

GUIDE TO THE GLOBAL COMPACT:

A Practical Understanding of the Vision and Nine Principles

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1. Introduction to this Guide

The purpose of this Guide is to explain the Global Compact initiative and the nine principles that underpin it in a way that will be useful within the context of training or teaching. The audience, therefore, includes primarily organizational managers and trainers who have responsibility for overseeing the implementation of the Compact and its principles, in addition to educators and others who seek to raise awareness and understanding of the Global Compact among interested parties. The Guide is meant to be adapted to the needs of a person preparing a seminar programme or a training workshop on the Global Compact.

The paper begins by setting the scene for the Global Compact initiative by explaining its origin and vision. It then explains the development of the Global Compact Network and the structure of the Global Compact Programme itself with its four activities – *the Learning Forum, the Policy Dialogues, Partnership Projects, and Local Structures*. The nine principles are then presented according to the three areas of interest – human rights, labour rights and environment. For each principle, company “Examples” are provided to demonstrate what companies are doing to address that particular principle. These have been drawn from company submissions to the Global Compact Learning Forum during the period 2001 – mid-2002.

After each area of interest there is a topic called “Discussion Themes” containing a series of questions that focus on the issues raised by the Global Compact principles that have just been covered. It is hoped that trainers or teachers will use these questions to initiate a discussion of different aspects of the Global Compact. However, they may wish to explore a broader range of issues that address both the nature of the company Example and its contribution to the Global Compact initiative, such as:

- How effectively does the company Example address the principle in question?
- What additional information might be useful to observers and commentators seeking to learn more about the company’s activity?
- How do Examples from large multinational corporations differ from those submitted by small and medium sized companies?

For trainers requiring a broader selection of company Examples, these can be accessed at the Global Compact website [www.unglobalcompact.org].

The company Examples presented in this Guide focus on specific issues relating to individual principles. The Global Compact is, however, comprised of nine principles that are *interdependent*. Therefore, Examples that address child labour may also provide interesting lessons and material for debate on the subject of human rights. Similarly, projects that focus primarily on environmental responsibility may also contribute to social improvement.

In this respect, trainers may want to explore the synergies between the principles and we have anticipated this situation in the final section “Addressing all Nine Principles”, which seeks to show how the Global Compact principles in fact lead to a complete re-think of how a company conducts its business.

2. The Origins and Vision of the Global Compact

Topics –

- ❑ *key issues and concerns that have stimulated the Global Compact*
- ❑ *objectives and development of the initiative*
- ❑ *approaches available to companies seeking to engage with the Global Compact*

United Nations Secretary-General Kofi Annan first proposed the Global Compact in an address to The World Economic Forum on 31 January 1999. Amid a backdrop of rising concerns about the effects of globalization, the Secretary-General called on business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labour, non-governmental organizations and other civil-society actors to foster action and partnerships in the pursuit of a challenging vision: a more sustainable and inclusive global economy.

The Secretary-General understood that while corporate citizenship – also referred to as “corporate responsibility”, “sustainable growth”, and the “triple bottom line”, among other terms – was emerging as a business trend, there existed no international framework to assist companies in the development and promotion of global, values-based management. By rooting the Global Compact in internationally accepted principles, participants could feel confident that their actions were being guided by values that are universally supported and endorsed.

The Global Compact’s operational phase was launched at a high-level event at UN Headquarters in New York on 26 July 2000. The meeting, chaired by the Secretary-General, brought together senior executives from some 50 major corporations and the leaders of labour, human rights, environment and development organizations.

Since the launch, hundreds of companies and organizations have engaged in the Global Compact. The private-sector participants represent virtually all industry sectors on every continent.

The Global Compact is a voluntary corporate citizenship initiative. As such, the Global Compact is not a regulatory instrument – it does not “police” or enforce the behavior or actions of companies. Rather, the Global Compact relies on the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.

The Global Compact seeks to provide a contextual framework to encourage innovation, creative solutions, and good practices among participants. The Global Compact is not a substitute for regulatory structures or other codes. Indeed, the Global Compact believes that voluntary initiatives and regulatory systems complement each other and, when combined, provide powerful impetus in encouraging the wide adoption of responsible corporate citizenship.

The emphasis has been to bring about corporate change through the use of a *learning approach* that facilitates discussion between the various groups and builds new relationships for future projects. In adopting such an approach, rather than a classical regulatory approach, the Global Compact has gone into “uncharted territory”, and this has invited some criticism from those who would like it to have sharper teeth in the form of monitoring and verification. However, as stated, these are not areas within the mandate of the Global Compact.

The Global Compact is based on nine principles in the areas of human rights, labour, and the environment. These principles are derived from universal consensus based on the following:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development

The Global Compact asks companies to integrate these principles into their core business operations and to pursue projects and corporate activities that advance the principles and broad UN goals. One of the overriding objectives is to imbue the principles – and, hence, good corporate citizenship – into corporate-management strategy and decision-making.

With respect to projects, the Global Compact is encouraging those initiatives and programs that are focused on achieving the UN Millennium Development Goals 9 (see table).

It is important to point out that the Global Compact is not a traditional UN agency but a **network** that exists to promote an initiative. At its core is the Global Compact Office with four UN agencies – the Office of the High Commissioner for Human Rights (OHCHR), the International Labour Organisation (ILO), the United Nations Environment Programme and the United Nations Development Programme (UNDP).

In addition to the United Nations, which acts as a convenor and facilitator, all of the relevant social actors are represented in the Global Compact network –

- ❖ *companies*, whose actions it seeks to influence
- ❖ *labour*, in whose hands the concrete process of global production takes place
- ❖ *civil society organisations*, representing the wider community of stakeholders, and
- ❖ *governments*, who defined the principles on which the initiative is based.

As previously noted, in the two years since its official launch the Global Compact has grown rapidly. As of June 2002 the network counted several hundred companies as well as dozens of business associations, international labour organisations and organisations representing civil society. An Advisory Council that met for the first time in January 2002 is supporting its development. This Council is composed of 17 senior business executives, international labour leaders and heads of civil society organisations from across the world, all acting in their individual capacities. This group will convene on a twice-yearly basis to assist the Secretary-General in forwarding the aims of the Global Compact and to consider issues such as standards of participation to help to protect the integrity of the initiative.

However, the present approach seems to be a good one based on a purely practical point of view ... the logistical and financial demands on the Global Compact Office to monitor and regulate all participating companies would be enormous. A second point is that, in order to create codes of conduct, one needs to have more precise definitions of some of the Global Compact principles.

UN Millennium Development Goals:

Eradicate extreme poverty and hunger	Reduce by half the proportion of people living on less than a dollar a day Reduce by half the proportion of people who suffer from hunger
Achieve universal primary education	Ensure that all boys and girls complete a full course of primary schooling
Promote gender equality and empower women	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
Reduce child mortality	Reduce by two thirds the mortality rate among children under five
Improve maternal health	Reduce by three quarters the maternal mortality ratio
Combat HIV/AIDS, malaria and other diseases	Halt and begin to reverse the spread of HIV/AIDS Halt and begin to reverse the incidence of malaria and other major diseases
Ensure environmental sustainability	Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources Reduce by half the proportion of people without sustainable access to safe drinking water Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020
Develop a global partnership for development	Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction Address the special needs of landlocked and small island developing States Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term In cooperation with the developing countries, develop decent and productive work for youth In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies
By the year 2015 all 189 United Nations Member States have pledged to meet the above goals	

2.1 Participating in the Global Compact: Why...and How

Why should companies participate in the Global Compact?

In recent years, changing expectations about the role of business in society have pushed the concept of good corporate citizenship into mainstream business thinking. Indeed, there is a growing body of evidence linking corporate citizenship activities to positive business performance. Increasingly, leading companies recognize that they now have a broad range of stakeholders – including investors, employees, non-governmental organizations and the communities in which they operate.

For companies, there are numerous benefits to participating in the Global Compact. These include:

- Producing practical solutions to contemporary problems related to globalisation, sustainable development and corporate responsibility in a multi-stakeholder context.
- Rallying around universal principles and responsible corporate citizenship to make the global economy more sustainable and inclusive.
- Leveraging the UN's global reach and convening power with governments, business, civil society and other stakeholders.
- Sharing good practices and learnings.
- Accessing the UN's broad knowledge in development issues and its practical reach worldwide.

How Companies Participate

As a voluntary initiative, the Global Compact seeks wide participation from a diverse group of businesses and other organizations. To participate in the Global Compact, a company:

- Sends a letter from the Chief Executive Officer (and, where possible, endorsed by the board) to Secretary-General Kofi Annan expressing support for the Global Compact and its principles;
- Sets in motions changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations (described below);
- Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- Is expected to publish in its annual report (or similar corporate report) a description of the ways in which it is supporting the Global Compact and its nine principles.

In terms of the practical ways in which companies pursue the principles, the Global Compact offers engagement opportunities to all participants through the following:

- **Global Policy Dialogues.** Each year, the Global Compact convenes a series of action-oriented meetings that focus on specific issues related to globalisation and corporate citizenship. The meetings bring businesses together with UN agencies, labour, non-governmental organizations and other groups to produce solutions to contemporary problems. Issues addressed have included “The Role of the Private Sector in Zones of Conflict”; and “Business and Sustainable Development”.
- **Local Structures.** The Global Compact encourages the creation of local structures and networks at the country or regional level. Such networks are designed to support: the implementation of the nine principles; mutual learning and information exchange; the convening of local/regional dialogues on globalisation issues; partnership projects; and the recruiting of additional companies. The Global Compact Office and UNDP facilitate and support the process leading to the formation of these local structures.
- **Learning.** Companies are invited to share examples of corporate practices on the Global Compact web portal. In addition, participants are encouraged to develop in-depth case studies and analyses, and to use these for Learning activities in the corporate and academic worlds. Local, regional and international Learning events support the sharing of knowledge.
- **Partnership Projects.** The Global Compact encourages companies to participate in partnership projects with UN agencies and civil-society organizations that are aligned with UN development goals.

This Guide focuses primarily on the Learning aspect of the Global Compact, that is, how companies integrate – or “internalise” – the principles into their core business operations. This is distinct from partnership projects or other initiatives of an “external” nature. However, companies participating in the Global Compact are encouraged to actively support the principles and broad United Nations goals by initiating, and participating in, partnership projects with the United Nations.

The Examples that companies choose to pursue typically take the form of corporate policies and procedures that support one or more of the Global Compact principles. These annual Examples – which take the form of executive summaries of

“The Global Compact is not about sinners and saints. There will always be companies that lead and companies that follow. We want to keep the door open. But we need some safeguards.”

Georg Kell, *Global Compact Office*

“... the main focus must be on getting companies in, not kicking them out. However, the Global Compact] has to be made credible and we have to be sure companies are delivering. A company that persistently fails to publish, or says nothing, or says it is opposed to child labour but is found to be using it, should not continue to take part.”

David Bell, *Pearson plc*
(GC Advisory Council)

approximately 500 words – form the heart of the Global Compact Learning Forum, the database of company Examples and other activities that is used to share good practices and learnings.

Again, the Global Compact is voluntary, like many corporate citizenship initiatives. There is no compulsion to become involved – beyond self-enlightened interest and stakeholder/peer pressure.

Rising public involvement in government and business affairs is seen in the growth and activism of non-governmental organisations and in pressures to disclose environmental and social performance to investors. Civil society creates pressures for business to be more open and transparent in the way it deals with the public, government, other businesses, and local communities.

International NGOs ensure that corporate activities anywhere in the world are under stakeholder and shareholder scrutiny. Failure to perform responsibly in a distant market or along the supply chain or in the launch of new products and technologies may erode corporate reputation and harm competitive position in core markets and in equity markets.

Active engagement with stakeholders and documented good performance can protect license-to-operate, drive product and service innovation, reduce legal liabilities, and improve business strategy.

[from Tomorrow's Markets, 2002]

The question of what to do with companies who do not show “good faith” in their dealings with the Global Compact is extremely important. While it has not as yet been truly resolved, the Advisory Council has taken this as being one of its major tasks. Engagement by a company with the Global Compact includes a commitment to work in a transparent and accountable manner and the credibility of the initiative with respect to civil society and, equally importantly, within the business community depends on this.

Non-governmental organisations, such as Corpwatch¹, are actively observing the progress of the Global Compact and are extremely ready to point out any situation where they believe companies are not complying fully with the spirit of the Global Compact initiative. The exchange of views in the *Box* is an interesting example of how companies – or in this case a business association participating in the initiative – can expect their activities in the Global Compact to be scrutinised by civil society. In signing up to the Global Compact, the business community is saying that it is prepared to stand up and be judged by its actions rather than its words.

Corpwatch claims that:

The International Chamber of Commerce (ICC) has violated Principles 7, 8, and 9 through its programme of lobbying on behalf of big business.

ICC has responded that:

This allegation does not stand up. ICC always insists that good environmental stewardship requires foresight in husbanding the natural resources on which business depends. ICC certainly takes initiatives to promote greater environmental responsibility. For example, ICC and UNEP present each year awards to companies for outstanding performance in the field of sustainable development.

A recent agreement for collaboration between the Global Compact and the Global Reporting Initiative (GRI) is clearly a positive move towards addressing the question of the credibility of submissions made by companies to the Learning Forum [see *Box below*]. Companies participating in both initiatives have previously stressed that the GRI is a “practical expression” of the Global Compact and, in the future, company submissions that meet the GRI *Guidelines* will be accepted as Examples for the Learning Forum. Indeed, it is hoped that the complementary nature of the Global Compact and GRI will facilitate corporate engagement in both initiatives.

¹ For information on Corpwatch and its thoughts on the Global Compact, see www.corpwatch.org

The Global Reporting Initiative

The Global Reporting Initiative (GRI) is an international, multi-stakeholder effort to develop a generally accepted reporting framework for economic, environmental, and social reporting so as to elevate sustainability reporting practices worldwide to a level equivalent to financial reporting. It was convened in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in partnership with UNEP. In July 2002 GRI is releasing a revised version of its *Sustainability Reporting Guidelines* as a tool for organisations to disclose their economic, environmental, and social performance.

Sustainability reporting helps to ensure that corporate commitments to the environment, labour and human rights are matched by concrete actions and continual performance improvement. The GRI complements the Global Compact by providing participants with an instrument to demonstrate *accountability* with respect to the Global Compact's nine principles. External stakeholders, especially investors and civil society, are also able to use GRI reports to assess whether companies are implementing the principles.

For additional information on the Global Reporting Initiative see – www.globalreporting.org

It is important to stress that the objective of the Global Compact is not to “preach to the converted” but to induce change in those sectors of business where improvement is needed. It tries to achieve this by bringing partners from business and other organisations together to learn from each other. In this section we have described **how** business can participate and **why** it should participate, but it is important that this participation represents a true *compact* between all of the partners, remembering what the Global Compact is ... and is not.

