



Annual Conference 2006 Political Affairs Division IV, Human Security

Political Risk in a Globalised Marketplace: Company Approaches to Conflict Prevention and Human Rights

Corporations and Human Security: A Common Concern?

Human rights issues and conflict prevention are becoming increasingly important for international corporations. At the fifth annual conference of Political Affairs Division IV in Berne, company representatives and experts discussed challenges and issues in the field of human security and business.

At the previous four annual conferences of Political Affairs Division IV, Human Security, of the Federal Department of Foreign Affairs (DFA), participants focused on a given geographical region. In 2006, we took a more global view: "Human Security and Business – Political Risks in a Globalised Marketplace: Company Approaches to Conflict Prevention and Human Rights".

Human rights are key to Swiss foreign policy

Political Affairs Division IV, with a staff of about 70, operates as the DFA centre of expertise in the areas of peace, human rights, humanitarian and migration policy. We thus play a key role in implementing the concept of human security within the framework of Swiss foreign policy. Human security extends beyond what is normally understood by "territorial security". It puts the emphasis on the protection of individuals from political violence, war and arbitrary acts. The promotion of human security leads to greater political

stability and thus creates a sound basis for investments, economic growth and in turn a higher standard of living. The relationship between business and human rights, as well as between the corporate world and conflicts, has been of particular interest to us at Political Affairs Division IV for the past five years. Due to the impact that globalisation has had in many areas of life, society's expectations have increased in terms of what corporations should do to improve human security. At the same time companies find themselves confronted with new political risks. The international debate on this topic has reached a crucial stage. An excellent conceptual framework has been developed for the promotion of human rights and for conflict resolution. Various instruments and initiatives serving this purpose are now available. There are, however, still important challenges remaining, such as how to make human rights an operational part of business procedures. In particular we need to focus on implementation, on the practical consequences of what

we have learned so far, and on the further development of existing initiatives and instruments.

Promote communication between stakeholders

One of the main aims of this year's annual conference was to promote the exchange between the Federal Administration and actors in the private sector and non-governmental organisations, as well as experts, members of parliament and other concerned parties. The annual conference is an ideal forum for exchanging information, identifying challenges and possible solutions, and at the same time creating opportunities to sound out and discuss with representatives of the business community areas of common interest with regard to peace and human rights policy issues.

Thomas Greminger
Head of Political Affairs Division IV,
Human Security

Swiss Foreign Policy and Business: Sentimentality or Self-Interest?

The promotion of peace and human rights are at the heart of Swiss foreign policy. In the opening speech of the 2006 Annual Conference of Political Affairs Division IV, Human Security, Federal Councilor Micheline Calmy-Rey stressed the close connection between corporate and foreign policy interests.



“The promotion of peace and human rights are key elements of Swiss foreign policy”, Federal Councilor Micheline Calmy-Rey said. The head of the Federal Department of Foreign Affairs emphasised that these elements cannot be separated from economic self-interest. “Switzerland is fully aware of this connection and makes it the basis of its foreign policy goals.” She added that Switzerland depends on an open and globalised economy. “But the globalisation process is still fragile and it will only be able to establish itself firmly when it is seen to advance both human rights and economic security.”

The link between human rights and economic self-interest

Therefore, Swiss foreign policy sets out to convince players in the international arena to adopt attitudes and observe rules that are in line with Swiss interests. This applies to governments, but to a larger extent to companies, given that their influence and importance is increasing. The Federal Councilor cited the partnership with China as an example of this process. “Questions concerning the relationship between human rights and the economy have become an integral part of our human rights dialogue with China” she said. One major initiative is to offer training to Swiss and Chinese com-

panies to raise awareness among Swiss and Chinese business leaders of the need for companies to respect human rights in their spheres of influence. It is clear that integrating a human rights-based approach into management will contribute towards this goal and help bring about sustainable business in a globalised economy. Another central issue in China today is the protection of property rights as a fundamental human right. This is a topic with which the Federal Department of Foreign Affairs is closely concerned.

However, the defence and promotion of human rights are the responsibility not only of the state but also of the private sector, stated Calmy-Rey. The Federal Councilor suggested that companies should adopt principles similar to those used in foreign policy. “The private sector needs to find an appropriate balance between the pursuit of profit and the long-term preservation of conditions favourable to investment and production.” In other words, the pursuit of human rights and peace provides the basis for long-term economic success. Companies that exercise

sound corporate responsibility are not only acting out of altruism but sound economic self-interest, as it strengthens their competitiveness and reputation. This is why she welcomes the establishment of the “Global Compact Network Switzerland”, founded in 2006 by a group of Swiss companies.

Switzerland has solid human rights expertise

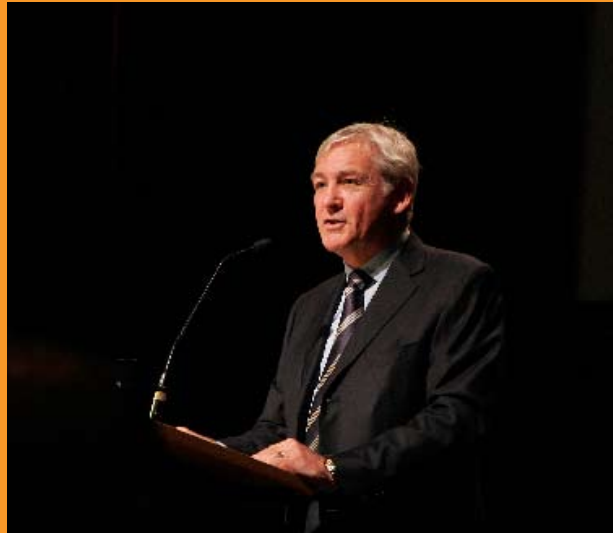
In the view of the Federal Councillor, Switzerland is especially well-equipped to help small and medium sized enterprises (SME) to develop their corporate responsibility. “This also safeguards and strengthens their competitiveness in the international marketplace.” On that basis, the DFA together with The Sustainability Forum Zurich has launched a new public private partnership within the Global Compact Network Switzerland, the “Global Compact Learning Platform for Swiss SMEs” which will support this process.

