



## TENTH ITEM ON THE AGENDA

**Report of the Subcommittee on  
Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises (MNE Subcommittee) met on 23 March 2007. Mr Salazar-Xirinachs, the Executive Director of the Employment Sector, welcomed the members and other observers. The Subcommittee endorsed the nomination of Ms Guarriello (Government, Italy) as its Chairperson to replace Ms Nivens (Government, United Kingdom) for the remainder of her term. Ms Hornung-Draus (Employer, Germany) and Ms Burrow (Worker, Australia) were Employer and Worker Vice-Chairpersons, respectively.
2. The Chairperson thanked the Subcommittee members, and introduced the representative of the Director-General (Mr Dominique Michel).

**Update on planning for the event to mark the  
30th anniversary of the Tripartite Declaration  
of Principles concerning Multinational  
Enterprises and Social Policy**

3. The representative of the Director-General introduced the Office paper<sup>1</sup> and presented the revised version of the proposed agenda for the 30th anniversary,<sup>2</sup> based on discussions with the Officers.
4. The Employer Vice-Chairperson stressed that the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) was growing in importance with globalization, yet it was not well known. The 30th anniversary should focus on increasing its visibility among practitioners in the field, to discuss concrete examples of labour issues faced by companies, and to identify information and tools that could be of use for the companies. The draft programme was going in the right direction, but should leave more room for interaction. The keynote address could be accommodated on the Thursday evening. Each company session should last one hour and a half with at least 30 minutes for discussion. The session on auditing and monitoring should be shortened and include a presentation of the ILO–International Finance Corporation (IFC)

<sup>1</sup> GB.298/MNE/3.

<sup>2</sup> The one-page agenda was distributed in English, French and Spanish to all Subcommittee members, and is reproduced in the appendix.

Better Work Programme. The sectoral breakout groups should not include more than 20 to 30 participants. The final discussion should be a wrap-up session with the Officers on the strategic orientation of the Subcommittee, and should end at 4 p.m. She asked the Office to provide regular updates and to have the whole programme ready by the end of May, to be able to promote it at the International Labour Conference.

5. The Worker Vice-Chairperson agreed with the variations to the agenda proposed by the Employers. She agreed that the 30th anniversary should show that the ILO had tools to go beyond its traditional work supporting governments. The event should target not just big companies but also small and medium-sized enterprises as they were increasingly operating globally and tightly involved in supply chains. The 30th anniversary should demonstrate the ILO's relevance in the field through the joint presentation by management and trade union representatives of effective practices in areas related to the MNE Declaration. Governments would also benefit from the interaction. The offer by the Government of Belgium to support the technical meeting after the 30th anniversary event was also welcomed. She also thanked the Government of Belgium for its prior offer to host the November event and noted that it had had to be changed due to the demands and complexities of the Governing Body timetable.
6. The representative of the Government of the United Kingdom welcomed the proposed agenda. He recommended a solid communication strategy to reach out beyond the Governing Body members to new people. He supported the idea of tripartite workshops at the national level, and asked for more information about their number and the countries where they would be organized. He favoured a small number of high-quality events.
7. The representative of the Government of the Netherlands welcomed the proposal of the Office. She reiterated concern regarding the limited importance given to the MNE Declaration in the debate about corporate social responsibility (CSR), and stressed that the Declaration could play a major role in promoting the Decent Work Agenda together with the OECD Guidelines for Multinational Enterprises. She suggested putting on the agenda of the anniversary event a critical review of the impact of the MNE Declaration.
8. The representative of the Government of Nigeria welcomed the proposal of the Office and stressed that the leaflet should be produced and distributed ahead of time. He also suggested that the Office fund small events in developing countries.
9. The representative of the Director-General agreed that the media strategy was crucial to the event's success, and said it would be developed with the help of an external consultant. Regarding the leaflet, a new draft was about to be submitted to the Officers. The web site was being adapted to include a set of effective practices of companies. Efforts would concentrate on the Geneva event and a few national and regional activities, including in Hungary, Japan and possibly South Africa.
10. The Worker Vice-Chairperson commented that further information and material regarding the organization of the smaller events would be welcome; it should be made available as early as possible to ensure that people were aware of it and able to participate. She stressed that the events should promote the understanding of the MNE Declaration. She highlighted the good quality of the training material developed in the Italian project and suggested it could be used during the regional events.
11. In light of the discussion, the Subcommittee agreed to a point for decision.
12. ***The Subcommittee takes note of the document and recommends that the Governing Body endorse the draft programme, as amended in light of the discussion in the Subcommittee, concerning the 30th anniversary.***

