



Whose Business?



A Handbook on Corporate
Responsibility for Human
Rights and the Environment



Prepared by
The California Global
Corporate Accountability
Project

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The Nautilus Institute
for Security and Sustainable Development



**Natural
Heritage
Institute**



HUMAN RIGHTS ADVOCATES

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The California Global Corporate Accountability Project (CAP) is a collaboration of the Nautilus Institute for Security and Sustainable Development, the Natural Heritage Institute, and Human Rights Advocates. The project seeks to identify the human rights and environmental governance dilemmas faced by United States corporations in their global operations and to improve corporate social and environmental performance. The CAP project focuses on industrial sectors and corporations with major business activities in California and explores opportunities for California's citizens, investors, and policymakers to exert leadership and leverage in the global economy. For more information on CAP, and to access reports on the oil and high tech sectors, see www.nautilus.org/cap or www.n-h-i.org under the People and Global Resources Program.

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Contents

Introduction		4
Chapter One	Evolving Expectations: Corporations, Ethics, and the Global Economy	6
	<ul style="list-style-type: none">• Introduction: The Explosion of Global Investment• Why Companies Go Global• Regulatory Gaps, Ethical Dilemmas	
Chapter Two	Making the Connections: Labor, Human Rights, and the Environment	10
	<ul style="list-style-type: none">• Introduction: Movements Converging• Unsustainable Development: Globalization and the Environment• Unsustainable Social Practices: Labor and Human Rights• Industry Snapshots: Environment, Labor, and Human Rights in Global Industries	
Chapter Three	Holding Corporations Accountable: Stakeholder Actions and Corporate Social Responsibility	21
	<ul style="list-style-type: none">• Stakeholders Act: The Movement for Corporate Accountability• Corporations Respond: Trying to Do The Right Thing• Beyond the Voluntary Approach	
Chapter Four	The Way Forward: Emerging Global Principles for Corporate Accountability	32
	<ul style="list-style-type: none">• Towards Global Corporate Accountability: Existing Frameworks• The Way Forward	
Resources & Appendices		37

Introduction

This handbook aims to inform and inspire. Produced primarily for use by North American educators, students, and activists, it provides an introduction to the key issues driving efforts to promote corporate social responsibility and accountability worldwide. It focuses especially on the links between the environment, labor rights, and human rights in the context of globalization.

The handbook grew out of the California Corporate Accountability Project (CAP), a joint effort of the Natural Heritage Institute, the Nautilus Institute for Security and Sustainable Development, and Human Rights Advocates. CAP works to identify the ethical failures and dilemmas of United States multinationals in their global operations and to promote innovations in public policy and corporate governance that improve corporate environmental and human rights performance. Between 1998 and 2001, CAP focused on companies with headquarters or significant operations in California, particularly the oil and technology industries. CAP produced three case studies of oil company operations spanning Nigeria, Ecuador and the Caspian, and four case studies of high tech company operations spanning India, Thailand, Malaysia and Taiwan. Those case studies are incorporated in this handbook, along with studies from other industries.

The central theme of this handbook is that the institutions and regulatory frameworks now governing the global economy have not adequately protected human rights, the environment, and labor rights. Free markets are not really free: they merely privatize the benefits of globalization, while socializing the human and environmental costs. Moving to a new paradigm of socially responsible business will require a creative and synergistic combination of popular pressure, corporate initiative, and global regulation. The handbook describes actions being taken at all three levels.

Chapter One examines the global context in which multinational corporations operate. The central ethical dilemma for multinational corporations (MNCs) stems from the fact that while business, product lines and financial markets increasingly crisscross borders, regulation remains local and national. Local governments, fearful that corporations will locate elsewhere, often lack the capacity or the will to regulate corporations or corporate sub-contractors. In the absence of global rules and standards, labor rights, human rights, and environmental standards reflect the lowest common denominator.

Chapter Two outlines the connections among the environmental, labor, and human rights issues that plague MNC operations in developing countries. Some of these concerns, like hiring abusive paramilitary forces to protect oil field operations, belong clearly in one issue category: human rights. In other cases—like the exposure of child workers to toxic chemicals or the expropriation of indigenous peoples' lands for mining or oil drilling—environmental assaults *are at the same time* human rights abuses. This chapter outlines these connections and highlights how they play out in three different industrial sectors.

Chapter Three focuses on the emerging movement to increase the social responsibility and accountability of MNCs. It looks at the tactics and strategies employed by external sources—activists, nonprofit advocates—as well as those used by internal stakeholders—workers, investors, shareholders, and corporate managers themselves. This chapter also discusses how corporations have

responded by adopting codes of conduct and exploring other ways to go beyond compliance with existing regulations.

Chapter Four examines efforts to set new global rules and guidelines for MNCs. Drawing from existing and emerging international law and agreements, these rules encompass fundamental principles of human rights, labor rights, and environmental protection. This chapter also covers right-to-know laws, which require corporations to disclose information about overseas social and environmental performance.

The handbook concludes by suggesting that businesses and civil society groups must refine and redouble their efforts to change, and that any effort to create global standards must be a collaboration among all stakeholders. Public education at all levels—high school, university, adult school, and popular education—is at the center of winning hearts and minds. Young people have an especially important role to play.

Chapter One

Evolving Expectations: Corporations, Ethics, and the Global Economy

Chapter In Brief

The late twentieth and early twenty-first centuries have witnessed the unprecedented internationalization of production and finance throughout the world—a process called globalization. Led by multinational corporations, corporate led global trade has bound the world in complex webs of production, consumption, and finance. As the chief beneficiaries of globalization, corporations have been vilified as the cause of the growing inequality and environmental decline that have accompanied globalization. Conversely, corporations have been lauded as crusaders for progress and development for spreading technology and investment throughout the globe. Both characterizations may be partly true. More important is the fact that while markets are global, the regulations that govern corporations are local—a structural reality that exacerbates existing inequalities and undermines global standards for human rights, labor, and the environment.

Introduction: The Explosion of Global Investment

From the depths of the Amazon to the farthest reaches of Central Asia, from California's Silicon Valley to Taiwan's Hsinchu Industrial Park, people around the world are ever more deeply interconnected via long and complicated webs of production, consumption, and finance—a process called globalization. Amidst globalization, multinational corporations (MNCs), have both benefited and harmed local communities, especially in the world's developing countries. Poor countries often view corporations' capital, technology, and know-how as vehicles to generate wealth, to fill tax coffers, and to create economic development. Economic planners in Africa, Asia, Latin America, and Eastern Europe, compete hard to attract corporate investment from the rich countries of North America, Western Europe, and Japan. Yet people living in poor countries often pay a steep price for these corporate investments—in low wages, environmental degradation, unsafe working conditions, and violations of their human rights.

Are multinational corporations part—or even most—of the problem? What role should global corporations play in promoting environmental sustainability, human rights, safe working conditions, and social justice? Given the vast discrepancies between the laws, standards, legal systems, and cultural norms among the world's nations, how can we ensure corporate accountability on a global scale? These are among the most important questions facing the world on the cusp of the twenty-first century.

There are roughly 63,000 MNCs worldwide, with more than 700,000 foreign affiliates and subsidiaries. MNCs operate in almost every country and touch nearly every economic sphere. The world's largest 100 MNCs are headquartered almost exclusively in the developed countries of the United States, the United Kingdom, and Germany, and are concentrated in five industrial sectors: electronics and electrical equipment, automobiles, petroleum, chemicals, and pharmaceuticals.

World's Top 10 MNCs

General Electric	US	Electronics	141*
Exxon Mobil Corporation	US	Petroleum	99
Royal Dutch Shell	Neth/UK	Petroleum	69
General Motors	US	Motor vehicles	69
Ford Motor Company	US	Motor vehicles	n/a
Toyota Motor	Japan	Motor vehicles	56
DaimlerChrysler	Germany	Motor vehicles	56
Total Fina SA	France	Petroleum	n/a
IBM	US	Computers	44
BP	UK	Petroleum	39

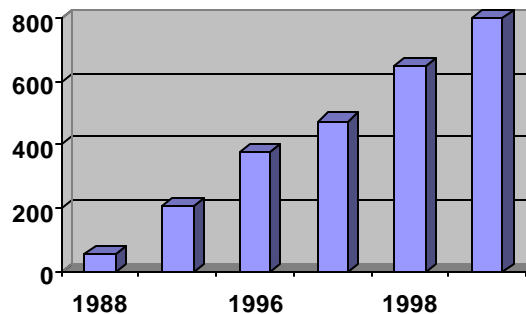
*Foreign assets, billions of dollars,
1999

Source: UNCTAD, *World Investment Report, 2001*

Multinational corporations are profoundly reshaping the global economy. In the 1990s, foreign direct investment (FDI)—in which a corporation takes a direct stake in foreign-based enterprise, such as a shoe manufacturing plant or a gold mine—became the primary source of capital to developing countries, far outstripping public sources such as the World Bank and government foreign aid. In the early 1990s, FDI grew by 15 percent per year. In the second half of the 1990s, FDI soared through the roof, growing by an average 27 percent per year from 1996 to 1999. By 1999, global FDI totaled \$800 billion.

Where does all this investment go? In 1999, almost 75 percent of capital flows went from one rich, developed country to another. Indeed, the United States leads the world both as both the top investor and recipient of FDI, followed by Britain. Developing countries, which have most of the world's people, received 25 percent of world FDI per year in 1998. Africa, the poorest region of the world, receives only 1 percent of the world's private investment.

■ FDI Outflows (\$ billions) Source: UNCTAD



Why Companies Go Global

Why do companies go global and what determines where in the world they invest? While there is no single answer, most are trying to reduce production and transportation costs, to gain market share, or to mitigate different types of financial and market risk. Industries in which wages are a large component of overall costs—like clothing, apparel, or shoes—go looking for cheap labor. Companies whose core business is oil or mineral extraction invest where resources are located, or where access to exploration is easy and cheap. In manufacturing industries such as automotives and high tech, companies invest where the labor market matches the skills necessary for production and where they want to expand markets.

But do companies actively seek out countries in which labor and environmental standards are either low or not enforced? These issues have been fiercely debated and the evidence is mixed.¹ For environmental standards, the general answer is a qualified no. With the important exception of hard rock mining, pollution abatement and other environmental costs represent a small part of companies' overall production costs, so they are unlikely to seek out pollution havens. The crucial environmental question is therefore not *why* a company invests where it does but *how it performs* once it gets there.

For labor standards the story is different. Poor working conditions usually accompany low wages, and while companies may not seek low labor standards *per se*, they do want low wages. In some instances, the frenzied pursuit of cheap labor has created widespread misery among workers. Apparel companies, for example, have been willing to turn a blind eye to the near-slavery conditions created by their sub-contractors.

