



ELEVENTH ITEM ON THE AGENDA

**Report of the Subcommittee
on Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 18 March 2005. Ms. M. Niven (Government, United Kingdom) chaired the meeting. Ms. R. Hornung-Draus (Employer, Germany) and Ms. S. Burrow (Worker, Australia) were Vice-Chairpersons.

**Promotion of the Tripartite Declaration of Principles
concerning Multinational Enterprises and Social
Policy: Activities report for 2004**

2. Before introducing the paper,¹ the representative of the Director-General (Mr. Hans Hofmeijer, Director a.i. of the Multinational Enterprises Programme) congratulated the Worker Vice-Chairperson on her election as President of the International Confederation of Free Trade Unions (ICFTU). He indicated that since the paper was rather short, he was ready to provide more information as necessary.
3. The Employer Vice-Chairperson complimented the Office on the paper and was encouraged to see that the work of the Subcommittee had led to more concrete actions. She was particularly pleased to see that the Office, as requested, had been able to conclude a Memorandum of Understanding (MoU) with the International Organization for Standardization (ISO), giving the ILO a strong position in the ISO Working Group on Social Responsibility. She expressed her appreciation for the Business and Social Initiatives (BASI) database. Regarding the Office's participation in outside meetings she wondered what exactly was involved. While she was pleased at the increased contacts with a number of multilateral organizations, it was important to define concrete cooperation and avoid overlap. The Employer Vice-Chairperson was glad to note that the Multinational Enterprises Programme involved ACT/EMP and ACTRAV in its upstream work and considered that the programme should be the focal point for corporate social responsibility (CSR) activities in the Office. Finally, she requested more detailed information on the activity in Sri Lanka.
4. The Worker Vice-Chairperson considered that while attending meetings had provided good opportunities to promote the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), participation in CSR events should depend more on strategic considerations to enhance impact by strengthening

¹ GB.292/MNE/1.

existing relationships and project work to achieve greater observance of the provisions of the MNE Declaration. She noted the recognition by the European Union (EU) of the importance of the MNE Declaration but was disappointed that the Global Compact Office had not been more active in promoting the labour principles. Welcoming the signature of the MoU with the ISO she felt that it was important for the Office to monitor its application. She drew the attention of the Subcommittee to the Global Reporting Initiative's ongoing revision process and wondered if the Office could develop an approach to assess conformity of the guidelines with ILO instruments.

5. The Worker Vice-Chairperson suggested that the Office undertake another review of references to the MNE Declaration in the private initiatives registered in BASI. She was glad to note that the project funded by the Government of Italy had set up tripartite steering committees in the countries where it operated. She requested more information on the timeline for the completion of the research on smaller multinational enterprises, emphasizing the need to strategically link research, advocacy and technical cooperation. Noting that the Multinational Enterprises Programme did not seem very involved in sectoral activities she wondered whether there were any institutional obstacles of which the Subcommittee should be aware. Finally, she requested more information on the restructuring of the Employment Sector, which she welcomed in principle – hoping it would enhance reporting and accountability.
6. The Chairperson considered that the work of the Office had indeed resulted in greater awareness of the MNE Declaration since it was increasingly referred to in CSR circles. The representative of the Government of the United States complimented the Office on the work undertaken, particularly the strengthening of relations with other international organizations and the MoU with the ISO.
7. In his reply the representative of the Director-General explained that participation in outside meetings sometimes involved introducing participants to the ILO and the MNE Declaration for the very first time while on other occasions it provided for an in-depth discussion. He explained that the involvement in the activity in Sri Lanka consisted essentially of providing information to a local tripartite initiative on social auditing. Regarding cooperation with other organizations there was now an understanding as to who should do what; the challenge was rather what to do together. While agreeing that it would be a useful exercise, because of resource constraints he could not at this stage commit the Office to another review of references to the MNE Declaration in private CSR initiatives. With respect to sectoral activities he explained that closer cooperation had not been possible due to the limited staff time available. He informed the Subcommittee that the MoU with the ISO would shortly be posted on the ILO web site.
8. A representative of the Director-General (Ms. Jane Stewart, Acting Executive Director of the Employment Sector) explained that the decision to merge a number of units and departments in the Employment Sector had been taken to maximize linkages and cooperation and reduce administrative costs. She confirmed that the InFocus Initiative on CSR would be anchored in the Employment Sector.

