36 partner countries, most of them in the developing world, based on the conviction that well-functioning business organisations can make a contribution to sustainable economic development in the partner countries (see also the DECP Annual Report 2007).

#### **MVO Nederland (2004)**

MVO Nederland was founded in 2004 by the Dutch Ministry of Economic Affairs, following publication of the Social and Economic Council's Advisory Report in 2000. It is an expertise and network organisation that encourages businesses to practice corporate social responsibility. MVO Nederland focuses mainly on small and medium-sized enterprises, and more specifically on the vanguard in this group: enterprises that are keen to get started on CSR but do not (yet) know precisely how to go about it. MVO Nederland does the following to encourage CSR:

- it gets enterprises, civil society, government, education and research to work together on exploring effective solutions to sustainability issues;
- it collects and disseminates examples, tools, stories and publications pertaining to CSR;
- it is building an expanding network of organisations that practise corporate social responsibility;
- it organises meetings to encourage knowledge sharing;
- it seeks publicity for CSR;
- it runs CSR projects based on specific needs and requests.

The government originally planned to fund MVO Nederland until 1 January 2009. It has now decided to extend funding until the end of the present Cabinet period. The executives and management of MVO Nederland are assisted by a Programme Council whose members include representatives of VNO-NCW and MKB-Nederland.

**Dutch CSR Platform [MVO Platform] (2002)**

The Platform is a network of 33 NGOs (Amnesty International, Oxfam NOVIB, ICCO, etc.) and a number of trade unions. It promotes CSR-related activities in developing countries.

**Stichting Samenleving&Bedrijf (S&B) (2000)**

S&B was set up in 2000 at the initiative of various Dutch ministries and ABN AMRO, Ordina, Rabobank, Randstad and Shell. It has approximately 26 larger companies as contributing members. Its aims are comparable to those of MVO Nederland. The members believe that by practising CSR, they are investing in sustainable solutions. S&B develops various activities (including an annual meeting with the Dutch prime minister). In 2009, S&B will be merged into MVO Nederland, thereby extending the latter's remit to include large companies.

**Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) (1996)**

The VBDO is a Dutch organisation that represents the interests of investors who invest in sustainable development. It has approximately 1000 private and institutional investors as members. The aim of VBDO is to introduce sustainability principles in the capital market. The organisation engages in dialogue with listed companies, visits meetings of shareholders, conducts studies and organises meetings. In 2007, the VBDO published its second Supply Chain Responsibility benchmark [Benchmark Maatschappelijk Verantwoord Ketenbeheer], which compares the responsible outsourcing efforts of 32 large listed companies.

**Trade Union Co-Financing Programme [Vakbondsmedefinancieringsprogramma] (1985)**

The Trade Union Co-financing Programme contributes to poverty reduction, income redistribution and the empowerment of the poor in more than a hundred countries by supporting trade unions in their efforts to: defend the rights of workers and their unions; combat discrimination, child labour and forced labour; promote social protection; encourage social dialogue.

See also: FNV Mondiaal (2008) Jaarverslag 2007, Amsterdam; CNV Internationaal (2008) Jaarverslag 2007, Utrecht.

**PUM Netherlands Senior Experts [Programma Uitzending Managers] (1978)**

PUM is a VNO-NCW initiative. Under this programme, Dutch senior managers and experts volunteer to work on projects in the Third World and Eastern Europe. They offer direct advice to companies and institutions there that require specialist knowledge and experience in the field.

### III. National and international multi-stakeholder (sector) initiatives

In some cases we give only a brief description or mention the name of the organisation concerned. Many of the descriptions are taken from the relevant websites.

#### Wood

There are a number of alliances and certification schemes in the wood and forestry sector, including the FSC (see below), probably the best known because it is supported by the DOEN Foundation and the Dutch government (like other privately financed initiatives). In addition, there are other activities and certification programmes, for example Chain of Custody (CoC), which is run by the Netherlands Timber Trade Association [Vereniging van Nederlandse Houtondernemingen], see [www.vvnh.nl](http://www.vvnh.nl). Many of these organisations regard illegal logging as an important issue.