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

13. The representative of the Director-General introduced the paper.<sup>3</sup>
14. The Employer Vice-Chairperson recalled that the proposed project had been initiated at the previous Governing Body session, where the objectives had been set out.<sup>4</sup> The proposed help desk could potentially open up the world of the ILO to companies. The proposal must proceed on the basis of consensus, and the components must be developed logically, with training coming last. The Employers expected constructive cooperation, not just coordination, between MULTI and the other departments to create a new and value adding programme. It should be clarified that the “advisory group” and “steering group” mentioned in the paper were one and the same and should be henceforth referenced as “advisory group”. Concerning financing, the programme should proceed now, without waiting for extra-budgetary funding. The Employers proposed to review the point for decision in paragraph 15 to read:

The Subcommittee recommends to the Governing Body to approve the development by MULTI of an Office programme, in cooperation with relevant departments, on the conditions outlined by the Subcommittee and recorded in the report of the MNE Subcommittee to the 297th and 298th Sessions of the ILO Governing Body, to advise companies on the realization of international labour standards and the MNE Declaration and that that work be augmented by extra-budgetary financing.

15. The Worker Vice-Chairperson stressed that the programme should be well coordinated with other ILO departments and transparent. The aim should be to make the ILO’s approach to responding to company requests more practical and coordinated. The advisory group should therefore include NORMES, DIALOGUE, TRAVAIL and SAFEWORK. She stressed that, because of the need for effective coordination of that work, the help desk would need to be staffed by a highly skilled and experienced professional. A job description for that role should be developed and submitted to the Officers in time for the November meeting. The component on promotion and information should use the resources of the governments and of the workers’ and employers’ organizations, and should go beyond a leaflet to include more sophisticated multidimensional materials.
16. She stressed that training would be critical, and should draw on existing materials. An inventory and assessment of existing tools should be made, in collaboration with the International Training Centre of the ILO. Within the ILO, information and training should focus on building awareness among ILO staff of the content of the MNE Declaration and of the work being undertaken within that programme. While the role of the field staff in promoting the MNE Declaration and channelling MNE requests to the appropriate departments was a very important one, it was not realistic to expect them all to become expert in those matters. Priority for training should therefore be given to trade unions, employers, companies with social auditors and public labour inspectors being included where requested or endorsed by governments, companies involved and/or the social partners. The training should have a more practical approach than the training-of-trainers

<sup>3</sup> GB.298/MNE/4.

<sup>4</sup> GB.297/13(Rev.).

model. The Workers agreed with the Employers' proposed revisions to the point for decision in paragraph 15.

17. The representative of the Government of the Netherlands welcomed the report. She stressed the fact that the Office based itself on the assumption that the MNE Declaration provided insufficient guidance to multinational enterprises, which was creating a vacuum. She wondered whether the vacuum was due to a lack of guidance, and whether MNEs were as ignorant as assumed. She also questioned whether the proposed activities would actually lead to more MNEs implementing the MNE Declaration.
18. The representative of the Government of the United Kingdom thought the broad framework was sensible, and encouraged the development of easily understood products. He expressed concern about where the extra-budgetary resources required would come from: were companies willing to pay for those services? He raised the issue of the programme's impact on the strategic priorities of the unit in charge of its implementation.
19. The representative of the Government of Nigeria stressed that the programme would benefit more companies if it were carried out at the national level. The programme should focus on strengthening public labour inspection, the need for public-private partnership and enhancing the capacity of governments to provide information on decent work.
20. The representative of the Government of the Bolivarian Republic of Venezuela agreed with the representative of the Government of the Netherlands and thought the programme sounded paternalistic. Issues at the national level were complex and governments could help MNEs to comply with their obligations. He suggested that the decision be postponed to allow time for consultation.
21. The representative of the Director-General clarified that the Office intended to move ahead without waiting for extra-budgetary resources as the regular budget would cover the first phase of the programme. The order of the programme would be reviewed, based on the Subcommittee's comments, starting with a review of existing resources and putting training last. The Office would prepare a report for the November session on the set-up and functioning of the help desk. The 30th anniversary was expected to raise the profile of the MNE Declaration, and the technical meeting to follow could seek to analyse what measures could be taken to raise the profile of international labour standards and the MNE Declaration. Concerning whether companies would be willing to pay for services, the Office had not yet looked into that issue. The Office would reprioritize its activities in order to implement the programme. Considering the issue of the extent to which the programme would function nationally, the Office's main technical units were located in Geneva, while the issues arose at the local level. In order to address those issues, the Office would draw on existing resources. Concerning the issue of whether the programme would concentrate too much on international labour standards, neglecting national law, the speaker stressed that the programme referred to national law and practice, with which companies needed to comply.
22. The Employer Vice-Chairperson reiterated that the programme aimed to provide a help desk to channel questions to the right person to provide consistent and high-quality service to companies. Training for staff should focus on informing them of who did what in the Office. To clarify the purpose of the proposed programme, she introduced a revised point for decision.
23. The Worker Vice-Chairperson reminded the meeting of the realities of the world of work. She stated that the programme was about effective practice by the ILO and necessary to manage its reputational risk. She commented that labour standards were the intellectual property of the ILO and they continued to be of fundamental importance. However, the

world of work was being shaped and reshaped on a daily basis and CSR initiatives were playing a large role in that. Companies would respect national law, but wanted consistency across national boundaries and that was where the ILO had a tremendous amount to offer through its labour standards. Integrity measures could be put in place to safeguard the independence of the Office.