The Global Compact is:

- a voluntary initiative
- a framework to promote sustainable development and good corporate citizenship

The Global Compact is not:

- a prescriptive or regulatory instrument
- a code of conduct or legally binding standard

Table 1: The Four Components of the Global Compact

Learning Forum	Policy Dialogues
<p>Objectives</p> <ul style="list-style-type: none"> • a knowledge base to learn how companies are implementing the universal principles of the UN • a platform to motivate companies into taking action through implementing the GC principles • to become mutually reinforcing with the Policy Dialogues 	<p>Objectives</p> <ul style="list-style-type: none"> • foster an exchange of views and substantive discourse on the contemporary challenges of globalisation • encourage action networks between labour and civil society organisations • build trust and collaboration • develop innovative solutions to complex problems
<p>Activities</p> <ul style="list-style-type: none"> • the Learning Forum concluded its pilot phase in October 2001 following the submission of 44 case studies by companies • the forum subsequently adopted a two-pronged approach to submissions that embraces ‘examples’ of company work posted on the Compact website, along with selected in-depth case studies • participants are invited to an annual meeting to share experiences of working with the Global Compact 	<p>Activities</p> <ul style="list-style-type: none"> • dialogues in 2001 explored the role of “<i>The Private Sector in Zones of Conflict</i>” • dialogues in 2002 focused on “<i>Business and Sustainable Development</i>”
Partnership Projects	Local Structures
<p>Objectives</p> <ul style="list-style-type: none"> • promote partnership initiatives to advance the nine core principles and other goals of the United Nations, such the UN Millennium Development Goals • extend the benefits of globalisation through a partnership approach • foster global progress and stability 	<p>Objectives</p> <ul style="list-style-type: none"> • develop the Global Compact into a truly global initiative • facilitate the establishment of country and regional networks working on Global Compact issues • build links between grassroots and global activities on the Global Compact principles
<p>Activities</p> <ul style="list-style-type: none"> • the diversity initiative – Discrimination is Everybody’s Business – involves six companies building long-term partnerships to promote good practice in the workplace • other examples of projects to date include companies working with other organisations in the development of labour accords, the provision of health care and the reduction of carbon dioxide emissions 	<p>Activities</p> <ul style="list-style-type: none"> • outreach activities include the provision of workshops for business leaders at national and regional levels • in 2001/02 meetings occurred across the world with business leaders, labour organisations and civil society groups gathering to discuss how to take the Global Compact forward in their regions • Melbourne (Australia) became in 2001 the first city to engage with the Global Compact

2.2 Discussion Themes

1. Discuss the role that the Global Compact can play to promote the shared goals of the United Nations, in particular, the UN Millennium Development Goals of 2015?
2. What issues are raised by industry self-regulation and engagement with voluntary initiatives?
3. How does the Global Compact compare and contrast with other corporate citizenship initiatives currently in circulation? What are the advantages and disadvantages of the Global Compact approach?
4. In a recent article about the Global Compact a well-known, environmentally proactive company commented that it could not see what value participation in the Global Compact would bring to the company. Comment on this position.

3. Introduction to the Nine Principles

The objective of the Global Compact is to encourage an alignment of corporate policies and practices with universally agreed and internationally applicable values and goals. These core values have been distilled into nine key principles in the areas of human rights, labour and the environment as shown in the box below and, more formally, on the following page.

The Secretary-General underscored the role of business both in encouraging the ongoing support of multilateral institutions, and significantly, in taking direct actions that seek to realise these values *within the corporate sphere*. To assist business in this endeavour, Kofi Annan offered the support of three UN agencies – the Office of the High Commissioner for Human Rights, the International Labour Organisation and the United Nations Environment Programme. Other UN agencies are now participating actively in the Global Compact, notably the United Nations Development Programme (UNDP).

The three areas of human rights, labour rights and the environment were chosen as those where business has a real potential to influence and bring about positive change. In addition, these fields are supported by the following three international agreements:

- The Universal Declaration of Human Rights
- The International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration of the United Nations Conference on Environment and Development

In the following sections we shall go through these three areas and describe the nine principles underlying the Global Compact. Our focus will be on providing a basic understanding of what the principles represent and how they relate to the business sector – whether it be a multinational corporation or a SME (small-and-medium enterprise), and whether the company operates in an industrialised or industrialising country.

The nine **Global Compact Principles** are:

- ❖ To support and respect the protection of internationally proclaimed human rights
- ❖ To avoid complicity in human rights abuses
- ❖ To uphold freedom of association and the effective recognition of the right to collective bargaining
- ❖ To eliminate all forms of forced and compulsory labour
- ❖ To abolish effectively child labour
- ❖ To eliminate discrimination with respect to employment and occupation
- ❖ To support a precautionary approach to environmental challenges
- ❖ To promote greater environmental responsibility, and
- ❖ To encourage the development and diffusion of environmentally friendly technologies.

The Global Compact's Nine Principles

Human Rights

Business is asked to:

- 1. Support and respect the protection of international human rights within their sphere of influence; and**
- 2. Make sure their own corporations are not complicit in human rights abuses.**

Labour

Business is asked to uphold:

- 3. 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

Business is asked to:

- 7. 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.**

4. An Introduction to Human Rights

Topics –

- ❑ *the basic concept of human rights*
- ❑ *key aspects of the Universal Declaration of Human Rights*
- ❑ *some of the contemporary issues that have increased the importance of human rights for business*
- ❑ *possible actions that businesses can take to address complicity*
- ❑ *possible ways that companies can address human rights issues in their sphere of influence*

The origin of Principles One and Two, relating to human rights, is to be found in the *Universal Declaration of Human Rights* (UDHR) of 1948. The aim of this declaration is to set basic minimum international standards for the protection of the rights and freedoms of the individual.

The fundamental nature of these provisions means that they are now widely regarded as forming the foundation of international law. In particular, the components of the UDHR are considered to be international customary law and **do not require signature or ratification by the state to be recognised** as a legal standard. The Universal Declaration was also given legal force by two treaties –

- The International Covenant on Economic, Social and Cultural Rights (ICESCR)
- The International Covenant on Civil and Political Rights (ICCPR)

that were signed in 1966 and came into force in 1976. The Universal Declaration and the two covenants are referred to as the *International Bill of Rights*.

What is the Universal Declaration of Human Rights? To use the exact words in the text, the UN General Assembly proclaimed it as:

“a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance...”

The Declaration begins by laying down its basic premise of “equality” – that *“all human beings are born free and equal in dignity and rights.”* It goes on to give content to the understanding of equality by prohibiting any distinction in the enjoyment of human rights on such grounds as *race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.*

It then addresses rights relating to three critical areas – life and security; personal freedom; and economic, social and cultural freedoms.

Life and Security:

The notion of personal dignity and security is developed through:

- the right to life, liberty and security;
- the right to be free from slavery, servitude, torture or cruel, inhuman or degrading treatment, or punishment;
- the right of the individual to a just national legal system; and
- the right to recognition as a person before the law, to equal protection of the law, to judicial remedy before a court for human rights violations, to be free from arbitrary arrest; to a fair trial before an independent court; the presumption of innocence; to not be subjected to retroactive penal law.

The scope of human rights protected by international law is much wider than is sometimes appreciated.

Human rights are not limited to civil and political freedoms and liberties, but include those economic, social and cultural rights necessary for survival, human development, and dignity. These latter include the rights to adequate food, housing, health and education, and the rights and freedoms associated with participating in cultural and religious life.

[from Rights & Humanity, 1998]

Personal Freedom:

This includes:

- rights protecting a person's privacy in matters concerning family, home, correspondence, reputation and honour, and freedom of movement;
- the right to seek asylum, and to a nationality;
- the right to marry and found a family, the right to own property, and the prohibition of arbitrary deprivation of property;
- the right to freedom of thought, conscience, and religion;
- the right to freedom of expression, peaceful assembly and association; and
- the right to take part in government.

Economic, Social and Cultural Freedoms:

Touching other aspects of the daily lives of people, the Declaration proclaims:

- the right to social security and the economic, social and cultural rights indispensable to human dignity;
- the right to freedom of development of each individual's personality;

These rights are to be realised through national efforts and international co-operation in accordance with conditions in each state. It declares that everyone has:

- the right to work, to equal pay for equal work, and to a just and favourable remuneration ensuring for the worker and the worker's family an existence worthy of human dignity;
- the right to form and join trade unions, to rest and leisure, reasonable limitations on working hours and periodic holidays with pay;

- the right to a standard of living adequate for health and well-being that includes food, clothing, housing, medical care and access to social services and security if necessary;
- the right to education and to participate in the cultural life of the community; and
- the right to protection of the moral and material interests resulting from scientific, literary or artistic production.

The Declaration's authors were well aware that the rights they were proclaiming in 1948 were (and still are) far from universally respected. They also knew that to reach their objective of universal enjoyment of those rights by everyone would require immense effort by every *individual* and *group* in society. They thus addressed their call to action not specifically to governments, but to "every individual and organ of society".

It is on the basis that the responsibility falls on every individual and group in society that the Global Compact Principles One and Two call on businesses not only to develop an *awareness* of human rights but also to work within their sphere of influence to *uphold* these universal human rights.

4.1 Human Rights: Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

Why Human Rights Are Important for Business

The responsibility for human rights does not rest with governments or nation states alone. Human rights issues are important both for individuals and the organisations that they create. As part of its commitment to the Global Compact, the business community has a responsibility to uphold human rights both in the workplace and more broadly within its sphere of influence. A growing moral imperative to behave responsibly is allied to the recognition that a good human rights record can support improved business performance.

Reasons for companies to address human rights issues include:

Compliance with local and international law

As a minimum, business should strive to ensure that its operations are consistent with the legal principles applicable in the country of operation. The consideration of lawsuits against multinationals for poor practice outside their country of origin is a growing trend.

Promoting the rule of law

Businesses operating outside their country of origin may have an opportunity to promote and raise standards in countries where support and enforcement of human rights issues is insufficient. Societies where human rights are respected are more stable and provide a good environment for business.

Addressing consumer concerns

Access to global information means that consumers are increasingly aware of where their goods come from and the conditions under which they are made. A proactive approach to human rights can reduce the potentially negative impacts of adverse publicity from consumer organisations and interest groups.

Supply chain management

Global sourcing and manufacturing means that companies need to be fully aware of potential human rights issues both upstream and downstream. Promoting best practice in human rights will allow business to select appropriate business partners.

Increasing worker productivity and retention

Workers who are treated with dignity and given fair and just rewards for their work are more likely to be productive and remain loyal to an employer. New recruits increasingly consider the social and environmental record of companies when making their choice of employer.

Building good community relationships

Companies that operate on a global basis are visible to a large audience world-wide as a result of the advances in communications technologies. Addressing human rights issues positively can bring rewards both at site level, within local communities, as well as in the broader global commons in which companies operate.

A US federal court recently accepted to hear a lawsuit brought against a company for alleged human-rights abuses, despite the fact that the company is not American and the alleged abuses did not occur in the USA.

Under the terms of the Alien Tort Claims Act, civil lawsuits can be brought in the USA for violations of international law based on the reasoning that the claims against a defendant “*follow the defendant wherever he goes*”.

[reported in World Watch, July/August 2002]

Bringing Human Rights Into Company Policy and Culture

A key starting point is for individuals within companies to develop an understanding of the issues, for example by making reference to the Universal Declaration of Human Rights. Companies also need to ensure that they are respecting existing national laws in the countries where they operate, and identify how these may vary according to local culture. Equally important is that respect for human rights is embedded in the core values and culture of the organization.

The development and implementation of a human rights policy should take into account any appropriate guidelines and, where possible, include input from and consultation with relevant stakeholder groups.

Some ideas for bringing human rights into company policy are by –

- developing a *company policy* and *strategy* to support human rights,
- developing a *health and safety management* system,
- providing staff *training* on human rights issues and how they are affected by business,
- providing staff *training* on internal company policies as they relate to human rights
- performing human rights *impact assessments* of business activities and reviewing them regularly,
- *discussing* human rights impacts with affected groups, and
- working to *improve working conditions* in consultation with the workers and their representatives.

Finally, there are a number of examples of how companies can *guarantee* human rights through their daily activities:

(a) In the workplace

- by providing safe and healthy working conditions,
- by guaranteeing freedom of association,
- by ensuring non-discrimination in personnel practices,
- by ensuring that they do not use directly or indirectly forced labour or child labour, and
- by providing access to basic health, education and housing for the workers and their families, if these are not provided elsewhere.

(b) In the community

- by preventing the forcible displacement of individuals, groups or communities,
- by working to protect the economic livelihood of local communities, and
- by contributing to the public debate. Companies interact with all levels of government in the countries where they operate. They therefore have the right and responsibility to express their views on matters that affect their operations, employees, customers and the communities of which they are a part.

(c) Finally, if companies use security services to protect their operations, they must guarantee that existing international guidelines and standards for the use of force are respected.

Three Examples of activities by companies to address different aspects of Principle 1 are shown in the following pages.

Company Example 1:

DuPont

In its submission of a case study to the Pilot Phase of the Global Compact Learning Forum, DuPont specifically addresses Principle 1 in the context of the human right to *safe and healthy working conditions*. The company moreover stresses that – “Safety values are critical in the successful transfer of new technologies to developing countries.”

In 1994, as part of a process to increase transparency around its policy and operations, DuPont adopted a Safety, Health, and Environmental (SHE) Commitment, which stated that the –

Goal is zero for all injuries, illnesses, and incidents' and that compliance with the Commitment is the responsibility of every employee and contractor working on behalf of DuPont.

The adoption of the SHE Commitment was a major public commitment by the company to the goal of zero injuries, illnesses, and incidents “anywhere that it operates in the world” and this goal has since been extended to include contractors, suppliers, distributors, and customers.

DuPont reports that there is enhanced business value from a safe working environment, arising, for example, from –

- Lower worker compensation expenses,
- Better rates from contractors and insurers,
- Enhanced productivity and dependability of supply,
- Enhanced reputation in the eyes of the public, the media, government regulators and the local communities where it operates.

DuPont believes that the focus on safety is core to a company's activities and that there are key practices that are necessary for the system to work. These are –

- The commitment of top management to the value of safety and occupational health,
- The line management must be personally accountable and responsible for safety and occupational health performance,
- An expectation within the company of zero injuries, illnesses, and incidents,
- Auditing and verification,
- Employee involvement, and
- Networks to share information broadly.

