



## FOURTEENTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises (MNE Subcommittee) met on 8 November 2007. Mr Salazar-Xirinachs, the Executive Director of the Employment Sector, welcomed the members and other observers. Ms Guarriello (Government, Italy) chaired the meeting. Ms Hornung-Draus (Employer, Germany) and Ms Brighi (Worker, Italy) were Vice-Chairpersons.
2. The Chairperson gave the floor to a representative of the Director-General, Mr Salazar-Xirinachs (Executive Director, Employment Sector).
3. In his opening statement Mr Salazar-Xirinachs informed the Subcommittee of the conclusions of the International Labour Conference (ILC) general debate on the promotion of sustainable enterprises. He stressed that the ILC Committee has not only taken stock of the international debate on the role of the private sector and sustainable enterprises in overall social and economic development and of the implications for the Decent Work Agenda, but also had provided guidance to the Office with respect to its work in this area. He expressed his satisfaction with the outcome of the discussion that resulted in the conclusions, containing a tripartite agreement on what constituted a conducive environment for sustainable enterprises, of which 17 elements have been identified. The conclusions also identified six enterprise-level principles for sustainable enterprises, which included social dialogue and industrial relations; human resource development; conditions of work; productivity, wages and shared benefits; corporate social responsibility (CSR); and corporate governance. Finally, Mr Salazar-Xirinachs stressed that the conclusions had identified work areas and had provided guidelines with regard to the role of the governments, social partners and the ILO in the promotion of sustainable enterprises. He also reported on how the Office had disseminated and used this document as an organizing framework for the priorities and tools of the Job Creation and Enterprise Development Department (EMP/ENTERPRISE). He proposed to incorporate these conclusions into the strategic priorities of the Multinational Enterprises Programme (MULTI). Finally, he thanked the Vice-Chairpersons of the International Labour Conference Committee on Sustainable Enterprises, Ms Antje Gerstein (Employer member, Germany) and Ms Cecilia Brighi (Worker member, Italy), for their leadership in the process.
4. The Worker Vice-Chairperson agreed with Mr Salazar-Xirinachs' proposal and suggested that a paper outlining the specific role of the ILO in promoting the conclusions of the ILC Committee on Sustainable Enterprises could be prepared for the 301st Session of the Governing Body.

5. The Employer Vice-Chairperson also agreed with Mr Salazar-Xirinachs' proposal that the conclusions could define future strategic priorities for the work of MULTI.

## **Update on strategic priorities for MULTI for 2006–07**

6. The representative of the Director-General presented the paper,<sup>1</sup> which provided a summary of MULTI work on the high priority items, defined by the Subcommittee on Multinational Enterprises at the March 2007 session of the Governing Body, as well as some other work items.
7. The Employer Vice-Chairperson agreed with the issues mentioned in the paper. At the same time, she mentioned that she had expected a more analytical and political document. In particular, although she regarded the cooperation between MULTI and the Sectoral Activities Branch (SECTOR) as positive, she stressed the importance of the suggested joint studies focusing more on the promotion of the MNE Declaration. In her opinion, more thinking should be given to the form of the proposed analysis of the benefits and difficulties arising from MNE operations in export processing zones (EPZs). While praising the Office for the country level events to mark the 30th anniversary of the MNE Declaration, she pointed out that more precise information about the nature and scope of these events would have been desirable, especially the involvement of the social partners. She stressed that training on how to give practical effect to the principles contained in the MNE Declaration was a top priority for employers. In her view, MULTI should provide concrete input to the International Training Centre of the ILO, Turin, on the type and content of the relevant training courses, while the Centre should be responsible for the delivery.
8. The Worker Vice-Chairperson also called for a more analytical approach to be used in the Office papers. She regretted that many ILO papers focused on information more than on the analysis of the key issues; critical for decision-making. She underlined the importance of MULTI's work in the areas of EPZs and supply chains for the Workers' group. With regard to the preparation of the event to mark the 30th anniversary of the MNE Declaration, she expressed concern that, due to insufficient efforts by the Office to encourage companies to invite their workers to participate in the event, so far only three out of the 40 companies registered for the event had engaged with their workers. She also noted that there were no speakers from Italian companies on the agenda of the event despite the Italian Government's funding of technical cooperation activities in MULTI. She requested that the paper for March 2008 on the strategic priorities for MULTI should be submitted to the Subcommittee for decision. She also stressed that the proposed Helpdesk to provide expert advice to companies should explicitly mention the need to serve not only managers, but also workers' representatives, as well as employers' and workers' organizations. She expressed the hope that appropriate resources would be allocated by the Office in order to make the Helpdesk work. She endorsed the Office approach concerning ILO staff training on how to give practical effect to the principles of the MNE Declaration and requested that the Bureaux of Employers' and Workers' Activities and social partners be included as trainers and/or speakers. In relation to the analysis of impact of foreign direct investment, she suggested adding the service sector. Finally, she joined the Employer Vice-Chairperson in calling for improved alignment between the joint work of MULTI and SECTOR and the objectives of the MNE Subcommittee.