Regulatory Gaps, Ethical Dilemmas

Although developing countries receive only about a quarter of global investment, FDI can bring large local economic, social and environmental impacts. In poor countries, foreign companies—or even one big MNC—might be the largest single business in the whole country. And many developing economies are still entirely dependant on MNCs for jobs and the foreign currency needed to pay off foreign creditors, which means the countries have little leverage over the terms of corporate investments.

This disparity in wealth is compounded by the fact that many developing countries lack the democratic institutions necessary to check corporate power. While wealthy countries have democratic governments and strong traditions of civil and political rights—along with a relatively affluent middle-class capable of defending those rights—many developing countries are either fledgling democracies or are ruled by authoritarian elites. In most developing countries, civil society, represented by NGOs and other interest groups, is often weak or repressed, and a significant percentage of the population is poor. In 1999, the average American family earned over \$35,000, while the average Vietnamese family earned just under \$350. These broad political and economic differences create gaping holes in social and environmental regulations.

The regulatory gaps create a dilemma for global corporations. Absent global or even national standards, how should a company behave? Should a factory have 16-hour shifts or emit toxic chemicals into waterways simply because there are no regulations to the contrary? Should it follow

¹ For further reading on "pollution havens" see http://www.nautilus.org/papers/enviro/zarsky_oecdfdi.html

the standards set by its home country? Should it go beyond compliance, aiming instead for best practice?

The pressure of global competition also affects local and national regulators. Global competition for corporate investment is stiff, and if local regulators raise the bar for environmental performance, worker health and safety, or wages, a company will simply invest elsewhere. Without a global floor—minimum standards for labor rights, environmental protection, and human rights—the competition for corporate investment will always be a race to the bottom. The only way to move beyond this dilemma is to create a global system of standards and mechanisms to enforce those standards.

Chapter Two

Making the Connections: Environment, Labor, and Human Rights

Chapter In Brief

Until recently, movements to protect human rights, labor, and the environment have taken disparate paths. The environmental movement focused on regulating corporate pollution. The labor movement fought for higher wages and better working conditions. The human rights community sought to protect civil, political, and economic rights. Globalization is forcing those movements to converge: oil extraction in developing countries harms the environment and threatens the livelihood of local communities. Forced labor violates human rights and any reasonable labor standard. Toxic chemicals in the workplace threaten workers and the environment. Examples of this convergence abound in several illustrative industries—extractive industries, high technology, and agriculture.

Introduction: Movements Converging

Until recently, human rights, labor rights, and environmental protection have been viewed as distinct social and political issues. Although large-scale movements have grown up around each issue, these movements rarely shared information or coordinated their advocacy efforts. Individual activists might have identified a relationship between issues such as sweatshops, undemocratic regimes, and rainforest destruction, but the organizations they work for focused on their issue rather than forming broad-based coalitions or campaigns that addressed common issues.

This is changing. As corporations seek out new markets and lower production costs in developing countries, activists, policy experts, and local communities are demanding that MNCs integrate core labor, environmental, and human rights standards into their pursuit of the financial bottom line, no matter where their operations are located. The labor, human rights, and environmental movements are likewise joining forces, recognizing that combining their voices and resources affords them greater leverage and a stronger voice. Here are some of the seminal overlapping issues:

- Free speech—communities must be free to speak out to protect their environment.
- Right to livelihood—environmental problems can degrade resources on which local livelihood is based.
- Right to culture—destruction of the natural resources can lead to destruction of unique cultures and ways of life, especially in indigenous communities where the environment is often inseparable from cultural identity.
- Human health and safety—workers and local communities encounter pollution, toxic exposure, violence, or the threat of violence.
- Sustainable communities—communities need jobs and opportunities for subsistence that are environmentally sustainable.
- Local participation—local communities must have the right to develop or conserve their natural resources for the benefit of entire community, not an outside entity or a few members of the community.

- Environmental justice—polluting industries are more often adjacent to or sited in communities that lack the political or economic clout to resist.

The first section of this chapter frames the ways in which multinational corporations contribute to environmental degradation. The second section outlines the major human rights and labor rights issues. The third section then traces more explicitly the inextricable links between these three issues across three industrial sectors—extractive industries, high technology, and agriculture.

Unsustainable Development: Globalization and the Environment

In 1992, the world's leaders and activists gathered in Rio de Janeiro for the United Nations' Earth Summit, seeking to “devise strategies to halt and reverse the effects of environmental degradation in the context of increased national and international efforts to promote sustainable and environmentally sound development in all countries.” Participants hoped the conference would strengthen environmental standards and help corporations recognize that environmental sustainability is in their long-term business interest, since the stewardship of natural resources and the protection of human health are vital to the health of the planet, society, and business.

It hasn't worked out that way. Ten years later, few corporations have substantially changed the way they do business. If anything, the pace of corporate globalization has accelerated worldwide environmental degradation over the past ten years. Even as operations and the accompanying environmental impacts moved fluidly across national borders, environmental protection remained a decidedly local responsibility. Global financial markets, meanwhile, placed enormous pressure on corporations to reap short-term profits, and corporations, with few incentives to operate beyond compliance with weak or insufficient local laws, used the cheapest processes regardless of the environmental harm they caused.

Standards of environmental disclosure vary as well. In the United States, companies are required by law to disclose environmental spills and toxic releases. But U.S. companies are not required to provide similar information for their overseas operations, and the citizens of Latin America, Africa, and Asia have little recourse.

The section below highlights some of the key environmental problems in which multinational corporations play a role.

Global Biodiversity

The earth is currently undergoing the largest mass extinction of species in 65 million years, depriving us of potential sources of medicine and food and placing entire ecosystems at risk of collapse. An estimated two-thirds of the world's biodiversity inhabits forested areas, particularly tropical rainforests, from which an area equal to 50 soccer fields disappears every minute. Extractive industries—logging, mining, and oil exploration—constitute a significant threat to diverse habitats. Exploration for new mineral and oil deposits threatens nearly 40 percent of frontier forests—areas with most of the world's biodiversity.

Climate Change

Commonly known as *global warming*, the long-term effects of global climate change are disputed, although most scientists agree that greenhouse gases such as carbon dioxide (CO₂) from

automobiles and industry are changing weather patterns and may affect food sources and species survival. While automobiles account for most greenhouse gas, oil and gas companies have steadfastly downplayed this contribution to global climate change. A handful of corporations are begun investing in renewable resources—biomass, wind, and solar power—but most focus almost exclusively on fossil fuel production and consumption.

Soil, air, and water pollution

Nearly every industrial sector contributes in one way or another to land, air, and water pollution, three of the most urgent global environmental problems. Manufacturing firms release seven billion pounds of toxic chemicals into the air, land, and waterways each year in the United States, including over 115 million pounds of recognized carcinogens. According to the United States Environmental Protection Agency, waste from industrial hog, chicken, and cattle plants has polluted 35,000 miles of rivers in the United States alone, and hard rock mining releases more toxic waste than any other industry in the United States.

Real World, Real People: Pollution The Bhopal Tragedy

On the morning of December 2, 1984, more than 40 tons of lethal methyl isocyanate gas leaked from a facility in Bhopal, India owned by United States multinational Union Carbide. Local residents woke up vomiting and gasping for breath as the toxic cloud engulfed their homes. The accident killed several thousand people and hundreds of thousands suffered permanent damage to their lungs, brains, and chromosomes. Sixteen years later, local residents still endure chronic disabilities and illnesses.

The corporation's response to the accident has been at best irresponsible and at worst criminal. Union Carbide sought to shield itself from liability and five years later agreed to pay \$470 million to compensate the victims. The settlement amounted to \$300 per victim, barely enough to cover basic medical costs and grossly insufficient for long-term care. Union Carbide, meanwhile, still denies responsibility and has refused to apologize to the victims.

The Bhopal tragedy was the worst industrial accident in history and the first time a multinational corporation's negligence in the developing world received major international scrutiny. The event spurred a host of measures to hold corporations accountable for their overseas operations and provided a strong case for citizens' right-to-know laws. Likewise, the tragedy reveals the strong resistance of some companies to taking legal or moral responsibility for their actions.

Unsustainable Social Practices: Labor and Human Rights

Human rights are fundamental, ethical principles that empower citizens and communities to experience freedom and dignity in their lives. The international standards are derived from the United Nations Universal Declaration of Human Rights (see Chapter 5 for further discussion). Human rights have been defined to include civil and political rights such as the right to life, liberty, and security; the right to property; the right to freedom of speech and expression; and the right to live without discrimination. But human rights also include economic, social, and cultural rights: the right to an adequate standard of living and decent work; the right to health; the right to an education;

and the right to one's own culture, language, and religion. Increasingly, the international community is recognizing that a clean environment is necessary to fulfill human rights. Indeed, the *right to a clean environment* is fast becoming recognized as fundamental human right.

Sweatshops, Child Labor, and Slave Labor

While financial, capital, and labor markets have been globalized, democracy, labor rights, and human rights have not. Multinational corporations often move operations to developing countries because they are sources of cheap labor. Along with lower wages, however, many developing countries lack the capacity or political will to enforce even basic labor standards and human rights. The section below highlights some of the key labor and human rights issues in which multinational corporations play a role.

The term sweatshop generally applies to factories where workers endure long hours and low wages under unsafe or unfair working conditions. Workers are often exposed to toxic chemicals and are rarely trained to handle them. Factories often have inadequate heating, cooling, or ventilation, and workers sometimes must endure physical, mental, and sexual abuse. Well-known brand-name retailers may not use sweatshops themselves, but they often turn a blind eye to sweatshops throughout their supply chain.

Real World, Real People: Sweatshops Nike and Workers' Rights

Nike is the biggest and most profitable shoe company in the world and claims to be an industry leader in corporate social responsibility. Nike's Code of Conduct says: "in the area of human rights... in the communities in which we do business, we seek to do not only what is required, but what is expected of a leader." But watchdog groups like Global Exchange indicate that the reality for many workers overseas making Nike shoes and clothing is often far less rosy. Wages often do not meet basic needs, and workers who frequently face health and safety hazards are not allowed to organize independent unions.

Global Exchange has doggedly exposed Nike's history with sweatshops dating back to the 1970s. A coalition of human rights and labor groups campaigned to get Nike to make improvements, hopefully influencing the entire industry. The strategy may be paying off: Reebok and Adidas have both improved their overseas operations. In 1998, Nike announced a program to replace petroleum-based solvents with safer water-based compounds. Follow-up monitoring showed that a factory in Vietnam had implemented important changes that significantly reduced worker exposures to toxic solvents, adhesives, and other chemicals. Although significant health and safety issues remain, Nike's recent moves, including a willingness to allow independent monitors into its plants, may signify a permanent commitment to protecting the rights of its workers.

