

Can Corporations Be Trusted?

*Towards Social and Environmental
Responsibility and Accountability
in the Corporate Sector*

NGO
Taskforce on
Business & Industry

A report to the Ministry of Housing, Spatial Planning
and Environment, Netherlands

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The Northern Alliance for Sustainability (ANPED) is a network of NGOs based in the Northern Hemisphere. It strives to promote sustainable societies worldwide. We do this by:

- Supporting grassroots activities and participatory democracy initiatives towards this end;
- Working to change unsustainable patterns of production and consumption, with an emphasis on Northern societies; and
- Linking NGOs that share our aims.

ANPED is a democratic network of NGOs and voluntary organisations.
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Integrative
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Recognizing the interconnections among environmental, economic, political, and social crises, the Integrative Strategies Forum (ISF) strives to identify and bring attention to the kinds of systemic thinking and action needed and taking place to address these crises and to build sustainable community - locally and globally.

In practice, ISF actively encourages and promotes

- creative dialogue
- collaborations, partnerships, and coalitions, and
- integrative action strategies

among networks and organizations working to build just and sustainable communities, both locally and globally.

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NGO Taskforce on Business & Industry

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and Accountability in the Corporate Sector

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Introduction: The ToBI Agenda

Jeffrey Barber

Eventually, in discussions on production and consumption patterns, environmental protection, the sustainability of local communities, and even the integrity of government policy-making, the subject of transnational corporations and their increasingly dominant influence comes up. NGOs are understandably concerned as governments, particularly from "developed countries," claim they have "no new resources" to devote to sustainable development, that we instead need to look to the leadership of business and industry. While there may be many businesses and even TNCs sincerely attempting to be socially and environmentally responsible, the bottom line of business is to make a profit -- everything else is secondary.

The Business of Business

Despite assurances by groups such as the World Business Council on Sustainable Development to "provide business leadership as a catalyst for change towards sustainable development," the world is shamefully scarred by the conduct of corporations giving little priority to social responsibility, abusing local communities and ecosystems in their quest for market share and higher returns. NGOs generally consider efforts to promote socially and environmentally responsible practices and accountability to the public through self-regulation and company-defined codes of conduct as inadequate.

While progress in achieving greater ecoefficiency has indeed been made in many cases, we continue to see the disastrous consequences of unregulated corporate behavior in human rights violations of indigenous and poor people and the degradation of their environment (e.g., the case of Shell and the Ogoni in Nigeria, Texaco in Ecuador), the unabashed marketing and encouragement of greater consumption of pesticides, fertilizers, and fossil fuels; continued dumping of toxic wastes near poor communities; and the shameful trade in weapons, particularly land-mines.) Yet, the United Nations and a chorus of governments around the world continue to promote and sing the praises of corporate deregulation and the creative power of the free market to eradicate poverty and rescue the environment.

At a time when corporate globalization is treated as an inevitable reality, NGOs need to coordinate our efforts to protect threatened local communities and ecosystems. We also need to make a strong case for government regulatory oversight and enforcement and strengthening of civil society mechanisms to

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protect the integrity and health of local communities and ecosystems, in both developed and developing countries.

NGO Taskforce on Business & Industry

The NGO Taskforce on Business and Industry (hereafter "ToBI") is a coalition of concerned NGOs around the world working together *to promote the concept and implementation of corporate accountability within government, business and civil society*. This coalition first started as an idea emerging from an ANPED workshop on "NGO Strategies on TNCs" held in April 1996. The idea was to produce an NGO statement focusing international attention on the issue of corporate accountability, especially its role in sustainable development, to be presented at the UN General Assembly Special Session's five-year review of progress on Agenda 21 since the Earth Summit.

This message took shape in the NGO report *Minding Our Business: the Role of Corporate Accountability in Sustainable Development*, presented to the U.N. Commission on Sustainable Development (CSD) in 1997. The report, along with various roundtables and a speech to government delegates during the Major Groups Dialogue, called special attention to the distinction between the concepts of corporate accountability and corporate responsibility. ToBI emphasized the importance for government and civil society to play an active role to ensure the spread of socially and environmentally responsible business practices and policies. We believe these efforts contributed to the inclusion of text on corporate accountability and responsibility by the U.N. General Assembly Special Session in the *Programme for the Further Implementation of Agenda 21*.

Following the UN Special Session, ToBI members discussed the question of whether or not to continue the coalition and follow up on the seven-point list of recommendations (the "ToBI Agenda") made to governments in the ToBI statement. The majority of NGOs expressed their appreciation for the existence of the ToBI coalition and the value of developing it further and engaging in a new round of activities. This decision to begin a "phase II" then led to discussions about objectives, strategy, and organization.

ToBI's mission and goals

NGOs agreed that the overall mission of ToBI is to promote the concept and implementation of corporate accountability. This effort identified the following primary goals, each dealing with a different target group:

- To examine and promote progress by **business and industry** toward greater responsibility and accountability.
- To promote progress by **government** towards ensuring greater responsibility and accountability of business and industry.

At a time when corporate globalization is treated as an inevitable reality, NGOs need to coordinate our efforts to protect threatened local communities and ecosystems.

- To help build alliances, capacity and effective strategies among **NGOs** to better understand and help implement corporate accountability in the larger society.

The ToBI Agenda

In its 1997 Statement on Corporate Accountability, presented to the UN General Assembly Special Session, ToBI highlighted seven "steps" for governments to take to ensure corporations are accountable to society:

1. Acknowledge the importance of corporate accountability.
2. Monitor and assess corporate practices.
3. Strengthen public access to information.
4. Send the right message: eliminate unsustainable subsidies and tax breaks and make wrongdoers liable for their actions.
5. Empower local communities.
6. Make clean production the standard; and
7. Reduce the political influence of corporations on government.

