



## ELEVENTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 15 March 2002. It was chaired by Ms. Robinson (Government, Canada). Ms. Hornung-Draus (Employer, Germany) and Mr. Patel (Worker, South Africa) were Employer and Worker Vice-Chairpersons respectively.
  2. The Chairperson welcomed the members of the Subcommittee, secretariat and observers, and in particular Ms. Renate Hornung-Draus, the newly appointed Vice-Chairperson for the Employers' group. She thanked Mr. Bryan Noakes for his valuable work since 1996 as Vice-Chairperson for the Employers' group.
- I. Follow-up on and promotion of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy: Promotional and research activities, technical advisory services, and the Tripartite Forum on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**
- II. Selected developments in other organizations**
3. The representative of the Director-General (Ms. Diller, Acting Head, Multinational Enterprises Programme) introduced the two agenda items. The first paper<sup>1</sup> for discussion was a report on activities to promote the aims of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), including the Tripartite Forum on promoting the MNE Declaration (Forum). The report drew upon the operational framework and survey recommendations endorsed by the Governing Body at the Subcommittee's last sitting. As reflected in the paper, the Office had sought to base its work on several guiding principles endorsed by the Subcommittee, in particular: consulting with the constituents, collaborating with existing ILO programmes, and promoting

<sup>1</sup> GB.283/MNE/1.

strategic linkages between research and other activities. The report highlighted how the Office had sought to carry forward three key objectives in pursuing promotion of the Declaration endorsed by the Governing Body. The first objective was enhancing awareness of the Declaration and how to apply it. In this respect, the paper described progress on the Forum, to be held in Geneva on 25 and 26 March. The paper also focused on the Declaration's communications strategy, including electronic dissemination of information and meetings' presentations. In particular, the web site, a poster and Quick Guide on the Declaration were available in the three main languages of the Organization. As part of the communications strategy, the Office had undertaken development of a User Guide to be published as an Office document. The constituents had provided comments on descriptive elements of the Guide, and the Office intended to further consult with them on an advance copy of the text to ensure that the Guide was user-friendly and consistent with existing ILO policy. Thereafter, it was proposed that the Guide be piloted for a time after which the experience of ILO constituents and field offices in using it could be ascertained, with a view to improving the text if needed. A second key objective endorsed by the Governing Body was facilitating application of the Declaration at national and regional levels. In this respect, the paper listed recently published and imminent studies on Argentina, Kenya and Costa Rica, and work in progress on follow-up seminars and workshops in those and other countries. The paper also identified relevant projects conducted by other units of the ILO, training activities, and efforts to disseminate and integrate results of the seventh survey across the work of the ILO and beyond. The third objective was advocating the aims of the Declaration with other international organizations, on which the paper set forth Office contributions. Samples of referenced promotional materials, presentations and reports had been made available to the Subcommittee. The Office had sought to advance the effective application of the Declaration while operating under a reduced budget in terms of professional staff, and financial and other resources. The views of the Subcommittee were invited on where priorities could be placed to maximize effectiveness with the limited resources available.

4. The Office paper under the second agenda item<sup>2</sup> provided information on developments in other organizations. Previously, the Office had relied solely on reports requested from organizations and there had been difficulties in obtaining information in some cases. This time, given those difficulties as well as time constraints, the Office had used information published or generally made available by the organizations concerned, and intended, where time permitted, to continue to make requests directly to the organizations as well. The Office had sought to include only those organizational activities that were guided by some form of instrument that directly or indirectly addressed multinational enterprises (MNEs) and their activities, and to do so with diversity of home and host country involvement in mind. Every attempt had been made to complement rather than duplicate developments on other organizations reported elsewhere in the Governing Body. The Subcommittee was invited to reflect on the broad issues and trends arising from the activities reported.
5. The Worker Vice-Chairperson congratulated the Employer Vice-Chairperson on her election and thanked Mr. Noakes for his work in the Subcommittee and for his continuous attachment to ILO values while defending employers' positions. Regarding the Forum, he thanked the Office for the helpful introduction of what would be more extensive information presented at the Forum. The Workers believed, as stated previously, that this event would be most valuable and helpful if it were seen as a different sort of process of engagement that was informal, exploratory, and as open as possible. The Forum was an opportunity to build new partnerships as a means to genuinely promote the MNE Declaration and opened a significant area of new work as the basis for ongoing dialogue. It

<sup>2</sup> GB.283/MNE/2.

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would be helpful if the output of the Forum, in the form of a synopsis of insights, could inform the work of the Subcommittee in taking forward that process.