Source: Global Exchange, www.globalexchange.org

Child labor is another endemic problem. The International Labor Organization (ILO) estimates that 250 million children under the age of 14 now work, many of which are under the age of five. Driven to work by their families' abject poverty, children are often exploited for their unique qualities—their small fingers allow for tiny stitching in hand-woven rugs, for example. But children's higher

metabolism also makes them more vulnerable to workplace toxins than adults, and child labor also has drastic long-term economic effects: children who work rarely go to school and thus face a lifetime of work in low-skilled jobs.

***Real Life, Real People: Child Labor
Brazil's Shoe Factories***

Working children are especially susceptible to illnesses such as respiratory infections because they tend to have a higher exposure to toxic pollutants in the workplace, such as from particle dust, chemical treatments, and airborne contaminants. In Novo Hamburgo, Brazil, a city with over 200 shoe factories (30 of them major facilities), 12,000 of the 35,000 employees in these factories are minors. The shoe factories are known to use benzene-based solvents, chemical constituents linked with leukemia. Children are exposed to these cancer-causing chemicals through their work, particularly as the toxic properties of these chemicals are airborne. Not only do they breathe these chemicals daily, but children working in the factories also eat their lunches on the factory floors, where these chemicals are washed or wasted.

-David Satterthwaite, "The Environment for Children," UNICEF and Earthscan Publication Ltd (1996)

In some cases, corporations even benefit from slave labor. Although corporations do not typically use forced labor in their direct operations, they sometimes partner with repressive regimes on industrial development activities—building roads, pipelines, or other infrastructure. These regimes in turn use slave labor to fulfill their part of the contract. Burma's military junta, for example, has forced villagers to clear forest, dig trenches, and portage supplies to aid construction of the Yadana gas pipeline, which is owned by French, United States, and Thai oil companies. Other abuses such as rape, summary execution, and theft have accompanied the government's procurement of forced labor.

Union Busting

In the United States and Western Europe, labor unions have been arguably the most effective mechanism for improving wages and working conditions, but union organizing and labor rights movements are illegal or significantly restricted in many developing countries. Multinational corporations—sometimes with the direct or indirect support of government security forces—fire, harass, or intimidate workers who try to organize to demand better working conditions or higher pay.

Use of Paramilitary Security Arrangements

Many undemocratic regimes brutally repress civil opposition to corporate operations, especially when such operations makeup a large part of government revenues or private graft. Agreements for mineral and oil extraction, for example, typically require the local government to provide security for the company's operations, and local people who object to corporate environmental or human rights abuses can face severe consequences, including threats and intimidation, imprisonment, and even murder.

***Real World, Real People: Security Arrangements
Nigeria's Execution of Ken Saro Wiwa***

Probably the most infamous case of human rights abuses and corporate security arrangements is the Nigerian government's execution of activist Ken Saro Wiwa, an internationally known activist who protested against oil production in the Niger Delta, homeland of the Ogoni people. Saro Wiwa charged that oil companies, especially Shell Oil Company, in collaboration with the Nigerian military, were devastating the environment and committing widespread human rights abuses. In 1994, Saro Wiwa was arrested and spuriously linked to the deaths of two government officials. The Nigerian government hanged Saro Wiwa and eight colleagues after a sham trial, but the case galvanized cooperation between the environmental and human rights communities.

Industry Snapshots: Environment, Labor, and Human Rights in Global Industries

But how do these issues overlap in real life? One of globalization's paradoxes is that people living in the Global North—the wealthy countries of North America, Western Europe, and Japan—rarely see the human and environmental consequences of globalization in the Global South—the world's developing economies. The following section illustrates the connections among environmental, labor, and human rights issues across three global industrial sectors—extractive industries, high technology, and agriculture.

Extractive Industries: Oil, Mining, and Logging

The oil, mining, and logging industries are especially harmful to the environment and to the indigenous communities that often depend on the environment for cultural and physical survival. Mineral, oil, and timber extraction often destroys unique plant and animal habitats and sometimes requires entire communities of local residents to be removed from their homes and resettled elsewhere—a violation of the right to cultural self-determination. Meanwhile, displaced communities are often inadequately compensated, if they are compensated at all. Deprived of their land base, rural people are left with few viable options. Many migrate to urban areas, either inside the country or across international borders, while others stay and live on the margins of society. Both options often result in poverty.

Mining, particularly hard rock mining, is one of the most environmentally destructive industries in the world. The industry is the leading source of toxic environmental discharges in the United States. Tailings, the toxic byproduct of ore removal, are often dumped directly into a nearby river or open-air pit in order to cut costs, creating a poisonous legacy that pollutes soil, rivers, and groundwater for over a century after the original mining process. Indigenous groups that depend on clean water for fishing and intact forest for hunting are acutely vulnerable to the pollution impacts of mining. And the problem may be growing. According to a recent report by the WorldWatch Institute, 50 percent of the gold produced in the next twenty years will come from indigenous peoples' land.

Real Life, Real People: Mining Death of a River

On January 30, 2000 a massive toxic stew of cyanide and heavy metals from the Romanian Baia Mare Gold mine flowed into the Tisza and Danube rivers, creating the worst ecological nightmare since the 1986 Chernobyl nuclear disaster. The Tisza river, running through the middle of Hungary, is now considered a dead river.

In Romania, and other parts of the world, many gold mining corporations employ the use of "cyanide leaching" to extract small amounts of gold from tons of rock. After this process, the hazardous, cyanide-laced sludge must be disposed of. In this case, an Australian company, Esmeralda, in a joint venture with a Romanian company, used an open-air pond with an unlined earthen dam as its disposal site, just yards away from an apartment complex. After heavy snowfall, the dam collapsed and over 100 tons of the toxic waste was released into the river. The cyanide spill produced a "carpe" of dead fish and poisoned the entire food chain, including fish, birds, other wildlife and livestock. As the tailings seeped into local groundwater supplies, Greenpeace reported that children living along the river experienced vomiting and skin rashes for days after the spill. It is expected that the region's fishing industry will need at least a decade to recover.

To date, Esmeralda has refused to take financial or moral responsibility for the accident, and Hungarian authorities will likely pursue legal action in Australian courts. Esmeralda and other mining companies continue mining for gold in Romania using cyanide leaching.

Source: Mineral Policy Institute and CEE Bankwatch Network, <http://www.mpi.org.au> and <http://www.bankwatch.org>

Oil development has similarly devastating environmental and human impacts. While oil is an essential commodity in the global economy, the world pays a heavy price for its oil consumption. Oil is toxic to humans and all other forms of life, and oil combustion is the leading source of the greenhouse gases responsible for global warming. Meanwhile, the sheer size of oil corporations makes them one of the most powerful actors in the global economy. Exxon-Mobil, the world's second-largest oil company is larger than the economies of most nations, and since oil is often the overwhelmingly largest sole source of revenue for poor nations, companies often dictate environmental rules. After two decades of oil production in the Ecuadorian Amazon, for example, foreign oil companies left behind over three hundred unlined pits of toxic and carcinogenic waste.

Meanwhile, local communities rarely share in the wealth generated from the exploitation of oil resources yet usually suffer the greatest harm, especially indigenous people who rely on the environment for their survival. Oil leaks, spills, gas flaring and fumes, and fires pollute the air, water, and soil that local communities rely upon. Pollution causes cancer, lung disease, birth defects, and other diseases. Oil exploration, production and distribution lead to deforestation, wastelands, and loss of biodiversity.

Likewise with the timber industry. Lead by multinationals such as Boise Cascade and Weyerhaeuser, the \$139 billion timber industry is driven by demand for paper, housing materials, and other industrial products. The timber industry is the leading cause of global deforestation, which is linked to the current massive disappearance of biodiversity, as well as global climate change. Often unhindered by environmental regulations, corporations can rapidly turn a forest into plywood. In places where logging corporations have traditionally operated such as the Western United States, over 90% of original forestlands have disappeared and species such as the Spotted Owl and the Pacific Salmon are at risk of extinction. As forests disappear, logging corporations simply move to new parts of the world in search of new forests. In countries like Cameroon and Sierra Leone, global logging companies exercise near total control over local timber industries.

Regulations to encourage sustainable timber harvesting are just beginning to take hold. Some timber companies have responded to public pressure to halt clear cutting in sensitive areas or to certify some of their operations as environmentally sustainable. Since 1990, the amount of certified sustainable forestland has grown from 1 million to over 17 million hectares.

High Technology

The high technology industry is a major polluter, despite the clean image it has carefully cultivated. Silicon Valley, birthplace of the high tech industry, contains the largest number of Superfund toxic cleanup sites in the nation, and semiconductor manufacturing, the bedrock of computer technology, uses more toxic gases than any other industry. As chip manufacturing moves overseas, the industry's toxic legacy has followed, threatening workers and the environment alike.

More than 20 years ago, activists and regulators began to confront the high tech industry with evidence of groundwater contamination and worker health and safety violations. Now, the turnover of the chip production process is so rapid that the environmental and human health impacts of some of the processing chemicals being used are virtually unknown. Because every generation of chip making requires new chemicals, government regulations and testing procedures frequently lag behind.

This lack of oversight undermines corporate accountability worldwide. Governments lack the capacity to sufficiently regulate chemical production or to manage industrial waste, and companies have had little legal responsibility for the risks associated with the chemicals they use or for their discarded products once they are out the door.

Global supply chains further complicate the picture. Obscure companies, most of which offer little environmental and worker safety information, often manufacture and manage the toxic waste for companies such as Intel and Hewlett-Packard. As high tech firms relocate production in areas with weak environmental and worker exposure regulations, the health and safety of workers and local communities depends on better disclosure, stakeholder engagement, and environmental and social reporting. Take Taiwan as an example: at the Hsinchu Industrial Park, 60,000 tons of toxic wastewater is produced, but only 20,000 tons are treated. According to local NGOs, much of the wastewater flows directly from factories into drains, which connect to local irrigation systems. Drinking water is becoming tainted, wildlife is suffering, and farming is becoming increasingly difficult in the polluted soil.

Computers also contain significant heavy metals like mercury and lead, which create enormous hazardous waste disposal problems when machines are discarded. Activists want high tech companies to develop waste recycling programs and to take financial responsibility for disposal of old computers. Several European countries have similar programs: in the face of industry opposition, the European Union recently passed a law requiring electronics manufacturers to reduce hazardous substances and to pay for the recycling of their products.

