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Global Compact as Protector of Human Rights in Business

An Analyse of Ethical Codes with Ericsson as Case Study

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Abstract

The world has become more global, globalisation is a sign of our time. The role for the state as the human rights protector in all areas is questioned. In this contemporary global context are different views of regulation versus self-regulation, business role in society versus politics and democracy discussed. Corporate social responsibility is one concept for business responsibility beyond the law. The focal point in this thesis is whether or not United Nations Global Compact can be a useful tool giving comparable information for evaluation of the human rights in a company. A case study of Ericsson has been used as one method to understand Global Compact. The thesis is based on public information and literature. Global Compact is found not to be such a standard, that can be used to evaluate and compare how a company fulfil human rights, nor has the brief research of some other standards indicated that any of those can be the answer instead of Global Compact.

Key words: Global Compact, human rights, Corporate social responsibility, CSR, business ethics, Ericsson, stakeholder

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Abbreviations

BLIHR: Business Leaders Initiative on Human Rights

CAT: Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment

CEDAW: Convention on the Elimination of All Forms of Discrimination against Women

CEO: Chief Executive Officer

COC: Code of Conduct

COP: Communication on Progress

CRC: Convention on the Rights of the Child

CSR: Corporate Social Responsibility

DNV: Det Norske Veritas

GA: Globalt Ansvar

GC: Global Compact

GRI: Global Reporting Initiative

HRC: Human Rights Council

ICC: International Chamber of Commerce

ICCPR: International Covenant on Civil and Political Rights

ICERD: International Convention on the Elimination of All Forms of Racial Discrimination

ICESCR: International Covenant on Economic, Social and Cultural Rights

IEEE: Institute of Electrical and Electronics Engineers

ILO: International Labour Organization

ION: Inter-organisational network

ISO: International Organisation for Standardisation

LME: Telefonaktiebolaget LM Ericsson

MDG: Millennium Development Goals

NGO: Non-governmental organisation

OECD: Organisation for Economic Co-operation and Development

OHCHR: Office of the High Commissioner for Human Rights
SAAS: Social Accountability Accreditation Services
SAI: Social Accountability International
SIS: Swedish Standards Institute
SME: Small Medium Enterprise
TNC: Transnational corporation
UDHR: Universal Declaration of Human Rights
UN: United Nations
UNCAC: United Nations Convention Against Corruption
UNDP: United Nations Development Programme
UNEP: United Nations Environment Programme
UNIDO: United Nations Industrial Development Organization
UNODC: United Nations Office on Drugs and Crime

1 Introduction

This introductory chapter gives a background and introduction to the subject, it introduces concepts and considerations that will be further discussed in later chapters. The latter part of this chapter will detail the purpose of this study, used material, limitations of the study and the disposition of the thesis.

1.1 Background

Much of our time, for us the citizens of earth, is spent at work. And almost all of us are consumers, which connect us to many others work. Work, beside giving means for survival, can contribute to an interesting life for us. But work might instead, in various degree, threaten or violate our human rights.¹

Human rights, from juridical point of view, are stated in international law such as conventions from United Nations (UN) and in regional bodies such as from the Council of Europe, and are also stated in national laws. From this juridical point of view human rights are mainly obligations from the state towards the individual. The state has the obligation to form a law-governed society, including the laws for business.

¹ Examples of human rights, taken from United Nations Universal Declaration of Human Rights (UDHR): right to education, no torture and that all are born free and equal in dignity and rights. Examples directly related to work are the right to equal pay for equal work without discrimination, right to form and join trade unions, and right to rest, leisure and holidays. <http://www.unhchr.ch/udhr/lang/eng.htm> (2008-06-14). One way to approach human rights is to divide them into five categories. Taken from two titles of “international bill of human rights” instruments: civil, political, economic, social and cultural rights. <http://www2.ohchr.org/english/law> (2008-06-14).

Keeping control of an entire company may require hard efforts. But the reality is even more complex when considering that the product often consists of several sub-products. And each of these sub-products might be manufactured by a couple of manufacturers. Furthermore, each of these first-level sub-products can consist of other sub-products, and so on all steps down to the raw materials. The approved manufacturers for all products in this chain will change over time. Each manufacturer can have several sites around the globe. Many companies have also outsourced its own production and they can have outsourced many other functions, such as cleaning services. In short, a company has often business relations with a lot of external companies, and they will all become part of the end product from a certain company.

So, a company has many related companies. Before a business relation starts, it can be reasonable for a company to audit at least some of the sites of that company, followed by re-audits periodically. But to do it often, and include all companies in the chain will be a very heavy burden. And seen from the other horizon, from the object of the audit: Each of those companies has probably several customers, which means that if all customers from several levels of the chain will audit regularly, a lot of time will be spent on visits and documents from auditors. Standards² are a solution to reduce the work in many areas.

In telecommunication industry standards are widely used. A couple of examples: For the wired broadband connection to the computer is the so called carrier layer most likely based on the Institute of Electrical and Electronics Engineers (IEEE) Ethernet standard. The connector for this Ethernet-transmission into the computer is a RJ-45 connector according to another standard. International Organisation for Standardisation (ISO) 9000-series are standards for processes, to standardise the production or development process in order to have a repeatable process. ISO 14000-series are about environmental process. Other standards are used for example to evaluate how a product can withstand temperature, vibration, electromagnetic fields or to analyse its long-term reliability.

2 I use the word “standard” as a common concept for simplicity in this paper, in the general discussion. It is not the proper word to describe all systems, documents and methods: Norm, initiative, code, guideline, method, multi source agreements etcetera are words that might be more appropriate for various activities I refer to as “standard” in this study. In the detailed text in later chapters I will in some cases use a more descriptive word than standard. And I will give a proposal of what a standard is, a sort of definition which is much narrower than when I use it generally, see text on p.49. So all I refer to in the common concept “standard” will not meet the definition. In the latter part of my thesis, I will discuss if Global Compact and the other standards meet the narrower definition of a standard.

Standards are excellent tools to reuse competence, to make it easier to compare between products and companies, to have standardised interfaces so competition can occur, so documents can be shorter with simple references etcetera. A standard is not the total solution – but a standard is a good starting point for a discussion, to have a common language and to establish a basic level.

There are currently many standards in the area of business ethics, some more general and other more specific. A study 2001 listed 233 codes and another study 2002 stated it had increased with several hundreds. These codes of conduct are in many cases formulated by groups within business or Non-Governmental Organisations (NGO).³

1.2 Purpose

Business ethics is set in a context of politics and globalisation, to understand why requirements and standards for corporate social responsibility have emerged. However, the main purpose of this paper is to review and analyse standards related to human rights in business: if they can be used within the industry and for stakeholders⁴ in order to evaluate if a company fulfil human right obligations. The investigation is focused on Global Compact (GC), which do not rule out that other standards of interest for this paper will be investigated, but to less extent.

1.3 Question

Can Global Compact be a useful tool with comparable information for companies to evaluate human rights within their own company as well as in their related companies?

This question is the focal point of the purpose.

3 Errol P. Mendes, “Operationalising the Global Compact with a focus on the human rights principles. Learning to walk the talk.”, in Malcolm McIntosh, Sandra Waddock, and George Kell (editors), *Learning to talk. Corporate citizenship and the development of the UN Global Compact* (Sheffield: Greenleaf Publishing Limited, 2004), p. 102.

4 Example of stakeholders are owners, employees, customers, consumers, business partners and the local community.

1.4 Method, material and limitations

The starting point is the assumption that Global Compact, initiated and hosted by UN, is a central global standard today. It has been chosen as the main standard to evaluate. Firstly to describe the standard, and secondly to make a critical analyse of the standard.

I am aware of several other standards – released and in progress. I will look into some of them, but not with the intention to research for a full overview of all standards, nor to the same depth as for GC. Focus is on generic standards (as generic as possible), i.e. not standards for specific trades (example, Clean Clothes Campaign⁵ is out of scope).

A tool to answer the questions is a review of what one company is doing in this area. The first planned company is Ericsson, a well established global company which sells complex technical products, who has also been an early participant of GC.

A background of business ethics, including the dilemma self-regulation versus regulation is needed to put the purpose into the wider context.

For Global Compact will my main source be the extensive material available from themselves: web pages, data bases and publications, and in addition material from other books as available and relevant. I will use open, public material, no secret material. Direct contact can be used marginally for clarifications. Global Compact has sent me some material which is not downloadable, but it did not arrive in time to be considered to be used in this study. For other standards, similar approach will be used.

For the review of Ericsson the same strategy will be used as for Global Compact: their own public material will be the main source. One difference is that the starting point for company information is via Global Compact, the information the company provide to Global Compact, information accessible from GC data base. Four companies in the Ericsson group appear to be GC-partners, but only the parent company has reported to GC. Occasionally direct contact can be used for clarifications. I limit the company investigation to their own view, I will not use material from stakeholders or other external sources (incl. NGO:s). I am aware they can have a different view or information about a company, and can absolutely be of interest to study. But that is outside the border of this study. I will use

⁵ Clean Clothes Campaign, <http://www.cleanclothes.org/codes/ccccode.htm> (2008-04-06).

a case study of a company as a method to make the understanding of Global Compact easier.

With my background from telecommunication hardware products, I will take advantage of that competence and work from that point of view. In that competence have I been working a lot with (mostly technical) standards. Even if the aim is to study and conclude general, I will have practical telecommunication industry as inspiration and starting point and combine it with my human rights academic competence.

Currently, when working on this paper, I am on study leave from Ericsson.

1.4.1 Contemporary research

Human rights in business is included in concepts such as business ethics and Corporate Social Responsibility (CSR). It is an area of rapid development, with many books, research and articles available. My understanding is that most of the academic research at universities is done by institutions related to economics and business or politics, but I have also noticed works from ethics and religious starting points. In addition to the academic research is much research done by NGO:s, business networks and government related institutions. This research field is also in connection to the globalisation research. For my thesis, I have not attempted to review research globally, the works from where I have selected my sources are dominated by works of Western Europe and USA origin. Most of the books I have used in my thesis have been written in the last few years. In many cases the books written ten years ago are too old to consider. Only a few of my selected publications have human rights in their title, which can be an indication on that literature in this field is more often research from the economical or political view than from human rights view.

Below is a short introduction to the most important material for my study, for a complete list I refer to References. My selection has been limited to material published in either English or Swedish. The field with least available material for my study is independent investigations of Global Compact.

A reference book in the ethics field is *Business ethics*. I have used the 6th edition from 2006. This book can demonstrate the evolution in this field, the 1st edition was published

about 20 years ago and was a lot thinner. The book gives a good overview for ethics in business, although firstly for USA-companies.⁶

The magazine *The Economist* published at the beginning of 2008 a special report on *Corporate Social Responsibility*. Although it does not give so much direct material for this study, it gives good insight into today's questions in CSR and gave me the idea to read *Supercapitalism*.⁷

The Swedish web portal CSR i praktiken (CSR in practice) is another useful source for inspiration and the latest information.⁸

Supercapitalism is a book discussing business and democracy, self-regulation versus laws, in the changed context going from, in authors words, democratic capitalism to supercapitalism. The book is written in and for USA context, but is of interest also for us abroad.⁹

Globalization, Governmentality and Global Politics. Regulation for the rest of us? is a book partly discussing same issues as *Supercapitalism*, but with a different standpoint. It is also deeper in theory.¹⁰

Learning to talk. Corporate citizenship and the development of the UN Global Compact, is a book written three years after GC was launched. It is probably my most important source of understanding GC besides material directly from GC. It is about the evolution of GC, from the intentions, over what it is today (published 2004), into the future, including critical texts. It is published by an independent publisher, but some of the editors and contributors have close ties to the UN office for GC.¹¹

Raising the bar is from the same publisher, also in cooperation with Global Compact. It is intended for companies starting to work with Global Compact, it proposes a lot of tools

6 Richard T De George, *Business ethics*, Sixth edition (Upper Saddle River: Pearson Prentice Hall, 2006).

7 *Corporate social responsibility*, Special report, several articles (The Economist, 2008).