6. Regarding communications products, the Worker Vice-Chairperson appreciated that the third edition of the MNE Declaration had already been issued in nine languages even though it had only recently been published. He observed that some technical improvement on the Declaration's content could still be made, in particular an updating of ILO Conventions and Recommendations. While no major revision was needed for the moment, he proposed that the Office start a technical examination in order to be able to point out such amendments needed the next time the Declaration was to be reprinted. The first Office paper provided a static but nonetheless helpful picture of Office activities while a more dynamic forward-looking picture that included forthcoming activities could be even more helpful for the Subcommittee's discussion. He proposed that the Office prepare a document setting out planned activities anticipated over the next two years, for discussing at the next sitting of the Subcommittee.
7. Regarding paragraph 20 of the first Office paper, the Worker Vice-Chairperson suggested that the CD-ROM on codes of conduct be made available to the Subcommittee members since the product was useful in light of the various voluntary initiatives that MNEs, employers, workers and governments had to address. It would be helpful to undertake further research on how the various initiatives and guidelines compared with the MNE Declaration in application, implementation, and the role of various players. In addition, to improve the focus of the MNE Declaration in strengthening the role of social partners and given the tremendous potential of tripartite partnerships reported previously, the Office could give consideration to setting practical numerical targets for capacity building and partnerships involving ILO constituents. The participants in the Forum might have ideas of this nature that the Subcommittee would ultimately consider, which exemplified the need to be open about the use to be made of the results of the Forum. Promoting the MNE Declaration in this way could bring it high-brand recognition in the global marketplace so everyone knew what it contained and how to use it. He further proposed the possibility of carrying out concrete case studies on best practices and difficulties of MNEs in areas covered by the Declaration in a number of different settings, to be tabled in the Subcommittee for discussion. Concerning paragraph 31, the Workers supported collaboration across the Office on the UN Global Compact, including in the Standards Department, and wished to be kept informed of it on a regular basis. With regard to paragraphs 26 and 27, the Subcommittee should start thinking together about the next survey to come out with a product that meets the needs of the ILO, and proposed that the Office start with some preliminary work in consultation with the constituents that would identify different options in terms of format and focus. If the thinking were done early, there would be an opportunity to consider how to bring out a useful product for trade unions, employers and governments.
8. In reference to the second paper, the Worker Vice-Chairperson thanked the Office for the information provided and the organizations that had been covered were linked to the mandate of the Subcommittee. He wished that, as with the first document, future coverage would also highlight forthcoming activities. While he appreciated the time lag involved in preparing the document, looking to the future would allow consideration ahead of time of the impact that such activities could have on the ILO. It also might be worthwhile to compare experiences under the OECD Guidelines and the MNE Declaration.
9. The Employer Vice-Chairperson appreciated the welcome extended to her and, with regard to the first agenda item, congratulated the Office on its many activities to promote the MNE Declaration. The Employers stressed that all activities should be relevant to the MNE Declaration and should highlight the distinctiveness of the MNE Declaration in relation to other instruments and in particular its tripartite structure, voluntary nature and

focus on multinational enterprises. Regarding the Workers' comments, the MNE Declaration served as a universal reference point which inspires many individual initiatives by companies and sectors. Moreover, the diversity reflected in the great quantity of initiatives, in different regions and sectors of the world, was rather positive and many studies had already been done. In promoting the Declaration, it was important for the Office to focus on transparency and the voluntary nature of the Declaration in order to encourage the acceptance and implementation of the Declaration by enterprises. The Employers generally supported the Workers' proposal for a forward-looking approach in the next Office paper under the first agenda item. Collaboration with the Employers' and Workers' Activities Bureaux should be very close so that everyone was well informed and could actively support work on the MNE Declaration. With regard to the Forum, the Employers fully agreed with the Workers that there should be an informal exchange of practical experiences, which they expected would bring out the multiplicity of situations faced by enterprises. The Employers wanted the participants in the Forum to genuinely be people with personal experience of MNEs and coming from enterprises. With regard to the communications strategy, she praised the Office for translating the MNE Declaration so quickly, a task that had facilitated its effective promotion. However, as a newcomer, she wondered about the added value of the poster in terms of efficient ways to use the budget. Concerning the User's Guide, the Employers wanted to point out that the Office had consulted them on the Office outline but not the full text, and they did not know to what extent their proposals had been retained. The Employers wanted the Guide to be a useful tool for enterprises by being user-friendly, written in clear language, and emphasizing the voluntary aspect of the Declaration. In future, the Employers' Activities Bureau of the Office should be more closely involved. Regarding paragraph 12, she asked the Office about its contribution to the meeting in Washington, DC, since it dealt with the OECD guidelines, and the distinctions between the two instruments needed to be clearly set forth. On paragraph 14, she wondered about the Office presentation on the legal dimensions of the Declaration, since the instrument had a voluntary character. As to paragraph 20, she congratulated the Office for the database of codes of conduct that helped achieve transparency while reflecting the rich diversity of voluntary initiatives. Concerning paragraphs 26 and 27, she recalled the Employers' opinion, expressed previously, that most of the enterprises had been viewed in a positive light in the seventh survey. This showed that the MNE Declaration was having a positive effect, and this should be made known by the ILO. In this respect, the Employers disagreed with the Workers' view that much more needed to be done to promote the Declaration. Looking forward to the next survey, she asked for a new approach to the survey report, in particular in three areas. First, the reporting procedure should be less cumbersome; second, it might be helpful to focus each survey on some but not all topics covered by the Declaration; and third, the summary of reports should adopt a more accessible style. With reference to paragraph 30, she wondered about the Office contribution in relation to the MNE Declaration, bearing in mind that the UN draft code drew attention to all kinds of enterprises. Concerning paragraph 33, she asked whether the Office included the MNE Declaration in its contribution to the OECD Round Table.