The industry's use of toxic chemicals threatens workers too. In the United States, where safety standards are relatively high, technology workers have alarmingly high rates of cancer and other illnesses. While the scientific link between exposure to workplace chemicals and health problems is hard to make, some victims are taking legal action against the industry. IBM recently settled a case brought by two workers in a chemical "clean room," whose child was born with congenital blindness and a severe breathing disorder. IBM denied liability or wrongdoing, but nevertheless settled the case for a significant sum thus setting a precedent for over 200 similar cases still pending against the company.

Agriculture

Agriculture, especially in the United States, has become a highly industrialized process—an agribusiness, run increasingly by large corporations. Designed to maximize production, commercial farming requires lots of chemical inputs—pesticides, herbicides, and fertilizers. In California, where agriculture is a multi-billion dollar industry, some 17 million pounds of the toxic pesticide methyl bromide is used every year. This pesticide is dangerous to farm workers and contributes to ozone depletion. The industry runs on cheap labor, too—farm workers, who face exceptionally harsh working conditions: low wages, seasonal lay-offs, and sometimes physical and sexual abuse from employers.

Waste disposal from concentrated animal feeding operations (CAFOs)—factory farms—are another major environmental threat. In an effort to maximize productivity, CAFOs force large numbers of animals into extremely small spaces, and the enormous quantities of waste produced by the animals is stored in underground pits or open lagoons, and is periodically sprayed on surrounding land.

Overgrazing, dependence on chemical inputs, and monocropping all contribute to soil degradation and "desertification"—soil incapable of supporting plant or animal life. Desertification, in turn, contributes to famine, poverty and migration, flooding, and often exacerbates other natural disasters. The widely supported *U.N. Convention to Combat Desertification and Drought* seeks to address these impacts and identifies a key role for the private sector in solutions.

Modern agribusiness is also responsible for one the most controversial scientific developments in recent years: genetically modified seeds, plants, and animals. Companies argue that genetic modification leads to higher crop yields and pest resistant crops as technological solutions to hunger and blight, while activists counter that corporations have not adequately studied the long-term environmental and health effects of their "frankenfoods." Though genetically modified foods

(GMOs) are in supermarkets worldwide, there is little regulatory oversight to address these concerns, and industry has bitterly fought against consumer labeling.

RESOURCES

Biodiversity

Conservation International, www.conservation.org
World Wildlife Fund, www.wwf.org

Pollution and Toxic Waste

Pesticide Action Network, www.panna.org
Greenpeace, www.greenpeace.org/toxics/
Basel Action Network, www.ban.org

Climate Change

Climate Action Network, www.climatenetwork.org
Sustainable Energy & Economy Network, www.seen.org

Sweatshops

Sweatshop Watch, www.sweatshopwatch.org
National Labor Committee, www.nlcnet.org
Global Exchange, www.globalexchange.org

Labor and Organizing

International Confederation of Free Trade Unions, www.icftu.org
International Labor Rights Fund, www.laborrights.org
International Labour Organization, www.ilo.org

Child Labor

Global March Against Child Labour, www.globalmarch.org
International Labor Rights Fund, www.laborrights.org/projects/foulball/foulball.html

Security

Project Underground, www.moles.org
Movement for the Survival of the Ogoni People, www.mosopcanada.org
Earthlife, www.earthlife.org.za/campaigns/other/ogoni.htm

Corruption

Transparency International, www.transparency.org
Corruption Network for Transition Economies, www.nobribes.org
US State Department, www.state.gov/www/global/human_rights/001220_stat_principles.html

Sweatshops

Clean Clothes Campaign, www.cleanclothes.org
Center for Communication and Civic Engagement,
www.depts.washington.edu/ccce/Campaigns/Nike/Nike.htm
CorpWatch, www.corpwatch.org/trac/nike/

Forced Labor

Burma Forum, www.burmaforumla.org

Amnesty USA, www.amnestyusa.org/justearth/earthday2000/burma.html

Earth Rights International, www.earthrights.org

Mining

Mineral Policy Center, www.mineralpolicy.org

Mineral Policy Institute, www.mpi.org.au

Logging

Forest Conservation Portal, www.forests.org

Global Forest Watch, www.globalforestwatch.org

Oil

Amazon Watch, www.amazonwatch.org

Project Underground, www.moles.org

High Technology

Silicon Valley Toxics Coalition, www.svtc.org

Southwest Organizing Project, www.swop.net

Santa Clara Center for Occupational Safety & Health, www.sccosh.org

Agriculture

GRACE Factory Farm Project, www.factoryfarm.org

Institute for Agriculture and Trade Policy, www.iatp.org

Chapter Three

Holding Corporations Accountable: Stakeholder Actions and Corporate Social Responsibility

Chapter In Brief

Civil society has used a variety of tools—petitions, direct action, demonstrations, litigation, select purchasing, shareholder activism, and socially responsible investing—to push multinational corporations to behave responsibly and to be accountable, particularly for their overseas activities. As the movement for corporate accountability gains steam, NGOs, student activists, and public interest groups are taking their case to consumers on Main Street and to financiers on Wall Street. Meanwhile, some corporations are trying to do the right thing. In many cases, they are seeking new approaches to protecting their reputation through codes of conduct or dialogue with stakeholders. The corporate social responsibility movement is pushing MNCs and other companies, in the absence of government regulation, to embrace ethics voluntarily. The idea is that companies can and should improve their environmental, labor, and human rights performance without governments telling them why and how they must.

Stakeholders Act: The Movement for Corporate Accountability

Over the last quarter century, NGOs, labor unions, and concerned members of the public have attempted to make corporations more accountable for environmental and human rights issues. Although a cohesive corporate accountability movement remains in its infancy, efforts to change corporate practice are gaining momentum. The globalization of information via the Internet has resulted in a quantum leap for effective organizing and information sharing among communities and activists around the world. Some activists target individual corporations or specific industries, while other campaigns work to change the regulatory structure under which corporations operate. Education, however, is the common thread among corporate accountability efforts, or corporate social responsibility initiatives as they are also known. While the target audience for education may vary—from consumers to policymakers, for example—increasing awareness and building a constituency of people to advocate for a particular cause is integral to each strategy. Here are some of the tools available to activists, investors, and other stakeholders.

Stakeholders in Corporate Accountability

Corporations & Industry—CEOs, Board of Directors, stockholders, employees, industry associations, lobbyists.

Investors & Financial Services—socially responsible investors, individual investors, institutional investors, faith-based investors, pension funds, banks.

Consumers & Citizens—college students, consumer groups, local communities.

Advocacy Groups—non-governmental organizations (NGOs) organized around specific sets of issues, including environmental, human rights, labor rights, community development, and social justice; faith-based groups.

Labor Unions—AFL/CIO, textile workers.

Governments—industrialized countries, developing and transition economy countries.

Intergovernmental Organizations—United Nations, OECD, WTO.

International Financial Institutions—World Bank Group, multilateral & regional development banks, EXIM bank and other national export credit agencies.

Letters and Petitions

Letter writing campaigns are one of the most common and time-tested methods of influencing corporate practices. Email alerts and websites have accelerated the flow of information, empowering activists and broadening the range of people able to weigh in on issues. Many environmental and human rights campaigns have links and forms on their web sites, which allow people to generate and send letters to companies directly from the Internet.

Letter writing is most effective when done as part of broader campaign to shape a company's image and bottom line. Such campaigns typically involve boycotts or divestiture campaigns combined with public demonstrations, like the recent campaign to get Fidelity Investments to divest from Occidental Petroleum. Customers wrote letters to Fidelity's CEO, and activists demonstrated at Fidelity offices around the country. (For an example of a consumer-written letter to a corporation, see the sample letter in the Appendix.) Multilateral and intergovernmental institutions are also frequent targets, especially for sign-on letters, which demonstrate that entire coalition or citizens' alliances are mobilized around an issue.

Boycotts

Boycotts have long been used as an effective method to raise public and consumer awareness and to pressure companies. When an organization calls for a boycott, it asks consumers to stop a company's products until that company commits to changes and reform. While boycotts are powerful tools, they are also blunt instruments: factory workers who are being exposed to toxic chemicals in their workplace might end up without a job if the company shuts down the factory in response to consumer pressure and demand, hurting those that a boycott intended to help. Many activists now believe that boycotts should be used in alongside other negotiation tactics, if negotiations have failed, or if a corporation refuses to engage with stakeholder groups.

Successful boycotts depend on the mobilization of thousands of people, and groups must weigh carefully their likely response. For human rights and environmental organizations, membership pools are likely first targets for boycotts—and groups must be able to mobilize a large constituency

if they wish to maintain their credibility with corporations. Most NGOs thus avoid diluting their power by calling simultaneous boycotts.

Demonstrations

Demonstrations and protests are the most direct and visibly ways to express public disapproval of corporate behavior. Demonstrations have the most impact when used in conjunction with the other campaign tools. Activists typically plan demonstrations around a large annual meeting or high-profile event, seeking to maximize exposure to shareholders, policymakers, and the media. In many cases, like the Seattle demonstrations in 1999 and other recent protests against corporate led globalization, the targets are both corporations and government institutions. Demonstration campaigns can also target specific companies, particularly those that rely on a positive brand image. When demonstrations create negative publicity about a company's activities—shoes made in sweatshop conditions or coffee grown by impoverished workers under plantation systems—consumers consciously avoid purchasing that company's products.

Real Life, Real People: Demonstrations ***The Battle of Seattle and the WTO***

In November of 1999, 50,000 demonstrators converged in Seattle to protest the World Trade Organization's millennium round, a meeting of corporate and government leaders hoping to accelerate global corporate trade. The Battle of Seattle was the coming out party for a growing global alliance of labor, human rights, and environment groups. The coalition has targeted the WTO and other institutions such as the World Bank and the International Monetary Fund for building a global economy that is seen as unjust to the poor and unsustainable for the planet.

Formed in 1995, the WTO is the principle governing body for the global economy. The primary purposes of the WTO are to promote free trade policies and to resolve disputes between member nations. One of the most controversial aspects of the WTO is its ability to declare national regulations as unfair barriers to trade and levy trade sanctions to force their removal. Although the scope of the protesters' concerns reflected activists sought to draw public attention to two main problems with the WTO:

- The Rules—The WTO aims to expand free markets without taking into account the social and environmental impacts of the policies it promotes.
- Institutional Design—Institutions of global economic governance, especially the WTO, evolved as monolithic, opaque organizations—undemocratic, and unaccountable. A small committee that included no channels for civil society or deference to international environmental and labor agreements originally made decisions in the WTO. Today, WTO disputes are settled behind closed doors and the public has no access or input into the decisions of these dispute panels.

The Seattle demonstration focused the world's attention on the real world issues involving globalization. It represented a break from closed door decision making and forced leaders to begin making the WTO more transparent and sensitive to the concerns of civil society and developing nations.

