

The UN Global Compact and the OECD Guidelines for Multinational Enterprises: Complementarity and Distinctions

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Introduction

The UN Global Compact and the OECD Guidelines for Multinational Enterprises (“the Guidelines”) are two of the foremost voluntary initiatives that promote corporate responsibility and sustainable business practices. The initiatives complement each other in the goal of creating a more responsible and accountable corporate sector, yet are also distinct and unique. They have complementary engagement and accountability mechanisms. Together they define and enhance the relationship between businesses and international standards, in addition to providing a comprehensive model for responsible business practices today. The greatest opportunity for collaboration is in those countries that have both a National Contact point under the OECD Guidelines and a Global Compact Local Network.

1. The UN Global Compact The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The Global Compact is an open and voluntary corporate citizenship initiative engaging a wide spectrum of multi-stakeholder participants across the globe. With more than 7000 businesses and a further 2000 other societal actors participating from more than 140 countries, the Global Compact is the world’s largest corporate sustainability initiative. Local networks, launched in 101 countries, are helping to carry forward the Global Compact at the local level.

2. OECD Guidelines on Multinational Enterprises The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from the territories of the 44 countries that adhere to the Guidelines.¹ The Guidelines are backed by 44 adherent governments whose territories are home to almost 90 per cent of foreign direct investment flows and to 97 out of the top-100 multinational enterprises. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. They are part of a larger legal instrument and that the adhering countries have officially endorsed the Guidelines. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises.

3. Premises Both initiatives are based on complementary premises. The Global Compact is based on the premise that business has an interest in sustainable and inclusive global markets underpinned by universal principles, and that the UN’s unique convening power can be used to build consensus and promote substantive positive action and practical solution finding to the challenges of globalization. The Guidelines are founded on the assumption that internationally agreed principles can help prevent misunderstandings and build an atmosphere of confidence and predictability among business, labour, governments and society as a whole.

4. Content The two initiatives complement each other in their content, covering relevant topics within the larger theme of corporate responsibility and sustainable business practices. However, they focus on distinct topics, with some overlap, in order to provide more complete coverage of the various issues in corporate responsibility. The UNGC Principles cover: *Human Rights; Labour; Environment; Anti-Corruption; and general UN Goals*. The OECD Guidelines topics include: *Disclosure; Human Rights; Employment and Industrial Relations; Environment; Combating Bribery, Bribe Solicitation and Extortion; Consumer Interests; Science and Technology; Competition; and Taxation*.

6. Scope The initiatives complement each other well in terms of the topics they address and their geographical coverage. Both initiatives are based on broad international consensus: both the UN Global Compact and the OECD Guidelines are deeply rooted in international conventions and declarations enjoying universal consensus. The Global Compact principles are general and broad. Their breadth and simplicity are part of their appeal, rendering them accessible for all types of businesses, regardless of size, industry, location or level of experience with corporate citizenship. They particularly emphasize the importance of taking an active role to respect and support international standards. In many cases, the OECD Guidelines provide more detail and focus on respecting international standards. They also cover topics – e.g. taxation and competition -- which are not addressed in the Global Compact’s ten principles. The aim of the Guidelines is to encourage the positive contributions that MNE’s can make to environmental, economic, and social progress. The 2011 update of the Guidelines included the development of a “proactive agenda,” which is intended to assist enterprises in meeting their corporate responsibility challenges under the Guidelines in particular situations, contexts or issues. The

¹ List of adherents: Argentina*, Australia*, Austria*, Belgium*, Brazil*, Canada†, Chile*, Colombia*, Czech Republic, Denmark*, Egypt*, Estonia†, Finland*, France*, Germany*, Greece*, Hungary†, Iceland*, Ireland, Israel†, Italy*, Japan*, Korea*, Latvia†, Lithuania†, Luxembourg, Mexico*, Morocco†, Netherlands*, New Zealand, Norway*, Peru*, Poland*, Portugal*, Romania, Slovakia†, Slovenia†, Spain*, Sweden*, Switzerland*, Turkey*, United Kingdom*, United States*

*Country with a formal Global Compact Local Network

†Country with an established or emerging Global Compact Local Network

work needs to be demand driven, add value, avoid duplication with other initiatives and collaborative efforts, and rely on a multi-stakeholder cooperative process.

