

**CORPORATE SOCIAL RESPONSIBILITY  
UN GLOBAL COMPACT PERSPECTIVE**

By  
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**1. INTRODUCTION :**

- 1.1 United Nations Secretary-General, Kofi Annan, first proposed the Global Compact in an address to the World Economic Forum on 31 January 1999. He called upon the world business leaders to help build the social and environmental pillars required to sustain the new global economy and make globalisation work for all the worlds' people.
- 1.2 A series of preparatory meeting brought together the UN team with representatives of business, labour and civil society along with the office of the High Commissioner for Human Rights (OHCHR), International Labour Organisation (ILO), United Nations Environment Programme (UNEP) and the operational phase of the Global Compact was launched at a high level event at UN Headquarters on 26 July 2000.
- 1.3 Presently there are 1240 companies subscribing to the Global Compact as on 2 September 2003 and the highest number are in France (180), followed by Poland (176) followed by Spain (118), followed by Philippines (93) and then India (87).

**2. THE CONCEPT OF GLOBAL COMPACT AND THE NINE PRINCIPLES :**

- 2.1 The Global Compact is not a regulatory instrument or code of conduct, but a value-based platform designed to promote institutional learning. It utilises the power of transparency and dialogue to identify and disseminate good practices based on universal principles.
- 2.2 The Compact encompasses nine principles drawn from the Universal Declaration of Human Rights, the ILO's Fundamental Principles on Rights at Work and the Rio Principles on Environment and Development.
- 2.3 The Compact asks companies to embrace support and enact, within their sphere of influence, a set of core values. This means that a company needs to bring about positive change only in those areas that are relevant to its business operations. The nine principles are as follows:

**HUMAN RIGHTS:**

- (i) Businesses should support and respect the protection of internationally proclaimed human rights;

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- ii) Make sure they are not complicit in human rights abuses

#### LABOUR :

- i) Businesses should uphold the Freedom of Association and the effective recognition of the right to Collective Bargaining
- ii) The elimination of all forms of force and compulsory labour
- iii) The effective abolition of child labour
- iv) Eliminate discrimination in respect of employment and occupation

#### ENVIRONMENT :

- i) Businesses should support a precautionary approach to environmental challenges
- ii) Undertake initiatives to promote greater environmental responsibility
- iii) Encourage the development and diffusion of environmentally friendly technologies.

### **3. HOW TO PARTICIPATE IN THE GLOBAL COMPACT:**

3.1 A company wishing to subscribe to the Global Compact can do so by sending a letter from the Chief Executive Officer to the United Nations Secretary-General expressing support for the Global Compact and commitment to take the following actions:

- i) Issue a clear statement of support for the Global Compact and its nine principles and to publicly advocate the Global Compact. This may include :
  - Informing employees, shareholders, customers and suppliers
  - Integrating the Global Compact and nine principles into the Corporate Development and training programme
  - Incorporating the Global Compact principles in the company's mission statement
  - Including the Global Compact commitment in the company's Annual Report and other public documents
  - Issuing press releases to make the commitment public.

- ii) Provide once a year a concrete example of progress made or a lesson learnt implementing the principles for posting in the Global Compact website. This letter be sent to:

Kofi Annan  
Secretary-General  
United Nations  
New York, NY 10017  
E-mail : [globalcompact@un.org](mailto:globalcompact@un.org)  
(For more details contact: Georg Kell ++1 212 963 14900)

- iii) In addition to these two basic actions, within the framework of the Global Compact, a company may wish to actively support the principles and broad United Nations goals by initiating and participating in projects in partnership with the United Nations.
- iv) More details on the Global Compact can be obtained by visiting : [www.unglobalcompact.org](http://www.unglobalcompact.org) .

#### 4. ILO DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK :

- 4.1 The four principles of the ILO Declaration on Fundamental Principles and Rights at Work (1998) is also referred to as "ILO Declaration". They are as follows:

- The freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced or compulsory labour
- The effective abolition of child labour
- The elimination of discrimination in respect of employment and occupation.