#### *Forestry Stewardship Council (FSC) (1993)*

Aim: sustainable wood and sustainable forestry. As stated on its website:

“FSC is an international stakeholder owned system for promoting responsible management of the world’s forests. It sets international standards for responsible forest management. It accredits independent third party organisations who can certify forest managers and forest product producers to FSC standards. Over the past 13 years, over 90 million hectares in more than 70 countries have been certified according to FSC standards while several thousand products are produced using FSC-certified wood and carrying the FSC trademark. FSC operates through its network of National Initiatives in 45 countries”.

Founded: “In 1990 in California, USA, a meeting took place of a group of timber users, traders and representatives of environmental and human-rights organisations who had identified the need for an honest and credible system for identifying well-managed forests as acceptable sources of forest products. This meeting concluded that this system would include a global consensus on what is meant by good forest management, independent audits of the management and a global umbrella organisation. It developed the name ‘Forest Stewardship Council (FSC)’. In 1993 FSC was formally founded during a meeting in Canada, with 130 participants in 26 countries.”

Participants, organisation, etc.: see [www.fsc.org](http://www.fsc.org).

There is also the Rainforest Alliance ([www.rainforest-alliance.org](http://www.rainforest-alliance.org)), an American NGO active in agriculture, forestry, tourism and education, which runs its own Sustainable Business Forum for member enterprises.

#### **Fisheries: Marine Stewardship Council (1997)**

Aim: sustainable fish and fisheries. As stated on its website:

“The Marine Stewardship Council (MSC) is an independent, global, non-profit organisation with offices in the UK, USA, Australia, Japan and the Netherlands. In a bid to reverse the continued decline in the world’s fisheries, the MSC is seeking to harness consumer purchasing power to generate change and promote environmentally responsible stewardship

of the world's most important renewable food source. The MSC has developed an environmental standard for sustainable and well-managed fisheries. It uses a product label to reward environmentally responsible fishery management and practices. As of September 2007 there are 857 MSC-labelled seafood products sold in 34 countries worldwide. Over 7% of the world's edible wild-capture fisheries are now engaged in the programme, either as certified fisheries or in full assessment against the MSC standard for a sustainable fishery. The MSC has a staff of 29 and is headed by the Chief Executive who reports to the Board of Trustees. The MSC programme works through a multi-stakeholder partnership approach, taking into account the views of all those seeking to secure a sustainable future."

The MSC was founded by Unilever and the WNF/WWF.

For participants, governance structure, etc.: see [www.msc.org](http://www.msc.org) .

#### **Mining and Minerals: Voluntary Principles on Security and Human Rights (2000)**

Participants: 17 enterprises (in the mining and minerals sector, including Shell, four governments (Norway, the Netherlands, the UK and the USA) and eight NGOs.

Working methods, etc.: see [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org) .

#### **Clothing: Fair Wear Foundation (2001)**

The Dutch Fair Wear Foundation (FWF) is a multi-stakeholder initiative by employers' organisations, trade unions, and NGOs in the garment industry. By signing the FWF's Code of Labour Practices, member enterprises agree to have the FWF verify compliance with labour standards at their garment factories. The FWF guarantees the transparency of its member enterprises; the FWF files yearly reports on members' annual reports, the verification audits performed, Code infringements observed, and what improvement agreements have been made. The FWF also has a complaints procedure enabling employees/employee representatives at garment factories supplying FWF members to file complaints about their working conditions or Code infringements. The complaints procedure is described in detail. The FWF publishes an in-depth report of each complaint handled and the outcomes on its website.

For more information, see [www.fairwear.nl](http://www.fairwear.nl) .

#### **Palm Oil: Roundtable on Sustainable Palm Oil (RSPO) (2003)**

Aim: "The RSPO is an association created by organisations carrying out activities in and around the entire supply chain for palm oil to promote the growth and use of sustainable palm oil through cooperation within the supply chain and open dialogue with its stakeholders. The RSPO aims to bring together members of the community working on palm oil to discuss and to cooperate towards this common goal."

The founders include Unilever and the WNF/WWF.

Participants, organisation, etc.: see [www.rspo.org](http://www.rspo.org) .

**Finance: Equator Principles (2003)**

Aim: “A banking industry framework for addressing environmental and social risks in project financing. The Equator Principles are now adopted by over forty financial institutions from all over the world, covering most of the large international investment projects.”

