

Please cite this paper as:

Gordon, K. and M. Miyake (1999), "Deciphering Codes of Corporate Conduct: A Review of their Contents", *OECD Working Papers on International Investment*, 1999/02, OECD Publishing.
<http://dx.doi.org/10.1787/174727273520>



OECD Working Papers on International
Investment 1999/02

Deciphering Codes of Corporate Conduct

A REVIEW OF THEIR CONTENTS

Kathryn Gordon, Maiko Miyake

DIRECTORATE FOR FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS

WORKING PAPERS ON INTERNATIONAL INVESTMENT
Number 1999/2

**Deciphering Codes of Corporate Conduct:
A Review of their Contents**

Kathryn Gordon and Maiko Miyake

First issued: November 1999
Last revised: March 2000

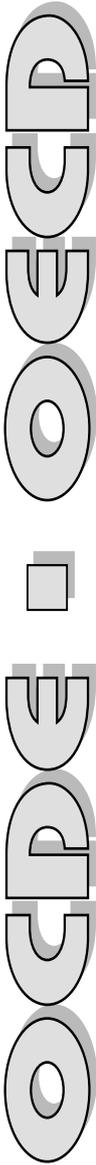


TABLE OF CONTENTS

I.	Introduction.....	3
II.	Main Findings	6
III.	Features of the voluntary codes examined here	8
IV.	The content of the voluntary codes: issues and audiences	12
IV.1	Environmental Stewardship.....	12
IV.2	Labour management	14
IV.3	Disclosure of information.....	17
IV.4	Competition	18
IV.5	Taxation.....	18
IV.6	Bribery and corruption	19
IV.7	Science and technology	22
IV.8	Consumer protection	22
V.	A closer look at the textile and extractive industry codes	23
V.1	Apparel codes	24
V.2	Extractive industry codes	26
V.3	Review of the apparel and extractive industry codes	28
	Bibliography	30
	<i>Annex</i> Methodology and Limitations	31

Deciphering Codes of Corporate Conduct: A Review of their Contents

I. Introduction

Many firms -- often working with NGOs -- have tried to respond to public concerns about globalisation.

Evidence of public concerns about globalisation is pervasive -- in the newspapers, on the Internet and more formal discussions of public policy. The business community has been attempting to position itself with respect to these concerns. Indeed, voluntary efforts to define and implement appropriate standards for business conduct constitute one of the more prominent managerial developments in recent years¹. These efforts have also often involved significant contributions from NGOs, governments and intergovernmental organisations.

Many have issued statements of ethics or values that cover various facets of corporate conduct.

The issuance of voluntary codes of conduct has been an important facet of these developments. Such codes are voluntary expressions of commitment made by an organisation to influence or control behaviour for the benefit of the organisation itself and for the communities in which it operates. Private companies and associations of companies have issued such codes, calling them codes of conduct, ethics statements or guidelines, in response to both internal and external pressures (from consumers, from potential regulation, from potential litigation or prosecution, from employees). In addition, NGOs and other inter-government organisations have proposed a large number of such codes. Taken together, the codes cover a wide range of issues including labour standards, human rights, environment, corruption, competition, consumer safety, finance and accounting.

The public is not always convinced that these voluntary efforts are effective.

Notwithstanding the intense activity in this area, scepticism persists about how significant these efforts are or can be. For example, some elements of the NGO community are suspicious of the voluntary codes movement, fearing that “industry will pay lip service to codes, but may not change its behaviour where profits are at issue”². Some are also concerned that such initiatives will “take the pressure off governments” to work towards more systematic means of encouraging high standards of business conduct. On the other hand, many NGOs are playing a central role in this movement--developing standards, advising companies, assessing performance and publishing their assessments.

-
1. A survey of 1000 Canadian companies, selected on the basis of size, showed that 85 per cent of the “participating organisations” had issued written statements of values and principles KPMG Canada (1999).
 2. This citation is taken from “Commerce with Conscience?” website. www.ichrdd.ca/PublicationsE.html/. Another website offers NGOs a paper entitled “Engineering of Consent: Uncovering Corporate PR Strategies”, which is designed to help them “recognise manipulative strategies and distinguish them from industry behaviour which is truly indicative of change.” The material may be found at www.icaap.org/Cornerhouse/briefings/proms.html/

Economic theory supports these concerns, but also points to problems with some of the alternatives -- regulation and taxation.

The academic literature on regulation and self-regulation largely concurs with the view that voluntary efforts to improve business conduct will encounter enforcement and credibility problems. Purchase (1996) and Liubicic (1998), for example, underscore the difficulty that voluntary systems have in controlling free riders, in achieving consensus about what the standards should be and in promoting voluntary compliance. However, the literature balances this concern with the recognition that all regulatory systems -- voluntary or formal -- pose serious problems of one sort or another³.

The corporate codes can be assessed with respect to their relevance, sincerity, cost of implementation and institutional effectiveness.

Thus, both practitioners and economists raise a number of questions about codes of conduct and, more generally, about the business sector's efforts to promote corporate responsibility (but some of these concerns also arise in formal systems of regulation and taxation). These can be summarised under four analytical issues described in the Box: relevance, sincerity, capacity to implement in a cost effective way, institutional effectiveness of voluntary codes versus other control instruments (e.g. taxation, formal regulation). Sincerity and capacity to implement are elements of credibility, another key idea in economists' thinking on commitment.

The present paper focuses on the first issue -- relevance -- by looking at the codes' contents. As such, it should be seen as the first instalment of a multi-phase effort.

The present paper focuses on the first issue -- how relevant are the aspirations and commitments set forth in corporate codes in addressing public concerns? It also looks in some detail at how these issues are addressed -- for example, within the general issue of environmental management, what, more specifically, do firms say they want to do? It also takes a closer look at the codes in the apparel and extractive industries in order to see if these codes deal with the concerns that appear to be of particular relevance to these sectors. In particular, it looks at the codes' treatment of child labour and other workplace issues in the apparel industry and at protection of indigenous peoples and site restoration in extractive industries. Since the present paper deals only with the approach to and the content of firms' commitments in these areas, it represents only a first step in the broader analytical agenda that would shed fuller light on the significance of firms' efforts to adhere to appropriate norms for business conduct.

3. OECD (1997a) documents some of the problems encountered in the extensive systems of formal regulation that exist in the OECD. These include: ineffective enforcement, the tendency for formal regimes to fall behind technological progress or to be gradually taken over by the entities that are supposed to be regulated (the well-known problem of regulatory capture).

Box. Questions about voluntary codes

Relevance of commitments. What is in the texts of the codes? Do they respond to public concerns? Is there a broad public consensus on what corporate responsibility is? Is there any evidence that the codes avoid difficult issues -- for example, by failing to clarify corporate commitments in areas where greater transparency might be useful?

Sincerity of commitments. Are the statements of commitments and aspiration made in corporate codes likely to be sincere? Some analysts are concerned that they are just window-dressing -- nothing more than public relations ploys that means little or nothing in terms of changes in business behaviour. Other analysts recognise that basic forces act on firms may be promoting compliance. Some forces, both external and internal to the firm, probably do tend to promote compliance with codes (e.g. profit motive operating via product and factor markets)? Other forces, many of which also operate through product and factor markets, tend to undermine compliance. Political forces may also stimulate the raising of corporate standards.

Capacity of firms to live up to their commitments at reasonable cost. Even if the commitments and aspirations set forth in the codes are sincere, do firms have the capacity to make good on them at an operational level and at a cost that is commercially feasible? Many multinational enterprises are far-flung entities with tens of thousands of employees and an array of activities. Are internal control systems capable of allowing the company to honour the commitments made in the codes?

Institutional effectiveness of voluntary codes versus other control mechanisms. Even if corporations do have management control systems that allow them to honour their codes and even if firms' commitments are both relevant and sincere, is this an effective way of responding to public calls for raising standards or for addressing market failures? Would some form of formal regulation or taxation constitute a more effective response for domestic issues? For the international aspects of business conduct, what is the role of international treaties or recommendations relative to these voluntary efforts?

