



TWELFTH ITEM ON THE AGENDA

## **Report of the Subcommittee on Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 13 March 2008. Ms Zappia (Government, Italy) was the Chairperson, substituting for Ms Guarriello. Ms Hornung-Draus (Employer, Germany) and Ms Burrow (Worker, Australia) were Employer and Worker Vice-Chairpersons, respectively.

### **Update on the programme to give an orientation on international labour standards, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and other related matters**

2. A representative of the Director-General (Mr Michael Henriques, Director of the Job Creation and Enterprise Development Department) introduced the paper on the helpdesk.<sup>1</sup>
3. The Employer Vice-Chairperson recalled that this issue had been under discussion for several meetings, and was pleased that the Office was now at a stage to start the implementation phase. She urged the Office to address staffing issues and commence work on the frequently asked questions so that the helpdesk could start functioning by November 2008 and be launched at the next meeting of the Governing Body. The Governing Body had already endorsed the concept of the helpdesk and she suggested that a point for decision be included in the report requesting the Governing Body to endorse the helpdesk process, addressing concretely the implementation aspects associated with the helpdesk and the issue of the resources needed to do so.
4. The Worker Vice-Chairperson hoped that an official would be recruited soon and that the helpdesk would begin operations as quickly as possible. She recommended that only the agreed wording from earlier discussions “expert advice on the realization of international labour standards and the MNE Declaration”<sup>2</sup> be used to describe the function of the helpdesk. She suggested to replace in paragraph 10 “take into account the local context”

<sup>1</sup> GB.301/MNE/2.

<sup>2</sup> See GB.298/10, para. 27.

with “be aware of the local context” to clarify that the benchmark should be international labour standards and the MNE Declaration. She clarified that the “management unit” referred to in the paper was one official, not a bureaucratic structure. Concerning resource requirements, she suggested that the Office monitor the demands being put on various ILO staff and allocate resources as necessary.

5. The representative of the Government of Nigeria supported the proposals set out in the paper, in particular paragraphs 11–19, in view of the immense benefits to be derived by member States. However, she thought that some concrete proposals with regard to the mobilization of funds should have been provided.
6. The representative of the Director-General confirmed that the activities requested would be completed as soon as possible. A proposal had been made for additional resources to staff the helpdesk, which had a good chance of being funded. He agreed to the need for consistency in the language used in the proposal, and in particular in paragraph 10. Concerning the point made by the representative of the Government of Nigeria, the Office would have a better idea what demands the helpdesk would make on staff time once the process got started.
7. *The Subcommittee recommends to the Governing Body to request the Office to start implementation of a helpdesk as outlined in GB.301/MNE/2, taking into account the views expressed by the Subcommittee on Multinational Enterprises in its discussion of this agenda item as reflected in the report of the Subcommittee, and to refer any related financial questions to the Programme, Financial and Administrative Committee.*

## **Proposal for evaluating the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

8. The representative of the Director-General introduced the paper.<sup>3</sup> He underscored that once the proposal was endorsed, preparation of the exercise would start immediately. The Office report would be delivered by mid-2009, and the results of the exercise would be presented for discussion during the November 2009 session of the Subcommittee.
9. The Worker Vice-Chairperson reminded the group of the survey mandate but concurred with the suggested framework and further proposed to look at both quantitative and qualitative data. She also suggested to examine sectors rather than just countries, and with some capacity to address the role played by smaller multinational enterprises (MNEs). This item should be viewed in the context of the overall ILO agenda, in particular the discussions to take place at the next session of the International Labour Conference (ILC) concerning strengthening the ILO’s capacity (SILC) and the possibility of integration of MNE issues into a cyclical review, if agreed. Depending on the outcome of these discussions, the Governing Body should keep open the possibility to decide on the form for the Ninth Survey in November 2008 or March 2009. The Office should in any case provide an update on progress in November 2008.
10. The Employer Vice-Chairperson emphasized the importance the employers attached to the Survey as it provided a window to the world to show where the MNE Declaration was

<sup>3</sup> GB.301/MNE/4.

applied and had effect. Previous surveys had suffered from a low response rate and the presentation of the message was not clear. A new approach was needed that could capture the effect of the MNE Declaration in a substantial way without being bureaucratic, and present the findings in a way that contributed meaningfully to the global debate. The proposed exercise as outlined in the paper should be carried out without any delay, in coordination with ACTRAV and ACT/EMP; and should combine the country-specific approach with the sectoral approach to have meaningful results. The decision concerning the Ninth Survey should be coordinated with the SILC discussions and should be taken as soon as possible, but no later than November 2009. The item should be included in the agenda for November 2008. She proposed to amend the point for decision to make it clearer and more understandable.