8 CSR i praktiken, <http://www.csripraktiken.se> (2008-05-13).

9 Robert B Reich, *Supercapitalism. The transformation of business, democracy, and everyday life* (New York: Alfred A. Knopf, 2007).

10 Ronnie D. Lipschutz with James K. Rowe, *Globalization, Governmentality and Global Politics. Regulation for the rest of us?* (New York: Routledge, 2005).

11 Malcolm McIntosh, Sandra Waddock, and Georg Kell (editors), *Learning to talk. Corporate citizenship and the development of the UN Global Compact* (Sheffield: Greenleaf Publishing Limited, 2004).

and gives examples from case studies. The book follows GC performance model, hence it also gives insight to the model.¹²

Lars-Olle Larsson has published two books used in this paper, *Transparency! Det genomsynliga företaget* and *Corporate Governance och Hållbar Affärsutveckling*. Both are about why companies should work with CSR and they review some standards/tools. The Swedish title of the first book indicate that a company should be transparent, open with information. The second title is about that corporate governance should be done with a sustainable development of business¹³

At the same period as Global Compact was released, *The United Nations and Business. A Partnership Recovered* was published. The author discusses the changed world situation which require, or give opportunity, for UN to collaborate not only with states but also with business and civil society.¹⁴

Moral i verksamhet. Ett etiskt perspektiv på företag och arbete (Moral in business – an ethical perspective on business and work), written 1993 is probably the oldest book for this paper, and among else the authors discuss if a company can have a moral.¹⁵

Det ansvarsfulla företaget. Corporate Social Responsibility i praktiken (The responsible company. CSR in practice), focuses on CSR, why CSR and on what and how to do it.¹⁶

One of relatively few independent books about Global Compact is *Global Compact Membership and the Automobile Industry*. It raises the question why should a company join Global Compact, and discusses the different success GC has had in Germany versus USA.¹⁷

Material from Global Compact is used as a main source to investigate Global Compact. Beside direct web material also electronic publications downloaded from their web site.

12 Claude Fussler, Aron Cramer, and Sebastian van der Vegt (editors), *Raising the bar. Creating Value with the United Nations Global Compact* (Sheffield: Greenleaf Publishing Limited, 2004).

13 Lars-Olle Larsson, *Transparency! Det genomsynliga företaget* (Malmö: Gecco, 2002).

Lars-Olle Larsson, *Corporate governance och hållbar affärsutveckling* (Stockholm: Ekerlids, 2005).

14 Sandrine Tesner with collaboration of George Kell, *The United Nations and Business. A Partnership Recovered* (New York: MacMillan, 2000).

15 Tomas Brytting, Hans De Geer, and Gunilla Silfverberg, *Moral i verksamhet. Ett etiskt perspektiv på företag och arbete* (Natur och kultur, 1993).

16 Ola Löhman, and Daniel Steinholtz, *Det ansvarsfulla företaget. Corporate Social Responsibility i praktiken* (Stockholm: Ekerlids, 2003).

17 Oliver Ziegler, *Global Compact Membership and the Automobile Industry. A U.S. – German Comparison* (Saarbrücken: VDM Verlag, 2008).

For the investigation of Ericsson material from Ericsson is used. Most of these electronic publications are of a recent date.

The final resource I want to mention in this overview of the most important material is the reference book *International human rights in context. Law, politics, morals*. The recently published third edition, has in its current topics part a section about transnational corporations and human rights.¹⁸

1.5 Disposition

After abstract, abbreviations, contents and this introductory chapter starts the main content.

The chapter “A global world”, sets Global Compact into the political and commercial context. The world has become more global compared to when UN was founded. It discusses the reach of business responsibility, according to the law or beyond the law, the role for politics, democracy, law and other regulations in relation to business.

“Global Compact and other standards”, is a mainly descriptive chapter and starts with GC ten principles as a core part of GC. What GC is and is not, the role for business partners and other aspects of are also covered. The last part of the chapter takes a glance over some other standards.

As case study Ericsson is chosen, it is presented in the chapter “Ericsson – one GC participant”. The case study shows what a GC participant does, by studying its reports and how a business partner is presented in the GC data base.

Most of analyse and discussion is saved to the chapter “Comments on Global Compact”, with GC in focus.

A final discussion will conclude the thesis, before ending with acknowledgements and references.

¹⁸ Henry J. Steiner, Philip Alston, and Ryan Goodman, *International human rights in context. Law, politics and morals*, Third edition (Oxford: Oxford University Press, 2008).

2 A global world

The world is in a continuous development. One sign of our time is that the world has become a more global world, globalisation,¹⁹ a noticeable development even compared to the time when UN was founded and the system with conventions began. We all have human rights, all of us, around the world. Rights according to many conventions, and in case the nation has not ratified, we still have many human rights according to international law. Our human rights²⁰ in a global world, who should fulfil them and then how? Global Compact is founded in this global world, as one answer to fulfil some aspects, related to the business. This chapter will demonstrate a couple of views of the global world and how these partly new conditions require consideration how human rights should be protected when the state borders are narrower than the borders of companies. In relation to the business, these subjects have often been discussed within concepts such as business ethics, corporate governance and CSR.

CSR is the concept perhaps most closely related to human rights. According to European Commission is CSR “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.²¹ Accordingly, CSR is something the company does beyond

19 Globalisation, according to Lipschutz, “is a discourse, simultaneously an *idealist* set of beliefs, a *behavioral* set of principles, rules, and activities, and a *material* set of outcomes and infrastructures”. Lipschutz et al., p. 26.

I do not believe it is necessary to go deeper into definitions of globalisation, for the purpose of this paper.

20 Examples of human rights, see note 1 p. 6.

21 European Commission, *Corporate Social Responsibility*, http://ec.europa.eu/enterprise/csr/index_en.htm (2008-05-05).

the law. Another definition of CSR is that it is a combination of three agendas: sustainability, corporate accountability and corporate governance, but that CSR at the same time is more than the three agendas standing alone.²² Code of Conduct (COC) is a concept which often is part of a company's CSR, but sometimes the distinction is not clear.

De George in *Business ethics*, written predominantly from the view of economical systems and business in USA, has four issues that should be considered for a justifiable ethics in international business. Firstly, the unequal distribution of wealth and lack of international system for redistribution. Secondly, the lack of background institutions²³ in less developed countries and even more notable at international level, which means more need for ethics to fill the gap. Thirdly, at international level the free market is not a true condition as it can be at national level, because free market requires that both capital and labour can move freely, an ethical problem when outsourcing to countries where labour can be exploited. Fourthly, the problem is whose ethics should be followed. Furthermore, he proposes five ethical norms for an American multinational company:

1. The moral minimum – do no intentional direct harm.
2. The activity in the host country must be morally justified, it must give some benefit to that country, to drain a country is not ok. An important distinction is that it should be a benefit for the ordinary people, which may not be the same as good for the leaders or elite.
3. Respect human rights of workers, consumers and all others in the host country. It is not ok to violate the human rights because others violate them. He means that if it is impossible to compete while meeting human rights, one should withdraw or support that background institutions come in place and hence give possibility for fair competition.
4. Promote development of just background institutions in the host country as well as on international level.
5. Respect laws, culture and local values of the host country, as long as these do not violate human rights or impose immoral laws.

De George believes in self-regulation. “A general rule is that government should do only

²² Löhman et al., p. 16–7.

²³ Background institutions: Various laws, accepted ways of conduction business, labour unions, consumer groups, environmental groups and other informal organisations and mechanisms.

what business is unable or unwilling to do. Business is best suited to know where the potential for abuse lies.” But, he also recognises there is a need for governments, when self-regulation does not work.²⁴

Lipschutz with Rowe, in *Globalization, Governmentality and Global Politics – Regulation for the rest of us?* is critical to the rising of self-regulation we have seen in the age of globalisation. One concern Lipschutz has on international level is the democratic deficit. His final chapter “Bringing politics back in”, give a good hint on his view:

Contesting the structure of the global neo-liberal political economy requires political struggle; it requires bringing politics back in. [...] Yet, if we seek greater justice, both locally and globally, it is a task we cannot refuse. [...] As for the rest, it is up to us to become political and to act.

Another chapter, written by Rowe, is “Corporate social responsibility as business strategy”. He asks the question “how effective can voluntary and largely unverified corporate efforts to minimize market externalities²⁵ be?”

Code of conduct is seen in Rowe's research more as a business strategy than as business ethics, with codes used as a toll to avoid regulation. For this, he gives us historic retrospect: in 1976 UN worked hard on a legally binding Code of conduct specifically for Transnational corporations (TNC), but it was stalled. Because what happened was, as one trigger together with important world events, a counter-attack from Organisation for Economic Co-operation and Development (OECD) issuing their guidelines for self-regulation – Rowe point to 1976 as the starting shot for voluntary codes. Later in time International Chamber of Commerce (ICC) has been an important contributor in linking together OECD:s guidelines and Global Compact. However, he also sees a strategic agenda of its own from UN, that Global Compact is not only a reality because of lobbying by ICC. He believes UN wants to increase their own input to global policies, take back some of the power from the Bretton Woods institutions and as a possibility to reduce UN financial problems. He notices a couple of signs of CSR loosing its lustre: The first sign, one reason why civil society organisations have been positive to CSR has been the view of it as the first step to binding regulations, but this hope is diminishing. The second sign is the regained strength

²⁴ De George, p. 511–35.

²⁵ “Conventionally speaking, an externality is a cost or a benefit that accrues to an activity for which a producer does not pay.”, Lipschutz et al., p. 28.

of social coalition between international trade unions, Western social activists and governments from developing countries. The third sign for CSR loosing its glory is G20+, the oppositional block formed by new developing countries. However, from my Swedish point of view, CSR is still three years after that book was published, very much in focus.²⁶

Turning to another view of globalisation, United Nations and Global Compact, as seen by Tesner in collaboration with Kell in *The United Nations and Business – A partnership recovered*.²⁷ As the title indicate, Tesner sees collaboration between business and UN as a kind of back to the future, and points out that ICC was established in 1919, which shows they understood the need for multilateral solutions to international problems. And that later ICC urged their nations to ratify the UN Charter. She sees that the ties between business and UN was re-established in 1997, and one aim with her book is to explain why they were apart for 50 years. She also mentions the globalisation as a trigger for this renewed partnership. One useful contribution this book gives, in my opinion, is the description of big corporations as no longer trans-national, but instead meta-national corporations; trans as in across and meta as above in metaphysics. Meta-national corporations “do not operate against the sovereign state, nor do they seek to deligitimize it. Rather they function in a space of their own, separate and above that of the nations-state – a meta-space”. In earlier days, the nations could gain from and regulate when trade crossed borders, but today much trade can be done intra-firm around the globe, as well as firms investments. In this global world, Tesner continues, the nations has to share policy-making with civil society organisations, multilateral organisations and corporations. And she sees UN as the most natural and efficient organisation to accommodate this task, because UN was founded on equal membership for all states and has universal standards as one of its major competencies. It should be noted, that the greater part of this book deals with the implications for UN, how UN needs to be reformed to meet these new tasks. The rationale for Global Compact, she state:

is also motivated by a great concern for the risk of a backlash to globalization if the identity, human dignity, and basic social needs for all cultures are not secured. It is precisely because a backlash to globalization would represent a historically unmatched threat to economic prosperity

²⁶ Lipschutz et al., p. 48, 130–167 and 219.