II. Main Findings

The main findings of this investigation of 246 voluntary codes of conduct are:

The codes in the overall inventory cover a diverse array of sectoral, geographical and organisational contexts.

While many of the codes appear to be responding to public concerns, many others address other objectives (e.g. enlisting employee support for more general compliance programmes or managing litigation risks).

The content of the Codes is variable but commitments to environment and labour are the most frequently cited.

Diversity of breadth and detail of coverage. The codes studied here show significant diversity in terms of their content and degree of detail. This reflects the underlying diversity of the organisations issuing the codes, which differ in terms of size, sector and regional affiliation. All the firms in this study are based in the OECD (most of the 29 member OECD countries are covered in the inventory). The firms operate in a variety of sectors including high technology, mass retailing, heavy manufacturing, light manufacturing, primary production, and financial services. Business associations have issued some codes in the inventory, while others are issued by NGOs.

The codes respond to a variety of pressures: Many, but not all, of the codes studied are corporate responses to the concerns of the general public -- they are designed to reassure the public that the company is acting responsibly in areas such as environment and labour relations. The influence of consumers and NGOs is clearly visible in many of the codes. Others, however, respond to pressures from other sources or to more than one pressure. One source of pressure is the need to comply with laws -- some of these codes are addressed to employees and appear to be designed to enlist their support for the company's overall compliance programmes. Other codes contain text dealing with comparatively narrow questions of internal financial control and protection of shareholder value (e.g. no insider trading, the need to safeguard proprietary information, the importance of maintaining accurate financial accounts). These codes are clearly addressed to employees (who are sometimes asked to sign them) and designed to ensure compliance with securities and company law and to protect shareholders. Another important pressure that appears to have shaped some of the codes is the need to manage risks of liability or prosecution for non-compliance with the law in such areas as competition and environment (not surprisingly, this is most evident in some of the North American codes). Again, such codes are directed at employees and are written at a level of detail and on subject areas that would not necessarily appeal to the general public -- these are specialist texts aimed at particular risk management objectives.

Environment and labour standards dominate other issues, but consumer protection and corruption are also dealt with in many codes. Environment and labour are the most commonly referenced among the 9 issues areas examined. A large number of codes are dedicated exclusively to one of the issues (19 to environmental management and 36 to labour standards). Other issues that receive extensive attention are consumer protection (mentioned in 47.6 per cent of the codes) and bribery and corruption (mentioned by 22.8 per cent of the codes).

The treatment of environment and labour issues varies in terms of the general approach taken and the specifics of commitments made. The level of commitment is often quite high, especially in the codes focused on only one or two issues.

The analysis shows that sectoral effects are crucial for understanding the codes and that consensus is lacking on important issues.

The methodology used to study these codes is limiting. Ultimately, they must be looked at in their broader context.

Within the labour and environment codes, there is significant diversity of treatment. While some of the codes mention labour and environment only in passing, many of them are devoted exclusively to one of these two issues. Especially in these “single issue” codes, the overall level of commitment is most often quite high, but the specifics of the commitment are variable. In the environmental codes, commitments often include being open to community concerns, engaging in a process of continual improvement, training employees and encouraging dialog within the firm. The same situation holds for the labour codes -- the codes that deal with the issue at length tend to show a high level of commitment. Among all codes mentioning labour, the most common commitments are: creating a reasonable working environment (75.7 per cent of the codes mentioning labour), followed by refusal to discriminate or harass (60.8 per cent) and compliance with law (65.5 per cent) and child labour (43.2 per cent) and compensation (about 45.3 per cent). Although the codes frequently do not cite outside instruments (issued by inter-governmental bodies, NGOs or by business associations), external codes and international agreements and recommendations have clearly influenced many of them.

The apparel and extractive industry codes show that industry factors can be very important in shaping the codes. The content of the apparel codes, all of which deal with labour issues, is quite different than “average” content of the labour codes in the overall inventory. All the apparel codes deal with child labour and the majority deal with bonded labour, working environment and compensation. Thus, the codes show evidence of a consensus having been formed, but around a very narrow range of issues. The extractive industry codes typically straddle a very diverse array of issues and are much more likely to deal with environment and labour than the “average” code in the inventory. For reasons that cannot be inferred from the texts of the codes themselves, the extractive industry codes show no signs, as yet, of convergence in the issues they cover and in their treatment of these issues.

The codes of conduct methodology has significant drawbacks and its findings can only be seen as indicative of how firms manage one aspect of their corporate responsibility policies. The codes of conduct methodology looks only at what may be the “tip of the iceberg” in firms’ efforts to meet a given standard for business conduct. Corporate codes, in order to be fully understood, must be placed in their broader managerial, sectoral and social context.

III. Features of the voluntary codes examined here

The analysis presented in this paper is based on an inventory of 246 codes of corporate conduct.

This section describes an extension of an inventory of 233 codes collected for an earlier OECD study. The extended inventory takes a more in-depth look at the coverage of the codes and also adds 13 company and association codes. It examines how the codes treat various issues within a number of areas that are important in understanding how business activity affects the economic, social and environmental welfare. The purpose of this analysis of texts is to determine the approach to commitment adopted in the codes -- how far do commitments go in various ethical areas?

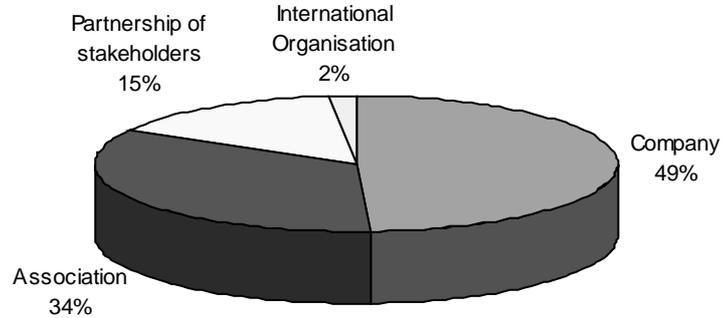
The methodology has limitations stemming from the way the set of codes was collected and from the heterogeneity of information about different issuers' codes.

There are a number of problems and limitations associated with this methodology (see Annex for discussion of such problems). First, the OECD collected the codes studied here from business and non-business contacts which OECD Member governments helped identify (see OECD (1998a) for a discussion). Because of the way it was collected, the set of codes is not random and may not be representative (thus, this is a "set" of codes, not a "sample"). Second, there is no way to ensure that the materials the OECD received from the various code issuers are comparable. Some companies issue short statements of values and then publish instructions, manuals and training material for their employees that reveal more about corporate commitments. For some companies, some or all of this additional material is either in the presentation of their code or has been sent to the OECD. But, if it was not sent, it does not show up in the inventory. Thus, some of the measured variation may stem from the inventory containing fuller information for some issuers than for others.

Most of the codes are issued by individual firms and by business associations.

The composition of the codes by type of issuer is shown in Figure 2. Individual (mostly multinational) companies issued most of the codes (118 of them). However, code activity extends beyond companies to industry and trade associations, "partnerships of stakeholders" (mainly NGOs and unions)" and some inter-governmental organisations.

Figure 2. Composition of codes by type of issuer



Source: OECD

Company codes may address the general public, employees or business partners. Sometimes they address more than one audience.

The inventory contains codes addressing a variety of audiences. While association codes always state the commitments of the association, individual company code may take different forms. These are shown in Figure 3. The main categories of individual company codes that are found in the inventory are: 1) those that set guideline for employees; 2) guidelines for its supplier/business partner’s conduct; 3) a statement of company’s commitment towards the public. Most of the codes fall into one or two categories mentioned above. The remaining codes are international agreements, government statements, and recommendation by third parties. A code may cover more than one function mentioned above; for example, it often happens that part of a code is for employees, while another section is for business partners.

Figure 3. Type of Codes



Source: OECD

Some countries are more heavily represented than others in the set of codes, but they are not over-represented in relation to the size of their economies.