Direct Action

In direct actions, activists try to halt business operations or disrupt official meetings. Although some direct actions are passive, others are aggressive and loud. A hypothetical example would be an action to stop the Department of Toxic Substances Control from holding an informational meeting, where it was trying to convince local residence that a planned garbage incinerator was perfectly safe. Community activists would invite the media, hold signs, form a circle at the site, and chant, “No more cancer,” “Enough is enough,” “We want justice.” While these tactics do not appeal to all activists, organizations that engage in direct actions—like Freedom Rides and lunch counter sit-ins during the Civil Rights era—catch the public’s attention and fill an important niche.

Real Life, Real People: Direct Action Luna Tree-Sit & Julia Butterfly Hill

One of the most famous direct actions in recent years was a tree-sit in a 1000-year-old Northern California redwood known as Luna. In 1997, Julia Butterfly Hill ascended 180 feet up into the ancient tree in an effort to protect it from logging by Pacific Lumber/Maxxam Corporation. Her action was a part of an ongoing campaign to save the Pacific Northwest’s remaining old-growth redwood trees from logging.

Tree-sits are often undertaken by activist groups such as EarthFirst! to bring attention to the plight ancient forests and at least temporarily protect individual trees slated for logging. Julia Butterfly Hill garnered international attention, largely because of the length of her stay (738 days) and because she communicated her message to the media, to the head of Pacific Lumber, and to the general public. Pacific Lumber eventually agreed to protect Luna with a nearly 3-acre buffer zone. Less than a year after the agreement was signed, a vandal made a deep cut into Luna’s trunk with a chainsaw. Experts are trying to stabilize the massive tree so that it will not blow down in high winds, and a criminal investigation is underway.

For information on Julia’s tree-sit and her current campaigns, see www.circleoflifefoundation.org.

Litigation

Litigation is another powerful tool for influencing corporate behavior. Lawsuits can cover health and safety issues, human rights abuses, pollution, disputes over wrongful termination, unsafe working conditions, or other labor issues. Lawyers who prosecute human rights or environmental cases, however, often find themselves up against a corporate defense team of 10-20 lawyers. Despite being outgunned, cases filed over the last decade have set new benchmarks and established important legal precedents for the defense of human rights and the environment. More recently, plaintiffs from developing countries have brought suit against multinational corporations in developed countries’ courts, claiming damages the company’s behavior overseas.

Real Life, Real People: Litigation
Doe v. Unocal: Litigating Human Rights Violations

In October 1996, fifteen Burmese peasants filed a lawsuit California United States District Court against oil and gas giant Unocal Corporation seeking compensation for their sufferings in connection with the construction of a natural gas pipeline through their homeland in Burma. The Burmese military, Unocal's partner, used forced villagers to build and guard the project, burned and relocated entire villages, and brutalized and raped local villagers. The plaintiffs eventually fled the area as refugees.

The lawsuit was filed pursuant to the Alien Tort Claims Act (ATCA), 28 U.S.C. §1350, under which violations of international law can be brought in the United States by citizens of foreign countries. The lawsuit alleged numerous violations of international law, including forced labor, crimes against humanity, torture, violence against women, cruel, inhuman, and degrading treatment.

After three years of legal fact-finding, including two trips to Thailand, over 70,000 pages of documents, and numerous depositions of corporate officials, the judge dismissed the case, ruling that "The evidence does suggest that Unocal knew that forced labor was being utilized and that the Joint Venturers benefited from the practice. However, because such a showing is insufficient to establish liability under international law, Plaintiffs' claim against Unocal for forced labor under the Alien Tort Claims Act fails as a matter of law." Nevertheless, this was the first time a United States federal court found that a MNC knew of human rights atrocities. The federal court's decision did not affect the case pending in state court, however, and in August 2001, a California judge ruled that the villagers would "have their day in court" before a Los Angeles jury.

Selective Purchasing

Selective purchasing campaigns use government purchase and procurement rules to bar governments from purchasing products and services from companies with poor human rights or environmental records. Selective purchasing campaigns work on a fundamental democratic principle—that representative governments should reflect the will of the constituents, and constituents should be able to bar the government from doing business with companies that violate the conscience of the people. Because selective purchasing initiatives are often at the local or state level, they are uniquely accessible to a wide range of people, many of whom encounter corporate accountability issues for the first time in local campaigns.

Lobbying

Lobbying is an attempt to influence elected officials and legislators. Most human rights and environmental organizations are tax-exempt nonprofit organizations (501(c)(3) under the tax code) are prohibited from conducting major lobbying campaigns—they may spend up to 20 percent of their budgets on direct lobbying, but they are subject to strict accounting and disclosure procedures. Nonpartisan education activities—publicizing human rights abuses, disseminating research findings, holding rallies, conducting investigative reports—are unregulated activities that often look like lobbying. Most nonprofit organizations influence the legislative process by calling on their individual members and the public to apply pressure on elected officials.

Shareholder Activism

Activists in the NGO community have recognized a powerful, natural ally—the socially responsible investment community. NGOs and social investors have aligned to use shareholder power to influence corporate policies on the environment and human rights. While most shareholder resolutions rarely receive a majority vote, the act of filing a shareholder resolution prompts dialogue and catalyzes better decisions by executive management, or at least creates negative publicity for the company. Recognizing that institutional investors like banks and brokerage houses have enormous leverage with most companies, NGOs have begun pressuring these large financial firms to divest from companies with poor environmental and human rights records. The Amazon Financial Information Service has set up an investor education website called "The Red List" (www.redlisted.com), which analyzes the social and environmental risks of oil and gas projects in Latin America.

Real Life, Real People: Shareholder Activism Rainforest Action Network and Home Depot

A coalition of social investors and environmental groups used shareholder activism to pressure Home Depot, a lumber and hardware chain, to phase out the sale of endangered tropical hardwoods. The Home Depot is the world's largest retailer of old growth lumber. After limited success with boycotts and petitions, environmental activists, such as the Rainforest Action Network, Greenpeace, and the Coastal Rainforest Coalition, aligned with several social shareholder activists, including As You Sow, Trillium Asset Management and the Educational Foundation of America. The shareholders filed a resolution calling on Home Depot management to phase out sales of old growth wood. An impressive 11.8 percent of all shareholders, including many mainstream investors, voted for the resolution. The shareholder resolution generated reams of negative publicity for the company, and in August 1999, The Home Depot announced that they would phase out selling wood products from endangered areas by the end of 2002. It also agreed to give purchasing preference for timber from forests certified by the Forest Stewardship Council, a decision the company now markets on its web site and in promotional materials.

Socially Responsible Investment

Socially responsible investment (SRI), a vehicle for investing money according to personal values and ethics, emerged from two high-profile issues: the movement to divest from apartheid South Africa and the movement to oppose arms manufacturing after the Vietnam War. In their early years, SRI funds performed poorly, but since the late 1990s SRI funds have consistently outperformed the S&P 500. According to the Social Investment Forum, more than \$2 trillion are invested with social criteria, and SRI accounts for nearly 13 percent of the \$16.3 trillion under professional management in the United States.

At a minimum, most SRI funds avoid investing in companies associated with nuclear power, weapons, gambling, and tobacco. Many SRI funds also evaluate companies on their environmental practices, employee and community relations, and human rights policies. The most progressive funds, however, actively seek out companies that develop clean renewable energy products, like wind turbines and fuel cells, technologies that are environmentally friendly and profitable. SRI funds are starting to use their proxy voting privileges—the votes accorded to each share under

management—to promote corporate social responsibility for human rights, labor, and the environment. As SRI funds go mainstream, activists and student groups are urging other institutional investors, like university endowments and pension funds, to use social investment screens.

Real World, Real People: Socially Responsible Investment NGOs Take on Wall Street

The Three Gorges Dam project, currently underway along the Yangtze river in China, has been severely criticized in China and abroad for its extensive social and environmental impacts, as well as for its technical and financial risks. If completed in 2009, the dam would be the largest infrastructure project in the world—and an environmental and human rights disaster. Its 400-mile reservoir would flood agricultural land and cultural antiquities and may require the forced resettlement of up to 1.9 million people. In 1997 and again in 1999, United States and European investment banks, including Citigroup, Merrill Lynch, and Morgan Stanley Dean Witter, underwrote bonds for the China Development Bank (CDB), the main financing arm of the Three Gorges Project. Although traditional development finance agencies, such as the World Bank, and the Asian Development Bank refused to bankroll the project because of its social and environmental costs, the 1999 private bond issue sold \$500 million in CDB bonds to money managers around the world.

Upon learning of the first bond issue in 1997, an international coalition of 46 environmental and human rights activists called on the banks to withdraw support. When these letters went unanswered, NGOs and SRI firms filed shareholder resolutions with the banks and presented their demands at shareholder meetings.

The coordinated campaign led to an unprecedented, first-step dialogue between some of the leading international investment banks and United States NGOs on the financing of environmentally-sensitive projects in developing countries. NGOs are calling on banks to commit to a public policy of not participating in financing for Three Gorges Dam and to disclose how environmental and social risks are incorporated into the due diligence process.

For further information, see www.floodwallstreet.org

Corporations Respond: Trying to Do The Right Thing

As consumers, shareholders, and activists continue to pressure corporations, several companies have embraced voluntary, collaborative approaches in their efforts to become, or at least to be perceived, as good corporate citizens. Forward-thinking companies are now trying to move beyond bottom line financial returns—integrating social and environmental concerns core business practices. Over the past 25 years, corporations have adopted a variety of voluntary approaches aimed at improving environmental and human rights standards worldwide. The results have been mixed. Some corporations have been responsive to calls to improve environmental practices—environmental conditions can be quantified more easily and accurately than social conditions and standards have been easier for government regulators and the corporate community to accept and follow—but less responsive to human rights issues. Although efforts to improve corporate social responsibility have a

long way to go, especially in the field of human and labor rights, the last quarter century has yielded notable first steps.

Corporate Social Responsibility

The movement to get companies to integrate ethics into business activities has been dubbed Corporate Social Responsibility (CSR). A business management model based on CSR requires managers to reformulate a company's mission and values so that they reflect social and environmental concerns. Companies typically define their mission in terms of building value—making money for shareholders or owners. CSR models, by contrast, require commitments to public purpose as well as to private gain. Companies need to first recognize that their operations have social and environmental impacts. The company mission should then be to minimize these impacts and maximize social good beyond minimum legal compliance standards while building value for shareholders/owners. Social and environmental activists, together with some forward-thinking business leaders, have reformulated the bottom line to reflect to a more comprehensive set of indices that would show the profitability of a corporation not just in terms of its financial gains but also in terms of its contribution to society.