²⁷ Tesner, who in her acknowledgements owe much from Ruggie, a former dean from school to her and working for UN. Tesner herself with background within UN, and Kell is executive director of Global Compact.

and peace that the Global Compact urges international business leaders to take reasonable steps to secure the emerging values of global civil society in exchange for a commitment in the part of the United Nations to market openness.²⁸

Tesner, in opposition to Lipschutz and Rowe, believes in the self-regulation and appears to not to see stronger politics as needed. But, she appears to consider that a reason for joining Global Compact is that it is a tool for business to overcome the threat of an otherwise less free market. So maybe the analyse of GC has similarities with Lipschutz and Rowe, the difference is in the opinion whether self-regulation or more politics is the answer to the downside of globalisation. And, to compare with De George, he is also pro self-regulation as the first action, only when it fails should politics be in charge.

There is no need to discuss whether or not to have self-regulation according to Ruggie, because self-regulation is a fact today, it is reality. He is quoted in *The Economist*: “The theological question – should there be CSR? – is so irrelevant today. [...] It's one of the social pressures they've absorbed” His question is not if, but how CSR should be done.²⁹

Although Reich in his book *Supercapitalism* does not mention Global Compact directly, I understand he believes it is the wrong way to go, even if he is pro the rights. He has a standpoint not too far away from Lipschutz and Rowe, as discussed above. He makes a quite interesting contribution to the debate of corporate social responsibility. Although his focus is on the USA, it has a wider relevance. He means that capitalism should enlarge the economic pie, but how and on what it is divided society should decide, by democracy. Until the 1970's, the democratic capitalism worked well. There were big, quite stable companies and they could act oligopolistic. The chief executive officers (CEO) could act as corporate statesmen and do good for society. Then it all changed. Companies became more competitive, more global and more innovative. This was the birth of supercapitalism.³⁰ He describes individuals as having three capacities: consumers, investors and citizens. I think, another capacity he does not mention, employees, can for this reasoning be included in investors. He gives us two minds, one as consumer or investor, and another as a citizen. And

²⁸ Tesner, *passim*. My closing quote is from p. 51.

²⁹ *The Economist*. 2008, “The next question”, in *Corporate social responsibility*, a special report (several articles). John Ruggie, who is quoted in the article, is according to the article at Harvard University's Kennedy School of Government. I know further that he is also currently Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, and has been involved in the development of GC.

we have let the citizen mind become more silent. He states that CSR has been the supposed answer to the paradox of democratic capitalism. He has a strong belief that in a supercapitalism the company must, to be competitive, resist to do anything that hurts, and give very low priority to what does not give a better bottom line. He also considers long term to be irrelevant, because long term is the present value of future earnings, measured by the share price. He means that activities like becoming a greener company are rather implemented because it saves money, or because customers or other stakeholders require it, all because these CSR activities contribute to a better bottom line – other CSR activities are only done marginally. Which also means that CSR is not democratic. The company may act responsible, to meet any stakeholders (incl. via a NGO) requirements, because it is the best for the profit. But as I interpret his view, this act may not necessarily be what a democratic decision should tell the company to do, or maybe not as first priority. So, he believes strongly into letting democracy work better, to let our citizen side of us take on more space. Citizens should set the rules, and the companies should play according to the rules. He also opposes the trend to view companies as people, they are not. Finally, he believes it is possible for American and European laws to control quite a large percentage of global corporate behaviour, so democracy has a chance – a right and responsibility for citizens.³¹

“The prolonged now”³², is an expression Larsson in *Transparency! Det osynliga företaget*, often returns to. It is in contrast to the short sight of long term in *Supercapitalism* above. Larsson means that corporate management should maximize profit now – but he wants to change the understanding of now to at least one generation or maybe two, 25 or 50 years, – a prolonged now. And he also means that shareholders should keep their shares for a similar period. However, he does not answer how this understanding should be implemented in the market. But with this view of a prolonged now, it is easier to understand that he believes in CSR, and that the details of CSR should be decided for a company in a stakeholders dialogue. With a prolonged now, it becomes also of interest for the CEO or

30 I have tried to find the origin for the word supercapitalism, but failed to confirm if it is invented by Reich or not. Nor do I find a specific definition, the best for definition I can find is in his book is where he state “Since the 1970s, this has all changed radically. Large firms became far more competitive, global, and innovative. Something I call supercapitalism was born.” This should be compared with the “democratic capitalism” he uses for the system (in USA) until 1970's. Authoritarian capitalism is a concept for China's capitalism, a concept he first heard from Orville Schell.

31 Reich, passim.

32 My translation, the Swedish original expression is “det långa nuet”.

for the shareholder to “save the world” also in these capacities, and not only as citizens. Because if they do not have customers in the future, the profit may be jeopardized even within one generation.³³

I believe this change of understanding “now” would require new laws decided by democratic citizens, I hardly believe it is reasonable that most shareholders will keep stocks for a long time because it is good to do so, if selling is more profitable. It could bring Reich and Larsson closer to each other, if short-sighted acting is stopped by regulations. But I still see a difference between them, Larsson appears to have more trust in CSR based on including stakeholders in corporate decisions, while Reich wants regulation by democratic laws. And from both Larsson and Reich, we also note that a reason for implementing CSR can be economical, as another argument compared to the threat of regulations.

Another conclusion I believe I can read from Larsson, in my words, is that it is good to be good, including for business to be good, because we humans want to be good. Or less positively formulated, we need to be good in society. I am thinking of our personality, that it cannot be totally divided – we cannot be one person as a citizen/private person, and have a totally different personality at work as CEO, employee or any other role within a company. If a person believes in human rights for all, a person cannot totally forget that at work, even if it is found to be an advantage for profit to forget it. Larsson refers to Jesus, he highly respects his opinions and his way of acting, and he quotes Jesus from the Bible “Do for others what you want them to do for you”. A simple doctrine, according to Larsson to use as a base for all acting – including for companies.³⁴ De George's ethical norms above, also point in the direction of having ethical codes for its own sake. Philipson explains as a triangle of ethics: profession ethics, business ethics and personal ethics.³⁵

“The triple bottom line” is a concept that deserves a comment. The normal bottom line is the financial result. The second and third bottom line is a way to make companies more accountable also for environmental bottom line and social/ethical bottom line. However, those bottom lines are much more difficult to define: what should be included or how they

³³ Larsson 2002, p. 58, 65–9 and 71–8.

³⁴ Ibid., p. 89.

Bible, *Good News Bible. Today's English Version* (London: Collins, 1976), Matthew 7:12a.

³⁵ Sten Philipson, *Etik och företagskultur. Att leda med världen* (Lund: Studentlitteratur, 2004), p. 25. He uses the Swedish words: yrkesetik, företagsetik och personlig etik, my translation above.

should be calculated. Global Compact I believe can be, or maybe is, one standard that can do part of the job for those additional bottom lines.³⁶

Reich opposed the idea of seeing a company as people. Brytting et al. discuss shortly if a company at all can be a moral subject. A pragmatic answer, according to the book, is that companies are persons from a juridical point of view. The authors believe a company can be a moral subject, based on the fact that the organisation is the sum of its parts, it has visions. A company gets an identity, hence it can be seen as a moral subject.³⁷

De Geer, in *Corporate Governance och hållbar affärsutveckling* by Larsson, writes from a Swedish context. The “License to operate”³⁸ are the rules set up by the society for a company to play within. The Swedish model, established by the Social Democratic Party in the 1930's simply agreed on an division of responsibilities between the industry and the politics – the industry could to a large extent concentrate on working in a rational business way. He means it gave a good normative strength in society, companies could not take social responsibility. It included that profit-making companies could not run certain functions, like a hospital. The Swedish model was built on balance, and accepted by both sides. This worked for some decades, but according to De Geer it started to wither away in the 1970's because of new taxes etcetera, and more importantly in the 1980's with transnational companies, globalisation (a decade later than Reich state). The Swedish model did not work as it had done before. The industry lives in, and is dependent of, an international financial sector requiring the business to act according to their interest. Financial scandals have put corporate governance in focus. Another actor, NGO:s, also often international in their character, have entered the stage. License to operate is now “decided” in a different way, by more actors. It is here we have CSR, the pressure on the company from NGO:s, politics, finance, industry and other stakeholders. De Geer points out that politics is still to a large extent on national level, hence the problem with laws in this global world. But he also states that there are supranational activities ongoing, the work has started on soft norms. His conclusion is that we, as citizens, have influence, maybe even more now than

36 De George, p. 204.

37 Brytting et al., p. 35–9.

38 De Geer uses this English expression in his Swedish text.

earlier: as voters in democracy, as NGO-members and in many other ways. Global Compact is one in his list of those supranational soft regulations for the global world.³⁹

A question I have pondered, without finding much answers in literature, is how self-regulation will happen in a company that has no relationship to transnational companies, if the company is located in a country where human rights are less protected and/or stakeholders are weak? Most of the literature discuss companies that are either based in a country with a relatively good basic protection by laws, or companies that have transnational trade with companies from countries with relatively good protection.

A contribution to the debate to regain the political strength on global level was published in Dagens Nyheter. Several prominent persons signed “Found a UN-parliament”. The human beings have a major challenge in securing survival and welfare for incoming generations. The authors propose a gradual establishment of a function for democratic participation. This parliament would create an important link between UN, governments, national parliaments and the civil society. It is hard to say how important this contribution is, but it is in any case of some relevance when published in this newspaper, and it shows that the discussion of politics on global level is present today.⁴⁰

After this journey, circulating around globalisation, politics and regulation versus self-regulation for protecting human rights and other good things incorporated in CSR: where is my standpoint? I do not have a rock-steady opinion, but I am inclined to believe that more regulations are needed. But any major change of politics or law, particularly on international level, will certainly take time. So whether the answer is more regulation or not, the pragmatic answer to what can be implemented today or in the near future, is self-regulation. As we have seen, this self-regulation can be done because the company finds it good for business, because the company as an entity formed by humans believe in good ethics for its own sake, or because the threat of regulation. Let us go on and investigate Global Compact in the next chapter.

39 Hans De Geer, “Företagen i samhället” in Larsson 2005, p. 22–36.

40 Dagens Nyheter, 22 April 2008, *Skapa FN-parlament*, article signed by Maria Carlshamre, Agne Hansson, Thomas Helgeson, Hussam Heydari, Dayana Jadarian, Åsa Lindestam, Thomas Marquart, Carl Schlyter, Alf Svensson, Torbjörn Tännsjö, Folke Tersman, Harmut Traummüller and Anders Wijkman, p. 7 (Main section).

3 Global Compact and other standards

Global Compact is a quite young body, hosted by United Nations. As preamble for Global Compact, I start one and a half year before it was launched. Kofi Annan, at that time UN Secretary-General, held a speech at World Economic Forum in Davos, 31st January 1999:

I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.⁴¹

Business leaders accepted the proposal, and Global Compact was officially launched at a United Nations meeting in July 2001.

So, what is Global Compact? In this chapter I will investigate GC, but concentrate on aspects relevant for the purpose of this paper.

3.1 The Principles

A good starting point for the investigation is GC:s ten principles. They are at the core of GC, the content of the shared values and principles. All principles were not included from start, the latest addition in June 2004 was the tenth principle regarding anti-corruption. The principles are divided into four groups.

⁴¹ Kofi Annan, "An appeal to world business. 31 January 1999" in McIntosh et al., p. 28.

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Each of the principles has at GC a separate web page with further information on interpretation. I have selected from that information to give a flavour of how the principles should be understood.

The main source for principle 1 and 2, human rights, is the Universal Declaration of Human Rights (UDHR). But it is noted in a guideline to companies, to also review Interna-

tional Covenant on Civil and Political Rights (ICCPR) and International Covenant on Economic, Social and Cultural Rights (ICESCR). Humanitarian law, e.g. Geneva conventions should also be considered, and Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and Convention on the Rights of the Child (CRC) are all mentioned. In short, that guideline states that all human rights are relevant for business. The information on the GC web site states compliance with local and international law as minimum. Furthermore it can be mentioned it states business should promote the rule of law in countries where protection is insufficient, the company's supply chain should be managed with awareness of risk for violations in the supply chain and to bring human rights into company policy and culture. Regarding complicity, GC states that silence can be a form of complicity.