Twenty-four countries are represented in the codes. Viewed in terms of raw numbers, the codes' issuers are based predominantly in the United States, the United Kingdom, Switzerland and Australia (Table 1). However, when account is taken of the larger size of these countries, they are not over-represented in the set. For example, when one divides the number of codes for each country by the value of that country's GDP, one obtains a different picture. Perhaps because of the way the codes were collected, smaller countries dominate (e.g. Czech Republic, Luxembourg and New Zealand). It is worth reiterating that this discussion sheds light only on the composition of the set of codes considered in this study – it does not contain reliable information on the “true” geographical distribution of voluntary codes.

Table 1. Countries of origin, by issuer of code

	Number of codes	Codes per trillion dollars of nominal GDP*
Australia	20	54
Austria	4	19
Belgium	2	8
Canada	17	29
Czech Republic	4	71
Denmark	2	11
Finland	4	31
France	9	6
Germany	11	5
Greece	2	16
Italy	5	4
Japan	8	2
Korea	7	22
Luxembourg	1	56
Mexico	3	7
Netherlands	2	5
New Zealand	4	75
Norway	3	20
Spain	4	7
Sweden	6	25
Switzerland	10	38
United Kingdom	23	16
United States	67	8
Few countries mixed	9	n.a.
International	19	n.a.

*This calculation was 1998 GDP in current prices taken from OECD sources.

Note: It was not possible to identify the nationality of all codes

Source: OECD

All sectors of the economy -- primary, secondary and tertiary production -- are represented.

Enterprises often produce more than one type of product and are involved in several business activities. For this reason, it can be difficult to categorise firms by a simple industrial classification. Among the 118 companies whose individual company codes are available to us, 24 operate in primary sector, 69 in secondary and 91 in tertiary sector (see Table 2 for breakdowns).

Table 2. **Sectoral composition of firms issuing codes**

Sector	Activity	Number of firms
Primary	Agriculture	3
	Extractive	20
Secondary	Food	7
	Textile	23
	Wood	4
	Petroleum related	12
	Chemical	22
	Plastic	5
	Metal	13
	Electronics	14
	Mechanical product	15
	Office machinery	6
	Vehicles	10
Others	15	
Tertiary	Electricity, gas, water	10
	Construction	6
	Trade	61
	Hotel/restaurant	6
	Transport and communication	12
	Financial activities	10
	Real estate and other business	9
	Others	14

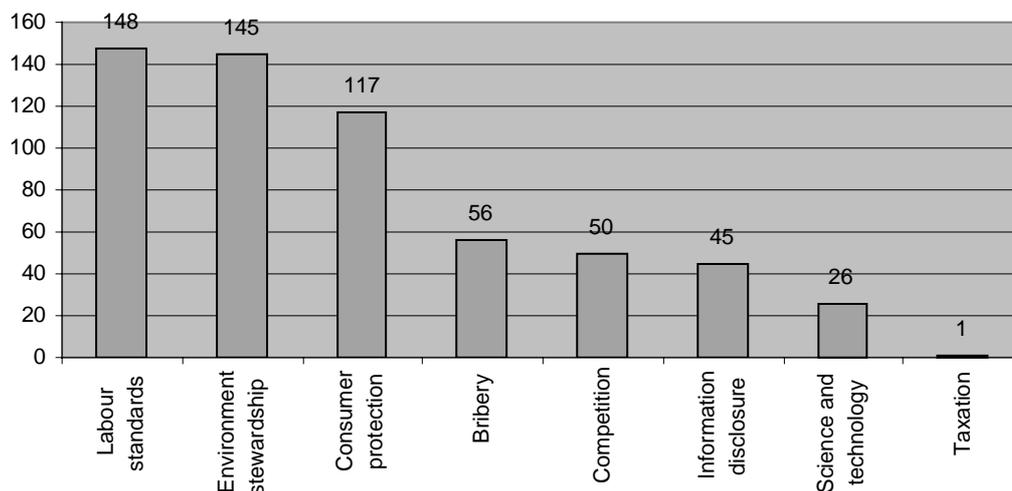
Source: OECD

IV. The content of the voluntary codes: issues and audiences

The issue areas examined are: environment, labour, disclosure, competition, taxation, corruption, technology and consumer protection.

This section gives the results of a textual analysis of the 246 codes. It covers a number of issue areas: environmental stewardship, labour relations, disclosure of information, competition, taxation, bribery and corruption, science and technology, consumer protection and miscellaneous issues (Figure 4). These issue areas were chosen because they are important for the ways that companies affect the welfare of the societies in which they operate. Environmental stewardship (with 145 codes mentioning it) and labour relations (148 codes) are the most frequently mentioned issue areas. The least frequently mentioned issue area is taxation, which appears in only one code, issued by an inter-denominational religious NGO.

Figure 4. Attributes of the Codes



Source: OECD

IV.1 Environmental Stewardship

This analysis examines 24 specific attributes of the codes' environmental commitments.

Environmental stewardship is the most heavily cited of the areas in the extended inventory: 145 codes out of the 246 codes in the set mention it. Twenty-four of the codes are dedicated exclusively to this subject. The Secretariat has extended the initial inventory to 24 more specific attributes of the environment commitments. The attributes were selected by referring to some major environmental codes (Agenda 21, Ceres) and based on the suggestions of in-house experts. The results of this extension of the inventory are shown in Table 3.

Commonly cited environmental commitments are compliance with the law, training, openness to community concerns and environmentally friendly products.

Table 3 shows the frequency with which specific types of commitment are mentioned in the codes that cover environment. The most commonly cited commitment is “complying with the law”, which appears in 67.6 per cent of the codes. Other frequently mentioned commitments are: “employee education, awareness and training” (mentioned in 35.9 per cent of the environment codes), “openness to community concerns⁴” (40 per cent), “environmentally friendly products and services” (37.9 per cent), provision of information so as to heighten community or consumer awareness (33.1 per cent), obligations on contractors and suppliers (35.2 per cent) and global applicability (33.8 per cent).

Table 3. **Environmental content of codes**

	Percentage of codes mentioning attribute*
Measurable objectives	17.9
Continual improvement	33.8
Global application	33.8
Prior assessment	23.4
Employee training, awareness and dialogue	35.9
Environmentally friendly products and services	37.9
Research	26.2
Accountability of Management	24.8
Contractors, suppliers & partners	35.2
Emergency Preparedness	17.2
Transfer of technology	9.7
Openness to community concerns	40.0
Internal Reporting & Performance audits	28.3
Polluter Pays Principle	0.0
Transparency to Public	35.9
Bio-diversity	11.7
Water, waste & effluent management	33.1
Conservation of Materials & Recycling	33.1
Design, construction and decommissioning sites/facilities	15.2
Energy Conservation	24.8
Hazardous waste disposal/management	23.4
Comply with laws	67.6
Exceed legal requirements	20.7
Contribute to sound legislation	16.6
Public/customer awareness	33.1
Sustainable development	23.4

* These are calculated as: $100 \times [\text{the number of codes mentioning attribute}] \div [\text{the number of codes citing environmental stewardship}]$

Source: OECD

4 Openness to community refers to the local dimension of environmental stewardship – that is, consideration and protection of communities and the environment immediately surrounding a plant site or otherwise affected by company activities.

IV.2 Labour management

Labour management is the second most cited issue area in the codes. Seventy six per cent of the labour codes commit to providing reasonable working conditions. Twenty five per cent of the codes refer explicitly to human rights in the workplace.

