

## **Charter for Medium and Large Size Enterprises in International Cooperation. The Relevance of Corporate Social Responsibility**

A growing consensus has been emerging about the importance to strengthen the involvement of the private sector in development programs: enterprises *are* and *must be* active agents of international development cooperation (hence IDC). Companies willing to cooperate with the public sector in the implementation of development projects, should however qualify for it, demonstrating the adoption of some key principles and purposes of IDC, proving that their work is sustainable and ethically robust.

A number of private firms are proving to be sensitive towards the issue of ensuring an overall coherence between their economic targets and environmental and social collective objectives. Many enterprises have also demonstrated that actions supporting social development have business benefits. Nevertheless, there is no binding regulation yet on shared minimum standards for enterprises to be considered eligible in development programs.

We, LADDER consortium, firmly believe that a move towards a binding regulation is crucial, taking the internationally recognized guidelines and principles, emerging from both the European legislation and other international organizations, as a benchmark. The regulation should be drawn up as a result of multi-stakeholder consultations and require companies to provide two types of reports. The first one, to be published before the decision on eligibility for funding, should include: a) a policy statement committing the firm to respect human and labour rights, as well as environmental clauses, and to fight against all forms of corruption; b) a description of the internal processes aimed at ensuring that the company will comply with these commitments in the conduct of development cooperation activities; c) a description of the appropriate remedial mechanisms the firm will activate or participate to.

The second type, to be published at regular intervals and when the works are completed, should include: a) a description of how the internal processes worked (and if not why); b) a description of how remedial mechanisms worked (and if not why). These provisions should be applied, at least, to the following areas.

### **1. Human Rights**

Business enterprises must respect human rights. This means that they should not infringe on human rights and should address adverse impacts on human rights in which they are involved, taking adequate measures for their prevention, mitigation and, where appropriate, remediation. They are also required to prevent adverse impacts on human rights that are directly linked to their business, and mitigate those in which they have not directly contributed. Their responsibility refers to internationally recognized human rights, as those expressed in the *International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization's Declaration on Fundamental Principles and Rights at Work*, and applies to all enterprises regardless of their size, sector, operational context, ownership and structure.

## Thematic Path 4

### Public-Private Cooperation in Economic Development and Job Creation

Business enterprises should have in place a *human rights due diligence process* to identify, prevent, mitigate and account for how they address their impacts on human rights, implemented directly consulting potentially affected stakeholders, paying special attention to any particular human rights impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalization, and bearing in mind the different risks that may be faced by women and men. The findings of the enterprises' impact assessments should be integrated across relevant internal functions and process and must lead to take appropriate correcting action. Enterprises should also track the effectiveness of their response through qualitative and quantitative indicators, taking into account feedbacks from both internal and external sources, including affected stakeholders.

#### **2. Employment and industrial relations**

With reference to the promotion of *employment*, enterprises, should endeavour to increase employment opportunities and standards, taking into account the employment policies and objectives of the governments and consulting the competent authorities and the national employers' and workers' organizations.

Enterprises should respect the *minimum age*, as specified in the ILO Convention N° 138 of 1976, for admission to employment or work in order to secure the effective abolition of child labour, and should take immediate and effective measures within their own competence to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency. They should also contribute to the *elimination of all forms of forced or compulsory labour* and take adequate steps to ensure that forced or compulsory labour does not exist in their operation.

Enterprises should be guided throughout their operations by the principle of *equality of opportunity and treatment* in employment and not discriminate against their workers with respect to employment or occupation on such grounds as race, colour, gender, religion, political opinion, national extraction or social origin. They should accordingly make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff levels.

Concerning the *security of employment*, firms should endeavour to provide stable employment for their employees and observe freely negotiated obligations on employment stability and social security. In their operations, enterprises should ensure that relevant *training* is provided for all levels of their employees to meet the evolving needs of the firm as well as the development policies of the country. Such training should, to the maximum possible extent, develop generally useful skills and promote career opportunities.

With regard to the *wages, benefits and conditions of work* offered by enterprises, they should be not less favourable to the workers than those offered by comparable employers in the country concerned. If there are no comparable employers, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies, at least adequate to satisfy basic needs of the workers and their families.