- 4.2 In the final negotiations of the Uruguay Round in 1994, and the WTO's First Ministerial Meeting in Singapore held in December 1995, attempts were made to introduce the social clause on both the occasions and they failed, and at the later session it was recognised that the question of labour standards was the responsibility of ILO. The World Social Summit in Copenhagen, in 1995 also recognised that ILO is the appropriate body to deal with issues involving labour standards. Several industrial countries had desired that conditions of labour standards be included as a part of the World Trade Organisation (WTO) Agreements. This was opposed by a large number of countries and hence ILO's role became very critical.

- 4.3 In the meantime, in 1994 the Governing Body of the ILO set up a tripartite working party on the social dimensions of the liberalisation of the international trade, in response to the debate on the ILO's normative role in the context of Globalisation. This working party did not accept linking international labour standards to trade through trade sanctions. However, given the increasing concerns about social issues, the ILO renewed its efforts to promote its "Core

Standards" which relate to human rights and the same are given below:

- Forced labour convention, 1930 (C. 29)
- Freedom of Association and the right to organise convention, 1948 (C.87)
- Right to organise and Collective Bargaining Convention, 1949 (C. 98)
- Equal Remuneration Convention, 1951 (C. 100)
- Abolition of Forced Labour Convention, 1957 (C. 105)
- Discrimination (Employment and Occupation) Convention 1958 (C. 111)
- Minimum Age Convention 1973 (C. 138)
- Worst Forms of Child Labour Convention 1999 (C. 182)

4.4 ILO has been pursuing with each country to ratify the above mentioned 8 core conventions and even if a country has not ratified ILO has been collecting annually a report from the country on its present status. In South Asia (i.e. India, Pakistan, Bangladesh, Sri Lanka and Nepal) an analysis on ratification of Core Conventions indicates that Pakistan, Bangladesh and Sri Lanka have ratified 7 of the 8 conventions while India and Nepal have ratified only 4 out of the 8 conventions. Details are given in Annexure One. Once a country ratifies a convention, the country frames laws to ensure compliance of the conventions.

4.5 The ILO Core Standards are part of the Global Compact and for companies subscribing to the Global Compact it is essential that they would have to ensure compliance to these core standards even if the country laws in which they operate are silent on them. The most critical area in South Asia is Child Labour, though these are not prevalent in large companies. Also another critical area is that in some of the South Asian countries in the Export Processing Zones (EPZs) and Special Economic Zones (SEZs) the laws with reference to Freedom of Association and the Right to Collective Bargaining do not apply and even if they apply their implementation at times is today being heavily questioned by the Trade Unions.

## **5. CORPORATE CODES :**

5.1 The 1990's saw a proliferation of corporate codes of conduct and an increased emphasis on corporate responsibility. These can be broadly divided into five main types :

- i) Company code
- ii) Trade Association code
- iii) Multi stakeholder code
- iv) Model code
- v) Intergovernmental code

Notwithstanding the limitation of codes, they have generated positive benefits for stakeholders. Codes do provide a leverage on corporate behaviour. The Global Compact is a voluntary initiative for the company compared to the other

codes that companies are called upon to comply.