“Fair employment and labour rights” is an extremely important issue area, with over half of the codes mentioning it. The extended inventory looks at 18 attributes of labour commitments in codes. Table 4 reports the frequency with which each attribute is mentioned in the codes that contain text on labour relations. In understanding the content of these codes, it is necessary to keep in mind that many of them are, at least in part, responses to NGO- or government-sponsored campaigns to improve working conditions in the sub-contracting sector of the apparel industry (e.g. the “Clean Clothes” campaign). Mass retailers and some other consumer goods companies also tend to be sensitive to this issue. Thus, 41.2 per cent of the codes dealing with labour issues mention obligations on sub-contractors or other business partners. Similarly, many of them concentrate on the “cluster” of issues that came up in the course of these campaigns – forced labour (38.5 per cent), child labour (43.2 per cent), working hours (31.8 per cent), compensation (45.3 per cent) and reasonable working environments (75.7 per cent)⁵. More generally, respect for human rights in the workplace is often mentioned in the labour texts -- 25 per cent of codes that deal with labour issues refer specifically to human rights.

Relatively few of the codes mention respecting freedom of association.

It is worth noting that the codes have relatively less coverage of other important aspects of human rights in the workplace. Only 29.7 per cent of the codes mention respecting freedom of association and collective bargaining. Other issues that are less frequently mentioned include right to information (13.5 per cent) and reasonable advance notice (3.4 per cent).

Many of the labour texts are addressed to subcontractors.

Relations with sub-contractors and other business partners are mentioned in 41 per cent of the labour texts. As noted above, many of the texts are, in fact, addressed to subcontractors and other partners. Often partners are asked to sign a letter of understanding that contains language to the effect that there might be sanctions if the standard is not adhered to. However, the codes often state that, before such measures are adopted, remedial action may be taken by the contractor to lift his standards⁶. Some of the codes come with training material and formats for data collection designed to serve as a basis for data bases tracking the labour conditions prevailing in sub-contractors’ production sites.

5 Thirteen per cent mention the ILO Declaration or Conventions.

6 For example, one North American retailer states the following on monitoring and enforcement in its vendor code: “As a condition of doing business with [the company], each and every factory must comply with this code of vendor conduct. [The company] will continue to develop monitoring systems to assess and ensure compliance. If [the company] determines that any factory has violated this Code, [the company] may either terminate its business relationship or require the factory to implement a corrective action plan. If corrective action is advised but not taken, [the company] will suspend placement of future orders and may terminate current production.”

Table 4. **The Labour Content of the Codes**

	Percentage of codes mentioning attribute*
Reasonable working environment	75.7
Compensation	45.3
No forced labour	38.5
No child labour	43.2
No discrimination or harassment	60.8
Working hours	31.8
Freedom of association	29.7
Obligations on contractors/suppliers	41.2
Compliance with laws	65.5
Right to information	13.5
Provision of training	32.4
Reasonable advance notice	3.4
No excessive casual labour	3.4
Flexible workplace relations	0.7
Human right	25.0
ILO codes mentioned	10.1
Monitoring	24.3
Promotion	8.8

* These are calculated as:

$$100 * [\text{the number of codes mentioning attribute}] \div [\text{the number of codes citing labour}]$$

Source: OECD

Even within the more specific issue areas (e.g. child labour) differences of approach and commitment can be important. A few of the texts state that refusing to employ a child might not be in the child's interest. Some codes make commitments to ensure that removal of a child from work does not jeopardise its welfare (e.g. the firm must verify that the child has relatives nearby).

The codes also attest to certain divergences of opinion or approach. On one extreme, for example, a North American company states quite openly that it will use legally permissible means to discourage the unionisation of its work force. In contrast, many other companies commit to freedom of association and right to collective bargaining for their own employees and for contractors and subcontractors. Labour codes also differ in their specific treatment of particular issues. Child labour is a good example of this. A large number of labour codes say nothing at all about this issue (and many of the companies contacted directly are convinced that it is not an issue for them). All of the codes that do deal with the issue commit the company to contributing to the long-term goal of eliminating child labour. However, several codes recognise that the ethical considerations underpinning child labour mean that outright prohibition might not always be in children's interests. For example, a mass retailer from continental Europe has issued a code that states:

In many countries, child labour is both permitted and common. Asking our suppliers to prohibit it completely for children under a certain age would have dramatic consequences for the children themselves and for their families (extreme poverty, prostitution...). It is therefore necessary to opt for a more gradual, pragmatic, incentive-based approach. Accordingly, [the company], in extreme situations (excessively young workers, inappropriate working conditions...) will immediately cease its commercial relations with the enterprise concerned. In other cases, [the company] will encourage its supplier to participate actively and progressively in eliminating child labour by using the most appropriate methods in the interest of the child. In order to realise this objective, [the company] will promote compliance among its suppliers with the ILO convention that fixes the minimum working age at 14 years.

Numerous codes also specify what is to be done if a child is found to be in the employ of a sub-contractor (e.g. child is to be taken care of until some alternative is found – return to family, re-entry into school etc.) Other codes do not specify whether any special obligation to the child exists.

The labour content of the codes underscores the diversity of treatment of the labour codes. The codes movement may be useful in spurring debate on crucial issues about which no consensus has yet emerged.

Some analysts have expressed concern about the diversity of and lack of consistency in treatment of issues in the labour codes (Diller 1999 and, in relation to human rights, Liubicic 1998). Indeed, idiosyncrasies may reduce the codes' value as tools promoting transparency and accountability. On the other hand, the diversity of codes -- in addition to reflecting the inherent differences of the organisations that issue them and probable weaknesses in the methodology -- also reflects an underlying lack of consensus on some of these issues. For example, the issue of child labour and what kinds of commitment are appropriate in this area is obviously a very complex one -- the public in the developed world needs to be reminded of the difficult trade-offs that some families face and the developing world needs to be encouraged to move forward on implementation of policies that raise the welfare of children. The corporate code movement may be providing an avenue through which public debate on some of these difficult issues -- including who has responsibilities in the various domains -- are channelled. The debate, efforts and investments elicited by the corporate codes movement may be useful in

moving toward consensus in this area -- a consensus that will in any case be necessary if a more formal, standardised system of rules in this area is ever to be adopted.

IV.3 Disclosure of information

Many disclosure issues are discussed in the text.

“Disclosure of information” is a key aspect of corporate citizenship since the disclosure policies render the firm accountable to outside assessment. Disclosure texts tend to discuss three “concepts” for disclosure (often codes cover more than one of these):

- ***Disclosure in relation to code commitments.*** Companies promise to disclose the information required to monitor them with respect to the commitments made in the code. This type of commitment is most common in environmental codes, where transparency commitments are mentioned in 36 per cent of the codes. Overall social reporting is not yet a major feature of the labour codes, though 13.5 per cent mention employees’ rights to information.
- ***Disclosure of product information.*** They promise full and accurate disclosure of product information. This is discussed in greater length in the consumer section -- 41 per cent of the consumer texts make commitments concerning disclosure of product information.
- ***Disclosure as an aspect of financial control.*** They commit themselves to various types of financial disclosure. The remainder of the section deals with this issue.

Commitments in relation to financial disclosure, safeguarding of proprietary information and quality of public information are important in many codes

18.3 per cent of the codes reviewed for this paper contain text on financial disclosure (Figure 4). In addition, many of the codes state the need to safeguard proprietary business and financial information and not to reveal insider information. Generally the texts deal with financial accounting and disclosure in an extremely general way. For example, one code from a consumer products multinational states:

[Company name] accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

IV.4 Competition

Twenty percent of the codes mention competition issues. Often the texts consist of statement of the value of competition and a commitment to uphold it.

Roughly 20 per cent of the codes surveyed here contain text on competition. Most texts restrict themselves to a general description of the virtues of fair competition. For example, the same consumer products multinational just cited states:

[Company name] believes in vigorous yet fair competition and supports the development of appropriate competition laws. Employees receive guidance to ensure that they understand such laws and do not transgress them.

Some texts are slightly more specific. For example, a European entertainment company states:

[Company names] believes in the principle of fair competition as a basis for conducting its business and will comply with all applicable laws prohibiting restraints of trade, unfair trade practices or abuses of economic power. All purchases, sales and other contractual commitments must be based solely on consideration of quality, suitability, service, price and efficiency. In particular, reciprocal arrangements, whereby a supplier is expected to become a customer because they are a supplier or vice versa, are not permitted.

