

# Losing Their Way

How governments **started** with a clear plan on corporate accountability, but **ended** with a poor agreement

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Corporate Accountability was a hot topic during the WSSD negotiations. However, at each step the text of agreement on this subject has been subject to pressure from different quarters. In the end some of the outcome was surprisingly useful in opening the door to binding rules on corporate accountability, but did not make a specific commitment.

Initially corporate accountability was placed in a section on globalisation and a section on sustainable production and consumption. At Prepcom 4 in Bali in May/June 2002 a text on the institutional arrangements for the implementation plan introduced a third place to discuss the issue. These three sections are in the WSSD 'Plan on Implementation' finally adopted on 4 September 2002. In addition to the Plan of Implementation, the overall Political Declaration first drafted in Bali involved commitments on corporate accountability. The *sustainable production and consumption* and *implementation* texts were agreed at Bali, the *globalisation* and *political declaration* texts at Johannesburg.

FoEI has been working closely with other non-governmental organisations both in making a general critique of corporate globalisation and campaigning around the issue, but also pressing governments to make a specific commitment in their final agreement at Johannesburg. Together groups have called for governments [to develop a legally binding framework to secure corporate accountability \(including liability\) by 2005](#).

More on this can be found at [www.foei.org](http://www.foei.org)

## 1 Globalisation

### Commentary

*From the outset, governments have sought to address globalisation. In this context they have acknowledged the need for corporate accountability. The text started very strongly, was weakened, then strengthened a bit. In the end the US fought to have the agreed text undermined by a commentary in the formal report accompanying the overall agreement which stated the text only applied to 'existing' agreement – in other words that no new agreements should be forthcoming. While the final text has some useful elements (such as the onus of effort being on governments rather than corporations and the need for full development of intergovernmental mechanisms) it falls far short of a timetabled, explicit target for binding rules to secure corporate accountability (including rights, liability, duties, transparency and improved practices).*

### 3 February

[A 2 Launch negotiations for a multi-lateral agreement on global corporate accountability.](#)

### 25 March

18 (e) Promote corporate responsibility and accountability through such initiatives as the global reporting initiative and such tools as environmental management accounting and environmental reporting;

### 31 March

18 (l) Promote corporate responsibility and [accountability] [economic, social and environmental accountability and the exchange of good practices] (*Switzerland*) through [initiatives] [means] (*USA*) [such as] / [building, inter alia, on] (*EU*) [the UN Global Compact, and the OECD guidelines for multilateral enterprises, through expanded adoption and implementation of initiatives such as] (*EU*) / [by using tools such as] (*Japan*) the global reporting initiative [and such tools as] (*EU*) environmental management accounting and environmental reporting/ [through, inter alia, international initiatives, such as the global reporting initiatives and those for environmental management accounting] (*Japan*);

18 (m) Promote [and facilitate] (*EU*) public/private partnerships and voluntary initiatives [[through which economic actors, [particularly] / [including]] (*Canada*) multinational companies, are encouraged to assume their social, environmental and economic responsibilities] [that support sustainable development] (*USA*) [as well as to undertake research and development in developing countries, in accordance with the laws and regulations of the host country] (*G77*) / [such as the OECD Guidelines for Multinational Enterprises, in view of the important role that multinational enterprises play in sustainable development] (*USA*) / [and to keep to the OECD Guidelines for Multinational Enterprises] (*Japan*);

### **27 May**

42 (l) Promote corporate responsibility and accountability and the exchange of good practices, including through public/private partnerships and voluntary initiatives [**building, inter alia, on the United Nations Global Compact and the Organisation for Economic Cooperation and Development (OECD) guidelines for multilateral enterprises, as appropriate,**] \* as well as by using such tools as environmental management accounting and environmental reporting;

### **12 June**

45 (m) [Promote corporate responsibility and accountability and the exchange of best practices, including through public/private partnerships and voluntary initiatives [**based on international agreements on human rights, environment and labour standards,**] [building, inter alia, on the United Nations Global Compact, UNEP's global reporting initiative and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multilateral Enterprises, as appropriate,] / [and initiatives in the United Nations to promote intergovernmental agreed global partnerships] [as well as by using such tools as environmental management accounting and environmental reporting];

### **0.00 27 August**

3.Promote corporate responsibility and accountability and the exchange of best practices, including through [a number] **an agreed inter-governmental framework for the promotion** of ongoing public/private partnerships [and voluntary initiatives such as those in the United Nations, the OECD and other fora].

