

# GLOBAL CODES OF CONDUCT—A SUMMARY

BY STACY MOSHER

The past five years have brought a proliferation of corporate responsibility codes of conduct and monitoring programs, all aiming to impose some form of accountability on multinational corporations toward the communities in which they operate.

The Organisation for Economic Co-operation and Development (OECD) carried out a survey of 246 voluntary codes of conduct and prepared a chart of the various elements they encompassed.<sup>1</sup> Labor-related content included the following:

Labor content of the codes	Percentage of codes mentioning attribute
Reasonable working environment	75.7
Compliance with laws	65.5
No discrimination or harassment	60.8
Compensation	45.3
No child labor	43.2
Obligations on contractors/suppliers	41.2
No forced labor	38.5
Provision of training	32.4
Working hours	31.8
Freedom of association	29.7
Specific mention of "human rights"	25.0
Monitoring	24.3
Right to information	13.5
ILO codes mentioned	10.1
Promotion	8.8
Reasonable advance notice	3.4
No excessive casual labor	3.4
Flexible workplace relations	0.7

With no comprehensive assessment of the effectiveness of these codes to date, critics have warned against placing too much faith in a fragmented system that remains very much in a developmental stage. Some of those caveats appear in *Voluntary Approaches to Corporate Responsibility: Readings and a Resource Guide*, published by the UN Non-Governmental Liaison Service (NGLS) last year.

In one essay in the NGLS volume, Peter Utting warns, "There is a danger that the considerable attention given to corporate responsibility issues, [transnational corporations] and their supply chains, is diverting attention from more

pressing labour, environmental and community concerns related to conditions outside of TNC supply chains, particularly in the growing informal sectors of developing countries."<sup>2</sup>

In the same book Rhys Jenkins notes several other "dangers" associated with the growth of codes of conduct, in particular, "that they may come to be seen as something more than they really are. In some cases they can simply be a means to deflect public criticism, without really changing what is happening on the ground. In other words, there is a distinct possibility of 'bad faith' in the development of codes of conduct."<sup>3</sup>

David Moberg in *The Nation* observed that a widely-accepted code of conduct developed by the Fair Labor Association (FLA) has been battered by NGO criticism that it is too weak and too heavily influenced by corporate concerns, and that its monitoring has been compromised. Moberg charged that the FLA experience suggested "the dangers of well-meaning groups, often unaccountable to a popular constituency, negotiating on behalf of workers or citizens."<sup>4</sup>

At the same time, essays published in this issue of *China Rights Forum* suggest that codes of conduct have the potential to bring genuine improvements to working conditions and the environmental and sustainability issues attached to multinational operations. Perhaps the crucial factor is sustained vigilance by NGOs and other concerned parties outside of the code and monitoring systems. In the words of Pharis Harvey, a former director of the International Labor Rights Fund who was criticized for his endorsement of the FLA codes, "I want a good, healthy body of critics outside the association saying, 'You guys claim to be doing something. Show me. It won't work without that body of informed critics.'"<sup>5</sup>

The chart on the following pages provides a more detailed analysis of some of the more well known corporate codes of conduct. The chart was prepared by the Interfaith Center on Corporate Responsibility (ICCR), a New York-based coalition of 280 Protestant, Roman Catholic and Jewish institutional investors including denominations, religious communities, pension funds, dioceses, and health care corporations. In an effort to hold corporations accountable on a wide range of social issues, the ICCR sponsors shareholder resolutions, meets with corporate management, screens their investments, publishes special reports, and organizes letter-writing campaigns.

# A CONTENT COMPARISON OF VARIOUS CODES OF CONDUCT

## GLOBAL CORPORATE ACCOUNTABILITY; INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

Name of Code	“Global Principles”	American Apparel Manufacturers Association Code	Caux Principles	Fair Labor Association
Code Proponents	Religious shareholders: ICCR, ECCR, TCCR	Members, staff & consultants endorsed by business associations in 7 countries	Business Leaders – Europe, Japan & USA	AIP – government, companies, NGOs and universities
Focus of Code (Whom is it addressing?)	Comprehensive principles, criteria, benchmarks to evaluate company performance	Establishes minimum standards for inspection of workplace conditions of suppliers	Moral foundation for business leaders	Member COs and suppliers in the apparel & footwear industry monitored against code
Connections To Local Communities	Focus on sustainable comm. local independent monitors	Not included	Not included	Local community groups can be certified as monitors
CONTENT: •Freedom of Association  •Right to Bargain Collectively  •Sustainable Living Wage  •Human Rights  •Women’s Rights  •Health & Safety in the Workplace  •Vendor Standards  •Child Labor	ILO Standard  ILO Standard  Yes, and PPI studies  ILO, UN Human Rights Declarations  “Women in the Workforce”  Regular H & S inspections  Company responsible for supplier labor conditions & monitoring  Company, &/or suppliers do not employ children	Respects right to associate  Not covered  Pays at least min. wage required by national law  Not addressed  Not directly addressed  Safe & healthy work place  Certified in code compliance  None un 14	Not covered  Not covered  Wage improves living conditions  Respects HRs, remote whereapplicable  Equal treatment guaranteed  Health & dignity respected  Seeks suppliers who respect dignity  Not covered	Respects the right to associate  Respects rights to bargain collectively  Pays legal minimum wage as a floor  Not directly addressed  Nondiscrimination, no sexual harrass.  Safe & healthy work  Must comply with national law and labor code  None under 15, unless law allows 14