10. Concerning the second agenda item, the Employer Vice-Chairperson asked the Office to highlight the relevance to the MNE Declaration of the developments reported. While appreciating the contribution of the Office to the revision of the OECD guidelines, the Employers believed that the National Contact Points under the OECD guidelines should not be confused with the application of the MNE Declaration since these were two different declarations with two different spheres of application. Regarding paragraph 36, there was a need to clarify the work of the Office on the UN Global Compact in relation to the MNE Declaration, particularly since the Compact dealt with all enterprises, not only MNEs and to involve ACTEMP and ACTRAV when coordinating the work on the UN Global Compact in the Office.

11. The representative of the Government of the United Kingdom noted with great interest the work done by the Office to promote and follow up the Declaration. Corporate social responsibility had an increasingly high profile throughout the world and the ILO had been ahead of its time in producing the MNE Declaration. Clearly much had been done to promote the Declaration since its adoption. In line with the Office request for the Subcommittee's views, she intended to reflect on how to maximize impact with limited resources, and concurred with the Workers' request for a forward-looking paper on Office activities that could aid the Subcommittee's focus. In this respect, areas that merited further study were auditing and verification of application of the Declaration principles; and raising awareness of the Declaration among SMEs. Her Government had already emphasized the need for the production of brief, comprehensible and accessible publicity material on the content and aims of the MNE Declaration. The Office should evaluate the impact of previous materials so as to determine how and at whom promotional material should be targeted. While welcoming the Forum, she expressed disappointment at the limits placed on attendance and surprise that such a meeting would be held behind closed doors. With regard to the next survey, she shared the views of the Workers and Employers about brainstorming new options for reporting on the results of the survey, noting that the survey held a wealth of valuable information that should be as accessible as possible. There was a need for consultation with governments and social partners on the reporting and collection of data. She suggested that the Office put together some options for consideration. She asked the Employers if they could explain further why they separated the OECD guidelines and the MNE Declaration since often they, and other instruments, were considered together and were clearly linked. She stressed that her Government placed tremendous importance on the work of the ILO under the MNE Declaration and on promoting and supporting corporate social responsibility generally. The MNE Declaration was a key international instrument and her Government worked hard to promote it. Others should support the future work of the Subcommittee and the Office, and recognize the potential for its contribution to addressing issues of globalization, sustainable development and corporate social responsibility.
12. The representative of the Government of Canada supported the comments of the United Kingdom Government and commended the Office for the quantity and quality of activities and products to promote the Declaration through multiple methods throughout the world. The Office should strive to be cost-effective in its approach, and he supported the requests made by others in the Subcommittee for the Office to prepare a document that looked at future plans. Concerning the Forum, in line with paragraph 7 of the Office paper,<sup>3</sup> the Proceedings should "inform further discussions of the Governing Body on the application and promotion of the aims of the MNE Declaration". It was important to share real life experiences in the Forum and he requested to know how the Office intended to draw out the added value of such experiences. With regard to developments in other organizations, he echoed other views expressed that it would be helpful to have a preliminary analysis of broad trends and issues arising from those developments to further focus the discussion of the Subcommittee.
13. The representative of the Government of Namibia thanked Mr. Noakes for his service to the Subcommittee and welcomed the new Employers' Vice-Chairperson. While supporting the Forum, he reiterated his Government's emphasis on the need for more decentralized and regionally oriented activities to permit developing countries to have more access and participate fully. Since there were too many voluntary instruments in the developing world seeking to address the same kind of issues, he proposed that the MNE Declaration be the standard that all other voluntary instruments follow. He was grateful that the Office