ING, Rabobank and ABN AMRO were involved in this initiative from the very beginning. American anti-trust legislation means that this is not a multi-stakeholder network, but its organisational structure is extremely “lite” and it is generally highly regarded by NGOs.

Participants, organisation, etc.: see [www.equator-principles.com](http://www.equator-principles.com) .

**Retail: Business Social Compliance Initiative (BSCI) (2003)**

The BSCI is a CSR platform for European retailers. Dutch member enterprises include Ahold, Hema, Bijenkorf and Vroom & Dreesman. All BSCI members must undergo an independent audit to check their compliance with the BSCI Code of Conduct, which is based on various international conventions protecting workers’ rights. The BSCI also acts as a platform for multi-stakeholder dialogue with NGOs, governments and trade unions.

**Soy: Roundtable on Sustainable Soy (RSS) / Task Force Sustainable Soy [Duurzame Soja] (2005)**

For working methods, participants, etc.: see [www.taskforceduurzamesoja.nl](http://www.taskforceduurzamesoja.nl) .

**Sustainable Food Chain Foundation [Stichting Duurzame Voedingsmiddelenketen] (DuVo) (1995)**

The Sustainable Food Chain Foundation (DuVo) unites a number of well-known enterprises from throughout the food supply chain in their search for methods to increase the sustainability of their businesses. Starting in the mid-1990s, the Foundation gradually introduced a process consisting of three elements:

- a dialogue with the relevant stakeholders leading to mutual understanding; based on that understanding, quantifiable criteria can be developed to guide and monitor an improvement process;
- knowledge creation in order to provide factual knowledge that will improve the substance of the dialogue;
- open knowledge-sharing in order to allow as many parties as possible to share the insights gained.

Since 1999, DuVo has organised dialogue meetings at regular intervals, each one focusing on a different theme. DuVo regularly publishes booklets reporting on these meetings and on its activities in general. DuVo believes its primary aim is to inspire its members, thereby helping them pursue their own sustainability policy. One of the most important ways in which it achieves this aim is by allowing members to share their experience with one another (see: [www.duvo.nl](http://www.duvo.nl)).

## Certification programmes

### Max Havelaar

Max Havelaar is one of the best known and oldest CSR certification programmes. Because it has a built-in price guarantee for small-scale coffee farmers, however, the programme has never broken out of its “niche” status. As a result and in response to this, a number of more “mainstream” certification programmes have been developed, including:

### Utz certified

Aim: “One of the largest coffee certification programmes in the world. Provides independent assurance of responsible production and sourcing. Creates opportunities for farmers to improve business practices and meet market expectations. Trust mark for brands to meet their customers' expectations regarding social and environmental responsibility”.

Founding, participants, etc.: see [www.utzcertified.org](http://www.utzcertified.org).

### SMK

Begun as a multi-stakeholder network set up to develop environmental certification programmes, SMK ultimately gained the support of the Dutch Ministry of Housing, Spatial Planning and the Environment. Many of its labels now have a social as well as an environmental dimension. SMK has developed certification programmes in a wide range of areas, for example “green gold” and “sustainable site management”. It applies the Kimberley Principles in the diamond sector (see [www.smk.nl](http://www.smk.nl)).

## IV. International Framework Agreements between the social partners

Several international industry-level trade unions have concluded International Framework Agreements with a number of enterprises concerning the enforcement of the ILO’s fundamental labour standards.

## Codes of Conduct / Framework Agreements \*

concluded between Transnational Companies and Global Union Federations (GUF)