A few of the texts give very detailed treatments of competition issues. These are defensive texts that attempt to manage litigation risks.

In contrast, some of the texts are extremely detailed. The style is dense and somewhat technical. These texts appear to be largely defensive in nature and are designed for a specific legal and competition policy environment (usually North American). One U.S. company's code, for example, mentions the fact that the company is still subject to a court decree in relation to its competition practices. Their specific language may be designed to make company policy explicit and to help employees understand what competition means for decisions they make. The texts might also be used to show that due care was taken if the company were ever taken to court for infractions of anti-trust law.

IV.5 Taxation

Taxation is hardly discussed.

Only one code mentions taxation. Its issuer is the Interfaith Centre for Corporate Responsibility.

IV.6 Bribery and corruption

About a quarter of the codes deal with bribery and corruption, but the definitions of bribery vary widely among the codes..

Twenty-three per cent of the codes in the inventory – that is, 56 of them -- deal with bribery and corruption (see Table 1). This makes bribery the fourth most commonly cited issue areas (the others are labour relations, environment and consumer protection). The 56 codes vary widely in their definitions and commitments. Significant variation in the codes among issuers is normal, because the codes are designed to reflect their individual circumstances. Thus, complete homogeneity of treatment is neither expected nor desirable. However, the bribery codes show evidence (more than, for example, the labour or environment codes) of a lack of basic consensus on what the scope of bribery commitments, or the definition of bribery and corruption, should be.

The codes offer commitments to combat bribery and corruption that differ widely in scope and detail.

Looked at as a whole, the company codes in the inventory encompass a broad range of approaches to the issue of bribery, corruption, political contributions and gift giving. Some contain only general commitments (e.g. “to reject bribery in all its forms”): thirty-six per cent of the bribery codes simply prohibit of bribery and corrupt behaviour, without giving other details. Others offer detailed texts on bribery, corruption and influence (for example, one US code states that federal regulators may be offered complimentary donuts and coffee, but that they must pay for their own sandwiches). The codes address corrupt practices vis-à-vis both private and public actors -- sometimes dealing with one or the other, sometimes with both. In relation to bribery of private actors, the texts deal variously with customers, suppliers, employees and competitors. Many of the codes contain language prohibiting employees (and sometimes their friends and families as well) from accepting gifts or bribes

Two main themes are evident in the bribery codes -- public versus private and active versus passive. It is as common for codes to prohibit corrupt practices (receiving or offering improper advantages) vis-à-vis private agents as vis-à-vis public officials.

Thus, the codes show a variety of approaches to prohibition in this area: many codes do not attempt to define “bribery” and “corruption” while others give detailed guidance on the activities that could constitute bribery. The term adopted in the OECDs Bribery Convention -- that is, attempting to obtain “undue/improper advantage” from the activity -- is not used in any of the codes examined here. Three of the main themes that emerge from the codes’ discussions of bribery issues are:

- *Parties to bribery: private versus public actors.* The codes contain as much language about bribery and corruption vis-à-vis private agents as vis-à-vis public officials. 64 per cent of the codes focus on private actors, while 63 per cent focus on public officials. Thirty eight per cent of the bribery codes mention both.
- *Offering versus giving, receiving versus solicitation.* It is more common for bribery codes to include offering of bribes in the definition of bribery than to limit the definition to the giving of a bribe. For example, for bribery involving public officials, 41 per cent of the codes include offering while only 18 per cent limit the definition to giving. Twenty three per cent of the codes prohibit employees from receiving bribes, while 54 per cent prohibit solicitation.

- *Active versus passive.* Both active bribery (giving bribes) and passive bribery (receiving bribes) receive extensive attention in the codes. Indeed, the two most common prohibitions are offering or giving bribes to private actors and soliciting or receiving bribes from private actors.

The codes are often and perhaps necessarily ambiguous when trying to define what constitutes acceptable gift giving.

It is common for firms to discuss transactions (receiving, giving, offering or soliciting) involving “gifts and entertainment” in the definition of bribery -- 36 per cent of the bribery codes deal with gift-giving and entertainment. Five per cent of the codes distinguish between cash and other items: in these codes, gifts/entertainment may be acceptable under certain conditions but any activity involving cash is completely prohibited. Most codes dealing with bribery do not prohibit reception of gifts or entertainment completely when they are offered or given by business partners. But, here, the border between acceptable business practice and bribery is, perhaps unavoidably, fuzzy. The codes normally allow employees to offer gifts or entertainment that is “not excessive in value”(mentioned by 39 per cent of the bribery codes), “within the business norm” (30 per cent), “not seen as an inducement of business” (39 per cent), “does not violate the law” (20 per cent), and “does not damage corporate image”(18 per cent). Obviously, some of these pronouncements are quite ambiguous. Five per cent of the bribery codes set a limit in monetary terms.

The bribery codes also cover a number of related issues -- political contributions, cultural differences in gift giving and gifts made to family members.

Thirty-two per cent of the codes state that the firm will not make political contributions—be it to a person holding an office, candidates, or political parties. Fourteen per cent of the codes treat employees and immediate relatives of employees in the same manner. Nine per cent of the codes acknowledge the cultural differences among countries as a factor in determining what is appropriate in gift giving. Among these codes, only one insists on strict guidelines; the others allow exceptions on the basis of cultural differences.

Table 5. The Content of the 56 Bribery Codes

Attribute	Percentage of bribery codes mentioning attribute*
Parties to bribery:	
- Bribery of public officials	62.5
- Bribery of private actors	64.3
- Both	37.5
Proscribed activities:	
<i>Vis-à-vis public officials:</i>	
- Giving bribes only (that is, bribe actually given)	17.9
- Offering bribes (regardless of whether bribe is given)	41.1
- Political contributions	32.1
<i>Vis-à-vis private actors:</i>	
- Giving bribes only (that is, bribe actually given)	23.2
- Offering bribes (regardless of whether bribe is given)	58.9
- Receiving bribes by firm's employees	23.2
- Solicitation of bribes by employees	53.6
<i>Conditions under which entertainment and gift giving is prohibited:</i>	
- Excessive entertainment and gift giving	39.3
- Could be seen as inducement to business	39.3
- Value exceeds normal business practice	30.4
- Violation of laws	19.6
- Activity damages corporate image	17.9

* These are calculated as:

$$100 * [\text{the number of codes mentioning attribute}] \div [\text{the number of codes citing bribery}]$$

Source: OECD

IV.7 Science and technology

The treatment of technology issues in the codes is diverse.

Twenty-six codes (or about 11 per cent) make commitments in the area of science and technology. Five deal specifically with the development and diffusion of environmental technology. Three are issued by professional associations (e.g. of chemists and civil and electrical engineers) and deal with their role in the development and diffusion of technology. Three others refer to increasing public awareness of technology issues in order to promote acceptance of new technologies. A few codes state that they seek to promote, the diffusion of technology. For example, the following text comes from a North American telecommunications firm:

Where knowledge of product and manufacturing technology can be shared without harming [company name]'s competitive position in the market place (and without contravening national restrictions on transfer of technology), [company name] will engage in technology co-operation projects with industry and industry associations around the world.

IV.8 Consumer protection

Consumer protection codes often deal with product safety and product information. Protection of customers' privacy is also mentioned in a number of codes.