24. The representative of the Legal Adviser observed that there appeared to be agreement on the purpose of the programme, which was to facilitate companies in realizing the MNE Declaration principles, while the proposal for a revised point for decision used the wording “advise companies”. As a public international organization, the ILO operated subject to a Constitution; its article 10 covered functions of the Office, and had been interpreted to authorize the delivery of advisory services to constituents, which included organizations representing employers and workers as well as governments. That framework thus enabled all member States to have access to the ILO’s services on an equal basis. In terms of how the ILO could relate directly to private actors such as companies, which were not themselves such constituents, the Governing Body had considered in past sessions ways of supporting companies that would avoid a label like “advise” which could risk implying a market endorsement of only certain companies that had sufficient resources to access the ILO’s advice. Noting that, overall, the operational modalities proposed by the Governing Body in its previous report were acceptable, the representative of the Legal Adviser suggested that alternative wording might be used to avoid the issue.
25. In response to a question raised by the representative of the Government of the Bolivarian Republic of Venezuela, the Office clarified that the start-up phase would be covered by existing funds.
26. Following a further discussion of the wording, the Subcommittee agreed to a revised point for decision.
27. *The Subcommittee recommends to the Governing Body to approve the development by EMP/MULTI of an Office programme, in cooperation with relevant departments, on the conditions outlined by the Subcommittee and recorded in the report of the MNE Subcommittee to the 297th and 298th Sessions of the ILO Governing Body, to provide companies with expert advice on the realization of international labour standards and the MNE Declaration and that the Office seek to augment this work by extra-budgetary financing.*

**Updates on corporate social responsibility-related activities: (a) within the ILO, including the InFocus Initiative on corporate social responsibility and the International Training Centre;<sup>5</sup> and (b) within other organizations<sup>6</sup>**

28. Due to time constraints, the representative of the Director-General did not present the two papers.
29. The Worker Vice-Chairperson pointed out that the list of initiatives and activities contained in document GB.298/MNE/2/1 did not indicate the strategic content of the ILO

<sup>5</sup> GB.298/MNE/2/1.

<sup>6</sup> GB.298/MNE/2/2.

approach to CSR. The mandate of MULTI was not entirely clear and there was a need to better define the role of the ILO in shaping the CSR debate more broadly. The information provided in document GB.298/MNE/2/2 about activities carried out by other organizations should provide more detailed information on what was happening and how the ILO was involved in the other organizations' activities, in particular any links to the MNE Declaration. She also stated that in future the report should highlight forthcoming meetings or initiatives in order to allow the Subcommittee an opportunity to comment ahead of time and to facilitate both ILO and constituent involvement where appropriate. The speaker reiterated concern that the ILO was not a member of the Global Compact Board and asked if there had been any developments in that regard; that was particularly important given the ILO's role as custodian of four of the Global Compact principles.

- 30.** The Employer Vice-Chairperson explained that the objective of putting together the information about activities carried out by different ILO departments and field offices was to make it possible for MULTI to ensure the consistency of ILO activities related to CSR, and the Office should work towards that end. With regard to the work of the International Training Centre of the ILO, she wished the Centre to provide more concrete information on what was being prepared and to ensure that it was in line with decisions taken by the Subcommittee. Concerning the update on activities carried out by other organizations, she stressed the importance of including in the document information about the role of the ILO in the different activities described, and requested information on upcoming events so that ILO constituents could participate. Lastly, she explained that, at the request of the International Organisation of Employers, the Global Compact Board had accepted the participation of the ILO as an observer, starting at its following meeting to be held in April. She reiterated her request for information about constituents' involvement in Global Compact local networks.
- 31.** The representative of the Government of India stated that CSR was a welcome move in developing countries because governments often did not have the resources to address all issues and it was good to have the contribution of enterprises. She welcomed the collaboration of the ILO with international development financial institutions as long as the primacy of the ILO was not compromised.
- 32.** The representative of the Director-General stated that the Office had taken note of the requests to engage in discussion with the constituents to develop a strategic plan concerning issues related to CSR.
- 33.** Mr De Koster (Bureau for Employers' Activities, International Training Centre of the ILO) explained that the Centre had allocated US\$300,000 to develop training materials on CSR in close cooperation with EMP/MULTI, ACT/EMP and ACTRAV. For that purpose, a working group had been set up to develop a proposal which would be focused, demand-driven and follow the political guidance provided by the Subcommittee. The working group was expected to have a clear idea of the proposal by the end of June.
- 34.** The Worker Vice-Chairperson requested that at the November session of the Subcommittee 30 minutes be devoted to the presentation of the MNE training materials currently being finalized by the International Training Centre of the ILO. It could be done in the framework of the discussions about the new programme.
- 35.** The Employer Vice-Chairperson requested the Office to ensure that the training materials under development by the Italian-funded project were developed in consultation with the social partners.
- 36.** In light of the discussion, the Subcommittee agreed to a point for decision.