- 5.2 The end of last century has seen multinational buyers promoting company codes to be followed by their various global suppliers. Quite a few multinationals have been sub-contracting the manufacturing of products that they globally sell and hence they have been making all out efforts not only to ensure quality of the products produced but also ensure that certain labour standards are met by the suppliers.
- 5.2 International Companies/Buyers have focussed on codes such as Ethical Trading Initiatives (ETI), Social Accountability (SA) 8000, Clean Clothes Campaign (CCC), Fair Label Association (FLA), Workers Rights Consortium (WRC), Worldwide Responsible Apparel Production Programme (WRAPP), American Apparel Manufacturers Association (AAMA), Fair Wear Foundation (FWF). These codes are mainly focussed on apparel, footwear, sports goods, toy industry and are now getting extended to agricultural produce, automobiles, oil, gas, mining, bio-tech, consumer electronics and fast moving consumer goods. Enterprises are realising the need to get involved in Corporate Social Responsibility as it helps in creating a better image and also countering the criticism on free markets and exploitation.
- 5.3 The international companies/buyers are asking the suppliers of goods and services to follow their code or the country's law whichever is more stringent. Arising out of this the Sri Lankan Government recently amended the labour law on maximum hours of overtime work by a worker in a month.
- 5.4 Some of the Global CSR standards that are being implemented by buyers are as follows and their website are indicated:
- i) OECD guidelines for multinational enterprises : **www.OECD.ORG**
  - ii) Global reporting initiative: **Display Text cannot span more than one line!**
  - iii) Caux round table principles for business:  
**www.CAUXROUNDTABLE.ORG**
  - iv) Global Sullivan Principles: **www.GLOBALSULLIVANPRINCIPLES.ORG**
- 5.5 The Business & Community Foundation (BCF) in India in association with Prince of Wales Business Leaders Forum, UK has been active in India since 1991. Its mission is to promote socially responsible business practices that benefit business and society and which help to achieve social, economic and environmentally sustainable development. It emphasises the value of corporate involvement in India's social development and this prompted in July 1995 the establishment of its associate organisation. The India Business and Community Partnership Trust (IBCPT) and in July 1998, Business & Community Foundation (BCF). The companies in India that are associated with the foundation are:

- Abhinav Outsourcing Pvt. Ltd.
- Bajaj Auto Ltd.
- BG India
- Cadbury India Ltd.
- Glaxo Smith Kline India Ltd.
- Kanoria Chemicals Industries Ltd.
- Nestle SA
- Nokia India Ltd.
- Price Water House Coopers (PUK)
- Shell India Pvt. Ltd..

The activities of the member companies have been in the area of social and environmental responsibilities within their organisation and outside. BCF is also involved in carrying out research and studies pertaining to Corporate Social Responsibility (CSR) practices in India.

## 6. ORG-MARG POLL ON CSR IN INDIA :

- 6.1 Tata Energy Research Institute (TERI) - Europe commissioned in 2001 a Poll in Chennai, Kolkata, Mumbai, New Delhi and Tirupur to determine the prominent factors influencing Indian opinion about companies. The poll surveyed a total of 1212 persons - 1003 public representatives, 107 workers and 102 company executives. The findings of the poll were as follows:

| ITEM                                 | PERCENTAGE |
|--------------------------------------|------------|
| Brand Quality and Reputation         | 58         |
| Environmental Impacts                | 12         |
| Demonstrated Responsibility          | 11         |
| Economic Contribution and Management | 10         |
| Labour Practices and Business Ethics | 9          |

The above table clearly indicates that brand quality and reputation is a very important criteria and the larger companies take tremendous effort at ensuring maintaining their brand quality and reputation. They do take extra efforts to ensure that the companies activities are monitored to ensure that there is no erosion of reputation.

## 7. GLOBAL COMPACT IN SOUTH ASIA :

- 7.1 In South Asia enterprises mainly in export business are presently made to comply with codes prescribed by the buyer and these codes deal with issues mainly concerning labour and environment. The Employer Organisation of South Asia (i.e. Bangladesh Employers Federation, All India Organisation of Employers, Employers' Federation of India, Federation of Nepalese Chambers of Commerce and Industry, Employers' Federation of Pakistan & Employers' Federation of Ceylon) debated these issues in their meeting from 16-18 October 2002 in Dhaka, Bangladesh and pledged their support to the Global Compact as it is a voluntary initiative on the part of the enterprises. A copy of the Resolution passed by them and sent to UN Secretary General is given in Annexure Two.