<sup>3</sup> GB.283/MNE/1.

research had included an African country, but reminded the Subcommittee that not all African countries were alike and what was relevant in one African country did not necessarily apply in another. With regard to the survey, there was a need to compare trends across surveys so the data collected in the next survey should not be too different from previous surveys. Noting that the MNE Declaration was well known in some places but had poor visibility in the developing world, he called for improved advocacy on the Declaration to address the situation.

14. The representative of the United States supported the comments made by the Governments of the United Kingdom and Canada. As emphasized by other speakers, there was a need for informal consultation on possible options for the next survey. The survey should not be an academic exercise, but should be user-friendly and accessible. His Government was looking forward to participating in the Forum.
  
15. The representative of the Director-General (Ms. Diller) welcomed the comments and suggestions of the Subcommittee and the constructive spirit in which they were made. In response to questions about meetings and activities with other organizations, she explained that the Washington meeting in paragraph 12 dealt broadly with government roles in promoting corporate social responsibility. The Office had shared a panel in Washington with an OECD representative, and had emphasized the distinctive value added by the MNE Declaration in its tripartite foundation of global values and tripartite system of implementation at international and national levels. The speech was available on the web site referenced in the footnote to paragraph 12. With regard to the meeting on legal dimensions noted in paragraph 14, the Office had explained how the voluntary principles of the MNE Declaration were based on international labour law standards and how those principles could inform the collective bargaining process that, in many countries, resulted in instruments recognized under domestic law. A copy of the intervention was available upon request. With regard to the OECD meeting noted in paragraph 33, the Office had presented information on the MNE Declaration, the content of which could be found on page 5 of the presentation that had been made available to the Subcommittee. With regard to paragraph 31 of the first paper and paragraph 35 of the second paper, the Office was informed, at latest knowledge, that it had not yet been decided whether the UN draft code of conduct would cover all companies or only multinational enterprises, although the mandate of the drafting group had originated as one focused on transnational corporations. The principles of the MNE Declaration were one of the primary foundations for the code drafting process and, as such, the Office had consulted very closely with the constituents and continued to do so in formulating its interventions, copies of which had been made available to the Subcommittee. With regard to paragraph 36 of the second paper, the coordination of ILO activities on the UN Global Compact was the responsibility of the Employment Sector of the Office which, according to information she had been given, consulted regularly with all units concerned including the Employers' and Workers' Activities Bureaux. Turning to questions relating to Office products, the CD-ROM on codes of conduct noted in paragraph 20, which had been made available to the Subcommittee, already included comparisons between codes and the principles of the MNE Declaration. As to the poster, the Subcommittee itself had suggested and decided upon having a poster as a value-added communications tool, its text had been negotiated with the Officers of the Subcommittee, and the Office intended to continue to make effective use of the poster in raising awareness of the Declaration around the world. As to the User Guide, the draft elements of which the Employers had commented on contained not only the structural topics but also descriptions of the scope and content proposed under each topic. The Office had entered into subsequent discussions, including with the Employers, to ensure full understanding of the suggestions made. Those suggestions had been taken fully into account in the draft text, on which the comments of constituents were welcome at the next stage of the Guide's development. The Office further welcomed the proposal for continuing and deepening mutual collaboration with the Employers' and

Workers' Activities Bureaux and noted the ongoing productive collaboration with Employers' and Workers' specialists in ILO field offices in promotional and research activities on the MNE Declaration. Responding to the Government of Canada, the Office intended, in line with the Governing Body's desire, that the Proceedings of the Forum take forward the value added by the Forum to the Subcommittee for further discussion and action at its next sitting. As to the survey options, the Office was prepared to assist as expeditiously as possible yet cautioned that, even were an options paper prepared for the next sitting, the process leading up to dispatch of an approved questionnaire could still take perhaps up to two years.