Principle 3–6, labour, are based on International Labour Organizations (ILO) Declaration on Fundamental Principles and Rights at Work. One GC comment on principle 3 is that the company should ensure “that all workers are able to form and join a trade union of their choice”, but does not tell how to act in a country where this may be against the law. Regarding principle 6, GC states that there is no reason for discrimination, that it makes no sense for business to discriminate. Companies should implement procedures etcetera to eliminate discrimination in workplace. But although GC states discrimination can be derived direct from law, GC also states that “First and foremost, companies need to respect all relevant local and national laws”. So I assume a company may not break principle 6 if it is according to law, but there is no clear information from GC how to act.

Principle 7–9, environment, are based on Agenda 21, from the Rio conference 1992. GC states it is important to take a precautionary approach, that business should work with prevention rather than cure. An example of an area for implementing an environmentally friendly technology is to reduce greenhouse gases, not at least carbon dioxide.

Principle 10, anti-corruption, is based on UN Convention Against Corruption (UNCAC). This tenth principle was added 24 June 2004, and the convention entered into force 14 December 2005. In the comments to principle 10, GC gives short definitions of

the words, and states that a more transparent global economy is needed. For this principle, GC has a long list of sources and documents, from many organisations.⁴²

The role for business can be summarized by this quote from GC:

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

“The sphere of influence” is an important expression. It acknowledges there is a border for what companies can do and ought to do, but GC is vague where the border is, although the sphere clearly is wider than the company's workplace. I think this expression shows the difference between the role and responsibility of a state as a signatory to conventions and the role and responsibility for companies, where a state has limitless responsibility to its people. But it can also be noted that a company can have a world wide influence, in that way their sphere can be wider than the sphere of a state. In the UN draft *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights* the expression also is used when discussing the responsibility of the state and business. GC describes in a reasoning way rather than as clear statements, as seen above in

42 UN Global Compact, *The Ten Principles*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> (2008-04-28).
UN Global Compact, *Principle 1*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle1.html> (2008-05-12).
UN Global Compact, *Principle 2*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/Principle2.html> (2008-05-12).
UN Global Compact, *Principle 3*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle3.html> (2008-05-12).
UN Global Compact, *Principle 6*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle6.html> (2008-05-12).
UN Global Compact, *Principle 7*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle6.html> (2008-05-12).
UN Global Compact, *Principle 9*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle6.html> (2008-05-12).
UN Global Compact, *Principle 10*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle10.html> (2008-04-30).
UN Global Compact, *Human Rights*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/humanRights.html> (2008-04-30).
UN Global Compact, *Labour*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/labourStandards.html> (2008-04-30).
UN Global Compact, *Environment*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/environment.html> (2008-04-30).
UN Global Compact, *Transparency and Anti-corruption*,
<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/anti-corruption.html> (2008-04-30).

some examples, what the principles mean. The expression sphere of influence is also used in the Ericsson reports.⁴³

My view is that the labour principles also could be under the human rights heading, labour rights have relevant articles in human rights conventions. This view is supported in a text by Leisinger, where the first six principles are connected to human rights, defined as principles in addition to “principles governing the environment”. I believe they are under a separate heading because they are very directly applicable for business and because that they are taken from ILO-documents, which is another UN body than Office of the High Commissioner for Human Rights (OHCHR) for the human rights conventions. Furthermore, the environmental principles are also easy to connect to human rights, not at least to connect them to ICESCR – although the human rights instruments does not detail the specific issues, I consider protection of the environment as part of fulfilling human rights. The last principle, is perhaps more difficult to direct connect to human rights instruments – but I would argue it is at least loosely connected in the spirit considering for example equal treatment. It should be possible in my opinion, to have a general heading Human rights for all ten principles. I reflect if this division where only principle 1 and 2 are titled human rights, can cause these two principles to become more vague, when the other principles indeed also are more or less human rights? Which of the remaining human rights, not specifically mentioned in the other principles, are important to consider for principle 1 and 2? A possible way to accept this division, I reason, can be that it is because GC wants to emphasise and give more details for rights of specific interest for business, where business has more impact. A similar approach as is done in human rights instruments, example CAT give further details and highlight the importance to stop torture, although torture is already forbidden in ICCPR.⁴⁴

Another useful document to decode the human rights for business is the UN draft *Norms on the responsibilities of transnational corporations and other business enterprises*

43 *A guide for integrating human rights into business management* (Business leaders initiative on human rights, United Nations Global Compact and the Office of the High Commissioner for Human Rights, 2006(?)), p. 7 and 14.

Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights, E/CN.4/Sub.2/2003/12/Rev.2 (United Nations, 2003).

The UN draft norm is further discussed, see clause 3.6.7 p. 37. The discussion regarding sphere of influence in the Ericsson report, see p. 46.

44 Klaus M. Leisinger, “On corporate responsibility for human rights” in Steiner et al., p. 1396.

with regard to human rights. This draft norm regulate all four groups of Global Compact principles.⁴⁵ A guideline document for the GC principles, states that this draft norm is:

not legally binding, but they may provide illustration to companies wishing to better understand the human rights and the content of the human rights commitment they have undertaken by signing on to the Global Compact.⁴⁶

3.2 This is – and is not – Global Compact

I start this section with a quote that actually can be seen as a summary. After the quote, I will go on with more details.

As the only truly global corporate citizenship initiative, it does not provide an auditable standard but rather a set of principles through which businesses and the United Nations can work in partnership for global social development. [...] In its external manifestation, the Global Compact can variously be described as an international learning network, a social network of people and organisations engaged in a global conversation, as a global action network and as a multi-stakeholder dialogue.⁴⁷

Furthermore, it is a voluntary initiative, based on universal principles. It should be emphasised that because GC is not a standard, it is therefore not possible to use it for a direct monitoring of compliance, nor is it legally binding.⁴⁸

GC is a network, a network of participants, business as the most important category of participants. Beside the GC Office and the other UN agencies are also other actors interested in business behaviour participants, e.g. business associations, labour organisations, civil society organisations, public sector organisations and academics. Even cities are participants in a special programme. Currently GC has over 5200 participants, whereof over 4000 are from business, from 120 countries.⁴⁹ Governments do not participate directly, but

45 The UN draft norm is further discussed, see clause 3.6.7 p. 37.

46 *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights.*

Embedding human rights into business practice (United Nations Global Compact and Office of the High Commissioner of Human Rights, 2006(?)), p. 16–7.

47 McIntosh et al., p. 14.

48 *After the signature. A guide to engagement in the United Nations Global Compact* (New York: United Nations/Global Compact, 2007), p. 6.

49 UN Global Compact, *Global Compact Participants*, <http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html> (2008-04-30).

“play an auxiliary role through outreach support, advocacy and funding”.⁵⁰ In the GC data base are participants divided between “Business participants” and “Stakeholders”, but all are “Participants”.⁵¹

Kell and Levin try to categorise the GC network, and find that it in general terms qualify as an Inter-organisational network (ION). They distinguish four features of an ION: It is formed by autonomous organisations who better will achieve their goals together, the ION is inherently experimental, it is a network that keep the common organisation small, and it cooperate to a large extent horizontal rather than hierarchical. Another word I think of is an umbrella organisation, or an organisation for organisations. This insight of definitions can help to understand that networking, local networking and partnership programs, are central parts of GC.⁵²

The core of Global Compact consist of the ten principles. Around this core is a world wide network of global as well as local communication, reporting, case studies, dialogues, programs and partnerships, all with the goal to move forward to make the world better, specifically related to the ten principles, but also in general to promote all UN goals, seen from what business can/should/must do as one “organ of society”.⁵³

3.3 The business partners

Companies must have at least ten employees to be welcomed as direct participants, although also smaller companies can be engaged in the local networks and are encouraged to stay informed about GC. The explanation for excluding small companies is that they would take too much of administration resources for GC Office. With this exception basically all companies are welcome to sign Global Compact; there is no minimum performance stand-

50 Georg Kell, and David Levin, “The Global Compact Network. An historic experiment in learning and action” in McIntosh et al., p. 45.

51 UN Global Compact, *Participant Search*, http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html (2008-05-10).

52 Kell et al. in McIntosh et al., p. 47–8.

53 UDHR Preamble: “Proclaims this Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society...”

ard, no entrance level to join GC. But the commitment to change and an everlasting improvement work after the signature, is essential.⁵⁴

The obligations after the signature can shortly be summarised into three obligations. The company shall firstly start activities to make the principles a part of the company in all aspects, from management and strategy over culture to daily operation. Secondly, an obligation is to make an annual public report, and thirdly to advocate GC in press releases etcetera. The first two obligations are further detailed below.⁵⁵

Beside the mandatory obligations can a company engage further, which is desirable, in accordance to that GC is a network organisation; a learning network, a social network, a dialogue etcetera. Five broad areas for a deeper engagement are distinguishable: Firstly, partnership to support broader UN goals, not at least the Millennium goals. Secondly, the local network, e.g. the Nordic network. Thirdly do more of the mandatory advocating of GC. Fourthly policy dialogues and learning, which can take place between any stakeholder. Fifthly collective actions, one example is the initiative Business Leaders Initiative on Human Rights (BLIHR).

GC does not require any specific way for implementation of the principles, no way is correct nor wrong. But, GC has a lot of proposals, tools and guides. One suggested model to take inspiration from, for both implementing and reporting, is the Global Compact Performance Model. This model consist of ten elements, divided in enablers respective results. It starts with the company's vision and ends with its reporting.⁵⁶

3.3.1 Reporting

An annual report, Communication on Progress (COP), is mandatory. The first report must be submitted within two years, then annually. If this is not met will the company be listed as inactive in the database. The COP should be addressed to the stakeholders, not to GC,

54 UN Global Compact, *How to Join the Global Compact?*, http://www.unglobalcompact.org/HowToParticipate/Business_Participation/How_To_Join_the_Global_Compact.html (2008-04-30).

55 *After the signature. A guide to engagement in the United Nations Global Compact*, p. 6.

56 *Ibid.*, p. 5–12.

Fussler et al., p. 58.

The elements of GC performance model are: Vision, Leadership, Policy and strategy, Empowerment, Resources, Process and innovation, Impact on value chain, Impact on employees, Impact on society and Reporting.

which means it is not “approved” by GC – however they do some sort of evaluation, because reports considered incomplete can cause a notice for improvement. The COP must be published on the GC website. The COP must include a statement on continuing support for GC, a description of practical actions and a measurement of outcomes. GC publish a lot of guidelines, but without any mandatory format, measurement method etcetera. The intention should be to be specific in the COP, not a report full of generic statements.⁵⁷

In 2004, GC office introduced Notable COP, “to highlight and recognize outstanding” COP:s. GC has listed criteria for a Notable COP. However, this recognition is not an approval or evaluation of the COP as such, that is for the stakeholders to do. The Notable COP:s are marked with a star in the data base.⁵⁸

3.3.2 Tools

As mentioned above, GC propose to use the Performance Model. *A guide for integrating human rights into business management* follows this model. That guide, as well as GC web site, refer to *Raising the bar* for more information. The book consist of over 200 pages, full of tools and case studies, divided on each of the ten elements in the Performance Model. As examples: for the element Processes and innovation, are two proposed tools Social Accountability 8000 (SA8000) and ISO 14001 (environmental), and for the last element, Reporting, are two of the tools Global Reporting Initiative (GRI) and AccountAbility 1000 (AA1000).

Another element in the performance model I want to highlight is “Impact on Value Chain”, where the handbook *Raising the bar* advise that a company's result/reputation can include that of suppliers, distributors and customers. “The best companies have the best

57 *After the signature. A guide to engagement in the United Nations Global Compact*, p. 14–7.

58 UN Global Compact, *Notable Communications on Progress*,

http://www.unglobalcompact.org/COP/notable_cops.html (2008-05-02).