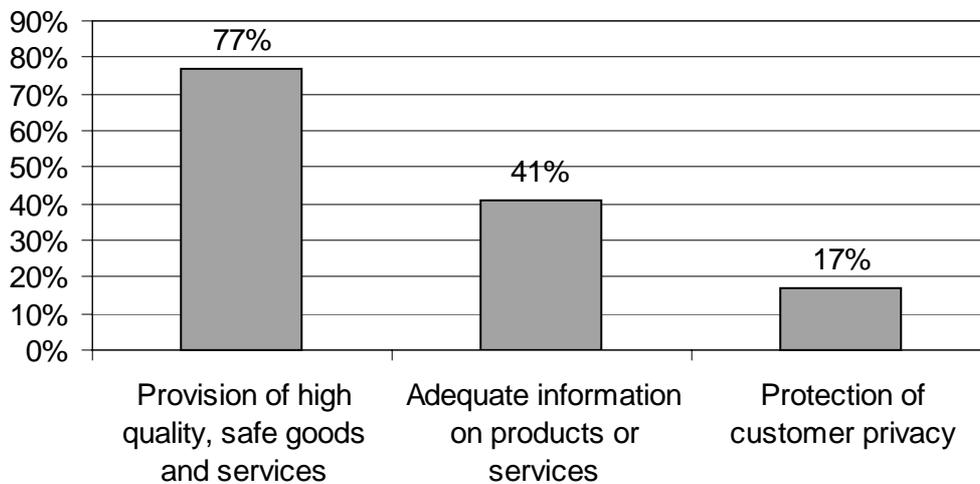
Consumer protection receives extensive attention in the voluntary codes. Forty eight per cent of the codes deal with some aspect of consumer protection. The three main attributes of consumer protection in the voluntary codes are: (1) provision of safe and quality products/services; (2) provision of information on safe and quality products/services; (3) and protection of consumers' personal information. Provision of safe, high quality products is the most common commitment to consumers expressed by firms (Figure 5)⁷. It is mentioned in 50 per cent of the codes that contain text on consumer protection. It is not surprising to see provision of environment friendly products and services to come top of the list. Several researches have pointed out that it is the first phase of corporate response to green consumerism (Jones and Baldwin 1994). Provision of product information and protection of customer privacy are mentioned less often.

A number of other commitments also appear in some codes.

Other subject areas that are mentioned quite often in the codes studied here are: advertising ethics; electronic commerce; public health and safety (almost always treated as an aspect of environmental management); animal rights; genetic engineering and protection of indigenous peoples.

7 These texts often begin with a general commitment to customer service. For example, a British retailer states: "We aim to achieve commercial success by meeting our customers' needs by the provision of high quality, good value products with exceptional service and relevant information which enables customers to make informed and responsible choices. "

Figure 5. **Consumer protection in the codes**



Source: OECD

V. A closer look at the textile and extractive industry codes

The numbers reported above aggregate over a variety of factors that shape codes (e.g. sector of activity).

The textual analysis of the inventory of 246 codes reported above covers a variety of firms and sectors -- hence, the codes represent responses to a diverse array of needs and circumstances. This diversity makes it difficult to evaluate the codes for consistency and uniformity of treatment, since part of any perceived lack of uniformity may stem from the diversity of *problematiques* facing the issuing organisations, not from differences in value and commitment. This section attempts to control for one of these underlying factors -- notably the economic sector.

This section's examination of apparel and extractive industry codes sheds light on whether, at least within an industry, there consensus on what commitments should be.

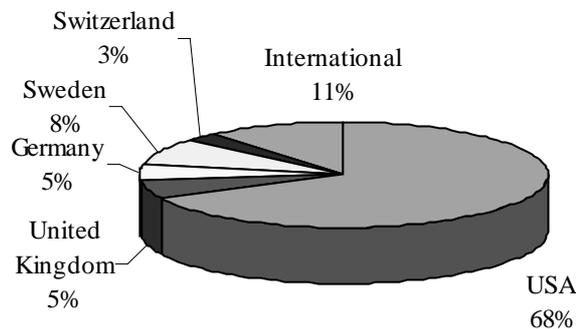
The first of these is apparel, a sector with a distinctive set of problems that cluster around: 1. Supply chains that are not owned by company 2. Extensive sub-contracting using partners engaged in labour-intensive assembly and 3. Production in less developed countries that sometimes offer only modest social and workplace protections to workers. The second is the extractive industries, which faces a much broader, but distinctive set of concerns (environment, labour management, protection of local communities from the effects of their large and often hazardous extraction and processing facilities). Both industries have been the subject of intense public scrutiny at various points in time. This analysis will reveal some things about codes that the full inventory cannot: is there any evidence of consensus on commitments? Is there evidence that firms are selective or even self-serving in their commitments (e.g. deliberately avoiding commitments in areas that are costly to them)?

V.1 Apparel codes

There are 37 apparel codes, most of which have been issued by US entities. Sweden accounts for a disproportionately large number of the apparel codes. Contacts with Japanese and French branded apparel firms indicate that corporate codes are not yet a major issue for them.

The extended inventory contains 37 codes of conduct related to textile and apparel industry in the inventory. Five codes were published by coalitions of entities. The rest were codes published by individual companies from five countries (Figure 6). The overwhelming majority (25 codes) has been issued by US companies. Sweden accounts for a disproportionately large number of apparel codes in the inventory. Japan and France are conspicuously absent from this set, given the size of their consumer markets (despite attempts to obtain codes from their apparel companies). Indeed, this is one of the few areas in which information is available on firms that do not have codes. Contacts with Japanese apparel companies revealed that they have not felt pressures to respond to public concerns about labour standards in their industry. Of nine branded apparel firms contacted in France, only one was aware of the existence of codes of conduct and was currently working on a code. The others were unaware of apparel industry codes and had no plans to work on one.

Figure 6. Countries of Origin of Apparel Industry Codes



Source: OECD

The apparel codes tend to be focused on a relatively narrow range of labour issues.

The 37 apparel codes show a strong focus on a relatively narrow range of labour standards. All the codes covered labour standards, but varied in their treatment of the more specific labour issues. Environmental stewardship appears as a commitment in 21 of the apparel codes, but it is not usually dealt with in any detail. Two companies mentioned consumer protection in passing (e.g. “providing quality items for customers”). Thus, compared to the overall average of the inventory, the apparel codes are very focused. None of the codes referred to other areas of corporate responsibility such as information disclosure, finance, science and technology, taxation and competition.

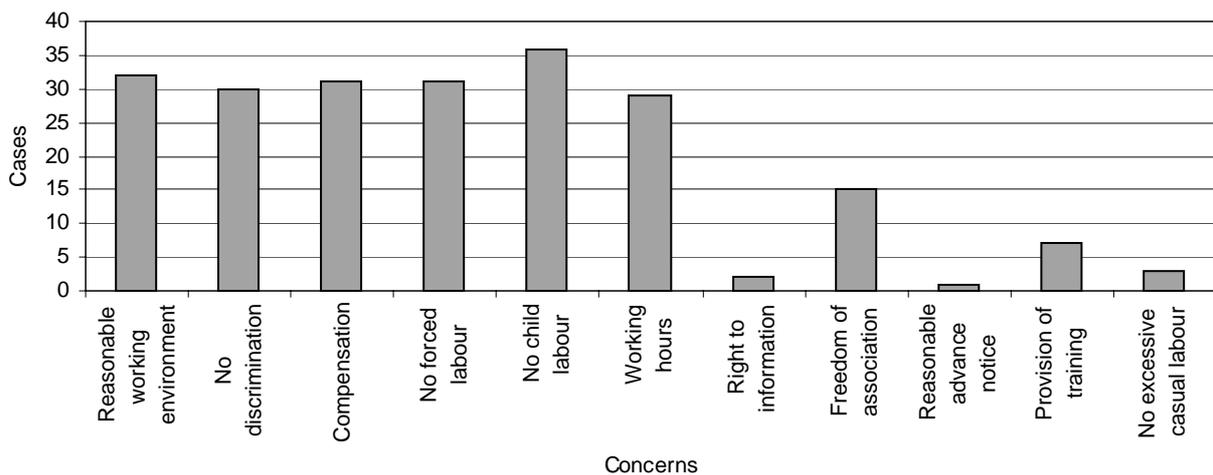
Although there are significant differences between the apparel codes, there are also strong similarities of commitment and language. Nearly all codes deal with child labour.