7.2 Presently companies subscribing to the Global Compact as on 2 September 2003 are 87 in India, 32 in Sri Lanka, 10 in Nepal, 1 in Pakistan and Nil in Bangladesh. It takes time for the industry to absorb new initiatives and one hopes that with the initiative taken by the South Asian Employers in their recent meeting in Dhaka, we will get companies in the countries in South Asia subscribing to the Global Compact. As companies in South Asia start getting linked with international trade they realise the need to ensure getting involved with voluntary initiative of doing something more than what the law requires. Presently some companies have also started viewing subscribing to Codes and Global Compact as part of social marketing.

## **8. COMPANIES SUBSCRIBING TO GLOBAL COMPACT - A Case Example**

8.1 The Swiss Multinational Novartis AG was one of the companies in the world to subscribe to the Global Compact when it was announced in 2000 and hence all its affiliates in every country including its associates in South Asia subscribe to the Global Compact. Since the author has worked with this company in India and is a member of their Board of Directors, given below are the initiatives that the company has undertaken to spread the Global Compact message in the organisation globally and in India.

8.2 Novartis AG has developed a company standard which also covers the Global Compact and the same has been communicated to all the employees worldwide. The standard covers the following:

- i) Support of and respect for the protection of internationally proclaimed Human Rights
- ii) Ethical and legal behaviour
- iii) Loyalty to Novartis
- vi) Fair, courteous and respectful treatment of fellow employees
- v) Fair and appropriate consideration of the interests of other stakeholders (customers, other commercial partners, government authorities and the public) and for the environment
- iv) Professionalism and good business practice

This has been communicated by a letter to each employee by the Managing Director.

ensure compliance of the code the following areas are elaborated :

- i) Personal obligations
- ii) Discrimination
- iii) Conflict of interest
- iv) Business entertainment, gifts
- v) Insider trading
- vi) Anti trust
- vii) Compliance with the law
- viii) Use and protection of business assets and information

8.4 The company undertakes periodic review and also has a member of the top management team to ensure compliance.

## **9. CONCLUSION :**

9.1 In South Asia initially Corporate Social Responsibility (CSR) was driven by Philanthropy and their contribution was mainly in building religious place of worship, then building hospitals, then setting up educational institutes. It moved in the area of employee welfare and then to stakeholder welfare, today it has moved towards community activity. Companies have been consciously taking up a specific activity and working on it both within the organisation and outside. There are plenty of case examples of these in South Asia with regard to business houses.

9.2 Globally companies associated in the area of mining and energy have been very heavily working in the area of environmental management. Companies associated with Fast Moving Consumer Goods (FMCG) have been extending their marketing activity to social marketing and community welfare.

9.3 Today top management teams of most multinationals and leading business houses are evaluated on triple bottom line (i.e. economic, environmental and social). There is a conscious effort by companies to ensure that they are not only seen as generating economic benefits for their share holders but also meeting the expectation of consumers and the society by improving the environment and contributing to the welfare of the society.

9.4 In today's competitive business environment subscribing to Global Compact makes good business sense and we hope to see more companies subscribing to the same.

## RATIFICATION OF ILO's CORE CONVENTION

| CORE CONVENTIONS                         | INDIA | PAKISTAN | BANGLADESH | SRI LANKA | NEPAL |
|--|-------|----------|------------|-----------|-------|
| Forced Labour<br>C.29                    | ✓     | ✓        | ✓          | ✓         |       |
| Freedom of<br>Assn. C.87                 |       | ✓        | ✓          | ✓         |       |
| Collective<br>Bargaining C.98            |       | ✓        | ✓          | ✓         |       |
| Equal<br>Remuneration<br>C.100           | ✓     | ✓        | ✓          | ✓         | ✓     |
| Abolition of<br>Forced Labour<br>C. 105  | ✓     | ✓        | ✓          |           |       |
| Discrimination<br>C.111                  | ✓     | ✓        | ✓          | ✓         | ✓     |
| Minimum Age<br>C. 138                    |       |          |            | ✓         | ✓     |
| Worst forms of<br>Child Labour<br>C. 182 |       | ✓        | ✓          | ✓         | ✓     |