UN Global Compact, *Notable COP program*, Sept. 2007,

http://www.unglobalcompact.org/docs/communication_on_progress/Notable_COPs.pdf (2008-05-11).

Quote from the criteria document: “The Global Compact Office expresses no opinion on the accuracy of the statements contained in the COPs. Consistent with the concept of the COP, such matters are for the participants' own stakeholders to assess.”

suppliers and the best customers.” I emphasise that advise, because a reason for this paper is that a standard can be a tool to evaluate the business partners.⁵⁹

Another tool for compliance assessment, Human Rights Compliance Assessment, is produced by The Danish Institute for Human Rights. It is a tool based on approximately 350 questions with more than 1000 corresponding human rights indicators, it is a diagnostic tool to help to detect potential human rights violations. After answering the questionnaire, a report is generated with compliance/non-compliance in various areas, and with score values. I have not tested the tool, and although there is a danger in scorecards in respect of simplification, it is attractive with a tool that has a simple interactive web based interface with scores that can be compared. The intention as far as I understand is not to use the score for an external report, but for the internal follow up by management where the progress can be tracked.⁶⁰

In *A guide for integrating human rights into business management* is a general version of a Human Rights Matrix presented, it must be modified for each specific company. The model consider human rights on three levels of importance: essential, expected and desirable. What fall into each level can evolve over time, so the matrix is not a fixed standard with static criteria.⁶¹

The guide also recommend to implement human-rights-based audit programs performed by external experts. The Guide does not include any specific method for the audit.⁶²

Löhman and Steinholtz set GC into a concept consisting of four parts, as one way to work with CSR: Start with the GC principles (it was nine principles at the time when their book was published) and secure the principles are understood and met in the company, add OECD:s *Guidelines for Multinational Enterprises*, do a third-party certification (ISO 14001 for environmental and SA 8000 for basic labour rights) and finally add GRI.⁶³

59 *A guide for integrating human rights into business management*, p. 5.

Fussler et al., p. 171–3.

60 *Ibid.*, p. 33.

The Human Rights & Business Project, *Human Rights Compliance Assessment*, http://www.humanrightsbusiness.org/040_hrca.htm (2008-05-14).

61 *A guide for integrating human rights into business management*, p. 13–6.

62 *Ibid.*, p. 34.

63 Löhman et al., p. 147.

3.4 Global Compact organisation

Global Compact Office is an UN entity to support and manage Global Compact. Several UN agencies are directly involved in Global Compact, the six most involved participate in an Inter-Agency Team: OHCHR, ILO, the United Nations Environment Programme (UNEP), the United Nations Office on Drugs and Crime (UNODC), the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO).

Global Compact Leaders Summit is a triennial meeting for the top executives of Global Compact business participants, and of other stakeholders. The latest meeting summer 2007 had over 1100 participants whereof 638 from business, which shows it has gained an importance for business leaders to attend.

Local Networks, with annual Networks Forum, are formed geographically. Sweden belong to Nordic Countries Group.

Finally, there is a Global Compact Board that meets annually. It is chaired by UN Secretary-General and consist beside UN of representatives from business, international labour- and business organisations and from civil society.

These six elements (Global Compact Leaders Summit, Local Networks, Annual Local Networks Forum, Global Compact Board, Global Compact Office, and United Nations Inter-Agency Team) form the Global Compact Governance Framework.

Noteworthy is that the organisation is “light and non-bureaucratic”, which reflect that Global Compact in its concept to a large extent is a network.⁶⁴

64 UN Global Compact, *The Global Compact Board*, http://www.unglobalcompact.org/AboutTheGC/The_Global_Compact_Board.html (2008-04-30).
UN Global Compact, *The Global Compact in the Nordic Countries*, http://www.unglobalcompact.org/NetworksAroundTheWorld/country_contact/nordic_countries.html (2008-04-30).
UN Global Compact, *Global Compact Governance*, http://www.unglobalcompact.org/AboutTheGC/stages_of_development.html (2008-04-30).
The Global Compact leaders summit 2007. Facing realities: Getting down to business (New York: United Nations/Global Compact, 2007), p.7.

3.5 Global Compact funding

The core funding of GC is by government donations. There is no fee for participants. But in April 2006 was “Foundation for the Global Compact” established, where annual voluntary donations from business are appreciated and proposed. For 2008, Coca-Cola Enterprises Inc. is top-donor with over 20 000 USD contribution. The foundation is a non-profit entity, authorized by GC Office to raise money for GC.⁶⁵

3.6 Other standards and organisations

As we have seen above in this investigation Global Compact is very open. Therefore GC is not in opposition to other standards and organisations, they are welcome as tools or partners. In this section standards and organisations are mentioned in relation to Global Compact above, and some additional, listed in a brief investigation. The list is not comprehensive, it is my own selective selection based on the interest they have produced during my research for this paper, which means other not mentioned standards or organisations can exist and be at least as important for protecting human rights in business. I have not tried to value how important these standards and organisations are in relation to each other, nor in relation to other not reviewed standards and organisations.

3.6.1 The Caux Round Table Principles

The Caux Round Table Principles is a coalition of business leaders from Japan, Europe and USA for ethical behaviour and CSR. Their principles are general by intention, to avoid complexity, and reflect two ethical ideals: kyosei (acting for common good by co-operation) and human dignity. The goal for these principles is to promote a dialogue between

65 UN Global Compact, *Frequently Asked Questions*,
<http://www.unglobalcompact.org/AboutTheGC/faq.html> (2008-04-30).
Foundation for the Global Compact, *Welcome to the Foundation for the Global Compact*,
<http://www.globalcompactfoundation.org/index.htm> (2008-04-30).
Foundation for the Global Compact, *Contributors*,
<http://www.globalcompactfoundation.org/donors/our.donors.htm> (2008-04-30).
Foundation for the Global Compact, *Relationship with the UN*,
<http://www.globalcompactfoundation.org/about/relationship.htm> (2008-04-30).

business leaders from different cultures, and encourage action. The Caux Round Table is now officially affiliated to GC.⁶⁶

3.6.2 BLIHR

BLIHR has currently 13 companies as members, most working globally and are relatively big, among them the case study for this paper – Ericsson. It is a programme to develop corporate response to human rights, developing tools and methodologies for human rights. For this time period, 2006–2009, BLIHR has two priorities: firstly integrating human rights into business management and secondly mainstreaming the human rights in business. One result of their work is *A Guide for Integrating Human Rights into Business Management*, a joint product by BLIHR, OHCHR and GC, and another result is engagement in projects intended for “road-testing” of the draft UN Norms.⁶⁷

3.6.3 GRI

The Global Reporting Initiative (GRI) is a framework for social and environmental reporting. The current third version of GRI guidelines “Sustainability Reporting Guidelines” has performance indicators in six areas. As example it has 9 (6 core, 3 add) indicators for “human rights”, and 14 (9 core, 5 add) performance indicators for “labour practices and decent work”. According to their own information, over 1500 companies have adopted the guidelines and appear to me to be one of the more widely used systems, and the case study in next chapter – Ericsson – is among them. In 2006 entered GRI a strategic alliance with GC. GRI focuses on the process of reporting, while Global Compact has focus on performance.⁶⁸

66 Mendes in McIntosh et al., p. 104.

67 BLIHR, <http://www.blihr.org> (2008-05-12). Beside the index web page, has also “Who we are”, “What we do” and Reports & tools” been used. The specific links are hidden and are therefore not listed. *A guide for integrating human rights into business management*, p. 3.

68 Ibid., p. 37.

After the signature. A guide to engagement in the United Nations Global Compact, p. 7.

GRI, *G3 Guidelines*, <http://www.globalreporting.org/ReportingFramework/G3Guidelines> (2008-05-02).

GRI, *What we do*, <http://www.globalreporting.org/AboutGRI/WhatWeDo/> (2008-05-20).

Deborah Leipziger, “The Global Compact. Promoting convergence in corporate responsibility” in McIntosh et al., p. 345.

3.6.4 AccountAbility

Accountability has as its purpose “to promote accountability for sustainable development”. Accountability is a non-profit organisation, among their founders The Body Shop, Shell, KPMG and Oxfam can be noted. Accountability brings business, academics and practitioners together. The founders recognised a need improve the social auditing and reporting, make it more professional, in order to improve the trust between companies and their stakeholders. Perhaps most known in their work for accountability is the AA1000-series. Accountability states “hundreds of organisations now use the Series to guide their practices”.

AA1000-series started in 1999 with AA1000, a framework to build accountability and social responsibility, “by improving the quality of social and ethical accounting, auditing and reporting”.

AA1000AS is an assurance standard, revision is ongoing for a 2nd edition to be published in October 2008. AA1000AS can be a complement to GRI, based on assessment of reports for materiality, completeness and responsiveness. It is best used together with the other AA1000-standards, but can also be used stand-alone.

AA1000SES is a stakeholder engagement standard, for “designing, implementing, evaluating and assuring the quality of stakeholder engagement”.⁶⁹

3.6.5 Social Accountability

SA8000 is a standard from Social Accountability International (SAI) for the workplace, to make in more humane. It is deeper within labour rights than GC. An external auditor can certify the company according to SA8000, which means it is one of few standards in this area where the company can have an independent third party evaluation, although only covering labour rights. Currently are 18 organisations accredited certification bodies. I

⁶⁹ AccountAbility, *Our history*, <http://www.accountability21.net/default.aspx?id=216> (2008-05-12).
AccountAbility, *AA1000 Overview*, <http://www.accountability21.net/default.aspx?id=228> (2008-05-12).
AccountAbility, *AA1000 Assurance Standard*, <http://www.accountability21.net/publications.aspx?id=288> (2008-05-12).

recognize several of them as certification bodies working with also technical certifications, one is the company where the Swedish SEMKO is a subsidiary.⁷⁰

3.6.6 OECD

The OECD *Guidelines for Multinational Enterprises* was first published in 1976, but has later been revised. It has a broader scope than GC: human rights, labour rights, environment, taxation, and science and technology. A difference to other standards is that OECD consist of countries and each government has to assign a national contact point, in Sweden it is within Foreign Affairs. And for Sweden, an additional way to promote is Globalt Ansvar (GA). The guidelines are recommendations, voluntary principles and norms for an accountable business, from respective government to their multinational companies.⁷¹

3.6.7 UN Norm

The UN Draft *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights* has been mentioned earlier. As far as I understand it still is a draft. But the Human Rights Council (HRC) “Sub-Commission on the Promotion and Protection of Human Rights” has proposed to HRC to adopt the norms.

The norm states:

States have the primary responsibility to promote, secure the fulfilment of, respect, ensure respect of and protect human rights recognized in international as well as national law, including ensuring that transnational corporations and other business enterprises respect human rights. Within their respective spheres of activity and influence, transnational corporations and other business enterprises have the obligation to promote, secure the fulfilment of, respect, ensure respect of and protect human rights recognized in international as well as national law, including the rights and interests of indigenous peoples and other vulnerable groups.

The norm has six areas of requirements: right to equal opportunity and non-discriminatory treatment, rights to security of persons, rights of workers, respect for national sovereignty

70 Leipziger in McIntosh et al., p. 347.
Social Accountability Accreditation Services, *Accredited Certification Bodies*,
<http://www.saasaccreditation.org/accredcertbodies.htm> (2008-05-12).

71 Leipziger in McIntosh et al., p. 348–9.
OECD:s riktlinjer för multinationella företag – en handbok. (Stockholm: Utrikesdepartementet, 2006).

and human rights, obligations with regard to consumer protection and finally obligations with regard to environmental protection.

The right to security includes prohibition of engagement in or benefit from war crimes and other violations. Rights of workers includes areas as to not use forced or compulsory labour, rights of children, safe and healthy working environment, reasonable remuneration and freedom of association and collective bargaining.