Based on its belief that the practices and specific tools that it has developed are transferable to other companies, DuPont has now established a business unit to assist other organisations in adopting them.

DuPont points out in its submission that its commitment to safety and health in the workplace is *global* – so all sites are expected to have the same performance. As an example it cites the case that, when a new plant was built in Shanghai, the goal of *zero injuries and illnesses* was automatically established. As a result of the safety focus, there was only one minor injury in over 2 million man-hours of work over a two-year period, and the project was completed on time and within budget. Specific safety and health programs included:

- Personal *protection equipment* was provided and its use was *required* at all times,
- Construction *safety specialists* were on site during the entire project to assure that *standards were followed*,
- The Project Manager and Construction Manager conducted *weekly site audits* relative to safety procedures and performance, and
- *Goals were set and publicised* broadly and *milestones were set and celebrated* when they were reached.

Company Example 2:

Amazon Caribbean Guyana Ltd

Amazon Caribbean Guyana Ltd operates in several regions of Guyana, producing, canning and exporting organic heart of palm. The company presents its work in the north-west region of Guyana as supporting the protection of human rights for Amerindian Communities. In particular, its work seeks to address articles 23-26 of the Universal Declaration which include the right to work, rest and leisure, a standard of living adequate for health and well being, and to education.

The company set up a canning factory for hearts of palm, a non-traditional forestry product, that provides direct employment for around 600 indigenous people and indirect support for over 3000 family members. The operation was originally set up to take advantage of the raw materials in the area but the needs of the community suggested that additional social arrangements were necessary to support the long-term development of the project.

In addition to employment in the factory, the company supplies basic food items at a subsidised cost, and provides boats that travel to remote villages to barter rice, sugar and flour for hearts of palm. Amazon has also built a school and provide resources and support to teachers and to students who wish to pursue further studies. The company provides logistics and medical supplies to the local community, such as by ensuring that fresh water is available during the dry season. These services were developed by the company as there are no publicly provided services in the region.

The support programmes have resulted in better health and nutrition of the community, and this enhances family unity. For the company, this results in reduced absenteeism and has improved production efficiency by 15%. Amazon also promotes the traditional skills of the different tribes, such as fishing and hunting, farming, boat building and building to enhance community stability.

Work by the company is undertaken in association with two associations - the Amerindian association (Taamog) that represents the local community and an association that is involved with sustainable forestry practice (Tropmebos.)

Amazon indicates that successful private investment needs to be supported by attention to the social requirements and activities of employees and local communities. The longevity of this project (13 years) and the observed failure of other companies working in a similar field, but adopting a less holistic approach, support this view.

Company Example 3:

SAP

SAP is the world's largest inter-enterprise software company and has strong internal vision and values that seek to support fair business practices. The company is working to develop these issues more formally so that they may be incorporated into policy and practice world-wide. SAP has presented to the Global Compact a project that is supported by SAP Africa and that demonstrates how the company is developing its stance on human rights.

SAP has long been outspoken about the issue of business integrity on the ground in Africa because it has often made daily business life very difficult for the company. Through the company's Nigeria office, SAP is now developing a Convention on Business Integrity (CBI). The CBI is a –

“declaration against corrupt business practices and stands for ethical conduct, competence, transparency, accountability and a commitment for the company and its partners to do what is right, just and fair.”

The primary purpose of the CBI is to encourage the establishment of a minimum standard for business integrity in Nigeria.

Developed initially by an employee in the company's Nigeria office as a response to practical problems experienced in the course of business, the code seeks to promote fair business practices and encourages partners and customers to play an active role. The code, which has been developed with the support of advisers from Transparency International and INTEGRITY Nigeria, is not a legal document. Rather, it is a moral contract between consenting parties.

The rating systems of the code include the following factors:

- Competence;
- Ethics and Morals;
- Transparency and Accountability;
- Will and Power;
- Commitment.

Signatories must show good faith by ratifying the code, which involves incorporating the requirements of the code into their core business practices. Following a review to assess for satisfactory compliance, businesses can then progress to sign the convention. Periodic compliance checks and stakeholder transparency seek to guard against substandard practice.

SAP is now seeking to drive the project forward and to support the independence of a CBI secretariat. If successful, the project may be expanded to other countries where the company's business activities are affected by corruption.

This is an interesting case study since it deals with business integrity, or to give it its more common name “corruption”. At the moment no Global Compact Principle deals explicitly with corruption although it has been suggested as a good candidate for the “Tenth Principle”. However, Principle 1 implicitly includes corruption since it requires the company, “within its sphere of influence”, to protect the economic livelihood of local communities. It is clear that, when corruption is involved in a business transaction, normally a small number of people benefit at the expense of the whole community. And Principle 2 touches on corruption in the context of bribery to undermine the political or judicial system.

4.2 Human Rights: Principle 2

Businesses should make sure their own corporations are not complicit in human rights abuses.

Complicity

Many agree that “complicity” is a difficult concept to appreciate and categorise [see *box below*], and understanding complicity in order to avoid complicity in human rights violations, represents an important challenge for business. As the dynamics between governments, companies, and civil society organisations is changing, so too does our understanding of when and how different organisations should take on responsibilities for human rights issues. Whilst recognising that the role of governments in ensuring respect for human rights continues to be extremely important, the changing operating context for business has prompted the Office of the High Commissioner for Human Rights (OHCHR) to lead efforts to define what constitutes corporate complicity in human rights abuses.

“Complicity is not a static concept. The contemporary limits of what is meant by complicity tell us a lot about our sense of community and responsibility towards others.”

Mary Robinson
[UN High Commissioner for
Human Rights]

It is important to understand that in a business context the notion of *complicity* can occur in a number of forms –

Direct Complicity

Occurs when a company knowingly assists a state in violating human rights. An example of this is in the case where a company assists in the forced relocation of peoples in circumstances related to business activity.

Beneficial Complicity

Suggests that a company benefits directly from human rights abuses committed by someone else. For example, violations committed by security forces, such as the suppression of a peaceful protest against business activities or the use of repressive measures while guarding company facilities, are often cited in this context.

Silent Complicity

Describes the way human rights advocates see the failure by a company to raise the question of systematic or continuous human rights violations in its interactions with the appropriate authorities. For example, inaction or acceptance by companies of systematic discrimination in employment law against particular groups on the grounds of ethnicity or gender could bring accusations of silent complicity.

Contemporary Issues

Human rights issues have become increasingly important as the nature and scope of business has changed. Different actors have different roles to play and it is important for business to be aware of the contemporary factors that have made human rights an organisational issue.

Globalisation – the growth in private investment has witnessed companies expanding operations to countries previously untouched by global markets. In some instances these countries have poor human rights records and/or the capacity of the state to address these issues is limited. In these cases the role of business in promoting and respecting human rights is particularly important.

Growth of Civil Society – in some instances the capacity of the state to address human rights issues has diminished. As a result, a steady alienation of people has occurred towards just those public institutions that were established to serve them. Non-governmental organisations of all types and sizes have grown to fill the void - progressively influencing both public policy and the market agenda. They include new human rights, labour and corporate accountability organisations.

Transparency and Accountability – the need for transparency in business practice has been highlighted both by globalisation, the growth of civil society interests and some recent problems in the corporate sector. Advances in information technologies and global communications mean that companies can ill afford to conceal poor or questionable practices.

Possible Actions by Business

An effective human rights policy will help companies avoid being implicated in human rights violations. In order to avoid such situations, companies may wish to consider the following:

- Has the company made a human rights assessment of the situation in countries where it does, or intends to do, business so as to identify the risk of involvement in human rights abuses and the company's potential impact on the situation?
- Does the company have explicit policies that protect the human rights of workers in its direct employment and throughout its supply chain?
- Has the company established a monitoring system to ensure that its human rights policies are being implemented?
- Does the company have an explicit policy to ensure that its security arrangements do not contribute to human rights violations? This applies whether it provides its own security, contracts it to others or in the case where security is supplied by the State.
- Does the company actively engage in open dialogue with human-rights organizations?

With respect to this last issue it is suggested that businesses:

- respect international guidelines and standards for the use of force (e.g. the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and the UN Code of Conduct for Law Enforcement Officials);
- if financial or material support is provided to security forces, establish clear safeguards to ensure that these are not then used to violate human rights; and

make clear in any agreements with security forces that the business will not condone any violation of international human rights laws; and

- privately and publicly condemn systematic and continuous human rights abuses.

Company Example 4:

British Telecom (BT)

British Telecom (BT) is a wholly owned subsidiary of BT Group Plc. BT has recognised through its Statement of Business Practice *'The Way We Work'* that the company can have a global impact. As such the company has acknowledged the need to manage activities in a socially responsible manner. This commitment has resulted in an extensive human rights programme that is managed by a number of departments and units throughout the business. One key project has been the establishment of 'Sourcing with Human Dignity', a supply chain initiative.

Sourcing with Dignity promotes universal standards, in particular the United Nations Universal Declaration of Human Rights and the International Labour Organisation Conventions on labour standards. By working collaboratively with suppliers BT is seeking to identify areas of risk and work towards the improvement of practices and standards so that any identified human rights abuses are eradicated.

Existing suppliers and new tenders are required to sign an Agreement or Clause that commits them to work towards principles that include public reporting, awareness raising and training, monitoring and independent verification, and continuous improvement. As part of this programme BT has also committed to report publicly the number and proportion of suppliers signing the agreement, as well as the number of suppliers who have contractually agreed to work towards the standard. The company also aims to hold forums with suppliers and other network members.

BT has also recognised the potential impacts on human rights of the telecommunications industry in the areas of freedom of expression, privacy and intellectual property. For example, increased use of the internet by all members of society means that the company is obliged to strike a balance between *freedom of expression* and the *need to protect children* with respect to content of the material that can be accessed. Part of the company's commitment to uphold Article 19 of the UDHR is realised through being a board member of the Internet Content Rating Association (ICRA). This organisation has the explicit aim of protecting "... children from potentially harmful material; and, to protect free speech on the internet".

The company indicates that –

"this is achieved by asking web authors to give details of what is and isn't present on their site, information which is then used to generate a content label (a short piece of computer code) which the author adds to the site. Parents can then set their internet browser to accept or reject access to certain types of content. The key point for freedom of expression is that ICRA does not itself rate internet content - the content providers do that if they wish to participate."

4.3 Discussion Themes

1. The Universal Declaration of Human Rights forms a template for human rights. What additional issues might an updated Declaration seek to include?
2. What issues might a European-based textile company consider, when establishing a new operation in China?
3. With reference to the company Example 2: What issues arise when companies provide social services and support structures for the communities in which they operate?
4. With reference to the company Example 2: Consider the challenges and benefits of working with non-governmental organisations in the area of human rights? Which organisations might be most relevant to your business/ industry?
5. With reference to the company Example 2: How might this company develop and communicate measures of progress on human rights issues to its stakeholders?
6. With reference to the company Example 3: The company implies that fair business practices bring business benefits. What improvements might the company expect to see?
7. With reference to the company Example 3: The company presents the development of this code as a possible solution to unregulated activity which is undermining legitimate, law abiding business. With reference to your own experiences consider the difficulties of implementing such a code. What might the alternatives be?
8. Consider and discuss the options for companies operating, or investing in countries where human rights records are questionable.
9. A manager suspects that the private security firm safeguarding his mining site may have mistreated members of the local community by forcibly ending their peaceful protests situated on the site perimeter. What action should the company take?
10. With reference to the Example 4: The example highlights how emerging technologies can raise new human rights questions for companies. Consider how changes in operating practice or the introduction of new technologies in your industry, may generate new human rights concerns.

5. An Introduction to Labour

Topics –

- ❑ *what is meant by freedom of association*
- ❑ *the nature of collective bargaining*
- ❑ *strategies that business can adopt to enact Principle 3*
- ❑ *the different forms that forced and compulsory labour may take*
- ❑ *approaches that business can take to eliminate forced labour*
- ❑ *the issues and problems of child labour*
- ❑ *definitions of child labour and the worst forms of child labour*
- ❑ *a range of possible strategies that companies can adopt to combat child labour*
- ❑ *different areas where discrimination can take place*
- ❑ *forms of discrimination*
- ❑ *strategies that business can employ to combat discrimination*

The four labour principles of the Global Compact draw on the International Labour Organisation's (ILO) *Declaration on Fundamental Principles and Rights at Work*, which was adopted at the 86th International Labour Conference in 1998. The ILO has a unique (tri-partite) structure composed of governments, employers and workers, and is the only UN agency whose membership is composed of governments and business. Hence, the Declaration represents a universal consensus among those concerned with labour issues that the principles need to be promoted and protected world-wide.

These principles are also the subject of ILO Conventions. The conventions are treaties that member States ratify, thus accepting to be legally bound by them. All countries – whether or not they have ratified the relevant Conventions – have an obligation "to respect, to promote and to realise in good faith" the principles.

Four categories of principles and rights that are identified in the Declaration are reflected in the Global Compact principles –

- to promote and realise in good faith the right of workers and employers to freedom of association and the effective right to collective bargaining;
- to work towards the elimination of all forms of forced or compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

The aim of the ILO is to harness the support of the business community through the Global Compact. Labour Rights principles Three, Four, Five and Six deal with fundamental principles in the workplace and the challenge for business is to take these universally accepted values and apply them at the company level.

5.1 Labour: Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Freedom of Association and Collective Bargaining

Businesses face many uncertainties in this rapidly changing global market. Establishing genuine dialogue with freely chosen workers' representatives enables both workers and employers to understand each other's problems better and find ways to resolve them. Security of representation is a foundation for building trust on both sides. Freedom of association and the exercise of collective bargaining provide opportunities for constructive rather than confrontational dialogue, and this harnesses energy to focus on solutions that result in benefits to the enterprise, its stakeholders, and society at large.

A number of studies indicate that the dynamic that results from freedom of association can set in motion a "decent work"-cycle that increases productivity, incomes and profits for all concerned. The guarantee of representation through a "voice at work" facilitates local responses to a globalised economy, and serves as a basis for sustainable growth and secure investment returns. The results help bridge the widening representational gap in global work arrangements, and facilitate the input of those people, regions and economic sectors – especially women and informal sector workers – who otherwise may be excluded from participating in processes that build decent work environments.

Freedom of Association

Freedom of association implies a respect for the right of employers and workers to join associations of their own choice. It does not mean that workforces **must** be organised or that companies must invite unions in. Employers should not interfere in an employee's decision to associate, or discriminate against the employee or a representative of the employee.

"Association" includes activities of rule formation, administration and the election of representatives. The *freedom to associate* involves employers, unions and workers representatives freely discussing issues at work in order to reach agreements that are jointly acceptable. These freedoms also allow for industrial action to be taken by workers (and organisations) in defence of their economic and social interests.