Engagement With Civil Society

Certain NGOs, frustrated with the government's inability to keep pace as regulators, view dialogue with certain forward-thinking companies as a first step towards improving standards worldwide. In the United States, most environmental and social shareholder activism aims to spark such conversations. These dialogues sometimes result in new policies and procedures, while other times companies substitute dialogue for real, substantive change.

Yet some of the most successful changes in corporate culture and business practices have been borne of such engagements. For example, the Chiquita banana company recently announced it has certified all its bananas from Latin America as grown according to environmental and social standards set by the Rainforest Alliance's "Better Banana Project."

Corporate Codes of Conduct

A code of conduct outlines voluntary goals to which a company or industry aspires. Often created in response to criticism of environmental and social practices, codes of conduct represent a pledge to improve those practices. Some codes have been created by industry associations, some by NGOs, and others in collaboration between industry and NGOs. Most corporate codes include a general commitment to ethical corporate behavior—a promise to protect the environment, to improve the health, safety and working conditions of employees, and to communication with interested parties about the company's activities.

After twenty-five years of proliferating voluntary codes of conduct (see Appendix for a sampling of codes, standards, and guidelines), little has actually changed. Corporate reporting on internal codes of conduct is rarely disclosed or verified by independent auditors, and companies' claims mean little without effective tools to monitor implementation and ensure compliance. Effective worldwide standards are further compromised by the sheer complexity of international operations. Enforcement of worker health and safety standards by faraway subsidiaries is difficult for parent companies to control, and companies argue that standards for wages rates and working conditions lies either with local governments or with the market.

If codes of conduct are to provide a pathway to real reforms inside corporate management, the process of improving their credibility in implementation, engagement of stakeholders, disclosure, and monitoring must be improved. Yet, short of effective and binding regulation of corporate activity, codes of conduct and voluntary guidelines are one of the few options for promoting corporate social responsibility.

Green Marketing and Labeling

One way that companies hope to have their progressive environmental or social policies show financial results is through green marketing. Green marketing is based on the premise that some consumers will pay more for a product that is produced by a company with a socially and environmentally responsible reputation. Green marketing has become popular in the last decade, as several companies have gained consumer recognition and higher profits based on their socially and environmentally responsible reputations. Green marketing frequently entails certification of individual products—coffee, rugs, forest products, cosmetics, organic foods, clothing—by an independent verifier, such as an NGO.

Beyond the Voluntary Approach

Markets and ethics do not easily mix. The logic of markets is to reward the most competitive company, not the most ethical one. Historically, governments have been responsible for protecting the public interest by protecting rights and enforcing responsibilities for individuals and for businesses.

But social norms change over time, not just because of new regulations, but also because of the actions of civil society. Indeed, new rules and regulations often follow changes in popular thinking. Public awareness of environmental degradation, for example, spurred new environmental protection laws throughout the United States in the 1970s. Once new laws are in place, popular mores and practices change even more. Voluntary codes of conduct and certification standards are thus excellent points of departure for more comprehensive solutions.

The success of the voluntary approach to corporate accountability is premised on two beliefs. The first is the belief that business must respond to new social agendas and demands. Stakeholder groups—consumers, investors, workers, faith-based and advocacy groups—use a wide variety of tactics to harness market power to communicate ethical concerns to companies. Civil society groups, in short, have found ways to enhance the incentives for company good behavior. The incentives are based on threats of real financial losses and promises of real financial gain. While they are not compelled by regulation, company actions spurred by these incentives may not be truly voluntary. Indeed, some new phrases have emerged to capture this phenomenon, including civil regulation and informal regulation.

The second is that social and environmental performance makes good business sense. Studies show a high correlation between good environmental management and higher stock prices. Many leading edge companies have been able to translate improvements in occupational health and safety, worker satisfaction, and environmental management into financial returns. (For a more comprehensive review of the linkages between environmental management and the financial bottom line, see www.figsnet.org.)

RESOURCES

Direct Action and Boycotts

Ruckus Society, www.ruckus.org

Boycott Action News, www.coopamerica.org/boycotts/index.html

Ancient Redwoods

Environmental Protection Information Center, www.wildcalifornia.org

Save-the-Redwoods League, www.savetheredwoods.org

Fair Trade

Global Exchange, www.globalexchange.org

Forest Stewardship Council, www.fscus.org

Rugmark, www.rugmark.org

WTO & MAI

WTO Watch, www.wtowatch.org

Public Citizen, www.citizen.org

Selective Purchasing Laws

Free Burma Coalition, www.freeburmacoalition.org

Trillium Asset Management, www.trilliuminvest.com

Shareholder Activism

Interfaith Center on Corporate Responsibility, www.iccr.org

Friends of the Earth (FoE), www.foe.org/international/shareholder/

As You Sow, www.asyousow.org

Private Finance

National Wildlife Federation, www.nwf.org/finance

The Red List, www.redlisted.com

Student Alliance to Reform Corporations, www.corpreform.org

Rainforest Action Network, www.ran.org

Three Gorges Dam campaign

International Rivers Network, www.floodwallstreet.org

Socially Responsible Investing

Social Investment Forum, www.socialinvest.org

SRI World Group, Inc., www.socialfunds.com

Green Money, www.greenmoney.com

CSR

AccountAbility, www.accountability.org.uk

Business for Social Responsibility, www.bsr.org

National Policy Association, <http://www.multinationalguidelines.org/csr/>

SustainAbility, www.sustainability.co.uk

Corporate Environmental Reports

The International Corporate Environmental Reporting Site, www.enviroreporting.com/

Tomorrow Magazine, www.tomorrow-mag.com

Global Reporting Initiative, www.globalreporting.org

Chapter Four

The Way Forward: Emerging Global Principles for Corporate Accountability

Chapter In Brief

The voluntary approach to corporate social responsibility needs to be strengthened through regulation of MNCs in the global arena. There are many existing standards and best practice for corporations already formulated within the United Nations, the OECD, and other emerging international organizations. The next critical step is for these standards to move from voluntary initiatives towards binding minimum standards and guidelines which would apply to corporations, regardless of whether their operations are in Texas or Tanzania. In order to achieve corporate social responsibility as binding and enforceable regulation, NGOs, consumers, students, activists, and leading corporations will need to push for stronger governance of MNCs at the international level.

Towards Global Corporate Accountability: Existing Frameworks

Will the combination of voluntary corporate social responsibility and civil regulation ensure that MNCs adopt a dynamic, continuous improvement approach to environmental protection, human rights, and labor standards? Probably not. Many believe true corporate accountability requires binding and enforceable global rules and standards. For corporate global social responsibility and accountability to be a mainstream business concept, and to ensure that companies behave to an appropriate standard worldwide, governments need to take a greater role in setting binding international standards. Most companies argue they cannot unilaterally adopt meaningful corporate social responsibility principles because they will lose market share to competitors who do not abide by the same standards—an argument that constitutes a forceful business case for global standards.

Generally, there are no legally binding international laws that govern environmental or social performance of MNCs, although there have been attempts to create such rules. Just after the UN Commission on Transnational Corporations (UNCTC) was established in 1974, the commission created a Code of Conduct on Transnational Corporations, outlining the relationship between TNCs and host governments. One of its resolution's goals was "preventing—with a view to eliminating—the negative effects of transnational corporations and promoting the positive contribution of transnational corporations to the development efforts of developing countries."² The UNCTC was disbanded shortly thereafter when parties could not agree even to basic principles, and the code was never adopted. So what else is out there?

International Human Rights Standards

One of the oldest and widely cited set of principles is the Universal Declaration on Human Rights (UDHR), one of the most widely ratified United Nations treaties. The declaration was a watershed document because it was established a basic set of rights to which every human being is entitled. In

² Resolution on an International Development Strategy for the Third UN Development Decade, UN GAOR Doc. A/RES/35/56 (20 January 1981).

ratifying the treaty, countries agree to do everything in their power to protect these rights for their citizens. The UDHR provides the basis for international human rights law, and, increasingly, for international environmental law. The two global treaties that serve as the primary legal documents for international human rights law—the Covenant on Civil and Political Rights and the Covenant on Economic, Social and Cultural Rights—used the UDHR as their foundation.

UN Commission on Human Rights and the Sub-Commission on Promotion and Protection of Human Rights

The United Nations Commission on Human Rights was established more than fifty years ago to improve the protection and implementation of human rights standards. Its subsidiary body, known as the U.N. Sub-Commission on Promotion and Protection of Human Rights recently established a working group that includes government and NGO representatives to develop a code of conduct for companies based on human rights standards. But several key issues are still being debated, including whether the guidelines should apply to all companies in all countries or TNCs only; whether the Sub-Commission should strive to develop legally binding standards for businesses; and what the scope and timeline should be for the development process. In 1990, the Sub-Commission appointed a Special Rapporteur (investigator) to evaluate the linkages between human right and the environment. Her report was published by the U.N. in 1994 with a set of recommendations for action by the U.N. Commission on Human Rights.

The UN Commission on Human Rights, in response to the 1994 report, took action only to address corporate accountability issues in the area of toxic dumping. It appointed the same Rapporteur for a selected mandate to investigate and report on the human rights impacts from the illicit movement and dumping of toxics. The 2000 UN Report, "Adverse effects of the illicit movement and dumping of toxic and dangerous products and wastes on the enjoyment of human rights," reveals human rights abuses associated with the illicit transfer and dumping of toxics and pesticides, particularly those exported by MNCs to countries in Africa. The Rapporteur's authority extends to receiving information from groups around the world on the impacts of toxic dumping on affected communities and recommending action by the Commission and its government members to prevent further abuses linked to environmental damage.

International Labor Standards

The international community often refers to a set of "core labor standards," which companies should adopt. The core labor standards include the following: (1) the freedom of association (consisting of the right of workers and employers to organize and the right to collective bargaining); (2) the elimination of all forms of forced labor; (3) the effective abolition of child labor; and (4) the elimination of discrimination in employment and occupation. These labor standards are detailed and specifically defined in international Conventions and Recommendations adopted by the International Labour Organization (ILO), a UN body founded in 1944 to promote and realize standards and fundamental principles for labor and the rights at work. In 1977, the ILO defined an international code of conduct for MNCs called the "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy." The declaration governs labor rights, employment, and training. Although it was negotiated with the input of labor unions and governments, its recommendations are not legally enforceable.