The draft norm obviously has similarities to the GC principles. I consider it is interesting to follow if the draft norm will get any form of regulatory status by the UN-body HRC. I believe any such status will affect the UN Global Compact.⁷²

3.6.8 ISO

ISO is an organisation responsible for a lot of standards. In this paper is ISO 14001 “Environmental management systems – Requirements with guidance for use” noted as one tool for the GC environmental principles. ISO 14001 can be used for a self-declaration, but it can also be a certification done by an external body.

ISO 19011, “Guidelines for quality and/or environmental management systems auditing”, is a document to use when performing an audit, for example audit a company's suppliers.

Most interestingly from ISO for this paper is the entirely new standard ISO 26000, a guideline for social responsibility, to be published in 2010. It will be a voluntary guidance standard, it will not include requirements and thus not a certification standard. The aim is to have a document with “common guidance on concepts, definitions and methods of evaluation”. This ISO preparation work is done by Swedish Standards Institute and Brazilian

⁷² *Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights.*

Adoption of the report on the fifty-eighth session to the human rights council, A/HRC/Sub.1/58/L.11 (United Nations, 2006), p. 21, for the proposal to HRC to adopt the norms.

In a report 2008 to HRC by John Ruggie (Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises), he refer to it as a draft (see *Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development, Advanced Edited Version, A/HRC/8/5.* (United Nations, 2008), p. 14).

I believe, although not confirmed, that this draft norm is a successor to the legally binding document UN was working on, which process was stalled around 1976, when OECD introduced the voluntary guideline, as discussed above in the A global world chapter, p. 16, with Rowe as source.

Association of Technical Standards. ISO 26000 has all type of organisations as target, not only companies. Global Compact is one of many participants in the working groups. For the overall purpose, social responsibility, the standard will cover seven areas: Organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and contribution to community and society. It is difficult today to guess how important this standard will be, or its role in relation to GC and other standards. But apparently, the goal is not to make an auditable standard, so it appear to me it may rather be one tool to use within GC or any other system.⁷³

3.6.9 Danish Institute for Human Rights

The institute is an independent, national institute formed according to the UN Paris principles. The Human Rights and Business Project, was jointly started in 1999 by the institute, the Confederation of Danish Industries and the Danish Industrialization Fund for Developing Countries, and also in cooperation with the Danish Government. In this project has the Human Rights Compliance Assessment tool been developed.

As mentioned earlier,⁷⁴ the tool contains approximately 350 questions resulting in 1000 human rights indicators. When the questions are answered in the web-based tool a report is generated which highlights compliance and non-compliance, and also gives numeric scores. The project states the tool takes all basic human rights treaties into account, that the tool is mapped against GRI and that can be used to assist companies in their GRI and GC reporting. The questionnaire is structured into about 20 right areas. Examples are fair trial, food, education, health and conditions at work. The tool is for self-assessment, not for certification. There is an annual fee to use the full tool, but a quick check tool is available free

73 ISO, *ISO 14001:2004*, http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=31807 (2008-05-13).

ISO, *ISO 19011:2002*, http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=31169 (2008-05-13).

ISO, *Social Responsibility*,

<http://isotc.iso.org/livelink/livelink/fetch/2000/2122/830949/3934883/3935096/home.html?nodeid=4451259&vernum=0> (2008-05-12).

ISO, *Framgångar och utmaningar. ISO 26000 Guidance on Social Responsibility. Slides from breakfast seminar in Stockholm 2008-01-22*,

[http://www.sis.se/pdf/080122_WG_SR_frukostseminarium_\(KS\)633366927107004023.pdf](http://www.sis.se/pdf/080122_WG_SR_frukostseminarium_(KS)633366927107004023.pdf) (2008-05-12).

74 See p. 32.

of charge. I understand the tool is intended to use internally, not to communicate the generated report directly to stakeholders. I consider it to be an interesting tool, because it takes many human rights into account and gives numeric scores so the company can follow its own progress.⁷⁵

3.6.10 Globalt Ansvar

GA, Swedish Partnership for Global Responsibility, deserve a comment, not at least because it has similar name to Global Compact. It is an initiative taken by and headed by the Swedish government (Foreign Affairs). The purpose is to be platform for actors in the area of CSR. GA is based on the principles of GC and OECD Guidelines. Interestingly, companies can also join GA, currently 18 companies have joined. Joining is done by a written letter acknowledging the company will support the GC principles and OECD guidelines, and have to give information how this is implemented. I have not found that GA themselves is a partner of GC. My not very deep research has not given a real understanding why GA has its own partnership system. In comparison to its 18 partners, 46 companies are listed at GC from Sweden.⁷⁶

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- 75 The Danish Institute for Human Rights, *About the Danish Institute for Human Rights*, <http://www.humanrights.dk/about+us> (2008-06-16).
The Human Rights and Business Project: *The Human Rights & Business Project of the Danish Institute for Human Rights*, http://www.humanrightsbusiness.org/010_about.htm (2008-06-16).
The Human Rights and Business Project, *Human Rights Compliance Assessment*, http://www.humanrightsbusiness.org/040_hrca.htm (2008-06-16).
The Human Rights and Business Project, *Human Rights Compliance Assessment (HRCA)*, <https://www.humanrightsbusiness.org/> (2008-06-16).
- 76 Globalt Ansvar, *Globalt Ansvar*, <http://www.regeringen.se/sb/d/2657> (2008-05-12).
Globalt Ansvar, *Om Globalt Ansvar*, <http://www.regeringen.se/sb/d/2657/a/14557> (2008-05-12).
Globalt Ansvar, *Hur ansluter man sig?*, <http://www.regeringen.se/sb/d/2657/a/17095> (2008-05-12).
UN Global Compact, *Participant Search Results*, Search “Sweden” with “Business participants only” filter on, http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html (2008-05-24).

4 Ericsson – one GC participant

This chapter investigate Ericsson as an example of a company who have joined Global Compact. This investigation is limited to the Ericsson view and presentation in the GC data base. The view from stakeholders, such as NGO:s, is not included in this investigation. At the end of this chapter a short review of Huawei, an Ericsson competitor, is included.

Ericsson is a world wide company, mainly within communication industry: hardware, software and services. The legal name of the company, of the Ericsson group, is Telefonaktiebolaget LM Ericsson (LME), headquarters is located in Kista, Sweden. Ericsson was founded in 1876, which means it is far older than UN and the human rights conventions. Ericsson has 75 000 employees (Q1 2008). Ericsson vision:

Our vision is to be the prime driver in an all-communicating world. This means a world in which all people can use voice, data, images and video to share ideas and information whenever and wherever they want.

I included the vision because it is of relevance for their CSR-actions, communications for all. Ericsson is a company where most people in Sweden, and very many globally, can be seen as stakeholders. Because, when we make a phone call, or use the internet, it is a high

probability that somewhere in the transmission chain there is an Ericsson product, in that sense we are all stakeholders on Ericsson.⁷⁷

Four companies are found at Participant search for “Ericsson” in the GC data base:

1. Ericsson (Subsidiary with 100% Foreign Investment). Type: Small Medium Enterprise (SME). Sector: Telecommunication. Country: Ukraine. Joined: 2006-12-14.
2. Ericsson AB, Branch Office Sudan. Type: SME. Sector: Telecommunication. Country: Sudan. Joined: 2007-11-08.
3. LM Ericsson. Type: Company. Sector: Telecommunication. Country: Sweden. Joined: 2000-07-26.
4. UAB Ericsson Lietuva. Type: SME. Sector: Telecommunication. Country: Lithuania. Joined: 2005-06-14. This participant has a remark note in the list, the participant has failed to develop (or provide a link) a COP.

It is not possible in the GC data base to directly confirm a relationship between these companies. It is also difficult to trace a company, because they are only listed with name and country without address, until any document is submitted companies are somewhat anonymous. However, to my understanding after a brief research on Ericsson website for worldwide companies, all above listed companies appear to be within the Ericsson group.

The first company, in Ukraine, does not have any related document in the data base, no COP, nor any case story. This is in accordance to GC, because it is less than two years since they joined. Because there is no document, no further investigation is possible.

The second company, in Sudan, is in the same status as the company in Ukraine, no document. They joined during 2007, as one outcome from an Ericsson human rights impact assessment on the business in Sudan.

The third company in the list, in Sweden, is the legal LME with a world wide responsibility. LME joined GC the 26th of July 2000, the same day as GC was officially launched. LME has been a partner from the very start.

⁷⁷ Ericsson, *Ericsson in brief*, http://www.ericsson.com/ericsson/investors/in_brief/index.shtml (2008-05-10).

Ericsson, *Ericsson – the world leader in telecommunications*,

http://www.ericsson.com/ericsson/press/facts_figures/doc/briefly.pdf (2008-05-10).

Ericsson, *Ericsson Annual Report 2007*,

http://www.ericsson.com/ericsson/investors/financial_reports/2007/annual07/ar_en_complete.pdf (2008-05-10), p. 146.

The fourth company, in Lithuania, has like the Ukraine and Sudan companies, no document. This makes the notification flag relevant – more than two years have passed since signature.

I asked Ericsson Global Compact responsible regarding the fact that more than LME participate, the answer I got is that the Ericsson group by LME has the overall relationship with GC, but it is good for local companies to also engage in the issues locally, also considering there are many local GC networks that local companies can join.⁷⁸

LME belongs to the Nordic Countries Network. I do not find any information on the GC website about the Ericsson engagement in this local network, in general there is very little information about this network on GC website. Nor have I found any information about the Nordic network in the LME COP-report 2007.⁷⁹

The LME COP-report 2007 states that Ericsson in Sudan has joined the local GC network in Sudan. I cannot find any information in the COP about the two other local partners, Ukraine and Lithuania, nor any comment on the remark flag the latter has.

Since LME is the only Ericsson company with any document, the rest of chapter four concentrate on LME documents.

4.1 LME reports

The “Participant Information” web page has two tables for related documents: COP:s and Case Stories.

The web page “COP Details”, one for each time period, include information about covered time period, method to share the COP with the stakeholders, contact person and most importantly link(s) to the COP:s. The links can be to a web page (e.g. html) or to a file (e.g. pdf), the link can be within the GC website and/or external (e.g. to Ericsson).

⁷⁸ Contact to Ericsson Global Compact responsible refer to mail answer from Elaine Weidman 2007-12-16.

⁷⁹ UN Global Compact, *Participant Search Results*, Search “Ericsson”, http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html?submit_x=page (2008-05-10). Starting with this web page, are all the Ericsson results detailed further on new, linked, web pages and document downloads. I have chosen to not give a list of all detailed web links, because they are dynamic links. All were accessed at the same date.
UN Global Compact, *The Global Compact in the Nordic Countries*, http://www.unglobalcompact.org/NetworksAroundTheWorld/country_contact/nordic_countries.html (2008-05-11).

LME has reported COP:s five times: 2005-06-17 covering 2003, 2005-06-29 covering 2004, 2006-08-30 covering 2005, 2007-04-25 covering 2006 and 2008-05-06 covering 2007.

1. 2007: LME has two COP documents listed for 2007: UN Global Compact – Communication on Progress 2007 (2 pages) stored at GC website and Ericsson Corporate responsibility report 2007 (44 pages) stored at Ericsson website. The first document is an extract from the latter one, specifically addressing GC COP, it is a summary with further reference to the main (the rest of) responsibility report.
2. 2006: One document listed, a link to COP on Ericsson web site (where the full Corporate Responsibility Report can be downloaded).
3. 2005: One document, a Sustainability Report, stored both at GC- and Ericsson web sites.
4. 2004: As 2005 above.
5. 2003: As 2005 above, but the link to Ericsson fails, re-directed to a general corporate responsibility web page.

Back to the overview GC web page “Participant Information”. It has a simple matrix if the COP:s meet the three elements:

1. Statement from senior executive.
2. Description of practical actions.
3. Measurements of outcomes or expected outcomes.

LME has a green light for all of the matrix except 3) for 2003 and 1) for 2005.