Collective Bargaining

Collective bargaining refers to the process or activity leading up to the conclusion of a collective agreement. Collective bargaining is a voluntary process used to determine terms and conditions of work and the regulation of relations between employers, workers and their organisations.

An important part of the effective recognition of the right to collective bargaining is the 'principle of good faith'. This is important for the maintenance of the harmonious development of labour relations. This principle implies that the social partners work together and make every effort to reach an agreement through genuine and constructive negotiations, and that both parties avoid unjustified delays in negotiations.

The principle of good faith does not imply a pre-defined level of bargaining or require compulsory bargaining on the part of employers or workers and their organisations.

Possible Strategies for Business

The Global Compact does not suggest that employers change their industrial relations frameworks. However, as organisations such as the International Organisation for Employers have indicated, some 'high performance' companies have recognised the value of using dialogue and negotiation to achieve competitive outcomes.

Some suggestions about what companies can do –

- in the workplace,
- at the bargaining table, and
- in the community,

are shown in the Table on the following page.

Table 2: Some Activities to Support Freedom of Association and Collective Bargaining.

<p>In the workplace</p>	<p>Ensure that all workers are able to form and join a trade union of their choice without fear of intimidation or reprisal.</p> <p>Ensure union-neutral policies and procedures in such areas as applications for employment and record-keeping; and decisions on advancement, dismissal or transfer.</p> <p>Provide facilities to help worker representatives carry out their functions within the company's needs, size and capabilities.</p> <p>These facilities include the ability to collect union dues on company premises, posting of trade union notices, and distribution of union documents related to normal trade union activities in the enterprise, and time-off with pay for union activities.</p>
<p>At the bargaining table</p>	<p>Recognise representative organisations for the purpose of collective bargaining.</p> <p>Use collective bargaining as a constructive forum for addressing working conditions and terms of employment and relations between employers and workers, or their respective organisations.</p> <p>Address any problem-solving or preventive need within the imagination and interests of workers and management, including restructuring and training needs, redundancy procedures, safety and health issues, grievance and dispute settlement procedures, disciplinary rules, and family and community welfare.</p> <p>Provide information needed for meaningful bargaining.</p> <p>Balance dealings with the most representative trade union to ensure the viability of smaller organisations to continue to represent their members.</p>
<p>In the community of operation</p>	<p>Take account of the climate in labour-management relations in the country when ensuring freedom of association and collective bargaining. In countries with insufficient legal protections, take steps to preserve the safety and confidentiality of trade unions and their leaders.</p> <p>Support the establishment and functioning of local/national employers' organisations, and trade unions.</p> <p>Inform the local community, media and public authorities of your company's endorsement of the UN Global Compact and its intention to respect its provisions, including those on fundamental workers' rights.</p>

Company Example 5:

Statoil

Statoil is a leading oil and gas supplier with operations in 21 countries world-wide. It has developed an approach to labour relations that is built on the Norwegian tradition of dialogue and co-operation between employers and workers. The company employs over 16,000 people in its operations and it recognises that the extent to which labour rights are respected can vary from one country to another. The large geographical spread means that the company encounters “great variations in terms of socio-economic development and degree of political freedom” at its various operations.

To meet the challenge of upholding labour standards globally the company has entered into an agreement with the International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM). The agreement, which was signed in 1998 and renewed in March 2001, is the first agreement of its kind between a labour federation like ICEM and an individual company. Statoil stresses that this is a *global* agreement that focuses on bringing about improvements at the *local level* “without interfering with established local practices”.

The purpose of the agreement is to,

“ create an open channel of information between ICEM and Statoil Management about industrial relations issues in order to continuously improve and develop good work practice in Statoil’s world-wide operations.”

Working with ICEM assists Statoil in developing an approach to labour relations that respects the integrity of its employees and their intrinsic human rights. The 2001 modification of the agreement was adapted to the principles of the Global Compact and focuses specifically on the four labour principles. In particular it embraces freedom of association and collective bargaining, which the company aims to promote with ICEM through joint training and awareness raising programmes.

The company believes that labour relations are best managed in accordance with local conditions with employees responding most effectively to those closest to the issues. Implementation is therefore devolved to specific business units and countries. In this respect Statoil has participated in an ICEM project to train trade union representatives from Azerbaijan.

Progress in relation to the agreement is evaluated through meetings and consultations with the ICEM. The company indicates an aim to increase the frequency of these events as the relationship between the two organisations matures.

Statoil suggests that the agreement provides an excellent approach to improving risk management as it allows a greater insight into the causes of labour disputes, and facilitates collaborative means for conflict resolution.

5.2 Labour: Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labour.

Forced and Compulsory Labour

Forced or compulsory labour is any work or service that is extracted from any person under the menace of any penalty, and for which that person has not offered himself or herself voluntarily. Providing wages or other compensation to a worker does not necessarily indicate that the labour is not forced or compulsory. By right, labour should be freely given and employees should be free to leave in accordance with established rules.

Forced labour deprives societies of the opportunity to develop human resources for the modern labour market, and to develop skills and educate children for the labour markets of tomorrow. The debilitating consequences of forced labour are felt by the individual, in particular by children, as well as by the economy itself since the degradation of human capital and social stability results in insecure investments.

By retarding the proper development of human resources, forced labour lowers the level of productivity and economic growth for society generally. The loss of income due to disruption of regular jobs or income-generating activities reduces the lifetime earnings of whole families and with it, the loss of food, shelter, and health care.

While companies operating legally do not normally employ such practices, forced labour can become associated with enterprises through their use of contractors and suppliers. As a result, all managers should be aware of the forms and causes of forced labour, as well as how it might occur in different industries. Forced and compulsory labour can take a number of forms:

- slavery,
- bonded labour or debt bondage, an ancient practice but still in use in some countries, in which both adults and children are obliged to work in slave-like conditions to repay debts of their own or their parents or relatives,
- child labour in particularly abusive conditions where the child has no choice about whether to work,
- the work or service of prisoners if they are hired to or placed at the disposal of private individuals, companies or associations involuntarily and without supervision of public authorities,
- labour for development purposes required by the authorities, for instance to assist in construction, agriculture, and other public works,
- work required in order to punish opinion or expression of views ideologically opposed to the established political, social or economic system, and
- exploitative practices such as forced overtime or the lodging of deposits (financial or personal documents) for employment.

Strategies for Business

Organisations need to determine whether forced labour is a problem within their business sector. It is important to mention that, although high profile cases are typically reported as occurring in developing countries, forced labour is also present in developed countries and as such should be viewed as a global issue.

Understanding the causes of forced labour is the first step towards taking action against forced labour, which requires a comprehensive set of interventions to address not only the needs of individual forced labourers but also the needs of their families. Therefore, if forced labour is identified then these individuals should be removed and facilities and services should be provided to enable them to make adequate alternatives.

In general, a combination of workplace and community actions is needed to help ensure the eradication of forced labour practices, such as those in Table 3.

Table 3: Actions by Business to Eliminate Forced and Compulsory Labour.

<p>In the workplace</p>	<p>make available to all employees, employment contracts stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work</p> <p>in planning and conducting business operations, ensure that workers in debt bondage or in other forms of forced labour are not engaged and, where found, provide for the removal of such workers from the workplace with adequate services and provision of viable alternatives in the community of operation</p> <p>institute policies and procedures to prohibit the requirement that workers lodge financial deposits with the company</p> <p>if hiring prisoners for work in or outside prisons, ensure that their terms and conditions of work are similar to those of a free employment relationship in the sector involved, and that they have given their consent to working for a private employer</p> <p>ensure that large scale development operations in which an employer participates do not rely on forced labour in any phase</p>
<p>In the community of operation</p>	<p>assist in the development of guidelines by sectoral industrial associations and small or medium enterprises where debt bondage or such practices are known to be commonplace</p> <p>support and help design education, vocational training, and counselling programmes for children removed from situations of forced labour</p> <p>help develop skills training and income-generating alternatives, including micro-credit financing programmes, for adults removed from situations of forced labour</p> <p>encourage supplementary health and nutrition programmes for workers removed from dangerous forced labour, and provide medical care to assist those affected by occupational diseases and malnutrition as a result of their involuntary work</p>

Company Example 6:

BASF

BASF is one of the world's leading, transnational chemical companies producing a range of products that include high value chemicals, plastics, colorants and pigments, automotive and industrial coatings, agricultural products and fine chemicals. The company's submission of a case study to the Pilot Phase of the Global Compact Learning Forum addresses the issue of forced labour directly both by outlining current operating standards and significantly by indicating how recompense is being made for unacceptable practices that occurred in the company's past.

Contemporary Standards

BASF has committed itself to the protection of human rights and to upholding labour standards by incorporating these issues into the company policy document *Values and Principles*, issued in 2000. The company observes the standards set out in the International Labour Organisation's June 1998 *Declaration on Fundamental Principles and Rights at Work*. With over 90,000 employees around the world, BASF has developed a comprehensive employee programme that includes issues such as flexible working hours, personal development, occupational health and safety, co-operation with unions, anti-discrimination and equal opportunity.

Addressing the Past

However, BASF recognises that for a period of the company's recent history these employee rights were not respected. During the Second World War BASF was merged with other industries to form I.G. Farbenindustrie, a company that forced millions of people to work for the German war effort. A significant period of the company's development was therefore marked by substandard labour practices.

As a sign of reconciliation BASF, together with 15 other major German companies, has contributed to the foundation of the initiative *'Remembrance, Responsibility and the Future'*. This is an initiative that explicitly recognises and takes responsibility for the use of forced labour and human rights abuses that occurred in the company's past. The initiative contributes funds towards a Federal German Foundation fund so that recompense may be made to former forced labourers under the Nazi regime.

Exploring the company's history and reporting on these past experiences (a book will be published in 2002) demonstrates an accountability, and reinforces the company's commitment to contemporary activities that provide fair and just working conditions.

5.3 Labour: Principle 5

Businesses should uphold the effective abolition of child labour.

Child Labour

Child labour has occurred at some point in time in virtually all parts of the world as nations have undergone different stages of development. It remains a serious issue today in many developing countries – although it also exists (more invisibly) in the developed, industrialised countries where it occurs for example in some immigrant communities.

Child labour deprives children of their childhood and their dignity. Many of the children work long hours for low or no wages, often under conditions harmful to their health, physical and mental development. They are deprived of an education and may be separated from their families. Children who do not complete their primary education are likely to remain illiterate and never acquire the skills needed to get a job and contribute to the development of a modern economy. Consequently child labour results in scores of under-skilled, unqualified workers and jeopardises future improvements of skills in the workforce.

Child labour occurs because of the pressures of poverty and lack of development, but also simply as a result of exploitation. It exists both in the formal and in the informal economy. However, it is in the latter case where the majority of the *worst forms* of child labour are found.

Although children enjoy the same human rights as adults, their lack of knowledge, experience and power means that they also have distinct rights by virtue of their age. These rights include protection from economic exploitation and work that may be dangerous to their health or morals and that may hinder their development. This does not mean that children should not be allowed to work, rather that there are standards that distinguish what constitutes acceptable or unacceptable work for children at different ages and stages of their development.

Employers should not use child labour in ways that are socially unacceptable and that lead to a child losing his or her educational opportunities. The complexity of the issue of child labour means that companies need to address the issue sensitively, and not take action which may force working children into more exploitative forms of work. Nevertheless, as Principle 5 states, the goal of all companies should be the *abolition of child labour* within their sphere of influence.

It is useful to mention that the use of child labour can damage a company's reputation. This is especially true in the case of transnational companies who have extensive supply and service chains, where the economic exploitation of children, even by a business partner, can damage a brand image and have strong repercussions on profit and stock value.

Definitions

ILO conventions recommend a minimum age for admission to employment or work that must not be less than the age for completing compulsory schooling, and in any case not less than 15 years. Lower ages are permitted – generally in countries where economic and educational facilities are less well-developed the minimum age is 14 years and 13 years for ‘light work’. On the other hand the minimum age for hazardous work is higher at 18 years.

Developed Countries:		Developing Countries:	
Light work	13 years	Light work	12 years
Regular work	15 years	Regular work	14 years
Hazardous work	18 years	Hazardous work	18 years

Priority is given to eliminating, for all persons under the age of 18, the *worst forms* of child labour, including hazardous types of work or employment. The worst forms of child labour are defined as –

- all forms of slavery – this includes the trafficking of children, debt bondage, forced and compulsory labour, and the use of children in armed conflict;
- the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic purposes;
- the use, procuring or offering of a child for illicit activities, in particular the production and trafficking of drugs; and
- work which is likely to harm the health, safety or morals of the child as a consequence of its nature or the circumstances under which it is carried out.

Strategies for Companies

Developing an awareness and understanding of the causes and consequences of child labour is the first step that a company can take toward action against child labour. This means identifying the issues and determining whether or not child labour is a problem within the business. Companies sourcing in specific industry sectors with geographically distant supply chains need to be particularly vigilant.

However, discovering if child labour is being used can be difficult, for example in the case where documents or records are absent, and companies may consider using local non-governmental organisations, development organisations or UN agencies to assist in this process.

If an occurrence of child labour is identified, the children need to be removed from the workplace and provided with viable alternatives. These measures often include enrolling the children in schools and offering income-generating alternatives for the parents or above-working age members of the family. Companies need to be aware that, without support, children may be forced into worse circumstances such as prostitution, and that, in some instances where children are the sole providers of income, their immediate removal from work may exacerbate rather than relieve the hardship.

Actions

What can business do concretely? Its actions should be focussed not only on the workplace but also in the community in which it is operating. Some examples of possible activities are given in the Table below.

Table 4: Possible Actions by Business to Combat Child Labour.

<p>In the workplace</p>	<p>adhere to minimum age provisions of national labour laws and regulations and, where national law is insufficient, take account of international standards</p> <p>use adequate and verifiable mechanisms for age verification in recruitment procedures</p> <p>when children below the legal working age are found in the workplace, take measures that provide for their removal along with adequate services and viable alternatives <i>both for the children and their families</i></p> <p>exercise influence on subcontractors, suppliers and other business affiliates to combat child labour</p> <p>develop and implement mechanisms to detect child labour</p> <p>make sure adult workers are given secure employment and decent wages and working conditions so that they do not need to send their children to work</p>
<p>In the community</p>	<p>assist in the development of guidelines by sectoral industrial associations and small to medium sized enterprises</p> <p>support and help design educational, vocational training, and counselling programmes for working children, and skills training for parents of working children</p> <p>encourage and assist in launching supplementary health and nutrition programmes for children removed from dangerous work, and provide medical care to cure children of occupational diseases and malnutrition</p> <p>help raise awareness about child labour and mobilise business sectors and society in general to take action against child labour</p>

Company Example 7:

Shell [www.shell.com]

Shell was the first major energy company to publicly support the United Nations Universal Declaration of Human Rights and to incorporate this commitment into the organisation's General Business Principles. As part of this commitment the company has embarked on an ongoing programme of internal education and external consultation to ensure that Shell companies do not exploit children in the course of their activities, either directly or indirectly through joint ventures, contractors or suppliers. Moreover, Shell has published a primer "Business and Child Labour" that looks at the causes and types of child labour, major legal instruments that address the issue and how child labour affects and is affected by international businesses. It is used within Shell to provide background information and guidance for managers on the issue.