International Environmental Standards

Unlike labor standards, which are defined and monitored by the ILO, there is no global body with a mandate to monitor and enforce global environmental standards. Environmental regulations originate with individual countries, and aside from some maritime law, there is virtually no international environmental law governing corporate activities. Recommendations for “sustainable development” were formulated in 1992 at UN Summit on Sustainable Development in Rio de Janeiro, Brazil. The Rio Declaration outlined an important “precautionary principle,” which states that “where there are threats of serious or irreversible damage, lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.” The Rio Summit also promulgated a set of recommendations called “Agenda 21,” which urged business and industries to increase self-regulation “guided by appropriate codes, charters, and initiatives integrated into all elements of business planning and decision-making and fostering openness and dialogue with employees and the public.”

The Global Compact

The lack of binding, enforceable standards has, however, allowed corporations to international institutions to give the *appearance* that they are moving forward on global standards. Arguably the most controversial initiative in recent years has been the U.N Global Compact, an initiative spearheaded by UN Secretary General Kofi Annan in 1999. The Compact challenges business leaders to “embrace and enact” nine principles of human rights, labor standards, and environmental sustainability. The nine principles are derived from the ILO Fundamental Principles of Rights at Work, the Universal Declaration of Human Rights, and the Rio Principles on Environment and Development.

In theory, these principles seek to sustain the global economy and to make globalization work for all the world’s people. Critics of the Global Compact, most notably an NGO coalition called the “Alliance for a Corporate Free UN,” argue the Global Compact lacks effective mechanisms for monitoring or verifying compliance among the 40 signatory companies, which include Rio Tinto, Shell, and Nike—none of which have good human rights records. There is no system to screen companies and no way to dismiss a company from the compact if they fail to uphold the standards. Some activists say signatory companies are using the blue United Nations emblem to “bluewash” their reputations. In the end, the Global Compact does not move corporate responsibility beyond voluntary codes of conduct.

OECD Guidelines

The most comprehensive set of guidelines to date is the OECD Guidelines for Multinational Enterprises. The OECD Guidelines, first compiled in 1976 and most recently revised in 2000, establish voluntary principles to promote responsible business practices and to enhance MNCs contribution to sustainable development. The scope of the guidelines include labor, corruption, environment, human rights, technology transfer and corporate governance principles derived from international law and other standards adopted from the UDHR and the ILO. The 33 member countries of the OECD, including the United States, have ratified the OECD guidelines. Corporations have yet to sign on to the agreement, but the guidelines could serve as minimum, binding, and enforceable standards for global governance.

Reporting and Disclosure

If regulations are to be effective, they must be accompanied by strong reporting and disclosure laws. In the United States, a coalition of groups is advocating for international right-to-know legislation. Based on successful community right-to-know legislation in the United States, companies would need to match their mandatory domestic reports on issues such as worker injury and releases of toxic chemicals with global reports. Another coalition, called the Corporate Sunshine Working Group is lobbying the Securities and Exchange Commission to require United States corporations to disclose environmental information to investors. This disclosure could include assessments of environmental and social impact assessments of corporate projects before they are approved (such as a power plant, mine, or chemical plant); the right to provide community input into corporate decision-making; and the right of a community to block specific projects or corporate activities.

While stakeholders have demanded greater disclosure and transparency of corporations, the lack of a standardized framework allows companies to spin their own stories. It is difficult enough to get information on a single company's overseas activities, but it is even harder to compare Company A's report with Company B's report. To resolve this incoherence, the Global Reporting Initiative (GRI), an coalition, is trying to create a common framework for voluntary reporting of economic, environmental, and social impacts of corporate activity. GRI's proponents want to elevate "sustainability reporting" to the same accepted level as financial reporting. Draft guidelines have been test piloted by over 60 companies, and GRI is seeking input from various stakeholders into its current revision. There is some progress to be made before it can effectively capture the broader impacts of corporate behavior on environmental health or human rights, but it represents an important step towards mandatory reporting.

The Way Forward

What is the best way to govern corporate accountability for human rights and the environment? What kinds of binding global rules would complement and enhance stakeholder demands for corporate accountability? What new rules and institutions, national and global, would help to set a dynamic, ethical framework for corporate responsibilities toward human rights, labor rights, and the environment? Given the political power of MNCs, how can activist groups and leaders get some traction in moving towards new rules to regulate corporate behavior?

Finding answers to these questions is not simple and, indeed, engages many activists and intellectuals around the world. Two ideas, however, stand out as both useful and politically feasible, especially in the American context.

The first is to press for laws mandating disclosure of company environmental, labor and human rights performance, both domestic and global. The point of such laws—which could be enacted on a national or state/provincial basis—would be to nudge companies to invest in measuring and monitoring. It is not possible to manage something which is not measured. Good monitoring systems will raise the profile of environmental and social issues within companies. Disclosure, especially to the public but also to regulatory bodies, will help to fuel consumer, investor and community advocacy efforts. What activists often lack is information and in particular, credible information. With better information, they can work more effectively with companies, whether to cajole or encourage. Governments alone have the wherewithal to set and enforce rules governing information.

The second idea is to set minimum global rules and standards for multinationals. Global standards would have to be minimum, rather than harmonized, so that they act as a floor rather than a ceiling. National and sub-national governments would need the flexibility to set higher standards without being forced towards lower standards. Global principles and core standards already exist for many aspects of human rights and for labor. There are no comprehensive global environmental standards, though pieces can be found in standards such as the World Bank's pollution standards. Standards for transparency and disclosure are emerging in a number of contexts, including the recently concluded Aarhus Convention.

Where and how could global minimum standards be enacted—and enforced? One idea is to put them into international investment agreements, which typically provide legal rights for foreign direct investors. The North American Free Trade Agreement (NAFTA), for example has a separate section devoted to investment. To date, such agreements have greatly expanded the rights of foreign investors without concurrently expanding their social responsibilities. NAFTA's notorious Chapter 11, for example, allows private investors to sue governments, including for alleged damage to markets or profits caused by environmental or health regulations. Instead of dampening regulation, investment agreements between governments could be vehicles which spell out the social and environmental 'terms of engagement' between foreign investors and host communities.

Another idea is to reform the World Trade Organization by linking trade agreements, which are enforced by credible threats of trade sanctions, to government obligations to uphold labor and environmental standards. The specific standards could be the ILO core labor standards and the Universal Declaration of Human Rights. Still another approach is to refashion the rules and institutions of global trade to increase the powers of national and local governments to regulate corporations without running afoul of global trade disciplines.

Any new global institutions and rules, however, will need to be designed in collaboration with developing country governments, companies, NGOs, and communities. Without such collaboration, global rules—no matter how well-intentioned—could misfire, setting back rather than furthering ethics in markets.

Changing the way that corporations do global business to incorporate human rights and environmental ethics is a longterm proposition. It will require changing hearts and minds in boardrooms, classrooms, shopfloors and families. And it will also require changing the rules, both within corporations and by governments for corporations. This is a big agenda but it is made of many small acts. It is everybody's business.

RESOURCES

International Right-to-Know

International Right to Know, www.irtk.org

UN Global Compact

UN Global Compact, www.unglobalcompact.org

OECD Guidelines for Multinational Enterprises

www1.oecd.org/daf/investment/guidelines/index.htm

National Policy Association, <http://www.multinationalguidelines.org/csr/>

Global Reporting Initiative, www.globalreporting.org

Agenda 21, www.un.org/esa/sustdev/agenda21.htm

International Labor Standards

International Labour Organization, www.ilo.org

Human Rights

UN Universal Declaration of Human Rights, www.un.org/Overview/rights.html

UN Commission on Human Rights and Sub-Commission on Prevention of Discrimination and Protection of Minorities, www.unhchr.ch

UN Special Rapporteur Madame Fatma Zohra Ouhachi-Vesely on toxics and human rights, <http://www.hri.ca/fortherecord2000/vol1/toxic.htm>

Corporate Disclosure

Corporate Sunshine Working Group, www.foe.org/international/cswg

Aarhus Convention, www.unece.org/env/pp/documents/cep43e.pdf

International Investment Rules Project, www.nautilus.org/enviro/Investment.html

APPENDIX

Groups working on Human Rights, Environment, & Corporate Accountability Issues:

AccountAbility

Thrale House, 44-46 Southwark Street,
London SE1 1UN, UK
Phone (44)-20-7407-7370
<http://www.accountability.org.uk/>

Amnesty International USA
Human Rights and The Environment Program
600 Pennsylvania Avenue, SE, 5th Floor
Washington, DC 20003
Phone (202) 544-0200
<http://www.amnestyusa.org/justearth>

Amnesty International USA
Business and Economic Relations Group
(BERG)
AIUSA Corporate Approaches Program
600 Pennsylvania Avenue, SE, 5th Floor
Phone (202) 544-0200
<http://www.amnestyusa.org/group/business>

Amnesty International USA
Human Rights Education Program
322 Eighth Avenue, 10th Floor
New York, New York 10001
Phone (212) 807-8400

Business for Social Responsibility (BSR)
609 Mission Street, 2nd Floor
San Francisco, CA 94105-3506
Phone (415) 537 0888
<http://www.bsr.org/>

Centre for Science and Environment
41, Tughlakabad Institutional Area, New
Delhi 110062, India
Phone 91-11-6081110
<http://www.cseindia.org/>

Center for International Environmental Law
1367 Connecticut Avenue, NW, Suite 300
Washington, DC 20036
Phone (202) 785-8700
<http://www.econet.apc.org/ciel>

Coalition for Environmentally Responsible
Economies (CERES)
11 Arlington Street, 6th Floor
Boston, MA 02116-3411 USA
Phone (617) 247-0700
<http://www.ceres.org/>

Communities for a Better Environment
1611 Telegraph Avenue, Suite 450
Oakland, CA 94612
Phone (510) 302-0430

Control Risks Group
83 Victoria Street
London SW1H 0HW UK
Phone 44-207-222-1552
<http://www.crg.com>

Co-op America
1612 K Street NW, Suite 600,
Washington, DC 20006
(202)872-5307
<http://www.coopamerica.org/>

CorpWatch
PO Box 29344
San Francisco, CA 94129
Phone (415) 561-6568
www.corpwatch.org

EarthRights International
2012 Massachusetts Avenue, NW
Washington, DC 20036
Phone (202) 466-5188
<http://www.earthrights.org>

Friends of the Earth US
1025 Vermont Ave. NW
Washington, DC 20005
Phone (202) 783-7400
<http://www.foe.org>

Global Exchange
2017 Mission Street Phone 303
San Francisco, CA 94110
Phone (415) 255-7296
<http://www.globalexchange.org>

Global Reporting Initiative (GRI)
11 Arlington Street
Boston, MA 02116 USA
Phone (617) 266-9384
<http://www.globalreporting.org/>

Global Source
Education Trade and Human Rights Project
PO Box 30094
Seattle, WA 98103
Phone (206) 781-8060
www.GlobalSourceNetwork.org