Global Reporting Initiative	Global Sullivan Principles	Social Accountability International	US Business Principles for Human Rights of Workers in China	Worker Rights Consortium
CERES, group of experts, COs, NGOs & academics	Rev. Leon Sullivan, major multinationals	CEP and advisory group of COs, NGOs and unions	Global Exchange/ Int'l Labor Rights Fund, Levi Strauss, Mattel, Reebok	United Students Against Sweatshops
Global guidelines for COs in issuing sustainability reports	Aspirational global code for companies of all sizes	Establishes a uniform, auditable standard for third party verification	Promotes human rights & labor standards in China	Improve labor conditions under which university goods are made
Not included	Not included in initial phase	Local groups consulted; can be certified as auditors	Not included	To work in partnership with indigenous worker-allied groups
(GRI is not a code, but a set of guidelines for reporting environmental, social and economic sustainability. The June 2000 Sustainability Reporting Guidelines include social performance indicators on workplace issues—such as, health & safety, wages and benefits, child labor, forced labor, freedom of association; human rights, indigenous rights, security, suppliers and products and services.)	Respects voluntary right to associate  None  Meets basic needs and increases skills  Supports Universal Human Rights Conventions  Equal opportunity  Safe & healthy workplace  Promotes principles to all partners  No exploitation of children	Respects right to form & join unions  Respects right to bargain collectively  Basic needs, discretionary income  Respects ILO, UN Declarations  Nondiscrimination  Safe & healthy workplace  Suppliers selected by standards; monitoring  None under 15; provides school support	“Undertakes to promote”  “Undertakes to promote”  Meets China’s wage guidelines, basic needs  Endorses ILO Conventions & UN HR Covenants  Nondiscrimination; prohibits sexual harassment.  Production methods have no negative effect  N/A  Prohibited under China’s labor laws.	ILO standard  ILO standard  Includes sustainable living wage definition  Supports ILO & UN Human Rights Conventions  Nondiscrimination; bans pregnancy tests  Safe & healthy workplace, prevents injury  Focus on licensee enforcement code  None younger than 15

Name of Code	“Global Principles”	American Apparel Manufacturers Association Code	Caux Principles	Fair Labor Association
Accountability				
Transparency: Reporting to Shareholders	Yes	Not Addressed	Yes	Yes
Transparency: Reporting to General Public	Yes	Not Addressed	No	Annual report by company on its compliance
Transparency: Reporting to Code Proponents	Reports on company’s compliance program	Reports to Responsible Apparel Production (RAP) Certification Agency	No established mechanism	Periodic report to FLA by company’s monitors
Internal Monitoring System by Corporation	Company compliance process - training, on-site inspections	Factories perform self-assessment	N/A	Members required to monitor suppliers
External Monitoring By Auditors	Viewed as part of company monitoring	By certified auditors	N/A	Auditing firms certified by FLA
Monitoring by Code Proponents	Principles used as accountability tools	Responsible Apparel Production (RAP) Certification Agency certifies factories	N/A	FLA certifies monitors and companies
Independent Monitoring by Local Human Rights, Labor Rights and/or Religious Groups	Company accepts IM with local NGOs, rel., labor, human rights groups	Not Addressed	N/A	Local NGOs may be certified as monitors; all monitors must consult with NGOs

Global Reporting Initiative	Global Sullivan Principles	Social Accountability International	US Business Principles for Human Rights of Workers in China	Worker Rights Consortium
Yes	Encouraged	Yes	Yes	Full disclosure
Yes	Encouraged	Reports to all interested parties	Annual public report	Full disclosure of plant locations & labor conditions
Yes	Annual report to Rev. Sullivan	Reports to SAI	Annual Report to “HR for Workers Working Group”	Full disclosure of Worker Rights Consortium (WRC)
Encouraged	N/A	Yes	Internal monitoring expected of Companies	Licensee ensures
Encouraged	N/A	Yes, by certified auditors	N/A	No inclusion of auditors
Will establish new institution for GRI	Plans to set up national commissions for code implementation	SAI certifies organizations which certify factories	Evaluate company reports and provide feedback	WRC made up of students, administrators, NGOs
Independent verification guidelines being outlined	Plans to develop grass-roots monitoring in future	No, but auditors consult local NGOs	No truly independent organization in China	check verification

The ICCR has devised its own **Global Principals** in conjunction with the Ecumenical Council for Corporate Responsibility of the United Kingdom and the Taskforce on the Churches and Corporate Responsibility in Canada. The ICCR Global Principals call for a “sustainable” living wage, community development, workers’ right to organize, and environmental protection. Since the spring of 1999, a global network of religious and non-governmental organizations has been set up to utilize the Global Principles in 21 countries.