Shell points out that child labour might not seem to be an important issue for a major company in the energy sector, presumably taking into consideration the type of work that is involved. However, they perceive it as a potential problem, particularly in relation to their contractors and suppliers, and have carried out monitoring of the current situation. They report that –

- in every Shell company, employees are above the local legal age of employment. The youngest company employee is 15 years old and works part-time in Europe.
- Shell companies in 101 countries have a specific policy to prevent the use of child labour in any of their operation;
- the number of Shell companies that screen contractors and supplier is increasing (63 and 41 respectively in 1999). Screening includes anti-child labour clauses in contracts and a requirement that all suppliers observe the ILO Minimum Age Convention No. 138.

While Shell does not claim that this provides complete assurance, they do believe that it indicates clearly to Shell companies, and those they work with, that the use of child labour is unacceptable.

One such initiative has been recognised by a local Brazilian non-governmental organisation ABRINQ, supported by UNICEF. They awarded Shell Brasil the title of "Child Friendly Company" for its work to discourage the use of child labour in the production of sugar cane alcohol, which it is legally obliged to sell in its garages and include in its gasoline.

In Brazil the use of alcohol in fuel has resulted in extensive growth of the sugar cane industry. To boost the income obtained from cane harvests many employers have used child labour (in Brazil the legal minimum working age is 14 years). Shell Brasil sells gasoline and buys alcohol from distilleries. Since 1999 the company has had a clause in its contract with distilleries which states that –

"the SUPPLIER is obliged to adopt and respect in full Shell's General Business Principles and to conduct its activities in total agreement with these principles. In this context and in line with applicable legislation, the use of child labour is absolutely unacceptable and the SUPPLIER is forbidden to adopt such practice."

Suppliers found using child labour will have their contracts terminated. To date, all suppliers have supported the clause.

In addition, the company has participated in a broader debate with NGO's, local government and distillers to examine how to help families whose children work in the sugar cane fields. One initiative has been the creation of funds to educate children who would otherwise be working to support their families.

Company Example 8:

Hennes & Mauritz AB

[www.hm.com]

Hennes & Mauritz AB (H&M) submitted the following example as its contribution to the Learning Forum for 2002. The example addresses specifically the use of child labour in Bangladesh. H&M comments that there is a strong demand for child labour in Bangladesh because they can be cheaply employed and easily dismissed. The children have low skills and are, therefore, in a weak bargaining position. However, H&M reports that the vast majority of the children would attend school if they were given the opportunity.

As a part of H&M's social responsibility programme the company is financing development projects that are related to its Code of Conduct and the abolition of child labour. One example of such a project relates to vocational training for young textile workers in Bangladesh. The programme is intended to train ex-child labourers, who had previously lost their jobs because they were under age, and who have since received basic education through the so-called MOU-schools set up according to the MOU between the US and Bangladesh governments. The project, which began in spring 1999, includes a four-month theoretical and three-month practical programme that leads to guaranteed employment as a machine operator at one of H&M's suppliers. H&M also pays the students' wages during the course as a means of support to their families. At present there are 55 students undergoing training.

The need for vocational training in Bangladesh today is enormous. Garments are the country's leading export and it is important for the future of the country to increase the level of skills in the garment industry. In line with H&M's expectations and goals, the education level of the students undergoing training in its programme has improved, both theoretically and practically. The students are not only trained to be good sewing operators, but are also taught to be positive thinkers and socially aware. An additional point is that there has been an increased awareness among the families of the students of the importance of education.

According to a UNICEF consultant, familiar with the project –

“ ... H&M's initiative to facilitate skill training for the concerned children in Bangladesh is highly praise worthy. Being an international buying house, this initiative is not necessarily required by H&M. Despite this, [it has] proved to be successful in promoting its idea. In fact, it has set an example for the local manufacturers and the concerned organisations, of how such an important and required project can be implemented in a country like Bangladesh.”

Company Example 9:

William E. Connor & Associates Ltd.

William E. Connor & Associates Ltd. described the following case in its submission to the Learning Forum in 2002. The action addresses directly Principle 5 of the Global Compact.

“On March 15, 2001, we were conducting a social compliance audit at one of our suppliers in Southern China. During the plant tour, we found that one of the operators working in the looping department looked very young. We checked the personnel records and discovered that she was below the minimum working age in China. According to the local labour law the minimum working age is 16.

A meeting was held with the supplier and we requested the supplier to follow the guidelines set by SA 8000, i.e. to provide school fees, to give an allowance to her family [*to compensate for her*] losing this job, [*and to pay the allowance*] until she reached the legal minimum working age. The supplier also agreed to provide transportation to her hometown about 800 km away and agreed to re-employ the girl if she wanted to work there again after she finished her studies.

Last December we sent someone from our office to visit the girl. She had just finished her studies and was helping her family on the farm. She told us that she would go back to the factory again after the Chinese New Year. We just received a message from the supplier stating the girl was back in the factory as a looping operator on Feb 25, 2002.”

5.4 Labour: Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Discrimination

The definition of discrimination in employment and occupation is "*any distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation*", and is made on the basis of "*race, colour, sex, religion, political opinion, national extraction or social origin*". Obviously, distinctions based strictly on the inherent requirements of the job are not discrimination.

Discrimination can arise in a variety of work-related activities. These include access to employment and to particular occupations, and to training and vocational guidance. Moreover, it can occur with respect to the terms and conditions of the employment, such as for example equal remuneration, hours of work and rest, paid holidays, maternity leave, security of tenure, advancement, social security, and occupational safety and health. In some countries additional issues for discrimination in the workplace, such as age and HIV status, are growing in importance. It is also important to realise that discrimination at work arises in a range of settings, and can be a problem in a rural agricultural business or in a high technology city-based business.

Non-discrimination means simply that employees are selected on the basis of their ability to do the job and that there is no distinction, exclusion or preference made on other grounds. Employees who experience discrimination at work are denied opportunities and have their basic human rights infringed. This affects the individual concerned and negatively influences the greater contribution that they might make to society.

Discrimination – Direct and Indirect

Discrimination can take many forms, both in terms of gaining access to employment and in the treatment of employees once they are in work.

It may be direct, such as when laws, rules or practices explicitly cite a reason such as sex or race to deny equal opportunity. Most commonly, discrimination is indirect and arises where rules or practices have the appearance of neutrality but in fact lead to exclusions. This indirect discrimination often exists informally in attitudes and practices, which if unchallenged can perpetuate in organisations. Discrimination may also have cultural roots that demand more specific individual approaches.

Strategies for Business

From a business point of view discrimination does not make sense. It is an issue that should be of concern to all businesses because discriminatory practices in employment and occupation restrict the available pool of workers and skills, and slow economic growth for society as a whole. The lack of a climate of tolerance results in missed opportunities for development of skills and infrastructure to strengthen competitiveness in the global economy. Finally, discrimination isolates an employer from the wider community and can damage a company's reputation, potentially affecting profits and stock value.

First and foremost, companies need to respect all relevant local and national laws wherever they are operating. Any company introducing measures to promote equality needs to be aware of the diversities of language, culture and family circumstance that may exist in the workforce. Managers and supervisory staff, in particular, should seek to develop an understanding of the different types of discrimination and how it can affect the workforce. For example, women constitute a growing proportion of the world's workforce, but consistently earn less than their male counterparts.

Companies should develop and promote an equal opportunity policy that applies qualification, skill and experience as the grounds for *recruitment*. Increasingly, young graduates and new employees are judging companies on the basis of their social and ethical policies at work. In addition, they must promote equality *at work*, which means that all individuals are accorded equal opportunities to develop the knowledge, skills and competence that are relevant to their job.

Actions

Companies can put in place specific activities to address the question of discrimination and eliminate it within the workplace. Some examples are:

- institute *company policies and procedures* which make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of staff at all levels
- assign *responsibility* for equal employment issues at a high level, issue clear company-wide policy and procedures to guide equal employment practices, and link advancement to desired performance in this area
- establish programs to promote access to *skills development training* and to particular occupations
- work on a *case by case basis* to evaluate whether a distinction is an inherent requirement of a job, and avoid systematic applications of job requirements in a way that would systematically disadvantage certain groups
- keep *up-to-date records* on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organisation
- where discrimination is identified, develop *grievance procedures* to address complaints, handle appeals and provide recourse for employees
- be aware of *formal structures* and *informal cultural issues* that can prevent employees from raising concerns and grievances.

Outside the workplace companies also have a role to play in eliminating discrimination, for example by encouraging and supporting efforts in the community to build a climate of tolerance and equal access to opportunities for occupational development. Two

examples could be through adult education programs and the support of health and childcare services.

In foreign operations, companies may need to accommodate cultural traditions and work with representatives of workers and governmental authorities to ensure equal access to employment by women and minorities.

Company Example 10:

Deloitte Touche Tohmatsu (DTT)

DTT is one of the world's leading professional services firms operating in over 130 countries and employing over 92,000 people. The company provided a submission to the Global Compact that focuses specifically on Principle 6.

DTT has a large and strong presence in South Africa where a history of apartheid has thwarted the opportunity of black South Africans to succeed and develop economically. During the 1970s DTT recognised that there was a need to address imbalances in the workforce. Ad-hoc initiatives throughout the 1970s were followed in 1991 by the establishment of a formal unit focused on the recruitment of black trainee accountants – the MultiCultural Development Program (MCDP).

The vision of the MCDP is the transformation of DTT's South African practice into one that truly represents the country in terms of race, gender and organisational culture. This aim moves beyond the precepts of affirmative action brought through the political reforms of 1994. To achieve these aims the company has developed a number of programmes:

- *The Scholarship Programme* – which awards scholarships from a fund to talented black people who have met academic and additional criteria at schools and universities
- *Diversity workshops* – that facilitate dialogue among employees and allow participants to reflect on their beliefs and values
- *Partner development and reward system* – which links the remuneration of partners in the business to their contributions to the MCDP
- *Bursaries* – providing financial support to recruits requiring assistance – with 70% allocated to black people
- *School visits* – to promote the profession to young black people
- *Individual learning and development programme* – a specialised plan is drawn up for each individual to develop specific identified competencies
- *Partner pairing* – where each black professional employee is assigned a partner who acts as a trusted mentor, providing support and development.

The MCDP is managed by a board of representative partners, who hold significant leadership positions and are representative of staff. They determine strategy and policy, facilitate implementation and monitor progress.

The company's vision for transformation is founded on the beliefs of: outstanding value to clients, commitment to each other, integrity, and strength from cultural diversity. The success of the MCDP is considered to be determined by the extent to which employees embrace these beliefs.

Commitment to the aims of the MCDP is measured through feedback received at annual Diversity Workshops and via the results of an annual Organisational Attitude Survey. In addition, a consultation process is conducted with all employees as part of the requirements of the Employment Equity Act process. With this recently introduced legislation, the Government aims to ensure that equity is achieved in the workplace over a reasonable period of time.

Company Example 11:

Nexen Inc.

As part of its commitment to maintain a working environment where all employees are treated with respect and dignity, Nexen has implemented an "Integrity Program" to address questions of equality, empowerment and accountability within the workforce. A cross-divisional team of Integrity Program Leaders manages the educational aspect of the program and plays a consultative role in dealing with ethical concerns. An Integrity Team has created tools for increasing awareness, including a decision-making model, a body of case studies and "QUEST - The Integrity Workshop". All employees - from the executive boardroom to the plant floor - are expected to participate in the Workshop and to discuss integrity in performance communications. The material delivered in the Workshop is the same for all audiences with the exception of the case studies, which vary from group to group to ensure relevancy and inclusiveness.

The QUEST Workshop serves as a catalyst to engage employees and further provoke them to take responsibility for integrity at work. QUEST is an acronym for Nexen's five pillars of integrity:

- | | |
|-----------------------------|---|
| Q – Query | ⇒ What does integrity mean? |
| U - Unlock Ideas | ⇒ Nexen's values, principles and expectations |
| E - Explore Options | ⇒ Dealing with dilemmas/getting assistance |
| S - Select a Path | ⇒ Case studies which explore integrity issues |
| T - Take Responsible Action | ⇒ Risks, rationalisations and rewards of acting/not acting with integrity |

During 2001 the workshop was delivered to over 2,100 employees and contractors worldwide. In countries where the working language was other than English, the workshop materials and video were translated. Participant evaluations have been consistently positive.

In its submission to the Global Compact Nexen points to another long-term project involving access to training. It relates to a program that has been carried out in partnership with government and community stakeholders and is linked to Nexen's operations in Yemen. The programme consists of a three-year English language and technical course that qualifies people for employment in a number of fields. As a result of this training, since 1993 the number of Yemeni nationals employed by Nexen in Yemen has increased by about 9% per year. The programme is therefore an effective means to support the local workforce while reducing the need and cost associated with an expatriate workforce. Currently, 65% of Nexen's employees in Yemen are nationals, with a target of 80% by 2009.

A Scholarship Program is also offered to qualifying Yemeni students enabling them to receive post-secondary education in Canada. Candidates are selected based on their ability to succeed and a commitment to bring their knowledge back to Yemen. The selection process is based primarily on objective criteria ensuring that the most capable students are awarded scholarships. However, during the course of implementing the Scholarship Program, it became clear that talented graduates from rural areas in Yemen were not being considered due to limited English skills. Nexen therefore established a pilot project to award in-country English language scholarships to the top scoring candidates in these areas. In 2001, ten students completed the nine-month English Language program with excellent results.