The most frequently expressed commitments in the area of labour standard are related to ILO conventions and UN Human Rights Conventions, although few firms specifically mention the conventions explicitly (6 and 10 firms respectively). These commitments, namely reasonable working environment, adequate compensation, no forced labour, no child labour, no discrimination and reasonable working hours, are all frequently mentioned in the codes (Figure 7). Indeed, these issues are much more heavily mentioned in the apparel codes than they are in the overall inventory. 21 out of 32 company codes refer to all the six issues. Proscription of child labour is the most frequently mentioned commitment -- 36 out of 37 codes. One code -- issued by an association of sporting goods manufacturers -- is solely dedicated to this issue.

Freedom of association is often mentioned, but receives less attention than other human rights issues.

Freedom of association is mentioned in just under half of the apparel codes. Given the importance of freedom of association as a workplace right, it is perhaps surprising that the issue is not mentioned more often. This might reflect issuers' perceptions that the public is less motivated by this issue or a lack of agreement on what the nature of the firm's commitment ought to be. Commitments to provision of training are less frequent in the apparel codes than in the labour codes for the overall inventory. Other issues -- the treatment of employees' rights to information, provision of training and commitment to forego use of excessive casual labour and flexible workplace relations -- attract little attention in the apparel codes. Reasonable advance notice and flexible workplace relations were not found in any of the codes.

Figure 7. Concerns Expressed in Apparel Companies' Codes of Conduct



Source: OECD

Many of the apparel codes are addressed to suppliers and sub-contractors.

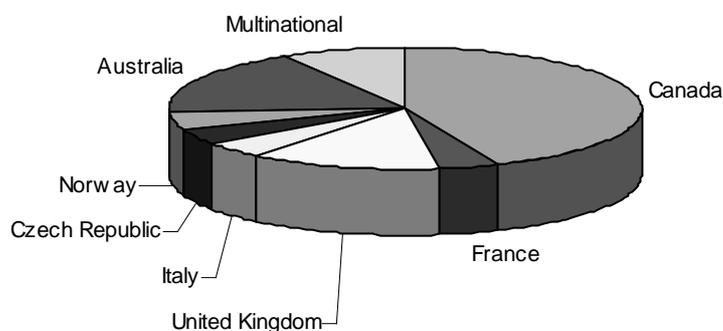
Among the 32 apparel codes issued by companies, 26 are addressed to suppliers and contractors. The majority of the issuers of the code are retailers. They are close to the market and directly influenced by consumers' purchasing decision. The retailers often use suppliers and subcontractors to manufacture products. Thus they do not have a direct control over the labour standards. What they can do is to impose certain labour standards. In 12 cases, the codes "threaten" to terminate the contract if the standard is not met by their supply chain. In terms of monitoring systems, 23 codes make no mention of this issue (a few seem to try to establish the possibility of whistleblowing in their supply chains). Only three companies mention the provision of employee training and awareness to promote the standard.

V.2 Extractive industry codes

There are just over twenty extractive industry codes, with issuers from 7 OECD countries.

The inventory contains 23 codes of conduct issued by organisations in the extractive industry (mining, petroleum and natural gas). These are based in seven OECD countries (Figure 8). Among them, 17 are company codes, 4 are business association codes, one is an agreement between business and labour union, and one is an agreement between a company and governments. All of the firms in the set are large multinationals and most have high public visibility.

Figure 8. Countries of Origin of Extractive Industry Codes: Extractive Industry

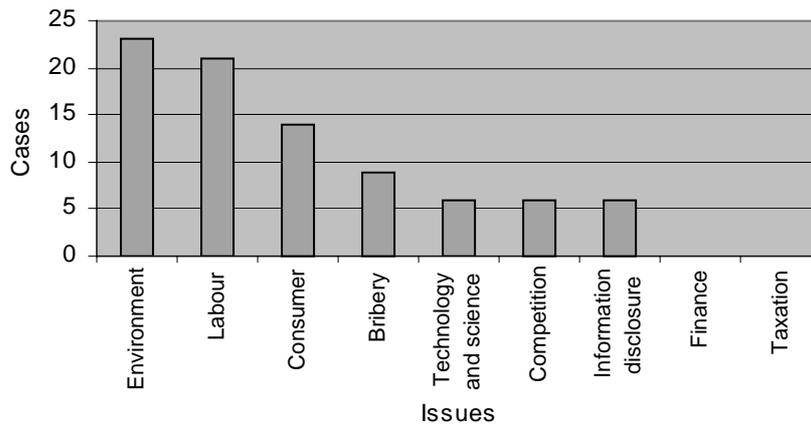


Source: OECD

The extractive industry codes are less focused than the apparel industry -- they tend to cover many issues. They mention environment and labour with much greater frequency than the codes in the full inventory.

In contrast to the apparel industry’s focused codes, the codes in the extractive industry address a diverse set of issues. This undoubtedly reflects the vast array of ethical issues that extractive industry firms face; indeed, these seem to span the range of issues faced by the business community as a whole. The areas that receive the most attention in the extractive industry codes are environment and labour: all 23 codes mention environmental issues, and 21 refer to labour standards. Other frequently-cited commitments are: compliance with the law (20), continual improvement (17) and global applicability (16). Another common issue area covered by the codes is the need to consider the concerns and welfare of local communities, which is mentioned in 17 of the 23 codes. The need to protect indigenous rights is mentioned by five codes (the codes that mention it are mainly from Canada and Australia). Other issues covered are bribery and corruption, competition, information disclosure, science and technology, technology transfer and finance. Seventeen codes mention the use of internal reporting and performance auditing. Thirteen of the company codes mention that the company publishes an annual report on environment performance and make information publicly available.

Figure 9. Concerns Expressed in the Extractive Industry Codes



Source: OECD

The level of commitment in environment tends to be quite high.....

In the environment, many of the codes of conduct went far beyond paying “lip service” to public concerns by promising ambiguously to protect environment. Among the specific aspects of environment, the most frequently cited issue was the provision of environmentally friendly products (14) and conservation of energy (14), followed by conservation of materials and recycling (12).

... while, in labour, these codes commit most often to safe working environment and compliance with law.

Among the labour issues, the far most frequently cited commitment is the provision of reasonable work environment (19). This almost always means to provide safe work environment in the context of extractive industry and linked to the compliance with occupational safety laws (14). Unlike in apparel industry, the concern for forced labour and child labour is very low (2 each). Likewise, discrimination and freedom of association are only infrequently mentioned (6 and 4 respectively). Thirteen companies expressed their commitment to human resource development through provision of training. Only five codes mentioned the existence of a monitoring system.

V.3 Review of the apparel and extractive industry codes

The apparel and extractive industry codes show that each industry faces its own distinctive ethical challenges. The level of the commitment shown in these codes is high, on average.

The apparel and extractive industry codes examined in the section show, not surprisingly, that industry factors are important in shaping the types of corporate codes issued -- each sector faces distinctive ethical challenges. The apparel codes deal with a relatively focused set of labour management issues while the extractive industry codes straddle almost the full range of general ethical problems facing businesses. Because of these industry effects, it is hazardous to aggregate codes over different industries and then to draw conclusions about uniformity and consistency of content. The level of commitment shown by many of the codes examined in this section is reasonably high. The codes have obviously been influenced by international standards, even if these are not always explicitly cited. It is difficult to read many of them and conclude that they are anything but good faith efforts to define reasonable standards of business conduct.

Commitments in key issue areas do seem to be lacking in some codes, but the reasons for this cannot be inferred from the codes.

However, the codes differ in their treatment of important issues and not all of this can be attributed to differences in the ethical problems facing the issuing organisation. For example, in the apparel codes, many firms fail to make commitments to freedom of association, a fundamental human right in the workplace. Likewise, in the extractive industry codes, fewer than half the codes mention a commitment to restore sites once extraction and refining facilities have been abandoned. One might expect a broader commitment to this consideration from extractive industry firms. Likewise, while most extractive firms' codes recognise an obligation to local communities, Australian and Canadian firms tend to recognise an obligation to protect the rights of indigenous peoples, which may reflect the sensitivities of national public opinions to this issue. Again, one might expect that other extractive industry firms with global production operations might pay more attention to these issues.