11. The representative of the Government of the Netherlands considered that the proposed exercise could help to better promote the MNE Declaration, and agreed that it should be viewed in the broader ILO context.
12. The representative of the Government of the Bolivarian Republic of Venezuela welcomed the proposed exercise. The traditional survey had not been adequate for many countries and had been weak methodologically. However, the problem of substance would remain given the non-binding nature of the MNE Declaration.
13. The representative of the Government of the United Kingdom supported the proposed exercise that would hopefully give a clearer picture of the role of MNEs and would improve the promotion of the MNE Declaration. Data should be both quantitative and qualitative, and both the findings and methodology should be presented. He hoped the Office would take the opportunity to promote the MNE Declaration as it was gathering information.
14. The representative of the Director-General thanked the speakers for their suggestions to combine sectoral and country approaches, to include smaller MNEs, to ensure that the question of data was dealt with adequately, and to look at the link with the global value chains. He also appreciated the importance of putting the exercise into a broader ILO context, and the proposal to discuss progress at the next two sessions of the Governing Body. He supported the involvement of ACTRAV and ACT/EMP in the process.
15. *The Subcommittee recommends to the Governing Body to:*
  - (i) *set aside the decision taken at its 297th Session to conduct a Ninth Survey on the effect given to the MNE Declaration in the 2008–09 biennium;*
  - (ii) *suspend, for the time necessary to consider the strategic decisions relevant to alternatives to the current survey methodology, the decision taken at its 258th Session to conduct surveys every four years and, in the meantime, complete the exercise proposed;*
  - (iii) *request the Office to evaluate the above exercise and report its findings to the Subcommittee on Multinational Enterprises in order to inform the decision to be taken on modalities for evaluating the effect given to the MNE Declaration; and*
  - (iv) *decide, at the earliest point possible and no later than at its November 2009 session, whether and how to proceed with evaluating the effect given to the MNE Declaration in the light of the International Labour Conference resolution (65th Session).*

## Strategic priorities for 2008–09

16. The representative of the Director-General presented the paper.<sup>4</sup>
17. The Employer Vice-Chairperson commended the Office for the paper and encouraged it to continue presenting the specific strategic priorities. She stressed that the Employers' group attached great importance to training on how to implement the principles of the MNE Declaration and to the collaboration with the Turin Centre. She expressed strong appreciation for the Office's work in the ISO 26000 process. She strongly supported the development of a field structure to promote the MNE Declaration, and emphasized that the structure should be specific to the ILO and actively involve local employers' and workers' organizations. She was particularly pleased about the forthcoming event organized by the employers in Pakistan. She expressed her concern about the indicators and measurement methods in the appendix. The number of references to the MNE Declaration or its principles in company initiatives and the number of organizations citing the MNE Declaration or its principles in their work should be assessed over time in order to find out if the increased promotional activities undertaken by the Office were effective.
18. The Worker Vice-Chairperson emphasized the importance of focusing on those areas where the ILO could have greatest impact. Concerning collaboration with other organizations, she suggested that the work involved did not always help maximize the ILO's impact. She joined the Employer Vice-Chairperson in expressing appreciation for the Office's work on ISO 26000. She supported the organization of a joint meeting with the OECD in June as a timely opportunity to identify the synergies between the OECD Guidelines and the MNE Declaration, but stressed the need to clearly define what the ILO wanted to achieve. Participation from the Office should include the members of the helpdesk advisory group and relevant departments. Concerning work with the European Union, she asked for more details, noting that the publication mentioned in the paper GB.301/MNE/3/2, paragraph 14, referred to getting more small businesses to integrate social and environmental issues into what they do. She suggested that the Office should focus on MNEs. She also pointed out that there was a language issue concerning European Union activities on corporate social responsibility (CSR) because they always stressed the voluntary approach, while ILO standards were not voluntary. It was important to draw a distinction between voluntary initiatives and respect for rights at work, which is not voluntary. The same concern applied to other CSR initiatives. Furthermore, she was concerned to see a strengthened advocacy of the international labour standards being the responsibility of business, and not an optional extra.
19. As regards establishing an infrastructure at country and regional levels, she stressed that it should be seen as an educational exercise, not a new structure. The follow-up of the 30th anniversary event should be discussed in the November 2008 session and include several kinds of activities, in particular the promotion of the MNE Declaration in supply chains, highlighting the role of governments in promoting the MNE Declaration. Collection of good practices should be done in collaboration with employers' and workers' representatives and be closely related to the principles of the MNE Declaration, in particular those concerning industrial relations. The involvement of Global Union federations would add substantial value to the exercise and avoid that examples be collected unilaterally from companies as had been done for the 30th anniversary event.
20. The Worker Vice-Chairperson also stressed that collaboration concerning sectoral activities should be a strategic priority and not a means of action. Much more needed to be done to mainstream the MNE Declaration in the sectoral work of the Office. Many ILO

<sup>4</sup> GB.301/MNE/1.

publications to which the MNE Declaration was relevant were still not including it as a reference. Sectoral tripartite meetings and global dialogue forums that the Office would be organizing this biennium should be used as opportunities to promote the MNE Declaration.