### **13:00 27 August**

3. Promote corporate responsibility and accountability and the exchange of best practices, including through inter-governmental frameworks for the promotion of ongoing public/private partnerships.

### **03.00 28 August**

3. **Promote corporate responsibility and accountability and the exchange of best practices, [based on international agreements on human rights, environment, and**

labour standards,] including through an inter-governmental framework[s] [for] and the promotion of ongoing public/private partnerships.

#### **00.01 29 August**

**3alt. Actively promote corporate responsibility and accountability, based on human rights, environment and labour standards, including through full and effective implementation of existing intergovernmental agreements and measures, international initiatives and appropriate national regulations, and support continuous improvement in corporate practices in all countries. Strengthen efforts to develop these intergovernmental agreements to utilize their full potential. Urge businesses to engage as a reliable and consistent partner in the sustainable development process and to take into account not only the economic and financial but also developmental, social, gender, and environmental implications of their undertakings. [EU]**

**3alt2. Promote corporate responsibility and accountability and the exchange of best practices in the pursuit of ongoing public/private partnerships, and in the promotion of new partnership initiatives, through a monitoring mechanism, to be developed within the mandate of CSD in paragraph 127, to review and monitor progress of implementation including initiatives and partnerships to promote sustainable development. [G77]**

**3alt3. Promote corporate responsibility and accountability and the exchange of best practices, including through a number of ongoing public/private partnerships and voluntary initiatives such as those in the United Nations, the OECD and other fora. [US]**

#### **00.01 30 August**

**3alt4. Promote corporate responsibility and accountability and the exchange of best practices, including through the promotion of new partnership initiatives and in ongoing public/private partnerships, taking into account the relevant mandate of the CSD and other voluntary initiatives of the United Nations, the OECD, and appropriate national regulations, in order to support continuous improvement in corporate practices. Urge business to engage as a reliable and consistent partner in the sustainable development process and to take into account not only the economic and financial but also the developmental, social, gender, and environmental implications of their undertakings. [Chair of contact group proposal]**

#### **1 September (final)**

**3 Actively promote corporate responsibility and accountability, based on Rio Principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public-private partnerships, appropriate national regulations, and continuous improvement in corporate practices in all countries.**

#### **Important note to this final text**

**In the report that accompanies the final overall action plan the US alone insisted the following was stated: “It is the collective understanding of the contact group [ie the small committee mandated by the Summit to thrash out an agreed text] on Means of Implementation that paragraph 3 of Ch. V of the Johannesburg Programme of Action regarding corporate responsibility and accountability refers to existing intergovernmental agreements and international initiatives”. Other countries objected to the claim from the US that this view extended to the Contact group and was more than just the view of the US.**

## 2 Sustainable production and consumption

### Commentary

*Governments have recognised the need to change unsustainable patterns of consumption and production and have identified the practices of corporations as a key issue. But their solutions are weak. The final agreement is centred on the words 'enhance' and 'encourage' which carry no commitment to action. Indeed there are no actual routes proposed for securing accountability at all – merely some vague references to ideas for improving the responsible practices of companies. No reference, for example, to regulation or frameworks, nor to changing the duties of corporations nor, especially, to empowering citizens to challenge corporate bad practices.*

### 3 February

B 1 Adopt policies and measures by developed countries aimed at changing unsustainable patterns of production and consumption via technological, trade and educational policies which, inter alia: (a) raise consumer awareness of the importance of sustainable production and consumption patterns; (b) improve the role of the media and other public information tools; (c) assist small and medium-sized companies as well as to provide incentives to industry and publicly funded research and development institutions; (d) assist small and medium-sized companies to enhance industrial productivity and competitiveness; and, (e) enhance corporate responsibility and accountability.