Thus, for the time being, the codes seem to indicate a lack of consensus on important areas of business conduct

The reasons for this variation in treatment of issues and commitments in codes cannot be ascertained using only the texts of codes. The differences may reflect genuine disagreements among firms on how certain commitments should be formulated. For example, perhaps a firm's commitment to comply with the law could be construed as covering its commitment to protect and uphold the right of freedom of association in those countries where such rights have a formal legal status. Where this formal legal status does not exist, the question of what the firm might reasonably be expected to do is complex one that is currently being addressed in NGO and business circles. Likewise, the extractive industry codes show different treatments of issues that are important in this industry -- site restoration and indigenous people's rights. Is the lack of public commitment in these areas by some firms a sign that they are tailoring their codes to avoid promises that are costly to them or does it mean that the firms believe that compliance with the law is enough in these areas? Does the fact that Australian and Canadian codes tend to mention indigenous rights (whereas firms from other countries do not) indicate that companies from these two countries feel that their publics assign great importance to this issue (while the others do not see it as a high priority public concern)? Are extractive firms that do not mention site restoration signalling that they think that simple legal compliance is sufficient in this area and, if so, do their various constituencies agree? While the codes themselves do not answer these questions, they do indirectly suggest that, for the time being, there is a lack of consensus on areas of crucial interest to these industries.

... but the process of code writing itself and in particular the imitation and the social and public pressure that accompany it could facilitate the achieving of consensus.

A major advantage of the corporate code movement is that it brings corporate responsibility issues out into the open and into the arena of public debate. It does this by increasing the transparency of private commitments. Once in the public domain, the commitments can be evaluated, debated and, at least for the more successful codes, imitated. Indeed, over the roughly two years that the OECD has been collecting codes, numerous codes in its inventory have been revised and updated. While the analysis presented in this paper tends to bear out concerns cited in the literature about the idiosyncratic content of corporate codes, it also points to a consensus --albeit a rather narrow one -- on a set of standards. In addition, there is enough similarity of language in the environmental and labour commitments to suggest that firms are approaching a shared view of how commitments should be formulated in this area. It also suggests that further debate on a more extensive set of standards (for example, covering a broader range of human rights) might be needed if companies and societies are to "buy into" them. The corporate codes movement, which often involves highly informed actors (specialist NGOs and non-profit associations, governments and the businesses themselves), provides an important channel for necessary public debate at both a national and an international level.

Bibliography

- Bergkamp, (1999). "Final Report: Meeting of Management Experts on Environmental Practices in the Today's Global Economy".
- Coleman, James. (1990) *Foundations of Social Theory*. Harvard University Press 1990.
- Conley, John M. and William M. O'Barr (1997). "Crisis and Custom in Corporate Society: A Cultural Perspective on Corporate Misconduct" in *Law and Contemporary Problems*, 60, 3.
- Diller, Janelle (1999). "Social conduct in transnational enterprises operations: the role of the International Labour Organisation". Paper presented to the Euro-Japan Institute for Law and Business. May.
- Jones, L.R. and John Baldwin (1994) *Corporate Environmental Policy and Government Regulation* Greenwich, Connecticut: JAI Press.
- KPMG (1999) KPMG *Ethics and Integrity. Business Ethics Survey*.
<http://audit.kpmg.ca/ethics/vl/99ethcse.htm>.
- Liubicic, Robert (1998) "Corporate codes of conduct and product labeling schemes: the limits and possibilities of promoting labour rights through private initiatives". *Law and Policy in International Business*. Volume 30.
- Murphy, Patrick (1998) *Eighty Exemplary Ethics Statements*. University of Notre Dame. Notre Dame, Indiana.
- North, Douglass (1990) *Institutions, Institutional Change and Economic Performance*. Cambridge University Press. Cambridge. Chapter 5, 6, 7.
- Oechslin, Jean-Jacques (1999) "Final Report: Meeting of Management Experts on Labour and Employment Practices in the Today's Global Economy."
- ILO. Overview of global developments and Office activities concerning codes of conduct, social labelling and other private sector initiatives addressing labour issues. GB.273/WP/SDL/1(Rev.1)
- OECD (1997a) *The OECD Report on Regulatory Reform: Volumes I and II*.
- OECD (1997b) *Co-operative Approaches to Regulation*, Occasional Papers No. 18.
- OECD (1998a) "Codes of Conduct: An Inventory" TD/TC/WP(98)74/FINAL.
- OECD (1998b) "Environmental objectives and alternatives to regulation: what do standards for environmental management systems offer?" ENV/EPOC/PPC(98)6/FINAL.
- OECD (1999) Conference on foreign direct investment and the environment: summary of the discussion. CCNM/EMEF/EPOC/CIME(98)7.

Annex

Methodology and Limitations

Definition of Codes of Corporate Conduct

The definition of code of corporate conduct used in this study is that originally given in OECD (1998a):

The codes of corporate conducts are broadly defined as commitments voluntarily made by companies, associations or other entities, which put forth standards and principles for the conduct of business activities in the marketplace. This definition includes self-obligations and negotiated instruments. It excludes codes of corporate governance.

Collection of Codes

The OECD Secretariat (Trade Directorate) contacted OECD Member countries, BIAC and TUAC for the identification of codes to be included in the inventory. A number of OECD Member countries provided contact names and in some cases also code titles and texts. Following the initial communication, the Secretariat sent letters to 77 prospective respondents across OECD between April and October 1998. The letter asked recipients to identify up to 20 codes that they thought were significant in their country or elsewhere in OECD.

The process resulted in an initial collection of over 200 codes of corporate conduct. Some were excluded from the inventory because they were codes of corporate governance, company credos or incomplete documents. 233 codes were eventually collected and served as the basis of the original public (OECD 1998a). The items in the inventory are coded as individual codes. Hence if a firm has several codes of conduct—e.g. a code on outsourcing and another on the general behaviour of employees--the codes would be counted separately.

The OECD subsequently expanded the inventory in several directions. Codes of firms in the apparel and extractive industries were collected to make possible a more focused analysis of codes in these two sectors. The Secretariat identified additional firms through competitor analysis of the firms whose codes have been already submitted. The Secretariat also conducted several interviews with Japanese and American firms concerning codes of corporate conduct as a complement to the corporate codes. The codes that were collected during the interviews have been included in the inventory. Telephone interviews were conducted with nine French branded apparel firms, none of whom had issued codes.

Analysis

The initial content analysis was conducted on the seven categories; general descriptors, issue areas addressed by a code, business transactions targeted by a code, reference to international standards, implementation measures, non-compliance measures, role of government and other third parties. The OECD further expanded the analysis based on the criteria found in the OECD Guidelines for Multinational Enterprises, which are recommendations to companies made by OECD governments and issued in 1977.

Each code was scored as to whether it mentioned the seven issues addressed in the Guidelines (environment, labour standards, science and technology, competition, information disclosure, taxation and finance) and two emerging issues (bribery and consumer protection). For environment and labour standards, numerous sub-categories were given in order to deepen the content analysis.

Limitations

This study has several methodological limitations.

- Because of the way the codes were collected, the set of codes is neither a random nor a representative sample of the codes issued by the business communities in various countries.
- There was little consensus on the definition of codes of corporate conduct when the request was communicated. As a result, the nature of codes included in the inventory varies widely, from codes designed to influence employees' conduct to sourcing principles. For some firms, several codes are in the inventory. In other cases, the inventory contains only one code, though the firm may have other codes as well (that are not in the inventory). Some of the texts in the inventory also contain training material. Scoring was based on this entire set of information and therefore may not be fully comparable across code issuers.
- The overall code analysis aggregates over a number of important sectoral and geographical factors. This means that it is hard to use the overall aggregates to make inferences about key concerns that the economics literature on self regulation has brought up. For example, the overall inventory cannot be used to determine the extent to which the social and economic processes driving the corporate codes movement have led to uniformity in firms' commitments.