Furthermore, on the web page “Participant Information”, GC can indicate a “Notable COP” with a star. A Notable COP intend to highlight and recognize outstanding COP:s, good examples. Notable COP:s were introduced 2004, Ericsson has a star for 2004, 2005 and 2006. Noteworthy is the star for 2005, despite the lack of statement by executive according to the matrix. But the COP itself has a statement, so maybe it is only a mistake in the matrix. The report for 2007 does not have a star, I believe it can be too early for GC to have done the evaluation, because the report was submitted very recently.

On the “Participant Information” web page has LME one Case Story listed. The detailed web page “Case Story Details” states it was issued 2004-04-04, titled “Ericsson Ensures

Compliance with its Human Rights and Labor Standards” to address Principle 1–6. It is categorised as “Internalization Project”. But the link to the story, a web page at Ericsson, is at Ericsson web site re-directed to their general corporate responsibility web page.⁸⁰ So, there is no case story from Ericsson to investigate. From my e-mail contact to Ericsson Global Compact responsible, I have learned that Ericsson is preparing new case studies, to be published during 2008, but they will not be available in time for my study.⁸¹

I have opened all five COP:s from Ericsson. In this investigation of Ericsson, I will however concentrate on the latest report, covering 2007. The 2007 report does not have any fundamental difference to the report for 2006. And because this study does not intend to study the evolution at Ericsson, I find it most interesting to concentrate only on the latest report, when using Ericsson as an example of a participant of Global Compact.⁸²

But before we open the 2007 COP-report, a note about the GC data base on participant information: As mentioned above, for LME two document links are broken. I am quite certain LME is not the only company with this problem. It indicate to me that all referenced documents should be stored as files directly at GC. Maybe this will be better, GC has initiated a “COP Review Project” to make COP:s more accessible, a project done on the Wiki platform (Wiki platform, the same platform as for example Wikipedia uses).⁸³

4.1.1 LME COP report 2007

I use the full Responsibility Report for this investigation, not the two page COP summary (but the COP summary is included in the full report, so it is also included in my study).

The COP has a two page message from CEO, Carl-Henrik Svanberg, with a clear statement of active support of GC. In its preamble, it refer back to the founder LM Ericsson

80 I sent a failure report mail 2008-05-02 to both Ericsson respective Global Compact “web master” on the issue of missing/wrong link. The link on GC web site is http://www.ericsson.com/sustainability/2001_report.shtml.

81 Contact to Ericsson Global Compact responsible refer to mail answer from Elaine Weidman 2007-12-16.

82 Ericsson, *Ericsson Sustainability report 2003*.

Ericsson, *Ericsson Sustainability report 2004*.

Ericsson, *Ericsson Sustainability report 2005*.

Ericsson, *Ericsson Corporate responsibility report 2006*.

Ericsson, *Ericsson Corporate responsibility report 2007*.

83 UN Global Compact, *COP Review Project*, http://www.unglobalcompact.org/COP/Review_Project.html (2008-05-11).

UN Global Compact COP Project, <https://globalcompact.pbwiki.com/> (2008-05-11).

who “believed that communication is a basic human need”, and states “This philosophy is still alive in the Company”. He states the commitment to the UN Millennium Development Goals (MDG), which is reflected in the corporate responsibility projects for 2007.

The CEO includes an interesting comment: “In all cases our projects demonstrate that support for the MDGs is both a corporate responsibility as well as simply good business”. This means he acknowledges a responsibility for a company, a kind of citizen responsibility. And that it at the same time is good for business. However, no further distinction is done how far the responsibility reaches or if it is limitless (more limits than sphere of influence), if there can be activities that are not in support of business but still a responsibility to do.

In the CEO letter he uses the expression sphere of influence: “Ericsson's approach is about finding practical ways of enabling human rights within our sphere of influence”. The expression is used seven more times in the report. This expression can be directly derived from the request from GC to business, when accepting the ten principles.

The report includes information about what Ericsson is doing, I will give some examples. Ericsson is involved in affordable mobile connectivity for refugees in Uganda, in safety and security on Lake Victoria, and energy efficiency in products, in Sub-Saharan Millennium Villages project. Ericsson joined BLIHR in 2006, specifically working with BLIHR regarding good governance in sensitive countries and emerging economies. Ericsson promotes the 60th anniversary of UDHR, stating “Telecommunications can serve as a powerful enabler of human rights”, Ericsson will support the “Every human has rights” campaign.

Another part of the report is related to the business operation, describing dialogue with stakeholders, good governance, responsibility in the supply chain with for example audits, environmental management and the employee policy. Ericsson Code of Conduct and Ericsson Code of Business are mentioned. Ericsson Response, a global initiative for response at disasters, where employees also can be involved voluntarily “in parallel with the employee's normal day to day work”, is also mentioned as an activity.

Beside Global Compact, Ericsson states signature/membership in Global e-sustainability

organisation, BLIHR, GAID – Global Alliance for ICT and Development, StEP – Solving the e-waste problem and “GC Caring for Climate: the Business Leadership Platform”.

The report has a table of achievements and objectives for various areas, for example governance has a row of objectives and achievements for 2007 and objectives for 2008. For environmental performance can the ISO 14001-certification (by external assessors) be noted. Ericsson audits in the supply chain are done according to ISO 19011 guidance standard. Furthermore, Ericsson states it is part of GRI, using the G3 tool. The reported GRI Application level and GRI indicators are found on the website. The GRI data is quite comprehensive, I have only opened a few of the GRI documents.

Det Norske Veritas (DNV) has given an assurance statement for their independent verification of the report, in their conclusion they state the report is “an accurate and fair representation of the policies, strategies, management systems,...”, and DNV also state that Ericsson meet content and quality requirements for GRI.

By this summary of my investigation of the more than 40 pages COP report and additional web pages, I find it is a reasonable statement from GC in their matrix that the report meet all three required elements of a report. I note that Ericsson uses several tools and standards to meet and verify their commitment to the ten principles, two of the more well known are ISO 14001 and GRI. Any direct reference to Global Compact performance model is however not found. Regarding Partnership and projects that are included in GC as further steps of engagement, can for Ericsson the Millennium Village be noted as one example.

The COP does not tell anything about GC engagement from local Ericsson companies, except the new GC engagement by Ericsson in Sudan. Although the companies are members in their own capacity, LME has still an overall responsibility for the group. I believe it would be fair if all companies were mentioned in the LME report, and a comment on why one of those companies does not fulfil GC. Ericsson in Lithuania appear as a free-rider (more about free-riders in next chapter), signing to have a good record without doing anything. I do not know why they have not reported, but this is definitely a possible interpretation until information is given. It would also be useful if LME included information in the

report on the strategy for local companies signature, noting that most local companies are not partners to GC.⁸⁴

4.2 Huawei – an Ericsson competitor

Huawei is a relatively young company, headquarters in China. Huawei operates in the telecommunications sector, a competitor to Ericsson, and joined Global Compact 2004-11-09. Huawei has submitted one COP report (no case story is reported), submitted 2007-07-18, covering July 2006 to June 2007. The COP report has green light in the GC data base for all three COP elements, but not a star for a notable COP.

The COP consists of five pages, title “Huawei Code of Practice”, and headings are the ten GC principles.

I have read their report with the intention to have seen a report from one more company and get an idea if reports of two companies in the same industry sector can be compared. I do not intend to go into any detail of the Huawei report in this paper. I merely establish my conclusion that both companies communicate in their respective format, comparison of information can be done to some extent but not in any measurable way.⁸⁵

84 *Ericsson Corporate responsibility report 2007*, passim.

Ericsson, *Corporate responsibility report 2007*,

http://www.ericsson.com/ericsson/corporate_responsibility/cr07/index.shtml (2008-05-10).

Ericsson, *GRI Index*,

http://www.ericsson.com/ericsson/corporate_responsibility/gri_index_07/index.shtml (2008-05-10).

I have opened more web pages linked on those two web pages above, for further understanding. But as they are not direct sources for my study, I have not listed all of them in this note.

85 UN Global Compact, *Participant Search Results*, Search “Huawei”,

http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html?submit_x=page (2008-06-16). Starting with this web page, are all the Huawei results detailed further on new, linked, web pages and document downloads. I have chosen to not give a list of all detailed web links, because they are dynamic links. All were accessed at the same date.

5 Comments on Global Compact

Global Compact cover all human rights, at least are all major UN conventions on human rights applicable. A major strength of GC, to my opinion, is that its core is formulated into only ten principles, less than 120 words are needed. I consider this as a big advantage for GC, that any introductory presentation of it can start with a single sheet presenting its norms. Mendes touches on this advantage when he sets two characteristics for a “value-based platform”, which he considers GC to be. The first characteristic is it must appeal to universal, general principles, otherwise parties may be afraid that “the devil may be hiding in the details”. The second characteristic is it must give importance to implementation in the real business.⁸⁶

A standard can be about a performance that is needed to be secured, to secure it is fulfilled with an acceptable confidence level. To do this, is one or several test methods and measurement methods specified, specified so well that they can be repeated also by somebody else. The methods should be as close as possible to the real conditions, to the originally required performance. Criteria should be defined for the measurements, to define the required result that will fulfil the original performance. The simplest answer can be pass/fail, or it can contain more details. Results from a test according to a standard can be compared.

When the work is ongoing with this paper, violation of both labour conditions and environmental abuses by companies in Bangladesh is reported in Swedish media, violations

⁸⁶ Mendes in McIntosh et al., p. 108.

by companies used by both Ericsson and Telenor. Both Ericsson and Telenor has investigated the reports and confirmed violations, and started actions such as cancel contracts or initiate work for improvements. This present example highlights a reason for writing this paper: to investigate a standard that can be used for evaluation of a company, a standard that is possible to use with a third-part certification body for certification/approval, a standard where this stamp confirm that the investigated company (or a company's site) meet the requirements, or a certain level.⁸⁷

Clearly, GC is not a standard that can be used for that purpose. And to be honest to GC, they state it is not a standard. GC is a network, and as such its networking organisation is one of its more important strengths, the aim for learning of each other to reach better protection against the violations.

The Ericsson COP reports are comprehensive, and has additional deeper information on their web on the issues in the reports, plus the GRI-report. The COP report 2007 has been verified by an independent body, but the verification does not trace back to the source information. Some of the tools behind, like ISO 14001 include an evaluation by an independent body. And although it is most likely Ericsson does good things in the human rights area, it is mainly their own view, no assessment is done by Global Compact.

My conclusion after reading the Ericsson COP is clear: it is very difficult to compare reports from two companies, to use Global Compact reports as a tool to assess a company or to compare companies is not possible – at least not as a quick tool for anyone who is not an expert in human rights details who has a lot of time to spend on the comparison. This can be understood already from GC documents without the case study, but the case study of Ericsson convince me, and is further confirmed after reading the COP from Huawei.

The signature require a few relatively simple commitments from the company, with a promise to be a better company in the future, in a forever ongoing improvement process. A major weakness in this is that a signature does not say anything at all about how the company actually fulfil the principles. So again, to evaluate, the reports from a company must be read in all details, and although GC encourage to write concrete details it can be difficult to readout because of the openness how to report and without any defined criteria. All can

⁸⁷ Dagens Nyheter, 14 May 2008, *Barnarbetare gör mobilmaster*. Article signed by Pia Gripenberg, p. 3 (Economy section). The article relate to the forthcoming TV-programme “Uppdrag granskning”.

be done by the company itself, which also opens for different interpretations. So, even if companies are reporting truthfully, the signature is difficult to interpret. And if a company is not truthful, you will not know unless you find alternative reports somewhere – alternative reports that can be trusted. Or, of course if a company is convicted guilty in court.