### 25 March

5 (v) Enhance corporate responsibility and accountability;

### 31 March

[Corporate responsibility]

(g) [Enhance]/[Raise](*Japan*) corporate [awareness of the importance of](*Japan*) [environmental and social](*G77*) responsibility and accountability [for sustainable production and consumption patterns;](*Japan*)

(g.bis) [Promote corporate responsibility and accountability, and encourage industry to improve environmental performance through adoption of voluntary initiatives and eco-efficiency approaches, including environment management systems and public reporting on environmental and social issues using tools such as GRI to work toward a standardized method of reporting and engage in dialogue with the communities in which they operate;] (*Australia, Canada*)

(g.ter) [Provide adequate market structures supportive of sustainable development and further develop general guidelines for sustainable development reporting, such as the Global Reporting Initiative (GRI), and promote international standardisation on environmental reporting;] (*EU*)

### 27 May

15. Enhance corporate, environmental and social responsibility and accountability. This would include international, regional and national actions to:

(a) Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development;

- (b) Encourage dialogue between enterprises and the communities in which they operate and other stakeholders;
- (c) Encourage financial institutions to incorporate sustainability considerations into their decision-making processes;
- (d) Develop workplace-based partnerships and programmes, including training and education programmes.

### 12 June (final)

17. Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to:

(a) Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization (ISO) standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind Principle 11 of the Rio Declaration on Environment and Development;

(b) Encourage dialogue between enterprises and the communities in which they operate and other stakeholders;

(c) Encourage financial institutions to incorporate sustainable development considerations into their decision-making processes;

(d) Develop workplace-based partnerships and programmes, including training and education programmes.

## 3 Institutional framework

### Commentary

*Once some of the agreement had been sketched out at Prepcom 2 and 3, the UN introduced a section on the institutional arrangements needed to deliver the final implementation plan. That too started with a robust plan around a framework for corporate accountability. While the G77 strongly supported the idea of a 'framework', Japan, the US, Australia and the EU killed off the idea. In the end Norway argued for tougher commitments but its suggestions were traded for the removal of the word 'voluntary' which Australia was attempting to inject.*

### 8 May

3 (l) Develop a framework for trans-national corporation accountability.

### 15 May

2 Good governance in the non-government sector is also essential to achieve sustainable development. This involves measures aimed at promoting responsible approaches in the corporate and other non-government sectors. **In particular, the important role of NGOs in supporting and promoting good governance at all levels should be acknowledged and strengthened.** (Switzl)

*alt. (j) Develop a framework for transnational corporation accountability in any IASD. (G77)*

### 12 June (final)

122 (f) [Agreed] Promote corporate responsibility and accountability and the exchange of best practices in the context of sustainable development, including, as appropriate, through multi-stakeholder dialogue, such as the Commission on Sustainable Development and other initiatives;

## 4 Political Declaration

### Commentary

*Aside from the 'Plan of Implementation' which will be the 'meat' of the WSSD, heads of government or State made a Political Declaration. This too started with a firm commitment to corporate accountability and has been weakened already. The final text is appalling. It removes the role of governments from delivering corporate accountability and puts the duty in the hands of multinationals' boardrooms.*

### 2 June

We reaffirm that success in meeting the objectives of sustainable development and poverty eradication depends inter alia on good governance both within each country and at the international levels as well as transparency in financial monetary and trading systems. We also call for the development of an international framework for corporate responsibility and accountability.

### 9 July

7. We recognize that globalization has added a new dimension to the pursuit of sustainable development. While it offers new opportunities for sustainable development, the benefits and costs of globalization are very unevenly distributed. Hence, the continuing relevance of the principle of common but differentiated responsibility. We commit ourselves to making globalization equitable and inclusive. To this end, we will take concrete measures to create an enabling environment, promote good governance at all levels, including democratic values and the rule of law, and encourage corporate accountability and enhance international cooperation.

### 2 September

48. We recognise that the process of globalisation is accompanied by the emergence of leading private sector corporations which have a responsibility to contribute to the evolution of equitable and sustainable communities and societies, even as they pursue their legitimate activities.

49. We therefore agree that there is a need for the private sector to operate within a transparent and stable regulatory environment to reinforce its corporate responsibility and social contribution.

50. Accordingly, we agree that the United Nations General Assembly should pursue the matter of corporate responsibility and the social contribution of the private sector.

### 4 September (final)

24. We agree that in pursuit of their legitimate activities the private sector, both large and small companies, have a duty to contribute to the evolution of equitable and sustainable communities and societies.

26. We agree that there is a need for private sector corporations to enforce corporate accountability. This should take place within a transparent and stable regulatory environment.