<sup>1</sup> GB.300/MNE/1.

9. The representative of the Director-General took note of the requests for a more analytical approach in preparation of papers. On the issue of training, he informed the Subcommittee that MULTI would provide support and necessary guidance to the International Training Centre of the ILO. He also promised that a full-time position would be established to supervise the work of the Helpdesk.
10. In response to the comment of the Worker Vice-Chairperson regarding the resource allocation for the Helpdesk, Mr Salazar-Xirinachs (Executive Director, Employment Sector) added that although the Office had to operate on a tight budget, additional resource mobilization efforts within and beyond the Employment Sector would be made.

### **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**

11. The representative of the Director-General pointed out that no specific document on this item had been submitted to this session of the Subcommittee, but that a draft had been prepared in close consultation with Employer and Worker representatives and discussed with the officers of the MNE Subcommittee. He recalled the decisions of the November 2006 and March 2007 sessions of the Governing Body which laid the ground for the Helpdesk. He stressed that the objective of the Helpdesk was to promote better implementation of the MNE Declaration and better understanding of international labour standards in the world of work; the users of the Helpdesk would be companies (managers and workers). The Helpdesk would cover the whole advisory process from the receiving of a request to preparing and delivering an answer. He described the structure of the Helpdesk that would include a managing unit responsible for managing the process and ensuring adequate coordination; an expert team that would provide the technical input, drawing on the expertise of all relevant units of the ILO; and an advisory group formed that would supervise the process and provide political guidance.
12. The Employer Vice-Chairperson agreed with the line taken by the Office and, in order to ensure efficiency of the Helpdesk mechanisms, proposed to start the launch of the Helpdesk with a six-month trial period.
13. The Worker Vice-Chairperson also agreed with the approach and stressed that the Helpdesk should serve not only managers, but also workers, as well as workers' and employers' organizations. She reiterated the need for appropriate resources to be allocated by the Office for the Helpdesk work. She requested that the technical specialist working at the Helpdesk have adequate experience in relation with workers' and employers' organizations and industrial relations.

**Updates on corporate social responsibility (CSR)-related activities: (a) within the ILO, including the InFocus Initiative on Corporate Social Responsibility and the International Training Centre;<sup>2</sup> and (b) within other organizations<sup>3</sup>**

14. The representative of the Director-General introduced a paper for item (a).
15. The Employer Vice-Chairperson expressed her high appreciation for recent ILO activities in the area of CSR and encouraged the Office to continue in this direction. However, she warned that although the event to mark the 30th anniversary of the MNE Declaration would give certain inspiration, it was still the role of the Subcommittee on Multinational Enterprises to guide the ILO strategy in the area of CSR through its recommendations to the Governing Body. She added that she would have liked to have had more detailed information on CSR activities of different ILO units, in particular – of the International Training Centre of the ILO. She also stressed that more information on forthcoming ILO activities in the area of CSR would have been appreciated. She finally asked for more information on ILO involvement in the work of the Multi-Fibre Agreement Forum (MFAF).
16. The Worker Vice-Chairperson recognized that the document reflected the request of the Subcommittee to have more focused analysis on what had been done by the ILO in the area of CSR, but she suggested that a more impact and results-oriented approach should be used in future. She stated that training ILO staff on the MNE Declaration was very important and recommended the use of the training package developed by the Italian-funded project for this purpose. She did not see the need to develop additional training materials. She also suggested to use Employer and Worker representatives as trainers for ILO staff. She acknowledged that the Office wanted to continue the work of the IFI-CSR Coordination Group; however, she admitted that it was not clear how these meetings were used to promote the MNE Declaration and that a clear strategy should be developed. She pointed out that not all the initiatives listed in the section related to “Updates on CSR activities of the Office” were CSR-related. In particular, she stated that the objectives of the work done by TRAVAIL were wider than the MNE Declaration. She also requested details on the level of participation of workers’ organizations in the country level activities described in the document, including the compilation of effective practices and the national events organized to celebrate the 30th anniversary of the MNE Declaration. She called for clarification with regards to the terms used such as “partners” or “private sector” and asked for an homogeneous and clear terminology describing workers’ and employers’ representatives. She then stressed the importance of finding the best use for the US\$300,000 available for a CSR component through the International Training Centre’s Investment Programme according to the priorities established by the MNE Subcommittee. She also expressed the hope that the outputs of the forthcoming Multiforum and the analysis of the Helpdesk requirements would help to define training needs. She stated that the training material developed by the Italian-funded project should be used in this regard. As far as the development of training materials for social auditors, and on CSR and SMEs and the supply chain were concerned, she stated that these were crucial issues, for which a strategy should be defined before preparing the training material. She acknowledged that