5.5 Discussion Themes

1. A company has chosen to address the issues of freedom of association and collective bargaining consistent with principles of the Global Compact. Consider which key stakeholders the company might usefully engage to help in this process.
2. Discuss and reflect on the challenges faced by companies developing labour policies in restrictive regimes. With reference to your own business/industry explore the range of organisations and initiatives that might provide support and assistance in this area.
3. With reference to the company Example 5: The company describes a range of activities derived from their agreement with the ICEM. What steps might the company take to monitor and report any progress it makes?
4. Forced labour may not be easily identifiable by companies. How could a company find out if forced labour might be an issue for the organisation? Consider the relevance of partnership working in your discussions.
5. Consider which other labour issues (for example, child labour) may accompany the discovery of forced labour. How might a company proceed if it finds itself in this position? Reflect on the potential disclosure and accountability issues raised by discovery of forced labour.
6. With reference to the company Example 6: Consider the actions taken by the company.
 - Is this an appropriate response?
 - What might the alternatives be?
7. Detection and assessment of child labour is a key challenge. What resources or partnerships might a company draw on to determine whether child labour is a problem in their business?
8. The removal of children from the workplace can have unforeseen negative consequences.
 - What might the issues be?
 - What are the options for a company seeking to uphold anti-labour practices without endangering family livelihoods?
9. A number of codes and labelling schemes (for example, the Ethical Trade Initiative (ETI) and the Clean Clothes Campaign) include child labour.
 - Discuss the relative merits of involvement in these schemes.
 - How might the experiences of company involvement with 'labour specific' initiatives contribute to and support company activities on the Global Compact?
10. With reference to the company Example 7: This company example is focused on child labour. How might the issues outlined in this case intersect with the other principles of the Global Compact?
11. Review the different grounds for discrimination. How complete is this list? What new or emerging issues are faced by business?

12. Few businesses can claim to have a truly diverse workforce. What are the business benefits of diversity?
13. Have you experienced discrimination in the workplace? Reflect on the approaches taken in the company examples. How does this relate to your experiences?
14. With reference to the company Example 10: Discuss the approach taken by DTT.
 - To what extent are these programmes transferable?
 - How might they operate in your business?

6. An Introduction to the Environmental Principles

Topics –

- ❑ *the Brundtland Report, the Rio Declaration and Agenda 21*
- ❑ *the precautionary approach as enshrined in the Rio Declaration*
- ❑ *the key concepts that underlie and support precaution*
- ❑ *approaches that business may take to apply the concept of precaution*
- ❑ *the Agenda 21 definition of environmental responsibility*
- ❑ *examples of what responsible practice might mean for business*
- ❑ *what is meant by environmentally sound technologies*
- ❑ *the rationale for the development and diffusion of environmentally sound technologies (ESTs)*
- ❑ *possible methods that companies can employ for promoting the use and diffusion of ESTs*

In the same way that the *Universal Declaration of Human Rights* and the *Declaration on Fundamental Principles and Rights at Work*, underpin respectively the Human Rights and Labour Rights Principles of the Global Compact, the *Rio Declaration on Environment and Development* provides the basis for the Environment Principles.

Whereas the Universal Declaration of Human Rights was the first internationally-agreed document to address the question of human rights, this is not the case for the Rio Declaration and it is worthwhile to briefly trace back its history.

In 1972 the United Nations organised in Stockholm the first international conference on the human environment. Principle 1 of the resulting Stockholm Declaration [see *Box below*] introduces concepts that bear an obvious relationship with human rights, both civil and political (freedom, equality, dignity) as well as economic, social and cultural rights (adequate conditions of life and well-being). The Stockholm Conference led many industrialised countries to create their own national agencies to address the question of environmental protection, but even more importantly resulted, in December 1972, in the decision by the UN General Assembly to create the United Nations Environment Programme (UNEP).

During the nearly 30 years of its existence UNEP has worked to co-ordinate at the international level activities relating to the environment. It has been responsible for creating much of the international environmental law that is in use today, including the large number of Multilateral Environmental Agreements (MEA's) that address

Principle 1 of the Stockholm Declaration states that:

Man has the fundamental right to freedom, equality, and adequate conditions of life, in an environment of a quality that permits a life of dignity and well-being, and he bears a solemn responsibility to protect and improve the environment for present and future generations.

[UN Conference on the Human Environment, 1972]

issues such as the loss of bio-diversity, climate change or desertification to name but a few.

In 1983 the General Assembly established the World Commission on Environment and Development (WCED) to formulate a *global action plan* to propose long-term environmental strategies and new ways to try to reconcile the objectives of *development* and the *protection of resources*. In the final chapter of its report “Our Common Future”, released in 1987, the WCED (or Brundtland Commission) called for an international conference to be convened that would review the progress that had been made and create a follow-up structure. This conference, the United Nations Conference on Environment and Development (UNCED) was held in June 1992 in Rio de Janeiro. The follow-up structure is the Commission on Sustainable Development (CSD), which was created after the conference to enhance international co-operation and support the development of the work agreed at UNCED.

The *Rio Declaration on Environment and Development* is the statement of principles that came out of UNCED. Its 27 principles define the rights of people to development but on the other hand, their responsibilities to protect the common environment. The idea behind the Rio Declaration is that, in order to have long-term economic progress, it has to be linked to environmental protection to create a *sustainable* form of development. And this requires a new and equitable global partnership involving governments, people and key sectors of society.

In addition to the Rio Declaration, the governments attending UNCED also agreed an international action plan – *Agenda 21*. *Agenda 21* is a blueprint on how to move towards a sustainable form of development – one that balances the social, economical and environmental factors.

These two key documents – the Rio Declaration and *Agenda 21* – provide the basis for much of the effort of the past ten years that has focussed on addressing the significant environmental degradation and damage to the planet’s life support systems, which has resulted from human activities. The three environmental principles of the Global Compact, therefore, while being important for the business sector actually fall within a much wider framework of environmental action being undertaken by other key stakeholders.

Agenda 21 lays a solid foundation for the promotion of sustainable development in terms of social, economic and environmental progress. Its recommendations are divided into four main areas:

- Social and economic issues such as international co-operation to accelerate sustainable development, combating poverty, changing consumption patterns, demographic dynamics and sustainability, and protecting and promoting human health.
- Conservation and management of resources for development, such as protection of the atmosphere, combating deforestation, combating desertification and drought, promoting sustainable agriculture and rural development, conservation of biological diversity, protection of freshwater resources and the oceans, and the sound management of toxic chemicals and hazardous wastes.
- Strengthening the role of major groups, including women, children and youth, indigenous people and their communities, NGOs, local authorities’ initiatives in support of *Agenda 21*, workers and their trade unions, business and industry, the scientific & technological community, and farmers.
- Means of implementation, including financial resources and mechanisms, transfer of environmentally sound technology, promoting education, public awareness and training, international institutional arrangements, international legal instruments and mechanisms, and information for decision-making.

[GEO-3, 2002]

6.1 Environment: Principle 7

Businesses should support a precautionary approach to environmental challenges.

What Is a Precautionary Approach?

The Rio Declaration firmly established the link between environmental issues and development by stating that:

“ ... in order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it.”

However, as part of this human development process, human activities today are transforming materials and energy into products and services at such a scale that significant environmental change is occurring. And this is occurring with respect to both the physical landscape as well as the critical biogeochemical cycles of the planet. A critical question is how much human-induced change the natural environment can absorb.

Despite an enormous amount of scientific activity over many years, knowledge of environmental systems is still not sufficient to predict with any certainty the effect of many human activities on the environment. One can point to the current scientific debate concerning the effect of burning fossil fuels on the global climate as an illustration of the dilemma. The use of chlorofluorocarbons, or CFC's, provides another example of how the hazardous nature of an activity can go unrecognised for many years. CFC's were introduced in the 1940's but it was not until the 1970's that Molina and Rowland predicted that emissions of CFC's persisting in the atmosphere could lead to ozone depletion in the stratosphere. The first observation of ozone-depletion over the Antarctic was reported in 1985 and the Montreal Protocol was signed in 1987. This environmental treaty brought about a phasing-out of the use of CFC's – nearly 50 years after their introduction!

Therefore, if environmental protection is to be considered as an integral part of the development process, how can the environmental risks associated with human activities be assessed?

The Rio Declaration sets out an extremely important idea, now widely accepted by policy makers, of a *precautionary approach* to environmental protection –

“In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”

The concept is not new having emerged in association with Clean Air legislation in the Federal Republic of Germany in the 1970s. It has become an accepted principle in the European Union and a part of international environmental law. The German concept of 'vorsorgprinzip' embraces notions of risk prevention, cost effectiveness, ethical responsibilities towards the environment, and the (sometimes) uncertain nature of human knowledge and understanding.

Precaution is founded on a number of key concepts, such as –

Preventative anticipation – taking action if necessary before scientific proof is available on the grounds that a delay in the action will cause damage to nature and society.

Safeguarding ecological ‘space’ – not impinging on ecological margins so that we protect and widen the assimilative capacity of the natural environment. This means refraining from undesirable resource use.

Proportionality of response – to show that selected degrees of restraint are not unduly costly. In other words, allowing for the possibly greater dangers for future generation if important life support systems are undermined.

Duty of care – placing the onus of proof on those undertaking an activity or carrying out change to demonstrate no environmental harm.

Promoting intrinsic natural rights – allowing natural processes to function such that they maintain essential support for all life on earth.

Paying for ecological debt – or compensating for past errors of judgement as indicated by the notion of ‘common but differentiated responsibility’ enshrined in the UN Framework Convention on Climate Change.

It is important here to point out the existence of two concepts – the “precautionary approach”, as embodied in Principle 15 of the Rio Declaration, and the “precautionary principle”. A discussion of the precautionary principle is presented in the box below.

The Precautionary Principle.

“The precautionary principle is essentially a ‘better safe than sorry’ principle which attempts to shift the burden of proof in disputes about environmental damage.

Historically, the tendency has been to assume that industrial emissions are ‘innocent until proven guilty’ of environmental damage. The precautionary principle suggests that certain kinds of emissions should be regarded as ‘guilty by virtue of their nature’. And attempts should be made to reduce such emissions, even in the absence of proof that they have caused particular environmental effects.

After all, it is too late to worry about proof of a causal link after irreversible environmental damage has taken place.”

[T. Jackson, 1996]

A Business Approach to the Concept of Precaution

The key element of a precautionary approach, from a business perspective, is the idea of *prevention* rather than *cure*. In other words, it is more cost-effective to take early action to ensure that irreversible environmental damage does not occur. Companies should consider the following:

1. While it is true that preventing environmental damage entails both opportunity – and implementation – costs, remediating environmental harm after it has occurred can cost much more, e.g. for treatment costs, or in terms of company image.
2. Investing in production methods that are not sustainable, i.e. that deplete resources and degrade the environment, has a lower, long-term return than investing in sustainable operations. In turn, improving environmental performance means less financial risk, an important consideration for insurers.
3. Research and development related to more environmentally friendly products can have significant long-term benefits.

Nevertheless, interpretation of the precautionary approach can present difficulties for companies. They will be more effectively placed to assess any potential environmental harm if they have a thorough understanding of current environmental impacts, as well as the baseline environmental conditions, within their sphere of influence. This requires developing a life-cycle approach to business activities that can:

- manage the uncertainty, and
- ensure transparency.

With respect to assessing the uncertainty, a number of useful tools are available to gather information on the potential issues and impacts associated with technological, process, planning and managerial changes, such as –

- *environmental risk assessment* – establishes the potential for unintended environmental damage alongside other risks
- *life cycle assessment (LCA)* – explores the opportunities for more environmentally benign inputs and outputs in product and process development
- *environmental impact assessment* – ensures that impacts of development projects are within acceptable levels
- *strategic environmental assessment* - ensures that impacts of policies and plans are taken into account and mitigated.

These tools provide the data that organisations need when deciding what actions to take. When precaution is a fundamental, strategic issue for business, a range of actions is possible –

- build-in safety margins when setting standards in areas where significant uncertainty still exists
- ban or restrict an activity whose impact on the environment is uncertain
- promote best available technology
- implement cleaner production and industrial ecology approaches
- communicate with stakeholders.

Company Example 12:

British Telecom

The principal activities of British Telecom (BT) are in telecommunications services, internet services and IT solutions. BT submitted a case study to the Global Compact during the Pilot Phase in 2001. Their submission covers all of the principles and illustrates how work at both project and strategy level can be cross-cutting. With respect to Principle 7 the company highlights its work on the siting of masts, or base stations, that are required for mobile telephone communications.

BT insists that a balance must be struck between providing the infrastructure that is needed to support communication services, and the concerns of the public about the possible health impacts of base stations. An independent report (the Stewart Report) on this question was published in 2001 and concluded that the balance of evidence pointed to exposure to radio frequency levels below National Radiological Protection Board guidelines as not causing adverse effects to the general population. BT suggests that the evidence is not conclusive – the fact that no adverse effects have as yet been detected does not mean that there are no effects – and that decisions on the siting of masts need to be informed by additional factors. In particular the company believes that judgements regarding safety are best made by independent experts, and that as such the company will adopt a *precautionary approach* to the siting of masts that complies with the *spirit* of the report's recommendations.

In accordance with this approach BT has taken the following actions –

- the company's Chief Medical Officer oversees policy, practice and communications in relation to the siting of masts,
- all existing sites have been audited for compliance with the Stewart Report guidelines and have been found to be well within recommended levels,
- BT is supporting financially UK and European research on this issue - as set by the World Health Organisation,
- the company shares masts or uses existing sites to avoid a proliferation of ground base stations,
- the company is working on less obtrusive masts and exploring alternative siting such as on existing street furniture,
- BT employs community liaison officers to undertake informed dialogues with community leaders and representatives on the need for, and the best options for the siting of base stations, and
- the company is working with planning authorities to avoid siting near schools for example.

Company Example 13:

Shell International Ltd. [www.shell.com]

The example submitted by Shell to the Global Compact in 2002 focuses on the precautionary nature of its approach to biodiversity in the context of new projects. Shell has identified biodiversity as being a key driver in its decision-making process regarding new projects and investments. As the search for new oil and gas reserves expands into even more sensitive environments, Shell has recognised that its activities have the potential to impact biodiversity adversely and believes that, by operating responsibly with respect to biodiversity, it can ensure that the integrity of an area is maintained and also avoid damage to its reputation.

Shell's activities began with a workshop involving key international conservation organisations at which three key areas for the company were identified –

- ❖ Communication of a consistent position on biodiversity for the complete Royal/Dutch Shell group of companies,
- ❖ To “operate responsibly”, and
- ❖ To work with others to make a positive contribution to global biodiversity.