Company	Employees (**)	Country	Branch	Global Union Federation	Year
Danone	100,000	France	Food Processing	IUF	1988
Accor	147,000	France	Hotels	IUF	1995
IKEA ****)	84,000	Sweden	Furniture	IFBWW	1998
Statoil	16,000	Norway	Oil Industry	ICEM	1998
Faber-Castell	6,000	Germany	Office Material	IFBWW	1999
Freudenberg	27,500	Germany	Chemical Industry	ICEM	2000
Hochtief	37,000	Germany	Construction	IFBWW	2000
Carrefour	383,000	France	Retail Industry	UNI	2001
Chiquita	26,000	USA	Agriculture	IUF	2001
OTE Telecom	18,500	Greece	Telecommunication	UNI	2001
Skanska	79,000	Sweden	Construction	IFBWW	2001
Telefonica	161,500	Spain	Telecommunication	UNI	2001
Indesit (Merloni)	20,000	Italy	Metal Industry	IMF	2002
Endesa	13,600	Spain	Power Industry	ICEM	2002
Ballast Nedam	7,800	Netherlands	Construction	IFBWW	2002
Fonterra	20,000	New Zealand	Dairy Industry	IUF	2002
Volkswagen	325,000	Germany	Auto Industry	IMF	2002
Norske Skog	11,000	Norway	Paper	ICEM	2002
AngloGold	64,900	South Africa	Mining	ICEM	2002
DaimlerChrysler	372,500	Germany	Auto Industry	IMF	2002
Eni	70,000	Italy	Energy	ICEM	2002
Leoni	18,000	Germany	Electrical/Automotive	IMF	2003
ISS	280,000	Danmark	Building Clean. & Maintenance	UNI	2003
GEA	14,000	Germany	Engineering	IMF	2003
SKF	39,000	Sweden	Ball Bearing	IMF	2003
Rheinmetall	25,950	Germany	Defence/Automotive/Electronics	IMF	2003
H&M (Hennes & Mauritz)	40,000	Sweden	Retail	UNI	2004
Bosch	225,900	Germany	Automotive / Electronics	IMF	2004
Prym	4,000	Germany	Metal Manufacturing	IMF	2004
SCA	46,000	Sweden	Paper Industry	ICEM	2004
Lukoil	150,000	Russia	Energy / Oil	ICEM	2004
Renault	130,700	France	Auto Industry	IMF	2004
Impregilo	13,000	Italy	Construction	IFBWW	2004
Electricité de France (EDF)	167,000	France	Energy Sector	ICEM / PSI	2005
Rhodia	20,000	France	Chemical Industry	ICEM	2005
Veidekke	5,000	Norway	Construction	IFBWW	2005
BMW	106,000	Germany	Auto Industry	IMF	2005
EADS	110,000	Netherlands	Aerospace	IMF	2005
Gebr. Röchling	8,000	Germany	Auto supply	IMF	2005
Schwan-Stabilo	3,000	Germany	Writing material	IFBWW	2005
Lafarge Group	77,000	France	Building materials	IFBWW / ICEM/WFBW	2005
Arcelor	95,000	Luxemburg	Steel Industry	IMF	2005
Staedtler	3,000	Germany	Writing Instruments	BWI	2006
PSA Peugeot Citroën	207,000	France	Auto Industry	IMF	2006
Royal BAM Group	27,000	Netherlands	Construction	BWI	2006
Portugal Telecom	32,000	Portugal	Telecommunication	UNI	2006
Securitas	217,000	Sweden	Security Industry	UNI	2006
Euradius	600	Netherlands	Printing	UNI	2006
France Telecom	200,000	France	Telecommunication	UNI	2006
Volker Wessels	17,000	Netherlands	Construction	BWI	2007
Brunel	3,500	Netherlands	Service Industry	IMF	2007
Umicore	14,000	Belgium	Metal / Mining	IMF / ICEM	2007
Inditex ****)		Spain	Wholesaler		2007
Vallourec	18,000	France	Steel Industry	IMF	2008
<b>Total employees covered</b>	<b>4,281,850</b>				

Bron: Sorted by year of concluding / signing the agreement © Robert Steiert (IMF) / Marion Hellmann (BWI) – 2007.  
Zie: K. Papadakis (2008 Research on transnational social dialogue and International Framework Agreements (IFA's),  
International Labour Review, vol 147 (2008) – nr. 1, pp. 101-103.



## This declaration was prepared by the ad hoc Committee International Corporate Social Responsibility

### Composition of the Committee

#### *Independent members*

dr. A.H.G. Rinnooy Kan (president)  
prof.dr. J.H. Garretsen  
prof.mr. P.F. van der Heijden

#### *Employer organisation members*

mr. J.W. van den Braak (VNO-NCW)  
drs. G. van der Grind (LTO Nederland)  
drs. K.B. van Popta (MKB-Nederland)

#### *Worker organisation members*

mr. P.J. Gortzak (FNV)  
drs. E. Haket (MHP)  
K.I. van Splunder (CNV)

#### *Secretariat*

dr. B. van Riel  
mr. A. van den Bosch-de Gier  
drs. J. Parlevliet