Other codes of conduct summarized in the ICCR chart include the following:

**American Apparel & Footwear Association (AAFA).** The AAFA, is a U.S.-based trade association whose members produce more than 80 percent of apparel sold at wholesale in the U.S. In 1998 it publicly endorsed the Worldwide Responsible Apparel Production (WRAP) Principles and Certification Program, which promotes basic standards for labor practices, factory conditions, and environmental and customs compliance. As of October 2002 the WRAP Certification Program had registered over 1025 factories, and as of September 15, 2002, it had issued approximately 280 compliance certifications ([www.americanapparel.org](http://www.americanapparel.org)).

**The Caux Round Table (CRT)** was first organized in 1986 as a means of initiating candid dialogue between business peers from Japan, Europe and the United States to defuse trade tensions. Soon afterward CRT turned its attention to corporate social responsibility, and in 1994 published its Principles for Business as a worldwide standard for ethical and responsible corporate behavior. CRT organizes regular international dialogues involving around 30 participants, described as senior business leaders and companies committed to be a force for positive change. The CRT Web site lists 179 individual members ([www.cauxroundtable.org](http://www.cauxroundtable.org)).

**Fair Labor Association (FLA)** was established in the U.S. in 1998 as a successor body to the White House Apparel Industry Partnership. It promotes brand certification for garments and sports shoes marketed by trans-national corporations. in compliance with the FLA Workplace Code of Conduct. By September 2002, 13 corporations, with more than 3,000 factories in 80 countries, were participating in the FLA scheme. In addition 176 U.S. colleges and universities, involved with 1100 licensee companies, had affiliated themselves with the FLA ([www.fairlabor.org](http://www.fairlabor.org)).

**Global Reporting Initiative (GRI)** was established in 1997 as a project of the U.S.-based Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP). It became an independent organization in 2002. GRI has developed and continues to refine globally applicable guidelines for social and environmental reporting and encourages companies to make information on their social and environmental impacts available to the public. By January 2003, GRI was aware of 191 companies that had ‘referred to or followed’ its Sustainability Reporting Guidelines ([www.globalreporting.org](http://www.globalreporting.org)).

**The Global Sullivan Principles of Social Responsibility (GSP)** were created by the Reverend Leon H. Sullivan in 1997. They were based on principles that Sullivan developed in 1977

for companies operating in South Africa, and which are regarded as having contributed to the dismantling of apartheid. The GSP encourages businesses to work with their communities toward the common goals of human rights, social justice and economic opportunity. As of October 2002 GSP had a total of 290 endorsers, including 189 corporate, 91 civic (including organizations such as Amnesty International) and 13 higher education ([www.globalsullivanprinciples.org](http://www.globalsullivanprinciples.org)).

**Social Accountability 8000 (SA8000)** was established in 1997 by the U.S.-based Council on Economic Priorities and Accreditation Agency (CEPAA), now known as Social Accountability International. Based on ILO and UN conventions, SA8000 established a cross-industry standard for workplace conditions and a verification and certification system. By December 2002, 183 factories and facilities had obtained SA8000 certification. Another ten major retailers had adopted SA8000 as the code of conduct for their factories and contractors ([www.sa-intl.org](http://www.sa-intl.org)).

**U.S. Business Principles for Human Rights of Workers in China.** Developed by Global Exchange, a non-profit research, education, and action center founded in 1988. Following a 1999 report on labor abuses in factories producing clothing for Disney, Global Exchange and other human rights organizations launched a set of human rights principles for U.S. businesses in China. So far Reebok, Levi Strauss and Mattel have signed on to the principles and agreed to enlist other companies and small groups. The principles are also endorsed by 21 human rights and labor organizations, including HRIC (<http://www.globalexchange.org/economy/corporations/china/principles.html>).

**Workers Rights Consortium (WRC)** was established in 2000 by college and university administrations, students and labor rights experts on the initiative of the United Students Against Sweatshops (USAS). It aims to ensure acceptable labor conditions in factories that produce clothing and other goods under license for U.S. colleges and universities. The WRC carries out investigations of factories and verifies compliance with the WRC Code of Conduct. By January 2003, 111 U.S. colleges and universities had affiliated themselves with the WRC, and investigative reports had been prepared in relation to three factories ([www.workersrights.org](http://www.workersrights.org)).

1. Organisation for Economic Co-operation and Development, *Codes of Conduct – An Expanded Review of their Contents*, OECD Working Party of the Trade Committee, TD/TC/WP(99)56/FINAL. OECD: Paris, 2001. Available online at <http://www.oecd.org/pdf/M00015000/M00015433.pdf>.
2. Peter Utting, “Regulating Business via Multistakeholder Initiatives: A Preliminary Assessment,” in *Voluntary Approaches to Corporate Responsibility: Readings and a Resource Guide*, pp. 61-130, UN Non-Governmental Liaison Service, May 2002.
3. Rhys Jenkins, “Corporate Codes of Conduct: Self-Regulation in a Global Economy,” in *Voluntary Approaches*, *ibid*, pp. 1-59.
4. David Moberg, “Bringing Down Niketown,” *The Nation*, June 11, 1999.
5. Moberg, *ibid*.