Institute for Policy Studies
733 15th St NW, Suite 1020
Washington DC, 20005
<http://www.ips-dc.org/>
(202) 234-9382

Interfaith Center on Corporate Responsibility
475 Riverside Drive, Room 566
New York, NY 10115
Phone (212) 870-2295
<http://www.domini.com/ICCR.html>

International Confederation of Free Trade
Unions
5 Boulevard du Roi Albert II, Bte 1
1210 Brussels, Belgium
Phone 32 02 224 0211
<http://www.icftu.org/>

International Forum on Globalization (IFG)
The Thoreau Center for Sustainability

1009 General Kennedy Avenue, #2
San Francisco, CA 94129
Tel: (415) 561-3482
<http://www.ifg.org/>

International Labour Organization (ILO)
CH-1211 Geneva 22 Switzerland
<http://www.ilo.org>

Investor Responsibility Research Center
1350 Connecticut Ave., N.W., Suite 700
Washington, D.C. 20036-1702
Phone (202) 833-0700
<http://www.irrc.org/>

Multinational Resource Center
PO Box 19405
Washington, DC 20036
Phone 202-387-8030
<http://www.essential.org/mdc/>

National Policy Association
1424 16th Street, NW Suite 700
Washington, DC 20036-2229
tel. (202)265-7685
<http://www.multinationalguidelines.org/csr/>

National Wildlife Federation
1400 16th St. NW
Washington, D.C. 20036
Phone (202) 797-6800
<http://www.nwf.org/finance>

NGO Taskforce on Business and Industry
Suite 306 11426 Rockville Pike
Rockville, MD 20852-3007
Phone: +1-301-770-6375
<http://www.isforum.org/tobi>

Organization for Economic Co-operation and
Development
2, Rue Andre Pascal
F-75775 Paris Cedex 16, France
Phone (33) 01-45-24-80-90
<http://www.oecd.fr>

The Prince of Wales Business Leaders Forum
15-16 Cornwall Terrace, Regent's Park
London NW1 4QP UK
Phone (44) 207-467-3600
<http://www.pwblf.org>

Project Underground
1916A Martin Luther King Jr. Way
Berkeley, CA 94704
Phone (510) 705-8981
www.moles.org

Rainforest Action Network
221 Pine Street, Suite 500
San Francisco, CA 94104
Phone (415) 398-4404
www.ran.org

Silicon Valley Toxics Coalition
760 N. First Street, San Jose, CA 95112
Phone (408) 287-6707
www.svtc.org/svtc

Social Accountability International
30 Irving Place, 9th Floor
New York, NY 10003
Phone (212) 358-7697
<http://www.cepaa.org/>

Student Alliance to Reform Corporations
STARC/Dwight Hall
PO Box 209008
New Haven, CT 06520-9008
<http://www.corpreform.org>

Sweatshop Watch
310 Eighth Street, Suite 309
Oakland, CA 94607
Phone (510) 834-8990
<http://www.sweatshopwatch.org>

Transparency International
Unit 6, 16-18 Empress Place
West Brompton, London SW6 1TT
Phone 44-20 7610 1400
<http://www.transparency.org/>

UN High Commissioner for Human Rights
8-14 Avenue de la Paix
1211 Geneva 10, Switzerland
Phone (41) 22-917-9000
<http://www.unhchr.ch>

UN Global Compact
United Nations
New York, NY 10017
Phone (212) 963-8302
<http://www.unglobalcompact.org>

United States-Asia Environmental Partnership
170 Eye Street NW Suite 700
Washington DC, 20006 USA
Phone (202) 835-0333
<http://www.usaep.org>

Sample consumer letter:

Mr. Lee Raymond
Chairman & Chief Executive Officer
ExxonMobil Corporation
5959 Las Colinas Blvd.
Irving, Texas 75039

Dear Mr. Raymond:

I am writing to urge ExxonMobil to adopt an explicit company policy on human rights and take steps to protect and promote human rights in areas affected by ExxonMobil operations.

A growing number of multinational corporations have already committed to promoting human rights in the countries where they do business, much the way corporations began committing to environmental protection during the past 20 years. As a consumer and concerned citizen, I call upon ExxonMobil:

- To develop a comprehensive human rights policy that upholds the standards of the Universal Declaration of Human Rights and the International Labor Organization. It should also include an explicit policy on the use of security personnel, both private and host government security forces, and a requirement that a human rights impact assessment be conducted prior to any decision to invest in countries experiencing civil conflict or that have poor human rights records. The enclosed brochure Human Rights Principles for Companies contains an introductory checklist of information useful to drafting such a company human rights policy.
- To ensure strict implementation of and compliance with the human rights policy that is adopted, making sure that is applied universally throughout the company's global operations, including among overseas subsidiaries and subcontractors.
- To commit to the protection of basic human rights in the communities affected by the Chad-Cameroon production and pipeline project. Efforts should include ongoing consultation with local communities and education about ExxonMobil's human rights policy; a mechanism for workers and community residents to report human rights violations without fear of intimidation or harassment; and public disclosure of all security arrangements with government security forces or local militia. All security arrangements should be consistent with international human rights standards.

Promoting human rights is both the right thing and the smart thing to do. Companies that actively promote human rights enjoy enhanced reputation with consumers, shareholders and other key publics. Respect for human rights also supports the rule of law, and long-term investments are most secure in countries where the rule of law is respected. Countries that respect basic rights are also more likely to enforce contracts fairly, combat corruption, and provide equal protection under the law for foreign enterprises.

For all of these reasons, I call upon you to make human rights a priority in ExxonMobil's operations worldwide.

Sincerely,
A concerned citizen

How to Research a Corporation

The internet provides quite a bit of access to company information. Most companies provide online versions of their annual reports, recent financial statements, and sometimes a snapshot of their environmental and/or social policies (if they have any) on their home page. If you're having trouble finding a company's home page address, try www.companiesonline.com or

www.corporateinformation.com and type in the name of any company for links to its official URL and a company's headquarter and subsidiaries contact information. For recent press coverage and financial headlines of a specific company, go to www.hoovers.com.

For publicly-traded companies in the United States, official SEC financial disclosure documents can be found at www.freedgar.com where companies must file annually a "10-K" statement. The 10-K provides a comprehensive overview of the company's business and financial condition. To find out how "Wall Street" views a particular company or industry (which can be quite illuminating!) try www.multexinvestor.com or www.bloomberg.com. If you need to dig deeper, consider using a fee-based service, such as Dun & Bradstreet, www.dnb.com, which corporations and investors use to research their "competition". The Investor Responsibility Research Center www.irrc.com and www.socialfunds.com provide research on the social and environmental performance of companies. Students and activists can also utilize NGO corporate research services such as the Multinational Resource Center, www.essential.org/mrc, Corp Watch www.corpwatch.org, the Public Information Network, www.endgame.org and the DataCenter www.igc.apc.org/datacenter.

A sampling of voluntary codes of conduct and industry guidelines

The OECD has catalogued over 246 voluntary codes of conduct. Additionally, many companies create their own, non-obligating codes of conduct or guiding values, all of which cannot be covered here. Below is a sampling of some of the most recognized codes, guidelines, and voluntary standards:

AA1000 is a set of guidelines and a process standard to assist companies in the quality of social and ethical accounting, auditing and reporting.

The **Apparel Industry Partnership** (AIP) was announced in April 1997, following meetings among representatives from the footwear and apparel industry, labor, NGOs and consumer groups. The preliminary agreement contained a workplace code of conduct, principles for the development of an independent external monitoring system, and a commitment to develop a mechanism or seal of approval for informing consumers. It was the first major industry/union/NGO agreement to be announced, breaking new ground for all stakeholders. The **Fair Labor Association (FLA)** has grown out the AIP.

The **Caux Roundtable** is a group of business leaders which promote dialogue and action to define worldwide standards for ethical corporate behavior by which companies can be measured. The ethical ideals are based on human dignity and 'kyosei', a Japanese term relating to mutual prosperity and coexistence.

CERES, the Coalition for Environmentally Responsible Economies, is a United States coalition of companies, investors, and advocacy groups. Originated from the "Valdez Principles" following the Exxon Valdez oil spill, the CERES Principles are a ten-point code of conduct. Signatories to CERES produce corporate environmental reports (CERs) to inform and empower stakeholders and the public.

The **Environmental Management in Oil and Gas Exploration and Production (EMOGEP)** guidelines were prepared jointly by the Oil Industry International Exploration and Production Forum (E&P Forum) and the United Nations Environment Programme Industry and Environment Center (UNEP IE) in 1997. The E&P Forum has over 60 members worldwide, the majority oil and gas companies with operations that span sixty different countries, as well as a number of oil industry associations and institutions.

The **Global Compact**, an aspirational initiative spearheaded by the United Nations Secretary-General Kofi A. Annan, challenges world business leaders to "embrace and enact" nine aspirational principles which cover human rights, labor, and the environment. (more on the Global Compact in Part IV)

The **Global Sullivan Principles** call on companies to respect employees human rights, to fairly compensate employees, to promote sustainable development, and to improve the quality of life in the communities in which they operate. Reverend Sullivan initiated a precursor, The Sullivan

Principles, for companies during South Africa's Apartheid regime. The Chevron Corp. was one of the first signatories of the Global Sullivan Principles.

The **Global Reporting Initiative (GRI)** is an international, multi-stakeholder effort that attempts to create a common standardized framework for voluntary reporting of economic, environmental, and social impact of corporate activity. (more in Part IV)

ICC Business Charter for Sustainable Development, is meant to serve as a basic framework of environmental management principles based on the recognition that 'sustainable development' should be a priority of every business.

ISO 14001 is series of standards to measure corporate environmental performance. The International Organization for Standardization (ISO) is a federation of national standards-setting bodies. ISO 14001 requires a company to develop and publish an environmental policy, and to then create (but not necessarily make publicly available) a listing of the environmental aspects of its business, as well as plans, objectives, and timetables aimed at dealing with the environmental aspects over which it has control.

The **MacBride Principles** is a set of nine fair employment, affirmative action and anti-discriminatory principles for United States-based companies doing business in Northern Ireland

Social Accountability 8000, a monitoring and certification of ethical labor practices, is a set of standards based on the "core" ILO labor standards and the Universal Declaration of Human Rights. A company's incentive to participate in SA8000 is to gain "certification" that they operate in a socially responsible manner. SA 8000 predominantly focuses on companies within the manufacturing and consumer goods.

Worker Rights Consortium (WRC), created as an alternative to the FLA, focuses on monitoring the licensing industry of apparel sold on university campuses. The code includes a living wage and worker protections and was developed with student groups, NGOs, and unions.