Shell's actions in these three areas are summarised below:

1. Shell has published a formal Group-wide biodiversity standard and has appointed a Group Biodiversity Adviser to translate the standard into guidance for Shell operations.
2. Shell responded to the call for “operating responsibly” by developing a GIS “Early Warning System” to provide biodiversity information for use in consultations with stakeholders on new business activities in sensitive environments. Data on protected areas – such as World Heritage Sites, UN-listed areas (IUCN Categories I-VI) and Ramsar sites – as well as sensitive environments – such as the WWF Global 200 Eco-regions, and Conservation International's “hot spots” – are included in the system. Potential impacts on biodiversity are also being integrated into Shell's Environmental and Social Impact Assessments (ESIAs), which are carried out prior to new projects or important modifications. Shell is working with the World Conservation Monitoring Centre (UNEP-WCMC) to make this information available within the public domain.
3. Shell has established a number of relationships that are aimed at building trust so as to resolve operational issues as well as to make a positive contribution to conservation. The Camisea Project and the Energy and Biodiversity Initiative (EBI) demonstrate how business and NGOs can work together effectively –

Shell Prospecting and Development - Peru (SPDP) performed an appraisal and exploration operation in the Camisea region, an extremely sensitive area adjacent to the Manu National Park in Peru. Shell carried out extensive consultation with local and international NGOs and the indigenous Machigenga people, and ran the appraisal campaign with restricted access for visitors – no roads were built and barges, hovercraft and helicopters were used for operations. SPDP worked together with the Smithsonian Institution to conduct biodiversity assessments and the information was used in the business decision-making process for the location of a gas process plant and the routes of pipelines. Following the Camisea Project, the Shell Foundation funded the Smithsonian Institution to carry out a 5 year study on the impacts of oil and gas operations in sensitive environments.

Finally, the Shell Foundation contributes to the Energy and Biodiversity Initiative (EBI) along with three other companies (BP, ChevronTexaco, and Statoil) and five conservation NGOs (Conservation International, Fauna and Flora International, IUCN, the Smithsonian Institution and The Nature Conservancy). The EBI is looking to integrate biodiversity into business decision-making by developing a business case for biodiversity, establishing biodiversity conservation practices and metrics, and designing a decision-making framework to guide the site-selection process.

6.2 Environment: Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

The Background to Principle 8

The Rio Earth Summit in 1992 acted as a 'wake-up call' for many parts of society, not least of which the business sector. For the first time a comprehensive group of stakeholders gathered together to discuss the issues raised by the patterns of industrialisation, population growth and social inequality around the world. The conference highlighted the true fragility of the planet and in particular it drew attention to three concerns:

- the damage occurring to many natural ecosystems,
- the threatened capacity of the planet to support life in the future, and
- our ability to sustain long term economic and social development.

The message to companies was spelt out in Chapter 30 of *Agenda 21*, in which the role of business and industry in the sustainable development agenda is discussed. And an outline of what *environmental responsibility* means for business is presented –

“[the] responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making, and fostering openness and dialogue with employees and the public.” (30.26)

In the ten years since “Rio”, the imperative for business to conduct its activities in an environmentally responsible manner has not lessened. On the contrary, as recent analyses of the “state of the planet” indicate, despite progress in some areas (e.g. ozone-depletion, air-pollution in many developed regions, or advances towards reducing greenhouse gases under the Kyoto Protocol) the overall trends are negative and much work still remains to be done. Scientists and experts are reporting disturbing global trends concerning not only vital aspects of our life support system, but also the foundation of our social development system.

“Environmental threats resulting from the accelerating trends of urbanization and the development of megacities, the tremendous risk of climate change, the freshwater crisis and its consequences for food security and the environment, the unsustainable exploitation and depletion of biological resources, drought and desertification, and uncontrolled deforestation, increasing environmental emergencies, the risk to human health and the environment from hazardous chemicals, and land-based sources of pollution, are all issues that need to be addressed.”

(Malmö Ministerial Declaration, 31 May 2000)

Given the increasingly central role of the private sector in global governance issues, the public is demanding that business manage its operations in a manner that not only enhances economic prosperity and promotes social justice, but also ensures environmental protection in the regions and countries where it is based. Through

Principle 8, the Global Compact provides a framework for business to take forward some of the key challenges made 10 years ago.

Towards Environmentally Responsible Business Practice

Business gains its legitimacy through meeting the needs of society, and increasingly society is expressing a clear need for more environmentally sustainable practices. One way for business to demonstrate its commitment to greater environmental responsibility is by changing its *modus operandi* from the so-called “traditional methods” to more responsible approaches to addressing environmental issues –

inefficient resource use	→	resource productivity
end-of-pipe technology	→	cleaner production
public relations	→	corporate governance
reactive	→	proactive
management systems	→	life-cycles, business design
one way, passive communication	→	multi-stakeholder, active dialogue

Such a change in business strategy brings with it a number of benefits. UNEP-DTIE has pinpointed the following reasons why a company should think about improving its environmental performance –

- ☑ Application of cleaner production and eco-efficiency leads to improved resource productivity
- ☑ New economic instruments (taxes, charges, trade permits) are rewarding clean companies
- ☑ Environmental regulations are becoming tougher
- ☑ Insurance companies prefer to cover a cleaner, lower risk company
- ☑ Banks are more willing to lend to a company whose operations will not burden the bank with environmental lawsuits or large clean-up bills
- ☑ Environmental stewardship has a positive effect on a company's image
- ☑ Employees tend to prefer to work for an environmentally responsible company (such a company also often has good worker health and safety records)
- ☑ Environmental pollution threatens human health
- ☑ Customers are demanding cleaner products

UNEP International Declaration on Cleaner Production

Cleaner Production is a strategy to address environmental degradation resulting from the continual expansion of industrial production and high-levels of consumption worldwide. It is a preventative environmental management strategy that promotes eliminating waste before it is created to systematically reduce the generation of pollution overall and improve efficiencies of resource use.

When Cleaner Production was first introduced by UNEP in 1989 the immediate objective was to raise awareness about the Cleaner Production concept and to promote its adoption by industry. Since that time, it has become widely recognised as a successful strategy to improve industrial performance and simultaneously protect the environment.

With the *International Declaration on Cleaner Production* UNEP has introduced a voluntary but public statement of commitment to the practice and promotion of Cleaner Production. The Declaration is essentially an outline of what signatories can **say** and what they can **do** to further the global implementation of Cleaner Production. It provides an opportunity for high-level political, public and private business leaders worldwide to commit to reinforce the general recognition and endorsement for a more intense and broader adoption of Cleaner Production. It is a tool for all promoters of the Cleaner Production strategy to spread an understanding of the strategy and attract new advocates from government, business and other sectors.

However, once a company has decided to adopt a more environmentally responsible corporate policy, what initiatives does it need to undertake? 7 key elements that contribute to environmental responsibility are shown below –

- ❖ apply a precautionary approach,
- ❖ adopt the same operating standards regardless of location,
- ❖ ensure supply-chain management,
- ❖ facilitate technology transfer,
- ❖ contribute to environmental awareness in company locations,
- ❖ communicate with the local community, and
- ❖ share benefits equitably.

And in order to turn these concepts into concrete, environmentally responsible actions, a company can choose to –

- ❖ implement the International Declaration on Cleaner Production [*see below*],
- ❖ work with suppliers to improve environmental performance (supply chain management),
- ❖ re-define company strategies and policies to include the 'triple bottom line' of sustainable development – economic prosperity, environmental quality and social equity,
- ❖ set quantifiable objectives and targets,
- ❖ develop sustainability indicators (economic, environmental, social),
- ❖ measure, track, and report progress in incorporating sustainability principles into business practices, including reporting against global operating standard,

- ❖ adopt voluntary charters, codes of conduct, codes of practice in global and sectoral initiatives, and
- ❖ ensure transparency and unbiased communication with stakeholders.

Company Example 14:

Yawal System

Yawal System is a medium sized company in the south of Poland that produces architectural aluminium constructions. The company is part of a holding company with production plants in eastern and central Europe.

The company submitted a case study during the Pilot Phase of the Global Compact under Principle 8 to illustrate the range of measures they are taking towards developing environmentally responsible practices. Yawal indicates that environmental responsibility is neither profitable nor easy in Poland under current circumstances, but that the company is driven by the opportunities and requirements that it expects to result from greater European integration. Its environmental strategy is being led by the shared beliefs of the management team and is supported by an enthusiastic workforce who have 'stressed the importance of working in a company with a responsible corporate culture and appropriate management systems and audit instruments.'

The company has established the issues of waste and energy consumption as its key targets and has taken the following measures to develop environmentally responsible practices:

- reduced the use of plastics (for wrapping aluminium) by 20% since Oct 2000,
- decreased the use of paper by 30% since Oct 2000,
- substituted the use of wooden baskets for wrapping aluminium profiles with steel baskets, which have a substantially longer life cycle,
- conducted training for workers in the identification and management of environmental risk,
- segregated all waste, and in particular hazardous waste, into separate streams,
- developed indicators describing which areas of production are exposed to a high risk of environmental degradation, in association with a local non-governmental organisation and an academic institution;
- consulted with local government about the scope and nature of the changes being made, and
- disseminated the information and experiences gained with other local companies.

The company is working towards a programme of continuous environmental improvement, and is aiming to produce an environmental report by Oct 2002.

The company reports that the knowledge gained through its work to date has improved management systems across the board. In addition, communications with foreign investors have improved and local government representatives are beginning to recognise the importance of this approach.

Company Example 15:

BP

In its submission to the Pilot Phase of the Global Compact Learning Forum, BP described its internal Greenhouse Gas (GHG) Emissions Trading System in the context of a key activity to address Principle 8 on promoting greater environmental responsibility.

In 1998 BP announced that it would reduce its greenhouse gas (GHG) emissions to 10% below 1990 levels by 2010. Following the merger with Amoco and subsequent acquisitions, this target was extended to the whole BP group and the company chose to use a *company-wide* emissions trading system as the principal tool to deliver this target in a cost-effective way. BP is organised around approximately 160 Business Units (BU's) that operate in 100 countries, and each BU has its own performance contract to deliver agreed objectives. This system is well adapted to the implementation of an emissions-trading system since each BU participates in the trading system as a distinct entity.

The scheme was launched in January 2000 following one year of operating a pilot emissions trading system that had been developed by BP and the US-based NGO, Environmental Defense, and many of the lessons learned from the pilot scheme were incorporated into the design of the company-wide system. Both carbon dioxide (CO₂) and methane (CH₄) are traded, with CH₄ being converted into "CO₂ equivalent units".

A Group Cap is set annually to steer BP towards its GHG target at 2010 and is expressed as a percentage reduction from the Group 1998 emissions. 1998 was chosen as the base year as it represented the most accurate set of data for the BP Group. The company-wide cap is used to set the total number of "allowances" for each BU. Allowances [an allowance equates to one metric tonne of CO₂] are then traded amongst the BU's with all activity being registered through a central broker.

One example from the trading scheme serves to demonstrate how it works. A deepwater offshore BU had plans to increase its production rate during year 2000, which would cause it to exceed its annual emissions allocation. As the on-site cost of reducing these emissions was higher than the market price of CO₂, it made a decision to purchase allowances from a chemicals BU that had upgraded a furnace giving it spare allowances to sell.

Each BU is responsible for collecting and reporting its own emissions data as part of its normal environmental performance reporting. Standard reporting protocols for CO₂ and CH₄ are used and a data audit and verification system has been developed with a group of external partners. In order to ensure compliance with the BP system, the GHG allocations are fixed in the performance contract of each Business Unit Leader and progress is reported in the financial performance indicators for the company. The BU leaders are therefore accountable for meeting their targets on an annual basis and their GHG performance rates equally with their financial performance.

The company reports that a number of lessons have been learned, amongst which –

- data quality is the key to a successful trading system; BU's need to understand their past, present and future emissions,
- understanding the costs of pollution abatement at the project level is vital,
- compliance with the trading system must be linked to managerial performance, and
- key stakeholders need to be engaged at the formative stages of the process.

The emissions trading system at BP has operated successfully for over a year and the company is convinced that trading has considerable potential to reduce GHG emissions. It states that the trading system has:

- raised awareness of the climate change issue both inside and outside the company,
- created innovative business strategies to find cost effective emissions controls; and
- enabled BP to quantify financially the GHG implications of its investment decisions.

Company Example 16:

Nokia

This example, submitted by Nokia in 2002, describes a programme at Nokia to reduce waste during the manufacturing stage of the product life cycle. The activities address Principles 7 and 8 of the Global Compact.

Nokia points out that the driving force for materials recycling is –

- the rise in the number of mobile phones being produced, which has put pressure both on the cost of waste disposal and the space available to store waste,
- stakeholder expectation for better environmental management,
- anticipated changes in legislation on recycling, and
- an initiative of the employees.

The simple but effective solution that Nokia came up with was to place containers where the waste originated, to instruct production staff on how to sort the waste, and to identify (or create) suppliers and recycling companies that would collect the waste.

The basic process was as follows –

1. Nokia analysed the kind of waste that was being produced at each production site,
2. It discussed with its suppliers and manufacturing departments about the possibilities to *minimise waste* or *improve materials*, and then evaluated different reuse / recycling solutions,
3. The company then evaluated any remaining potential for material recycling,
4. It set up the sorting bins, created sets of instructions and carried out training, and
5. Finally it followed up, for example by carrying out "purity checks" of the landfill fraction, to make sure that nothing could still be "used".

Some of the results are that Nokia's factories have been able to reduce appreciably the amount of waste generated throughout the manufacturing process. For example, in the Salo mobile phone factory in Finland, more than 80% of incoming materials now end up inside the telephones. Through simple waste management measures, 16% of the remaining materials are reused or recycled and landfill waste now represents only 0.2%. In China it was found that most of the waste at Nokia's Beijing factory was from packaging materials that came with the components. The packaging material was largely recyclable and could be sent back to the suppliers for *re-use*. Electronics components make up only a small part of the waste volume. However, they also have a metal value when recycled.

Nokia mentions that the programme has tapped into the creativity of Nokia's employees, as it has required them to identify new uses for the separated waste streams. It also points out that, as a result of ISO 14001 certification, the standardised environmental training in the Nokia factories has facilitated the sharing of "best practices" between different business units and factories. Co-operation with industry bodies, such as Finland's State Technology Research Centre and the European Information and Communications Technology Association (EICTA) was also important. They observe that the fact that both the company and society have benefited has made it easier to encourage the development of the recycling programmes within Nokia's factories around the world.

6.3 Environment: Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

What is meant by an ‘environmentally friendly technology’?

Encouraging the development and diffusion of environmentally friendly technology is a longer-term challenge for a company that will draw on both the management and research capabilities of the organisation. For the purposes of engaging with the Global Compact, environmentally friendly technologies are considered to be those that are described in Chapter 34 of Agenda 21 as being “environmentally sound”. Agenda 21 outlines environmentally sound technologies (ESTs) as those which –

“...protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their wastes and products, and handle residual wastes in a more acceptable manner than the technologies for which they were substitutes. [ESTs] are not just individual technologies, but total systems which include know-how, procedures, goods and services, and equipment as well as organisational and managerial processes.”