21. Concerning the quantitative indicators, there were substantive and measurable ones which could be added such as the number of governments taking responsibility for promotion of the MNE Declaration and the number of companies implementing its principles as part of their core business. Some qualitative indicators could also be added and managed on a tripartite basis at the national and global levels in dialogue with companies. She suggested that the Subcommittee consider the possibility of reviewing the interpretation procedure of the MNE Declaration. Lastly, she asked that in the future the Subcommittee should discuss the priorities for the next biennium during the November session, so that their implementation could start from the beginning of the biennium. She wished in general that the papers submitted by the Office always be forward looking.
22. The representative of the Director-General thanked the members of the Subcommittee for their positive comments and the very useful guidance. The Office would carefully examine the strategic value of its relations with other organizations. He clarified that development of an infrastructure referred to involving the existing ILO field structure more actively in the promotion of the MNE Declaration. He welcomed the useful suggestion to include in the November session a report concerning the follow-up to the 30th anniversary event, as well as to have a continuously forward-looking approach. All efforts would be made to ensure references to the MNE Declaration in other ILO publications.

### **Updates on corporate social responsibility (CSR)-related activities: (a) Within the ILO; and (b) Within other organizations**

23. The representative of the Director-General introduced the two papers.<sup>5</sup>
24. A representative of the International Training Centre of the ILO (Mr Nebuloni), provided a brief summary of the Turin Centre training activities on CSR. A project management unit had been established and a CSR expert had been recruited. An interdisciplinary internal reference group on CSR had held its first consultation meeting recently with the participation of the representatives of the IOE and the ITUC. As a follow-up, guiding principles of the initiative were being developed with the Office and a workplan was being finalized. The Turin Centre was also conducting a stocktaking exercise to assess the training needs related to CSR and the roles that could be played by the Turin Centre and the Office in serving the needs identified. Forthcoming activities included pilot-testing the new modular package and developing training materials on the MNE Declaration for ILO staff and specific target groups, building on existing expertise and materials.
25. The Employer spokesperson (Mr Trogan, substituting for Ms Hornung-Draus) encouraged the Office to follow up on the reported activities and commended the Office for the impressive work done in mapping ongoing activities. He also appreciated the Office's effort in preparing and distributing a newsletter on future events.
26. The Worker Vice-Chairperson stressed the need for all activities of the Office to use the MNE Declaration as the key tool for promoting CSR, and to do so using a tripartite approach. The Turin Centre's work related to the MNE Declaration should, like the helpdesk, focus on how to provide companies with support and advice for implementing

<sup>5</sup> GB.301/MNE/3/1 and GB.301/MNE/3/2.

the principles of the MNE Declaration, as agreed during the November 2007 session of the Subcommittee. Training should be provided to:

- Constituents to help them engage in an effective implementation of the MNE Declaration.
  - Members of employers' and workers' organizations to build up their capacity on how to use the MNE Declaration (with the selection of participants to be determined by the group secretariats).
  - Social auditors and monitors to ensure that the interpretation of the MNE Declaration is consistent with ILO principles and authoritative texts (with training material to be approved by the group secretariats), and MNEs should be invited to participate.
27. The Turin Centre should work closely with ACT/EMP and ACTRAV. The training package developed by MULTI's Italian-funded project should be used as the basis and training materials for SMEs and the supply chain should be developed.
28. The Worker Vice-Chairperson expressed appreciation for the newsletter prepared by the Office highlighting upcoming CSR-related events and encouraged the Office to continue with this practice. She requested that the Office report in November on cooperation with the International Finance Corporation. Regarding the African Union Commission discussion on "Industrial Development of Africa", she requested more details from the Office as its relationship to CSR and the MNE Declaration was not very clear. Lastly, she thanked the Office for its work in compiling the CSR-related activities, including future activities.
29. The representative of the Government of India congratulated the Office for bringing out a useful document on CSR. He appreciated the efforts of the ILO and other organizations to facilitate socially responsible corporate behaviour, and noted the importance of public-private partnerships while seeking the ILO's primacy in dealing with labour subjects. Lastly, he encouraged the involvement of all stakeholders in the implementation of CSR-related activities.
30. The representative of the Government of Nigeria congratulated the Office for the successful organization of MultiForum07. She requested the Regional Office to raise awareness of the MNE Declaration. She also stressed that governments have a role to play in promoting the MNE Declaration.
31. The Employer spokesperson suggested that information regarding future events be communicated to employers' organizations and their members as employers' organizations could play a role in promoting such events. He also touched on the need for the Office to market the MNE Declaration more effectively amongst companies, as the OECD Guidelines seemed to have more business connotation. The Office should stress that the labour content of the OECD Guidelines comes from the MNE Declaration.
32. The representative of the Director-General thanked the speakers for the positive reception of the papers and the newsletter on upcoming events. He clarified that activities undertaken for the 30th anniversary had been tripartite, including events in Argentina and in Pakistan. The ILO-OECD event was important for the ILO in cementing a strategic relationship with the OECD, and a tripartite approach was essential; to this end, the Office would work closely with the Officers.

Geneva, 13 March 2008.

*Points for decision:* Paragraph 7;  
Paragraph 15.