GC does not have any entry level, basically any company can sign and participate. An explanation for this approach can be found in that GC is based within UN and therefore has to keep an inclusive open-for-all policy. So the simple commitments and non-existing threshold can be explained and can have its positive sides, to get all involved, in a parallel to that all countries can join UN. But it definitely has a downside, because as long as everybody who have read the simple sheet of ten principles do not understand that there is also an even more simple sheet of obligations, which means the human rights violations can theoretically be as grave as in the worst company and that a company can still use the Global Compact sign in its reports.

A problem with this openness is free-riders; companies can join GC and use it in their marketing without actually intend to be a good company. GC does not have any powerful instrument to overcome this problem, the best today is probably public comments and alternative reports, and learning forums. This voluntary system is to a large extent based on the good faith, that signing companies want to be good companies, with voluntary critical parallel investigation by other stakeholders and/or GC stakeholder participants, as the only safeguard to report incorrectly information from companies – or for that matter for confirmation. In the investigation of Ericsson, I found one Ericsson company that has not reported in time – a possible free-rider.⁸⁸

In the GC data base are the COP:s from the companies stored/linked for each company. But, as discussed, GC Office do not approve these reports, although they do a review them to some extent. Other stakeholders and media also review companies, in a mirror report or any other way. But I have not found any easy tool within the GC data base to compare reports from the company with the view from others. Even if it is impossible to link all al-

⁸⁸ Kell et al. in McIntosh et al., p. 61–2.

My discussion of an Ericsson company as a potential free rider originate from the warning flag for UAB Ericsson Lietuva because lack of COP in due time. See clause 4, fourth listed company on p. 42.

ternative reports, media articles and so on, I consider it should be useful if at least the view from the GC Stakeholders are connected on same web page as the company's own reports.⁸⁹

Companies with less than ten employees cannot join GC, because it would cause too much administration for the GC Office. This is a drawback. If GC should be used by a company as one precondition for making business with another company, it is a competition drawback for those small companies. And if a company cannot use GC on all its business partners, it may be a reason for not using it at all. Although I may be able to understand the economic reason, I do not agree that United Nations this way should treat small companies unfairly. United Nations also has GC as one tool for evaluating trade with various UN-organs. Ziegler state in his conclusions “Participating companies should be required to politely but resolutely ask their affiliates and suppliers to adopt the ten principles”. Adopt is possible, and desired also from GC Office, but to introduce his conclusion, for that I consider that all companies should have a possibility to be real partners.⁹⁰

Leisinger is pessimistic about companies in general, all those that are not part of GC (or I assume, of the free-riders too). He believe many companies expect the buzz in media and public opinion for human rights in business will fade, and therefore they do as little as possible. And he believes that companies going for “duck-and-wait strategy”, have a good chance to succeed in this strategy.⁹¹

Kell and Levin's chapter in *Learning to talk*, the book published at the third anniversary of Global Compact, states the importance of ethical integrity and points out that GC do not take funds from companies or business associations, because all funding should come from states/governments or non-profit organisations.⁹² Two years later, 2006, the Foundation for GC was established. Although the foundation is a non-profit organisation, its aim is to raise voluntarily donations from business. It seems to me as GC has lowered its ethical standards. Or a less critical view might be it is a pragmatic action to get needed money.

Why should a company join GC? It appears as GC argue it can be done with the benefit also for the company's business. The Global Compact Performance model, state GC, “al-

89 A question on this issue was sent to GC Office 2008-05-02.

90 Ziegler, p. 79.

91 Klaus M. Leisinger, “Business and human rights in McIntosh et al., p. 84.

92 Kell et al. in McIntosh et al., p. 61. Note that Kell was and still is executive head of GC.

lows business to implement the Global Compact principles without undermining their other business goals". Another statement from GC:

Implementing responsible business principles will always benefit your company. It will earn your company money and recognition, both in the short as well as in the long term. Running your business in a socially responsible manner will eventually increase your competitiveness by: [examples are listed, like energy consumption, motivated employees and reputation].

This might be true, but it is not obvious, nor have I seen direct proof of it, although the statement by the Ericsson CEO pointed to the good for the business to support MDG. Still, I am doubtful it can be said without any disclaimer, that a sincere joining of GC is profitable for the company.⁹³

The problem with the interpretation of what the signature means or requires, can be seen in the suggestion for different levels of fulfilment in a guideline: essential, expected and desirable. Donaldson propose "three distinct rungs of a 'ladder of justification'": egoism, co-operative egoism and citizenship. Although some of GC requirements can be fulfilled and be an advantage for the company (the first two steps of the ladder), he believes much of the membership requires the heart:

Moreover, the trumping nature of rights, noted earlier, means that the Compact holds companies responsible for honouring a given right even if it cannot be shown that doing so serves the egoistic or co-operative egoistic advantage of most companies. The Compact is asking companies to do many things simply because *they are the right thing to do* [italic in origin].⁹⁴

By that, Donaldson appears to be in in line with motives for CSR and business ethics as those from De George and Larsson (chapter A global world).

Corporate citizenship. This is a concept worth pondering, a company seen almost as a human citizen. Compare Reich in Supercapitalism (chapter A global world). Donaldson refers to the social contract theory along lines by John Rawls in *A Theory of Justice*, and

93 *A guide for integrating human rights into business management*, p. 5.

After the signature. A guide to engagement in the United Nations Global Compact, p. 6.

The UN Global Compact operational guide for medium-scale enterprises (New York: United Nations/Global Compact, 2007), p. 3.

94 *A guide for integrating human rights into business management*, p. 13.

Thomas Donaldson, "De-compacting the Global Compact" in McIntosh et al., p. 68–71.

consider the social contract between the global corporations and the global citizenry, and conclude Global Compact recognize this contract. Furthermore, he (Donaldson) notes that the name Global Compact “suggests a hypothetical, implicit, social contract”. van der Lugt brings another side of corporate citizenship, comparing citizens as part of a collective who have duties on the other side of the coin to the rights, which means transferred to corporations that they have rights such as liberated trade and on the other side of their coin are duties wherever in the world they operate. I do not intend to deepen my studies in the social contract theory and its possible connection to business, it requires its own paper. Still, I want to touch on one thread of connection, one consideration related to UDHR. In Global Compact is UDHR used as direct reference in the principles. My thought is that the preamble in UDHR, which states “that every individual and every organ of society” are directly involved in fulfilling the human rights, can be interpreted as a requirement for corporations to be direct partners of the social contract.⁹⁵

Rowe is critical to Global Compact, he states it “is a substitute for public regulation, an attempt to sidestep the diplomatic difficulties of dealing with the nasty bits of internationalized capitalism”. Or as he phrases later:

The Compact, simply put, is a sophisticated attempt by business to stem threatening anti-corporate criticisms without making changes to the business environment – changes required to address the externalities impelling the protests [the protests against WTO in Seattle].⁹⁶

Amnesty International has as final words in *Mänskliga rättigheter – företagens ansvar?* (Human Rights – a responsibility for companies?) noted that the high number of human rights standards for business is an indication of its importance. But the abundance of codes can confuse. The book ends with the statement to not forget that the most recognised codes are UDHR and ILO:s conventions.⁹⁷

Ziegler studies four companies in the automotive industry, two German and two from USA, one in each country are partners of GC. He report that GC has 2659 business participants (2006-04-30), whereof 1259 are from Europe but only 85 from USA, despite that

95 Ibid., p. 70.

Cornis van der Lugt, “Growing big, learning that small is beautiful” in McIntosh et al., p. 131.

96 Lipschutz et al., p. 131 and 164.

97 *Mänskliga rättigheter företagens ansvar?*, Amnesty international. (Stockholm: SNS förlag, 2001), p. 124.

European and USA companies have a similar view on CSR. He sees the GC Networks as one important part to study in order to understand the difference in attitude to GC. In Germany the network is strongly supported by the government, and the network is active. But in the USA the network has no support from government, and it has been rather weak. He gives five suggestions for more acceptance of Global Compact, not at least in the USA. One suggestion was mentioned earlier about companies to ask other companies to join. Another suggestion, which I consider will also make it more relevant for one company to ask other companies, is to adopt a uniform, industry related reporting system. This proposal is in accordance to my view that GC is today not a tool for an ordinary employee (or for that matter, any stakeholder) to assess or compare companies. To make something uniform per industry, could be a step in the direction for GC to be a more useful tool.⁹⁸

⁹⁸ Ziegler, p. 1, 66, 70–5 and 77–8.

6 Final discussion

The globalisation is an important reason for the evolution of human rights in business. Therefore I started this study with an investigation of different views on how the protection against human rights violations is best implemented in business, self-regulation versus regulation, solutions handled by the market versus the role for politics and democracy. With that background, and knowing that self-regulation is an actual part of the protection today, the rest of the study was concentrated on standards. Ericsson was used as a case study.

The recent report in media regarding violations of labour conditions and environmental abuses by companies in Bangladesh, with business relations (or now terminated) to Ericsson, is a good example of how difficult it is to have control over the entire supply chain, or to have the same interpretation globally of when a violation has occurred, or if it is possible to trust a company without a third-party evaluation. This media report exemplify why I considered it of interest to investigate if standards can be used to evaluate human rights obligations.⁹⁹

Global Compact has been the focus, to find out if it can be the answer. The answer is no, Global Compact is not such kind of standard.

In the study several other standards have been investigated briefly, most of them can be used as tools or complement for Global Compact. A few of them have a measurable output, for example SA8000.

⁹⁹ The media report is discussed on p. 49.

Standards, in this context, according to my description on p. 49.

The new ISO 26000 standard is planned as a guideline and has apparently not the goal to be a standard that can be used for audits. I do however believe it is of interest to follow the release of ISO 26000.

Self-regulation as caused by a pressure from stakeholders and consequently that self-regulation is not a democratic regulation, is worth to further consider – and how we citizens of nations as well as citizens of the earth should take active decisions in any direction. The draft UN norm is interesting as it may get some sort of regulatory status. I have seen relatively little debate on that progress. If it becomes regulatory, it can be a move of the current position between regulation versus self-regulation.

Global Compact has, I believe, an impact, it has good sides. Not at least as being as widely spread as it is. It can promote and advance human rights in its current form. However, to analyse that impact has not been the scope for this paper. It can be of interest to investigate how much the GC reporting cost a company, compared to the usefulness of the reports (the report itself directly, or as a background factor for the company to actually do the things described in the report), considering GC as to a large extent motivate itself as a network to promote the advancements of the principles. A tool (e.g. connection in a data base) for easier comparison between company reports and stakeholder reports can contribute to make GC more valuable for evaluation of human rights in a company. Another step for better usefulness of the COP reports might be to align the reports, alignment per industry or in general.

This study has a question related to its purpose.¹⁰⁰ The answer to the question is no, Global Compact cannot be used as a tool where information is comparable to evaluate human rights of a company or between companies. Nor has the brief research of some other standards indicated that any of those can be the answer instead of Global Compact. This negative answer to the question is neutral in opinion if Global Compact and the other standards can be useful in other ways to protect the rights we all have as human beings.

¹⁰⁰Question, see clause 1.3, p. 8.

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Only the main domain addresses are listed.

AccountAbility: www.accountability21.net

BLIHR: <http://www.blihr.org>

Clean Clothes Campaign: www.cleanclothes.org

CSR i praktiken: <http://www.csripraktiken.se>

Foundation for the Global Compact: www.globalcompactfoundation.org

Global Reporting Initiative: www.globalreporting.org

Ericsson: www.ericsson.com

European Commission: ec.europa.eu

ISO: isotc.iso.org and www.iso.org

Regeringskansliet: www.regeringen.se

Social Accountability Accreditation Services (SAAS): www.saasaccreditation.org

Swedish Standards Institute (SIS): www.sis.se

The Danish Institute for Human Rights: www.humanrights.dk

The Human Rights & Business Project: <http://www.humanrightsbusiness.org>

UN Global Compact: www.unglobalcompact.org

UN Global Compact COP Project: globalcompact.pbwiki.com

UN Human Rights OHCHR: www.ohchr.org, www2.ohchr.org, www.unhchr.ch

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