7. Engagement Model The initiatives also complement each other in their different manner and degree of engagement with business. Companies initiate their participation in the Global Compact through a leadership commitment by their CEO and (where appropriate) Board that is communicated to the United Nations. Business and other societal actors also engage directly in the various engagement mechanisms that the Global Compact offers at the global, regional and local level, such as practical solution finding, identification of good practices and projects on the ground. Responsibility for promoting the recommendations in the Guidelines lies primarily with the adhering governments as does the administration of the Guidelines' unique follow up mechanism. The common aim of the governments adhering to the Guidelines is to encourage the positive contributions that multinational enterprises can make to economic, environmental and social progress and to minimize the difficulties to which their various operations may give rise.

8. Implementation The Global Compact offers five different types of engagement opportunities for its participants: networks, dialogues, learning, initiatives and partnership projects. Companies and other Global Compact stakeholders are encouraged to take an active role in country networks. Global Compact networks support implementation of the Global Compact in a local context through dialogue, learning and projects, and provide support for quality assurance. The distinctive, government-backed implementation mechanisms of the OECD Guidelines include the operations of National Contact Points (NCP). These are government offices located in each of the adhering governments. They are responsible for encouraging observance of the Guidelines and for ensuring that the Guidelines are well known and understood by the national business community and other interested parties. NCPs promote the Guidelines; handle enquiries about them; assist in solving problems that may arise; gather information on national experiences with the Guidelines; and report annually to the OECD Investment Committee.

9. Governance In keeping with the Global Compact's voluntary and network-based character, the governance framework is light, non-bureaucratic and designed to foster greater involvement in, and ownership of, the initiative by participants and other stakeholders themselves. The OECD Guidelines are governed via a multistakeholder process, with significant involvement from participating governments.

10. Accountability and Follow-Up Mechanisms Both initiatives are voluntary from the perspective of the corporations that choose to engage with them in that neither relies on formal legal sanctions to achieve their objectives. Rather, they each have their own unique means of promoting observance. To promote basic engagement quality, the Global Compact asks participating companies to publish a 'Communication on Progress' in their annual report (or similar corporate report), a description of the ways in which they are supporting the Global Compact and its ten principles, with a focus on disclosure of the policies, processes and action they have in place. The OECD Guidelines provide a follow up mechanism for raising "specific instances". This allows interested parties to call a company's alleged non-observance of the Guidelines' recommendations to the attention of an NCP. Responsibility for oversight of the functioning of the Guidelines falls to the OECD Investment Committee, which is expected to take steps to enhance their effectiveness.

The Global Compact and the OECD Guidelines At a Glance

Feature	UNGC Guidelines	OECD Guidelines
<i>Format</i>	10 Principles	Set of recommendations by governments
<i>Content</i>	Five themes: <ul style="list-style-type: none"> • Human Rights • Labour • Environment • Anti-Corruption • UN Goals 	Ten chapters: <ul style="list-style-type: none"> • General Policies • Disclosure • Human Rights • Employment and Industrial Relations • Environment • Combating Bribery, Bribe Solicitation and Extortion • Consumer Interests • Science and Technology • Competition • Taxation
<i>Scope</i>	Respect and Support	Respect
<i>Engagement Model</i>	CEO statement of commitment; Local Networks	National Contact Points; Adhering Governments
<i>Implementation</i>	Local Networks, Dialogues, Learning, Initiatives and Partnership Projects.	Guidance of National Contact Points
<i>Governance</i>	Light, non-bureaucratic, multistakeholder participation	Multistakeholder intergovernmental process Specific Instance Procedure
<i>Accountability and Follow-Up</i>	Annual 'Communication on Progress' to stakeholders; Facilitation of dialogue	
<i>Country level</i>	Local Networks	National Contact Points; the Investment Committee