Important here is an understanding that this broad definition includes end-of-pipe and monitoring techniques but that *explicitly encourages* more progressive preventative approaches, such as pollution prevention and cleaner production technologies. The aspiration of this principle is, therefore, towards clean technology where the function is to provide a human benefit or service, rather than concentrating on products per se.

Reasons to Develop and Diffuse (EST’s)

Environmentally proficient technologies allow us to reduce the use of finite resources and to use existing resources more efficiently. For example, improvements in the power to weight ratio of batteries has led to a significant reduction in the use of toxic heavy metals whilst bringing substantial benefits to the consumer.

Waste storage, treatment and disposal is costly both in financial as well as in environmental and social terms. Since environmentally sound technologies generate less waste and residues, the continued use of inefficient technologies can represent increased operating costs for business. In addition it also results in a retrospective focus on control and remediation rather than prevention. In contrast avoiding environmental impacts through pollution prevention and ecological product design increases the efficiency and overall competitiveness of the company and also may lead to new business opportunities.

As environmentally sound technologies reduce operating inefficiencies, they also lead to lower emissions of environmental contaminants. This benefits in the first case workers who are exposed to much lower levels of hazardous materials on a daily basis and also results in a substantially reduced risk of accidents or technological disasters.

Methods to Promote the Use and Diffusion of ESTs

Engagement with Principle 9 will depend to some extent on the size and nature of the business. However all companies will want to pursue the business benefits that come from a more efficient use of resources. As this principle captures both 'hard' technologies and 'soft' systems the potential entry points are broad.

At a basic factory site or unit level, improving technology may be achieved by four principle means:²

1. *Changing the process or manufacturing technique* – from simple modifications to more advanced changes that require research and development.
2. *Changing input materials* – in order to use raw materials that are less toxic, for example.
3. *Changes to the product* – for example by switching from solvent- to water-based paints.
4. *Reusing materials on site* – separating, treating and recovering useful materials from waste, so-called "by-product synergies".

Strategic level approaches to improving technology include:

- ❖ *Establishing* a corporate or individual company policy on the use of EST's.
- ❖ *Making* information available to stakeholders that illustrates the environmental performance and benefits of using EST's.
- ❖ *Refocusing* research and development towards 'design for sustainability'.
- ❖ *Use* of life cycle assessment (LCA) in the development of new technologies and products, so as to take into account impacts in manufacture, use and at the end of life of the product.
- ❖ *Employing* Environmental Technology Assessment (EnTA) - an analytical tool designed to ensure that decision making processes related to technology adaptation, implementation and use are sustainable.
- ❖ *Examining* investment criteria and the sourcing policy for suppliers and contractors to ensure that tenders stipulate minimum environmental criteria.
- ❖ *Co-operating* with industry partners to ensure that 'best available technology' is available to other organisations.

² For further details see DeSimone, L., D. and Popoff, F. with the World Business Council for Sustainable Development. (1997). *Eco-Efficiency: The Business Link to Sustainable Development*. MIT Press: London.

An example of how environmentally friendly technologies are being promoted comes from the area of climate change and the work of the IPCC (Intergovernmental Panel on Climate Change)³. Here the goal is to encourage the use of technologies that result in lower emissions of greenhouse gases (GHG's), and in particular of carbon dioxide CO₂. In its *Inventory of Technologies, Methods and Practices for Reducing Emissions of Greenhouse Gases* the IPCC has focussed on the energy sector. As a first step it has defined the Energy Cycle starting with the primary fuel resources and going right through the lifecycle until delivery of the energy service to the customer. This is shown in the diagram below for the generalised or reference energy cycle. It has then identified the environmental aspects that are sources of GHG's for each part of the cycle. Finally, it has addressed the technologies that are involved with each step in the process and provided an inventory of the technologies at the present that respond best to the objective to reduce GHG emissions.

³ *Inventory of Technologies, Methods and Practices for Reducing Emissions of Greenhouse Gases*, IPCC – Working Group II, 1996.

Company Example 17:

STMicroelectronics

STMicroelectronics (ST) has provided the following as an example of an activity that specifically addresses the question of encouraging the use of environmentally friendly technologies (Global Compact Principle 9).

Environmental protection is a key element within ST's corporate culture and a part of its Total Quality Environmental Management (TQEM) approach. The company also believes that there is a good *economic* reason for it to use environmentally-sound technologies and processes as these technologies consume less energy and natural resources. It is equally convinced that, as a leader on environmental issues, it is better placed to attract the best human resources that it needs to maintain its economic performance.

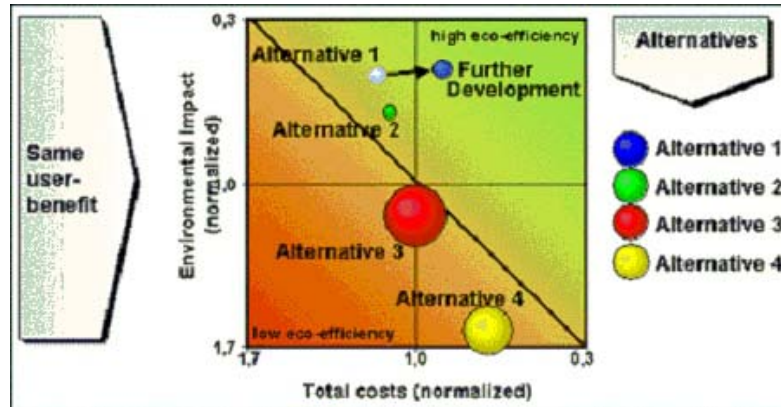
An example of a "best practice" approach to reduce energy consumption, which has been applied by ST, is that of a "free cooling" system. Free cooling is possible if a plant incorporates a heat exchanger to provide "chilled water", and it can be used to save energy whenever the outside wet-bulb temperature drops below the required chilled water set point. The low temperature of the cooling-tower water supply enables *free* cooling of research laboratories, production areas, computer rooms and office buildings since it allows the chiller's compressors to be shut down. The parameter that must be checked to determine the feasibility of such a system is the number of hours per year where the external wet-bulb temperature is below a certain critical value.

ST's Agrate Site in northern Italy has many years of experience in the design and management of free-cooling plants and all of the chillers today are provided with such a system. In the wafer fabrication at this site, use of the free cooling system allows the chillers to be turned off during 100 days each year. ST has calculated that this corresponds to an energy saving of about 10GWh per year, with the associated economic saving, and allows the site to reduce by 5400 tons its annual CO₂ emissions.

Company Example 18:

BASF [www.basf.com]

BASF's support for the environmental Principle 9 is illustrated by their work on eco-efficiency analysis and, in particular, the company's efforts to promote this approach to other businesses world-wide.



BASF was one of the first chemical companies to develop eco-efficiency analysis for its products and processes. In the first stage of the analysis one assesses the environmental impact – taking into account factors such as raw material and energy consumption, air and water emissions, disposal methods, potential toxicity and further risks. The second step then involves compiling economic data by calculating all the various costs involved in manufacturing and/ or using the product.

Both data sets are then plotted on a graph, as shown above, to obtain the eco-efficiency of a product or process. By carrying out the eco-efficiency analysis for comparable alternative products or processes [those of BASF as well as of its competitors], BASF is able to detect and exploit potential environmental and economic improvements that can guide long-term strategic decisions. To date BASF has analysed around 120 of its products and production processes. The analysis can be used to assess the complete lifecycle of a product by taking into consideration the environmental impact of the product and its manufacturing processes, consumer behaviour and recycling and disposal possibilities.

BASF believes that its eco-efficiency analysis contributes to putting the environmental principles of the Global Compact into practice. In particular it provides a tool to assess the environmental soundness of different technologies. In a bid to diffuse this knowledge, BASF has taken steps to make its eco-efficiency analysis available to other companies and organisations, in particular those from developing countries. The company has organised symposiums for business and civil society organisations to discuss the potential of the tool and plans to organise training workshops to highlight the benefits of eco-efficiency analysis within the framework of the Global Compact. In addition BASF is developing a manual that explains how to use the tool and illustrates lessons that the company has learned in the course of applying it to their own business.

6.4 Discussion Themes

1. The precautionary approach places the burden of proof on a company to demonstrate that its activity or technology is not harmful to the environment. Consider this statement and debate the implication for your company/ industry. How might the precautionary approach be applied to a new warehouse development on a brownfield site?
2. The quotation below comes from the *International Organisation of Employers' Guide to the Global Compact*, and explains Principle 7 to employers. With reference to the Rio Declaration, discuss this interpretation of the precautionary principle.

“A company should not be required to do what is, in practical terms, the impossible, namely to prove that a certain product or process will have no negative environment impacts. Rather, basing its evaluation on sound science and risk assessment, in the absence of scientific evidence that a given product or process may be dangerous, a company should feel free to use it, consistent with national laws and regulations.”
3. With reference to the company Example 12: The company describes an approach that links with the UK planning framework. Consider and discuss the opportunities for existing or emerging statutory frameworks (in your industry and country of operation) to support or hinder a precautionary approach.
4. With reference to the company Example 12: The company describes a range of actions to mitigate the possible impacts of radio frequencies from masts.
 - Who are the primary stakeholders in this situation?
 - What additional measures could the company take to address their possible concerns?
5. Environmental responsibility has been closely linked to efficiency and quality improvements. What are the potential benefits of environmentally responsible practice?
6. With reference to the company Example 14: The work described by the company is focused on the environmental principles of the Global Compact. How might this company use the systems and approaches it has developed so far to engage with other aspects of the Global Compact?
7. With reference to the company Example 14: Based on the company's current focus on waste and energy management, consider the type of indicators best suited to communicate performance improvement.
8. With reference to the company Example 15: The company reports that the development of this scheme has done much to raise the profile of environmentally responsible practice within the company. With reference to your own experiences, (and the material covered in this topic) consider the possible mechanisms for raising awareness of environmentally responsible practice in your business/ industry.
9. With reference to the company Examples 14 and 15: Both companies illustrate that the development of their environmental strategies has involved collaboration with non-governmental organisations. Consider the advantages and the possible difficulties of this approach.
10. The diffusion of environmentally sound technologies relies on good communication and information being available to key stakeholders. Reflect on the challenges of this requirement for your own business or industry.

11. What are the key messages?
12. How might they be most effectively delivered?
13. Conduct a hypothetical risk assessment of your current business or industry. Consider and discuss how cleaner production and improved technologies (hard and soft issues) might reduce any risks you have identified.
14. With reference to the company Example 17: The company describes the development of a new and relatively unproven technology. Discuss the challenges inherent in diffusing innovative, leading technologies.
15. With reference to the company Example 18: With reference to your own experiences, business/ industry, discuss the advantages and disadvantages of the eco-efficiency analysis tool.

7. Addressing the Global Compact's Nine Principles

In the previous sections we have described the individual nine principles underlying the Global Compact and presented examples of company activities that address each principle. These have been taken either from submissions to the Pilot Phase of the Learning Forum or from Examples submitted as part of each company's commitment in 2002 to the Global Compact.

These examples clearly show how each company is working towards incorporating the nine principles within a corporate social responsibility (or CSR) strategy. As we see from the statement in the Box below, governments and the public, in the form of civil society organisations, are expecting more from business – with increased rights are associated greater responsibilities.

The objective of the Global Compact is to provide a foundation for CSR or corporate citizenship in the shape of the nine principles. And some companies are now deciding that, rather than focussing on one or several principles, they should re-assess their whole CSR strategy to bring it into line with the spirit of the Global Compact. One such company is *Novartis International* and we finish this discussion of the nine principles with their submission for 2002 to the Global Compact, which describes their efforts to integrate the Global Compact principles into their Corporate Citizenship Programme.

Businesses must meet national rules and standards for commerce, and also international agreements, codes of conduct, and the standards of civil society at home and abroad.

The public and many governments will hold business accountable to be socially responsible – that they will promote development that meets basic human needs, support democracy, share information, and be open to the scrutiny and input of civil society.

[from Tomorrow's Markets, 2002]

Company Example 19:

Novartis International AG

Links to social impact, environmental, and/or annual reports:

<http://www.novartis.com/annualreport2001/>

<http://www.novartis.com/corporatecitizen>

Principles addressed: 1, 2, 3, 4, 5, 6, 7, 8, 9

The goal of Novartis is to make the Global Compact Principles an integral part of company culture, management processes and business activities. In a systematic approach it is doing this by:

- ❖ Gaining full support for implementation of the principles from the Chairman, Board, and Executive Committee.
- ❖ Conducting various preliminary assessments of Novartis' operations to determine the level of compliance and areas that are needing work.
- ❖ Using information gathered from these assessments to immediately remedy problems that can be solved quickly.
- ❖ Establishing a Steering Committee, composed of representatives of the highest levels of management, to oversee and assist with the process of institutionalising corporate citizenship values.
- ❖ Internalising the principles through Novartis' Corporate Citizenship Policy – not only incorporating but also going beyond the GC principles.
- ❖ Developing guidelines to define the principles and policy that will enable line managers to know how to implement the principles (e.g. on working conditions, child labour, non-discrimination, living wages, access to treatment, bribery and stakeholder involvement).
- ❖ Using high level managers to train other managers on the principles and policy, with 25% of the company's annual leadership conference being devoted to this purpose.
- ❖ Giving priority to contract manufacturers who share Novartis' environmental values, with plans to expand this policy to societal aspects and all business partners.
- ❖ Incorporating responsibility for implementation of the principles in managers' job duties and targets, and reinforcing these with financial incentives.
- ❖ Increasing reporting on corporate citizenship activities through the company's integrated Annual Report, Corporate Citizenship Report, internet, intranet and internal compliance mechanisms.
- ❖ Revising the Novartis Code of Conduct and other policies and procedures to incorporate the principles.

To date, Novartis has achieved the following:

- ❖ Broadened support internally for this goal.
- ❖ Established a solid foundation for further steps towards implementation.
- ❖ Identified the model to be used for learning on corporate citizenship issues.
- ❖ Instituted a Novartis Corporate Citizenship Policy.
- ❖ Revised other key company policy documents to incorporate the principles.
- ❖ Increased the knowledge of executives, managers and employees about the principles, and raised their appreciation of the central role of implementing these principles to the continued financial success of the company.
- ❖ Improved communication and coordination company-wide on corporate citizenship aspects and activities.
- ❖ Carried out dialogues with NGOs, including on the issue of access to treatment.
- ❖ Continued and intensified funding of, and participation in, locally oriented development projects. This is mostly through the Novartis Foundation for Sustainable Development, and in collaboration with the UN and other agencies (e.g. projects on leprosy, tuberculosis, and malaria; Gleevec Patient Assistance Program; and the new Research Center for Tropical Diseases in Singapore).