This report documents some of the initial efforts by ToBI to advance these priorities as part of the international political agenda.

This report

Since the *Minding Our Business* report, ToBI has produced a plethora of articles and speeches addressing various aspects of corporate accountability and responsibility. This report includes a selection of documents prepared during the course of the past year, each one linked to various lobbying and educational activities aimed at the above goals. Each paper represents a step forward in time as well as an evolving strategy by the Taskforce.

"Corporate Accountability at the United Nations" is adapted from two sources: (1) a paper originally provided as the ToBI contribution to the 1997 Statement of the International Peoples' Tribunal on Human Rights and Environment, and (2) the speech on corporate accountability given by Maria Elena Hurtado of Consumers International as part of the CSD's first NGO-government dialogue. The paper continues from where *Minding Our Business* left off, reminding its governmental audience of their responsibility to ensure corporations do not harm human communities or the environment. With the controversy of the MAI discussions heating up, the topic of corporate responsibility and accountability has become even more timely, particularly for the United Nations community.

"Investing in What? For Whom? Corporate Accountability and the MAI" addresses more directly the issue of the MAI, where the lack of transparency was just then becoming more widely known and talked about throughout the NGO community (if not the mainstream news media).

ToBI's mission is to promote the concept and implementation of corporate accountability, within government, business and civil society.

Many
representatives
at the UN give
the impression
of being
seduced or
intimidated by
the power and
influence of the
corporate
sector.

"Corporate Accountability and the Mining Industry," written by Simone Lovera of the Netherlands Committee for IUCN, applies the ToBI Agenda as a framework for addressing corporate accountability issues in a specific case (the Omai Mine in Guyana) within a specific industry (mining).

"NGO Perspectives on Responsible Entrepreneurship" is the collective work of 30 NGOs in producing one of the primary background discussion papers published by the UN CSD for the 1998 Major Groups Dialogue on Industry and Sustainable Development. The paper includes among its recommendations the first official proposal for the CSD to initiate a multi-stakeholder review of the effectiveness of voluntary initiatives, one of the controversial topics in the Dialogue on Industry.

"Responsible Action or Public Relations? NGO Perspectives on Voluntary Initiatives," was written as a more detailed follow-up to the Responsible Entrepreneurship paper in addressing voluntary initiatives. This article was published by the United Nations Environment Programme (UNEP) in the January-June 1998 issue of their journal *Industry and Environment*.

"NGO Speech to the UN on Responsible Entrepreneurship" is the speech given to the UN CSD by Jagjit Kaur Plahe of EcoNews Africa and the Southern Coordinator for ToBI. This was the opening NGO speech for the 1998 Major Groups Dialogue on Industry and Sustainable Development. In this speech, Ms. Plahe orally presented the NGO proposal, supported by the trade union delegation from the International Confederation of Free Trade Unions (ICFTU), for the creation of a multi-stakeholder review of voluntary initiatives. This proposal became one of the main items of discussion by the CSD in that session, resulting in a mandate in the Chair's final report to begin an exploratory process needed to conduct such a review. This mandate led to the creation of a Multi-stakeholder Steering Committee on Voluntary Initiatives and Agreements (VIAs), composed of ToBI, the ICFTU, the International Chamber of Commerce (ICC), UNEP, and facilitated by the CSD Secretariat.

One of the results of this process has been the planning of a three-day international multi-stakeholder consultation to take place in March 1999 in Toronto, Canada sponsored by the CSD and the Canadian government, to discuss the question of the key elements necessary in this review. The meeting will include representatives from selected corporations, trade unions, NGOs, national governments, academia and international organizations including the OECD, the International Labor Organization, UNEP and UNCTAD.

"Can Corporations Be Trusted?" is the final paper in the collection. This was prepared as a briefing for NGOs about the Toronto meeting. The paper was meant to explain more of the background and significance of the topic of voluntary initiatives within the large discussion about corporate accountability. Furthermore, it stresses the historic and strategic importance of establishing a multi-stakeholder review mechanism that provides an official voice and channel for NGOs concerned about and addressing the accountability of the private sector.

At this moment in time, establishing a multi-stakeholder mechanism at the UN, which allows a fair and transparent discussion of corporate accountability, is critical. It is critical especially considering the current controversy over what appears to be the promotion of corporate rights over the rights of citizens and communities, by both the United Nation and national governments. One of ToBI's immediate strategic objectives is to help establish this mechanism. Thus, many of the following papers should be seen as part of the evolution of this objective and strategy.

In April 1999, the Seventh Session of the CSD will meet and the multi-stakeholder review of voluntary initiatives and agreements is on the agenda. The question for this meeting will be whether and how the review process should proceed. ToBI will also be initiating some of its new working groups, on tourism, advertising, energy, toxics and the OECD Guidelines on Multinational Enterprises (another area of ToBI focus). The outcome of this CSD will also help determine ToBI's next moves and priorities. Is the United Nations and its national membership truly open to a fair and transparent dialogue about corporate accountability? Is this a useful place to effectively address this issue?

Considering the governmental secrecy in the MAI negotiations and the almost religious emphasis on trade liberalization and growth, how much do governments want to hear of civil society's concerns? To what degree is the corporate sector willing to sincerely engage in a productive dialogue with NGOs and civil society? How can NGOs successfully collaborate and productively discuss our priorities and differences in developing strategies for action, both collectively and as individual organizations? Looking forward to the U.N. General Assembly's ten-year review of progress on Agenda 21 in 2002, what lessons and message will ToBI have to share with for governments, business and civil society? This papers represent an early stage of ToBI's efforts to answer these and other questions.

Is the United Nations and its national membership truly open to a fair and transparent dialogue about corporate accountability?