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‘Leader to leader’ commentary to Special Edition on
Business and Human Rights
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When the Universal Declaration of Human Rights was adopted more than 50 years ago, the nation-state was the principal actor in the international arena. Today, in what has become known as the globalized world, transnational corporations have assumed significantly expanded roles, in some ways even superceding the roles of nation states. As the corporate role has grown, so have expectations for corporate responsibility. A company’s investment choices can make the difference between growth and decline for an entire country; how a company manufactures its products can make the difference between healthy economic growth and environmental devastation. Such power brings responsibility.

In the field of human rights -- my particular concern as High Commissioner -- there are growing expectations that corporations should do everything to promote and respect universally agreed standards. The parameters, however, are still being defined, and uncertainties remain about what is expected from corporations with regards to human rights. Governments continue to possess primary responsibility for their citizens and for the protection of human rights. Corporations, even as they accept greater responsibility in the human rights field, do not have the same legal duties as States under international law. Corporations cannot be expected to substitute for governments.

Nonetheless, the Universal Declaration of Human Rights calls upon all individuals and all organs of society to protect, uphold and promote human rights. This applies to governments and companies, individuals and groups.

Parts of the UN human-rights system are now addressing the role of the business sector. Several standard-setting initiatives, recently concluded or underway, will reinforce this trend. Indirect obligations for corporations will be strengthened through new or proposed treaties that deal with anti-corruption and tobacco control, for example -- both of which touch on human

rights issues. Governments are negotiating and endorsing other standards that place indirect obligations on companies, for example with respect to the sale of diamonds from areas of armed conflict and the illicit trade in small arms. The Sub-Commission on the Promotion and Protection of Human Rights -- an expert body of the inter-governmental Commission on Human Rights -- is in the process of developing human-rights principles for companies under the Universal Declaration of Human Rights and other universally accepted norms. These principles are expected to place direct obligation on companies. The European Parliament has called on the European Union to adopt binding human-rights regulations to govern the conduct of transnational corporations based in Europe.

It is often assumed that companies would oppose the development of legal standards to respect human rights. Recourse to law suggests (expensive) compliance procedures and possible litigation. However, companies committed to respecting rights will want to have some guidance in fulfilling that commitment; and all companies will benefit from clarity in international law. When the scope of duties is doubtful, companies cannot easily defend themselves or prevent criticism. Beyond that, corporate commitments to human rights should not carry market penalties. Where commitments are purely voluntary, pioneering companies might lose out to competitors who aren't as committed to human rights. International standards provide a level playing field.

I believe that binding standards are crucial to enable the enforcement of minimum norms. But that is different, of course, from making a business case for change. We must provide incentives so that doing the right thing also makes good business sense. By focusing exclusively on setting standards, business is driven toward the logic of managing the costs of compliance. Society will then fail to benefit from the tremendous power of business to innovate and establish new forms of behaviour.

Business leaders don't have to wait – indeed, increasingly they can't afford to wait – for governments to pass and enforce legislation before they pursue “good practices” in support of international human rights standards within their own operations and in the societies of which they are part.

The Global Compact offers one possible vehicle for corporations to engage in achieving public goals. Formally launched by UN Secretary-General Kofi Annan in July 2000, the Global Compact calls on business leaders, trade unions and NGOs to join forces behind a set of core values in the areas of human rights, labor standards and the environment and to enact these principles within their spheres of influence. The Secretary-General picked these three areas because he was worried by a severe imbalance in global rule-making: while there are extensive and enforceable rules for economic priorities, there are few strong measures for these other concerns that have such a direct impact on human welfare.

Several hundred companies, from a very wide range of countries, have responded to the Global Compact. They are working with labour federations, civil society and the UN to make the Global Compact principles part of the strategic vision and everyday practices of companies in all regions.

With respect to human rights, corporations signing up to the Global Compact should, first, ensure that they support and respect human rights within their sphere of influence as set out in the Universal Declaration of Human Rights and, second, ensure they are not themselves complicit in human rights abuses.

More specifically, once a company has signed up to the Global Compact, it should set in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations. The company is expected to publicly advocate the Global Compact and its principles via corporate communications such as press releases and speeches. It is further expected to publish in its annual report or similar document (e.g., sustainability report) describing the ways in which it is supporting the Global Compact and all its nine principles.

The Global Compact is developing a learning forum which will serve as an information bank of the disparate experiences -- some successful, some not -- companies have had in trying to implement the Compact's principles. The idea is to move toward a system of performance-based good practices, reflecting the judgment of the broader international community, rather than

asking companies simply to adhere to varied and often weak local standards and legislation. It is too early to say whether this initiative will bring about large-scale improvements in business practices around the world. But I believe it is an experiment worth trying.

The corporate pioneers in this field have already shown there is much a company can do within its spheres of influence. For instance:

- *HIV/AIDS*: Volkswagen in Brazil and DaimlerChrysler in South Africa have introduced expanded “Aids Care” programs;
- *Corporate culture*: Companies such as Novartis, Pearson and Spedpol have incorporated the Compact’s principles into employees’ job responsibilities and criteria for success through their worldwide operations;
- *Tolerance*: Volvo and five other companies are combating discrimination and promoting diversity with a joint report and awareness campaign.

What does the Global Compact mean for involving the private sector in our human-rights work at the UN? Allow me to give you a few brief examples. At the 2001 World Conference against Racism, the Global Compact provided the framework for analysis and reflection on some very interesting initiatives by six companies from five continents on diversity, equality and non-discrimination in the workplace and surrounding communities. A multi-stakeholder workshop looked at partnership approaches to fighting discrimination and fostering diversity; a panel co-hosted by the OHCHR and the ILO brought together trade union, company and UN representatives to share experiences of implementing equal-opportunity and diversity policies within organisations. The resulting report of company experience, called ‘Discrimination is Everybody’s Business’, is available on the Global Compact website. The initiative has inspired a number of national initiatives between business and civil society that are getting underway this year.

My Office is also developing its role as a facilitator of dialogue with the private sector. In December 2001, for example, we hosted a workshop between representatives of indigenous

peoples and natural-resource, energy and mining companies. There was a lively discussion at the workshop which led to recommendations for joint action.

The Global Compact is a voluntary initiative to promote good corporate citizenship. I want to stress that it is not, and must not be, a mere public relations exercise. A commitment to the Global Compact has to lead to concrete actions in support of the core principles.

None of this is meant as a substitute for action by governments. Rather, the Compact is a platform for showing how markets can be made to serve the needs of society as a whole. A two-part approach – standard setting and voluntary action – to me is the right one if we are, in the words of Secretary-General Kofi Annan, “to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.”

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