Promotion of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy: Plan of action for 2005-07

9. After a brief summary of the paper² the representative of the Director-General informed the Subcommittee that 67 replies had been received from 52 countries (36 governments, 13 employers, ten workers, and eight tripartite) to the questionnaire for the eighth survey on the effect given to the MNE Declaration. He noted that the first meeting of the ISO Working Group on Social Responsibility had been rather chaotic and that many of the national delegations were incomplete. However, the MoU with the ISO gave the ILO a very strong position in the process. It was regrettable that the Global Compact had issued a statement supportive of the ISO process without obtaining prior agreement of the ILO since this had created confusion among participants.
10. The Worker Vice-Chairperson welcomed the paper. It reflected the Office's commitment to promote wider observance of the provisions of the MNE Declaration and to position it as a key reference for labour and employment issues in the context of CSR. She considered that synergies could be achieved between the work on the MNE Declaration and the InFocus Initiative on export processing zones, particularly in terms of promoting social dialogue. She supported the idea of organizing a forum on CSR on the occasion of the 30th anniversary of the MNE Declaration to showcase good practices through joint corporate/trade union presentations and make recommendations for future ILO work on guidelines. Expressing the hope that the three subregional symposia on the MNE Declaration would indeed lead to follow-up technical cooperation as foreseen, she called for greater involvement of the ILO field structure in CSR-related work since at the country level the ILO risked being overshadowed by the Global Compact. In this context it was also important to ensure good practice examples were translated. Cooperation with other international organizations should now focus initially on one or two key areas, which could be measured and reported on. Other international organizations should again be invited to attend the November sitting of the Subcommittee.
11. While agreeing that mapping private social auditing was important, the Worker Vice-Chairperson indicated that it was the ILO's primary task to help improve public labour inspection. Nevertheless, consideration should be given to developing benchmarks for the knowledge of international labour standards required by social auditors. She called upon the Office to ensure that the Multinational Enterprises Programme and the Sectoral Activities Programme cooperated more closely, both in the sectoral action programmes planned for 2006-07 and in the meeting on the effects of the end of the multi-fibre agreement in the textile sector. Finally, she recommended approval of the action plan, which should detail the reserves required.
12. The Employer Vice-Chairperson welcomed the Office paper which reflected the variety of activities that could be undertaken. Given existing resource constraints, she believed that priorities should be identified. In her view the focus should be on promotional activities. While adopted almost 30 years ago it was only in the last few years that the importance of the MNE Declaration had been recognized in the context of CSR. More efforts were necessary to familiarize enterprises with its provisions since many enterprises were still looking for clear reference points. She welcomed the proposed InFocus Initiative on CSR, which should be located in the Employment Sector, and also supported the proposed forum on CSR, provided it was organized around the MNE Declaration. She reminded the Office that her group attached great importance to the preparation of an "executive summary" of the MNE Declaration as a promotional tool to familiarize enterprises with the MNE

² GB.292/MNE/2.

Declaration and to the publication of good practice examples, starting with youth employment but later to cover also other areas of the MNE Declaration. She welcomed the idea of further contacts with other international organizations but was not sure whether this should be as a separate meeting or as part of the Subcommittee's regular work. She regretted the Global Compact statements in the context of the ISO's work in the area of CSR and suggested that the Office should transmit its concern in this respect to the United Nations. She further suggested that it was necessary to remind the Office of the High Commissioner for Human Rights that in its consultations on the issue of business and human rights it should pay special attention to the ILO's constituents as the legitimate representatives of employers and workers.

- 13.** The Employer Vice-Chairperson was concerned about the proposed work on private social auditing since it carried the risk that the ILO would be perceived as endorsing private auditing whereas its role was to provide information. Further research was clearly necessary. This could perhaps be undertaken in cooperation with the Institute. Regarding the provision of information directly to enterprises she trusted that this would continue to be done in consultation with ACT/EMP and ACTRAV.
- 14.** The representative of the Government of Japan considered that cooperation between the ILO and the ISO in the area of CSR was important. The representative of the Government of Belgium was glad to see that the Office was becoming more active in the CSR debate. It was important to build more partnerships and emphasize the importance of social dialogue. Welcoming the MoU with the ISO he cautioned the Office to be vigilant as the MoU could not be expected to solve all potential problems. He endorsed the proposed communications to the United Nations and the Office of the High Commissioner for Human Rights.
- 15.** The representative of the Government of France (observer) welcomed the paper and agreed that the Office should become more active in the area of CSR to ensure respect for international labour standards. The representative of the Government of Kenya appreciated the efforts to promote the MNE Declaration and the collaboration with other agencies. He recommended that details on activities be posted on the ILO web site. He agreed that research work on certain topics could perhaps be carried out in cooperation with INTEGRATION and the Institute. The representative of the Government of the United States wondered how the InFocus Initiative on CSR would build on ongoing work and enhance linkages with the ILO field structure.
- 16.** The representative of the Government of Canada expressed support for the planned activities, particularly the cooperation with the Global Compact, the EU, the World Bank and OECD. She informed the Subcommittee that her Government would host a tri-national conference on labour-related CSR initiatives in North America. Welcoming the proposed InFocus Initiative on CSR, the representative of the Government of the United Kingdom reiterated the need to focus on priorities given the limited resources. The Chairperson informed the Subcommittee that the recent report of the Commission for Africa included a passage on the specific role of CSR. During its EU presidency, her Government would host a conference on the financial aspects of CSR, with particular emphasis on ethical investment and the need to provide trustees with better guidance. She appealed to Government representatives to be strong advocates for the MNE Declaration in other United Nations forums.
- 17.** In his reply, the representative of the Director-General indicated that the intention of the MoU with the ISO was to arrive at a mutually beneficial outcome but it included certain safeguards for the ILO should this not be the case. Concerning the work on private auditing he indicated that resource mobilization efforts had proven difficult given the focus of most donors on poverty reduction. With regard to the proposed communication to the Office of the High Commissioner on Human Rights, he pointed out that the established