<sup>2</sup> GB.300/MNE/3/1.

<sup>3</sup> GB.300/MNE/3/2.

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CABINET was producing a paper on global production systems and affirmed that it would be useful to look at how the paper could be used in the supply chain.

17. The representative of the Government of India congratulated the Office for bringing out a useful document on CSR. He emphasized that in a large developing country like India, that still faced social challenges like poverty, population growth, corruption and illiteracy – to name but a few – companies could play a significant role in addressing the development needs of people, as they possessed resources and managerial talent. He suggested that CSR-related activities could involve all the stakeholders at every stage to ensure effective results. He finally encouraged the ILO Office in India to work together with the private sector and the Indian Government in order to promote CSR-related policies in the country.
18. The representative of the Government of the United Kingdom congratulated the Office for the paper. He supported the view of the Worker Vice-Chairperson that more details on some CSR activities should have been given. In particular, he raised a question on the relationship between the reported work of IPEC and the ILO overall CSR strategy.
19. Mr Eyraud (Director, International Training Centre of the ILO) reported that the Turin Centre had put in place several activities on CSR and called for a coherent and systematic approach to the subject. He explained that the Turin Centre had allocated resources for this purpose and that an interdepartmental team which included a representative from MULTI had been created. With regard to training activities, he underlined the need for a demand-driven approach to the subject and said that the experience the Turin Centre had built with Arcelor Mittal had been useful for this purpose. He reiterated the importance of tailoring the training package according to training requests in order for these activities to be financially sustainable in the future.
20. The representative of the Director-General provided clarifications on the event organized in South Africa and indicated that he would pass on a number of other questions to other relevant departments.
21. Mr Henriques (Director, Job Creation and Enterprise Development Department) stressed a number of points related to item (b). In particular, he briefed the Subcommittee on the ILO's active involvement in the work of the International Standardization Organization (ISO). He pointed out that the ILO decided to seek legal opinion from the ILO Office of the Legal Adviser on the authoritative nature of international instruments.
22. Ms Diller (Office of the Legal Adviser) explained that the Multinational Enterprises Programme had requested legal advice concerning the meaning of the term "authoritative international instrument" for use as a point of reference on ILO issues found in ISO standards; a related question had been raised on the status of the Global Compact principles in this regard. While it had consulted the UN Office of Legal Affairs on the matter, the ILO Legal Office had limited its opinion to instruments relevant to "ILO issues" which were defined under the Memorandum of Understanding between the ILO and the ISO as issues involving the ILO's mandate. As explained in the opinion, the term "authoritative international instruments" in the context of the ILO referred to the ILO Constitution, and international standards and other instruments adopted or endorsed by the International Labour Conference or the Governing Body. The act of official endorsement by an ILO organ authorized to do so was what provided an ILO instrument with an "authoritative character". Along with Conference instruments like international labour Conventions and Recommendations and the 1998 Declaration, examples from the Governing Body included ILO codes of practice, the Guidelines on Occupational Safety and Health Management Systems, and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. On the question of the Global Compact principles, the opinion had noted that ILO issues appeared not only in the labour principles

but also in some of the human rights principles which addressed, for example, occupational safety and health issues. The Global Compact itself was recognized by the UN General Assembly as a partnership and had defined itself as an initiative and a network. Each of its ten principles was derived from internationally recognized obligations independently adopted by treaty or based on other sources of international law. The Legal Office had concluded that, as a whole, the package of ten principles could not be considered at this time to have the nature of a distinctive authoritative international instrument; the package had been developed by the UN Secretariat and to date was not endorsed directly by the UN General Assembly or another UN organ authorized to do so.