Firms should maintain the highest standards of *safety and health*, in conformity with national requirements and taking into account the ILO Recommendation N°194 of 2002, and make available information on the safety and health standards

## Thematic Path 4

### Public-Private Cooperation in Economic Development and Job Creation

relevant to their local operations which they observe in other countries. They are also expected to play a leading role in the examination of causes of industrial safety and health hazards and in the application of resulting improvements within the enterprise as a whole. Moreover, they should cooperate in the work of international organizations concerned with the preparation and adoption of international safety and health standards and, where appropriate, matters relating to safety and health should be incorporated in agreements with the representatives of the workers and their organizations.

With respect to the *freedom of association, the right of workers to self-organization and collective bargaining*, enterprises should respect the right of the workers to establish or join trade unions and representative organization of their own choosing, and to engage in constructive negotiations, either individually or through employers' associations, to reach agreements on terms and conditions of employment. They should also provide workers' representatives with such facilities as may be necessary to assist in the development of effective collective agreements. Companies are forbidden to threaten a transfer of the whole (or part) of an operating unit from the country concerned or transfer workers from affiliates in foreign countries with the only aim to unfairly influence negotiations or to hinder the exercise of the right to self organisation.

### 3. Environment

Enterprises should, within the framework of laws, regulations and administrative practices in the countries in which they operate, and in consideration of relevant international agreements, principles, objectives and standards, take due account of the need to protect the environment, public health and safety, and to conduct their activities so as to contribute to the wider goals of sustainable development.

They should then establish and maintain a *system of environmental management*, providing the collection and evaluation of adequate and timely information regarding the environmental, health and safety impacts of their activities, also including the establishment of measurable objectives and targets for improved environmental performance and resource utilization, and the regular monitoring and verification of progress.

Taking into account concerns about cost, business confidentiality and the protection of intellectual property rights, firms should provide the public and workers with adequate, measureable, verifiable and timely *information on the potential environment impacts of their activities* and engage in adequate and timely communication and consultation with the communities directly affected by their environmental, health and safety policies.

Enterprises are also required to *assess and address in decision-making the foreseeable environmental, health and safety-related impacts* associated with their processes, over their full life cycle, with a view to prevent or mitigating them.

Companies should maintain *contingency plans* for preventing, mitigating and controlling serious environmental and health damage from their operations, including accidents and emergencies, and provide adequate *education and training to workers* in environmental, health and safety matter.

## Thematic Path 4

### Public-Private Cooperation in Economic Development and Job Creation

With a view to continually *improve corporate environmental performance*, firms should adopt technologies and operating procedures that reflect standards concerning environmental performance and develop products or services that have no undue environmental impacts, are safe in their intended use, reduce greenhouse gas emissions, are efficient in their consumption of energy and natural resources and can be reused or recycled. They should also promote higher level of awareness among customers of the environmental implications of using the products and services of the enterprises and explore ways of improving their environmental performance over the long term.

#### 4. Irregular practices

Enterprises should resist the solicitation of bribes and extortion and should not, directly or indirectly, offer, promise, give or demand a bribe or other undue advantage to obtain or retain business or other improper advantage.

In particular they should not offer, promise, give or use third parties (such as agents, intermediaries, consultants, representatives, distributors, consortia, contractors, suppliers and joint venture partners) for channelling *undue pecuniary or other advantage to public officials* or the employees of their business partners. They should *not make illegal contributions* to candidates for public office, to political parties or to political organization.

They should also develop and adopt *adequate internal controls*, ethics and compliance programs or measures for preventing and detecting bribery, on the basis of a risk assessment addressing the bribery risk facing the enterprise and including a system of financial and accounting procedures.

Companies should ensure properly documented *due diligence pertaining to the hiring* and that remuneration of agents is appropriate and for legitimate services only. They should also *enhance the transparency of their activities*, through public commitments against bribery, and *promote employee awareness of and compliance with company policies* and internal controls, ethics and compliance programs or measures against bribery, bribe solicitation and extortion.

#### Final Remarks

The above reflections concern the pre-conditions for private sector's engagement in IDC. A *list of the firms accomplishing these criteria* should be drafted, updated and made public by all international institutions responsible for development cooperation policies.

This engagement should be always addressed to the overall objective of reducing poverty and ensuring sustainable development and economic growth, in line with the 2030 agenda and with the basic principles of responsibility and accountability. The challenge ahead, which will require stronger partnerships between profit, no profit entities and public sector, is to actually merge the objective of poverty reduction with the entrepreneurial search for new markets and opportunities. In this regard, the development of new joint ventures and synergies between European and partner countries enterprises would prove crucial.