- 37. *The Subcommittee takes note of the document and recommends that the Governing Body request the Office to finalize a report on the level of involvement and participation of ILO constituents in the Global Compact local networks.***

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

38. The representative of the Director-General briefly introduced the Office paper.<sup>7</sup>
39. The Worker Vice-Chairperson found the paper distressing. An important number of work items had not yet been completed, and more effort was needed to deliver the expected outputs. She stressed the necessity to focus on a few items, more specifically the research on EPZs and the work concerning supply chain architecture and the follow-up to the InFocus forums.
40. The Employer Vice-Chairperson suggested focusing on: the organization of the 30th anniversary, the development of the help desk, the coordination of CSR-related activities in the Office and the preparation of training packages in collaboration with the International Training Centre of the ILO. She also requested that the following time the paper about strategic priorities really describe a strategy and set out priorities. She believed that the Subcommittee had now provided a clear direction, which would allow the Office to change priorities taking into account the real opportunities and challenges before it.
41. The representative of the Director-General thanked the Subcommittee for the guidance provided, and suggested adding work on the International Organization of Standardization (ISO) 26000 process on social responsibility to the list of priorities as it was both important and very time consuming. The document for the following session would show a clear strategy and focus on a limited number of priorities.
42. The Worker Vice-Chairperson acknowledged the work that was being done on ISO 26000 to formulate a guidance standard on social responsibility and thanked Ms Emily Sims for the solid briefing paper provided on that topic.
43. In light of the discussion, the Subcommittee agreed to a point for decision.
- 44. *The Subcommittee recommends that the Governing Body endorse the recommendation to reorient the strategic priorities in line with the priorities identified in the discussion of the Subcommittee.***

Geneva, 27 March 2007.

*Points for decision:* Paragraph 12;  
Paragraph 27;  
Paragraph 37;  
Paragraph 44.

<sup>7</sup> GB.298/MNE/1.

## Appendix

### Suggested agenda for the 30th anniversary of the MNE Declaration

**Venue: ILO, Geneva**

Title (to be confirmed):

Better business: Managing labour relations for productivity and growth

Time	Session
<i>Thursday, 15 November 2007</i>	
17.00	<b>Registration</b>
18.00–19.00	<b>Welcome key note address</b> The Director-General of the ILO and a high-profile Chief Executive Officer (CEO) and a trade union representative will open the Forum.
18.00–19.00	<b>Cocktails and press conference</b>
20.00–22.00	<b>Forum dinner</b>
<i>Friday, 16 November 2007</i>	
9.00–10.15	<b>Showcase of effective practices – Part 1</b> Two enterprises will share their practices in areas related to the MNE Declaration. Enterprise presentations will be jointly delivered by the CEO and a Workers' representative and followed by interactive discussion.
10.15–10.45	<b>Morning break</b>
10.45–12.00	<b>Showcase of effective practices – Part 2</b> (Same format as Part 1, profiling different enterprises)
12.00–13.15	<b>Lunch</b>
13.15–14.15	<b>Monitoring and social auditing (repeat of November 2006 InFocus Forum)</b> This session will be on private systems of monitoring, social auditing and certification and the relationship with public regulation, administration and inspection. Presentations by the ILO (Ms Susan Hayter) and the Ethical Trading Initiative Presentation of the Better Work Programme..
14.15–14.45	<b>Coffee break</b>
14.45–16.15	<b>Sectoral breakout groups</b> There will be four to seven smaller groups for dialogue and exchange of experiences and practices around issues covered in the MNE Declaration in selected sectors. Sectors could include: garment, ICT, extractive industries, and services. Each group discussion will be led by a professional facilitator with in-depth knowledge of the sector and a good understanding of the ILO's work, as well as the companies present. Participants will be provided with the opportunity to share the challenges they face and to suggest ways the ILO could assist.
16.15–16.30	<b>Reflection and closing</b> by the Officers of the MNE Subcommittee.