United Nations procedures concerning recognition of NGOs should be kept in mind. Since it would not be feasible to find resources in the current budget to organize another symposium with international organizations and since the next sitting of the Subcommittee would be mainly dedicated to a discussion of the results of the eighth survey on the effect given to the MNE Declaration, he doubted whether it was appropriate to invite them again as observers on that occasion. He was optimistic that as a result of the reorganization of the Employment Sector it would be easier to involve more specialists in the ILO's subregional offices in CSR work. He also explained that while InFocus Initiatives did not receive any special budgetary allocation they were expected to attract extra-budgetary resources. Regarding ILO cooperation with the Global Compact, the Director-General had written to the United Nations Secretary-General indicating that the ILO's continued support for the Compact hinged on the Compact's commitment to strengthen local networks in developing countries driven by representative employer and worker organizations.

Update of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

18. The representative of the Director-General indicated that the paper³ had been submitted for information only and that a draft update of the MNE Declaration would be submitted to the next sitting of the Subcommittee. The Employer Vice-Chairperson suggested that the update be prepared in cooperation with ACT/EMP and ACTRAV. The Worker Vice-Chairperson supported this proposal. The update should also take account of instruments to be adopted during the 95th Session of the International Labour Conference. She suggested that at some point the Subcommittee might wish to review the MNE Declaration interpretation procedure with a view to modernizing it and achieving positive outcomes through social dialogue and technical assistance.

Composition of the Subcommittee on Multinational Enterprises

19. The Worker Vice-Chairperson expressed support for the proposal in the paper⁴ to expand the membership of the Subcommittee, provided that it was understood that the purpose was to enable more host countries to participate. The Employer Vice-Chairperson indicated that her group also supported the proposal. The representative of the Government of Japan supported the proposal, provided it did not have any financial implications. She called upon the regional coordinators to help ensure the expansion would indeed have the desired effect.

Other questions

20. The Subcommittee approved the establishment of a working group made up of its Officers to prepare the analysis of the replies to the questionnaire for the eighth survey on the effect given to the MNE Declaration.

³ GB.292/MNE/3.

⁴ GB.292/MNE/4.

21. *The Subcommittee recommends that the Governing Body express its satisfaction with the work undertaken by the Office that resulted in the signing of a Memorandum of Understanding with the ISO concerning its work in the area of social responsibility.*
22. *The Subcommittee recommends that the Governing Body request the Office to assign responsibility for the coordination of its work in the area of corporate social responsibility to the Employment Sector and to ensure that the Subcommittee on Multinational Enterprises is regularly informed and consulted on the work proposed and carried out in this area by the Office.*
23. *The Subcommittee recommends that the Governing Body request the Office to include in its proposals for use of the Technical Meetings Reserve in 2006-07 a proposal to organize a forum on CSR on the occasion of the 30th anniversary of the MNE Declaration to position the MNE Declaration as a key reference in the CSR debate.*
24. *The Subcommittee recommends that the Governing Body request the Office to communicate its concern to the United Nations secretariat about the Global Compact's endorsement of the decision by the ISO to develop a standard in the area of social responsibility before negotiations between the ILO and the ISO on this matter had been concluded and to enter into discussions with the Global Compact Office to ensure that no further Global Compact inter-agency statements be issued in this context without the ILO's agreement.*
25. *The Subcommittee recommends that the Governing Body request the Office to remind the Office of the High Commissioner for Human Rights of the importance of recognizing the ILO's constituents as the legitimate representatives of employers and workers worldwide in the context of its consultation process on the subject of business and human rights.*
26. *The Subcommittee recommends to the Governing Body that, when it decides on the functioning and size of its committees for the period 2005-08, it establish a Subcommittee on Multinational Enterprises with a membership of eight titular and eight substitute members from each tripartite group.*

Geneva, 22 March 2005.

Points for decision: Paragraph 21;
Paragraph 22;
Paragraph 23;
Paragraph 24;
Paragraph 25;
Paragraph 26.