23. The representative of the Director-General thanked the representative of the Office of the Legal Adviser and informed the Subcommittee that this legal opinion had been forwarded to the ISO working group currently convening in Vienna.
24. The Employer Vice-Chairperson welcomed this legal opinion which clarified the debate with ISO and showed the importance of good governance structures. She stressed that the ISO should deal with technical issues and not with political issues. She appreciated the legal stance, that could have been equally applied to the occupational health and safety framework adopted by the Governing Body, as it seemed that there was an ISO initiative being developed in that field.
25. The Worker Vice-Chairperson agreed with the comments made by the Employer Vice-Chairperson. She stressed that the ILO legal opinion on the Global Compact principles helped to clarify the ILO position and that this opinion should be widely circulated. Referring to the ILO Director-General chairing the session in which representatives from Novartis and the International Federation of Chemical, Energy, Mine and General Workers' Unions spoke, she stressed that, although this event had been useful, it should be noted that the ICEM denounced the fact that Novartis had used its participation in the Global Compact as a justification for not signing an international framework agreement. She requested additional information concerning the hosting of the Global Compact Task Force on Principles for Responsible Management Education and noted that workers' organizations had not been involved in the discussion. She stressed the importance of full workers' participation in the follow-up events. She stressed that the workers' participation in the Global Compact was very residual. She underlined the importance of the Expert Group Meeting on CSR and Public Policy, hosted by UNIDO and suggested using it in a wider perspective.
26. Mr Salazar-Xirinachs (Executive Director, Employment Sector) answered the question raised by the Worker Vice-Chairperson concerning the Global Compact event on the principles of responsible management education hosted by the ILO Director-General. He stressed the tremendous potential of this line of work and conveyed the view of the Director-General, who believed it was a strategic initiative to better shape the CSR debate and to clarify how the ILO could develop teaching modules on decent work and on sustainable enterprises, that could be used by business educational institutions. He stressed that follow-up activities could take place.
27. The Worker Vice-Chairperson was grateful for the explanation and agreed that this initiative created multiple opportunities to influence business education. She admitted that a follow-up was a good idea and suggested including the Turin Centre. She also suggested involving workers and their representatives who could be both participants and instructors.

## **Involvement and participation of ILO constituents in the Global Compact local networks**

28. The representative of the Director-General introduced the paper and indicated that it was meant to provide an overview of currently active Global Compact Local Networks (GCLNs) in order to gauge to what extent workers' and employers' organizations were involved in their governance and activities. He remarked that the level of involvement and participation of social partners seemed to be low and explained that one of the main reasons for this was the fact that, until 2005, Global Compact Network Focal Points – mostly UNDP staff members – were not sufficiently encouraged to contact the local affiliates of the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC) and involve them in the network.
29. The Employer Vice-Chairperson noted that it was the responsibility of employers' and workers' organizations to engage their local affiliates in a discussion as to whether and how they should increase their involvement in the GCLNs. She remarked that it was nonetheless important to reaffirm the ILO's authority on labour issues concerning the Global Compact.
30. The Worker Vice-Chairperson agreed that it was the constituents' responsibility to engage their national members and support their participation in the local networks and that there was no specific role for the ILO to play at that level. She also requested clarification as to whether the training modules mentioned in the document were the materials prepared in the context of the Italian-funded project on "Sustainable Development through the Global Compact".
31. The representative of the Government of Mexico indicated that there was an active Global Compact network in Mexico and that it played an important role as a venue for accessing information, knowledge and training opportunities with regard to CSR and Global Compact principles.
32. The representative of the Director-General confirmed that the training package developed under the Italian-funded project (entitled "The labour dimension of CSR: From principles to practice") was the CSR training material being promoted by MULTI.

### **Other questions**

33. The representative of the Director-General also informed the Subcommittee that, in accordance with the decision taken at the 297th Session of the Governing Body, the Office would prepare a paper on the future of the survey on the MNE Declaration and that this paper would be submitted to the Governing Body in March 2008.
34. Both the Worker Vice-Chairperson and the Employer Vice-Chairperson agreed to this proposal.
35. The Chairperson thanked the Subcommittee and closed the meeting.

Geneva, 12 November 2007.