16. The Employer Vice-Chairperson thanked the Office for answering most of the questions but requested the Office to confirm the Employers' views about the seventh survey's positive results. The Employers further agreed with the Government of Namibia that there should be continuity between the former and next survey to make comparability possible.
17. The Worker Vice-Chairperson confirmed his view on the usefulness of carrying out research into the diversity of existing instruments, noting that such research could be helpful even for business, since there was a need to think practically given the multiplicity of codes that could be applied for different reasons to the same company. Regarding the Employers' comment on transparency, he considered the value of transparency as vital in a market full of guidelines. Greater research could help improve transparency, among other ways, by spotlighting how different instruments compared, in content and implementation, to areas of concern addressed by the ILO, such as health and safety. The Workers corroborated the Office explanation that the poster had been agreed by the Subcommittee and believed it was an important visual branding exercise. He supported the Employers' comments about a user-friendly guide and the importance of consultation with the constituents to ensure its usefulness. Differing with the Employers' view on the lack of a need for strengthening promotional activities in light of the survey results, he concurred with the Government of Namibia that the knowledge of the Declaration was very limited in developing countries, even among senior policy makers and trade union and employer representatives, and that much more could be done to raise awareness in those countries. He further agreed with the Government of Namibia that changes in the next survey should still permit comparison from one survey to another and was delighted at the consensus for brainstorming on the eighth survey. The Workers' thoughts in this regard were not unlike the Employers' three points on the next survey. He suggested each survey might focus on a general set of questions and on one of the areas of the Declaration, adding that this system, if adopted, might lead to the need to increase the frequency of the surveys. The Workers accepted the Office explanations on its activities while underscoring that a future Office document listing planned activities would make it possible to prioritize in line with concerns expressed by members of the Subcommittee. With regard to strengthening collaboration with the Employers' and Workers' Activities Bureaux, the Workers strongly supported this type of collaboration on Office activities on the UN Global Compact and other areas. He further supported the proposition of the Government of the United Kingdom on further research relating to auditing and verification systems in supply chains, including with SMEs. He agreed with the Government of Canada that, in the Proceedings of the Forum, it would be useful to have a synopsis of views reflecting major insights presented, and thanked the Government of Canada for all its support for the Forum. He supported the suggestion made by the Government of Canada that the Office provide a summary describing emerging trends in developments in other organizations as well as maintain the detail presented in the current Office paper. The Workers further welcomed the proposal of the Government of Namibia on holding decentralized forums, which could be done on the basis of sectors, regions and issues as the beginning of a programme of work of which the Forum was the first step. As the Office had noted, the options paper was only the beginning of the eighth survey process but, if consultations were started now, more consensus could be achieved earlier. The Workers considered that, along with the

value that the Office contributed to corporate social responsibility conferences, ILO constituents could contribute in their own ways, and this could be aided by making available information about meetings.

- 18.** The Employer Vice-Chairperson response to the Workers' comments on voluntary initiatives, suggested that, while the different situations could not be put into the same basket, it was important for the MNE Declaration to constitute a basis for the promotion of voluntary initiatives. Nonetheless, there were naturally many differences among the initiatives at sectoral and enterprise levels and a uniform auditing approach did not make sense. In this regard, the exchange of experiences expected at the Forum was an important tool for advancing the MNE Declaration and the goal of transparency, and the Forum should be understood in this context.
- 19.** The Worker Vice-Chairperson believed that, despite the sectoral differences among enterprises emphasized by the Employers, and indeed differences even in the same sector, a convergence of opinion was needed that a floor of core labour values applied irrespective of sectoral differences just as it did across the divergent countries and regions of the ILO, as exemplified by the Declaration. He reiterated that case studies on MNEs in areas of the Declaration, tabled for discussion in the Subcommittee, would be useful to pursuing the constructive dialogue started even further.
- 20.** On the suggestion of the Chairperson, the Subcommittee endorsed the upcoming Multinationals Forum as an opportunity for open dialogue and exchange of views, and requested the Office to prepare, for discussion at its next sitting and, as appropriate, subsequent referral to the Governing Body:

  - (1) a Proceedings on the Forum paper that provided a synopsis of views reflecting the major insights presented; and
  - (2) for the same meeting and following consultations with constituents, a paper proposing options for the format and focus of the next survey and for reporting thereon; and
  - (3) forward-looking proposals for possible future Office activities taking into account the Subcommittee's discussion and following due consultation with constituents and appropriate units of the Office.
- 21.** On further suggestion of the Chairperson, it was further agreed that:

  - (1) the Office should begin work to identify technical references in the Declaration that would need updating, to be reviewed by the Subcommittee in time for the next printing of the Declaration; and
  - (2) a summary of broad trends and issues arising from developments on other organizations be included in the next Office paper on the subject when requested by the Subcommittee.

Geneva, 18 March 2002.