Federal Councilor Calmy-Rey concluded by highlighting the clear “coincidence of interest” between Swiss foreign policy and the goals of international corporations. “What is needed is a close partnership between politics, business and civil society.”

“Questions concerning the relationship between human rights and economy are part of our human rights dialogue with China.”

Stop Being a Victim: Be an Active Player

Companies must play an active role in human rights, said Gary Steel, a member of ABB's Executive Committee. To do so, sometimes they have to resist economic pressure.



"As a global company, with operations in some 100 countries, ABB faces many risks: political, security, health and safety, social, regulatory and human rights" said Gary Steel, a member of ABB's Executive Committee. "We confront all of these on a day-to-day basis." Managing those risks demands that a company's internal procedures and processes be comprehensive, fully implemented and monitored. "It means ensuring that the intelligence we have at our disposal is the best we can possibly acquire." It involves proactively engaging with a wide range of stakeholders to ensure that risks are, as far as possible, anticipated and that solutions are found. But this can be difficult, as situations are sometimes beyond a company's control. Two years ago, six ABB employees were killed in a terrorist attack while working on a customer compound in western Saudi Arabia. This tragic and gruesome incident occurred despite strict security precautions and procedures.

Get into the driving seat

"However, I firmly believe certain risks are also opportunities", Steel said. To grasp these opportunities, all companies – multinationals as well as SMEs – need to stop regard-

ing themselves as passive participants and become active players. A company needs to be in the driving seat to deal with the challenges of a fast-changing world.

Wealth creation drives development

While companies should not seek to replace the role of governments, companies have serious responsibilities. They have opportunities to create wealth and advance social development. Companies have an obligation to drive forward specific agendas – such as human rights, Steel said. More and more companies, including ABB, are seeking to balance what is known as "the triple bottom line". This means trying to find a balance between creating wealth, ensuring social progress and environmental stewardship at the same time.

"Business exists to make money, but you cannot hope to drive agendas forward - to maximize opportunities – if you're poor."

"It means aggressively pursuing the belief that we can create wealth, that we can contribute to progress, and that we can be a force for good in a business context", said Steel. ABB is a founder member of the "Business Leaders Initiative on Human Rights" (BLIHR) which was set up in 2003 to help integrate human rights in business. BLIHR

has developed tools and guidelines for companies around the world to ensure they properly protect and promote human rights.

The key: stakeholder dialogue

ABB was faced with the question whether to withdraw from the Sudan. North American shareholders in particular urged the company to pull out, as they did not want ABB operating in an environment where human rights were constantly violated. "Despite heavy pressure on the company we decided to stay" Gary Steel explained. The company came to the conclusion that staying would be better for the Sudanese population. ABB engaged in an intense dialogue with its stakeholders, involving contacts in the Sudan with government representatives, NGOs, UN agencies, other companies and diplomats. It also included consultations with human rights experts. "We also met several times with concerned investors and explained why we stayed" he said. ABB provides equipment for the transmission of electrical power in northern Sudan. Electrical power will support economic and social development, and is therefore crucial to the development of housing, education and health care.

Website:
www.abb.com

Human Rights Are Gaining Corporate Profile

A common set of human rights best practices is gradually emerging among global companies but the involvement of governments remains important, said John Ruggie, Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises.



Referring to the statement by Federal Councillor Micheline Calmy-Rey that “globalisation is fragile”, John G. Ruggie, Special Representative of the UN Secretary General on the issue of human rights and transnational corporations and other business enterprises, said: “We live in a changing world and many different forces are re-shaping our lives. If people are not furnished with certain anchors in order to attain stability and clarity they will fall back, for example into nationalism.”

Companies are doing better

As a social scientist at Harvard University’s John F. Kennedy School of Government, John Ruggie has worked to identify the drawbacks in this area. One risk factor comes from the network-based models which global companies have adopted. “By divesting direct control from a hierarchical to a horizontal level, a company becomes much more efficient but at the same time also more vulnerable on a global scale. A weak link in the value chain affects the company as a whole, and difficulties may multiply”, said Ruggie. Companies are held liable for violations of human rights,

Websites:

ksgfaculty.harvard.edu/John_Ruggie
www.business-humanrights.org/Gettingstarted/UN-SpecialRepresentative

even if they involve remotely affiliated sub-contractors far away from their headquarters.

One of the research projects which John G. Ruggie has undertaken within his UN mandate was to conduct a survey of Fortune Global 500 companies.

“Unlike Switzerland most governments engage in the process as if they were watching a tennis match”

This survey summarizes the key features of the human rights policies and management practices

reported by the leading global companies. The outcome was encouraging. “The results indicate that the discourse of human rights is gaining recognition in the corporate arena”, the UN Special Representative said. The leading global companies have the core elements of human rights policies or management practices already in place. “They are generally informed about international human rights instruments, exhibit relatively systematic patterns across countries and regions, and apply several basic voluntary accountability mechanisms.”

Differences and problems remain

Nevertheless, the survey revealed some regional and sectoral differences. North-American companies are slightly less likely than European ones to have adopted human rights

policies or practices. Firms in the oil and gas industry have experienced human rights violations at a higher rate than those, for instance, in the consumer market.

The companies which pay attention to human rights in their policies consider non-discrimination as the most important human rights. They should recruit and promote on merit, not race, gender, religion or other such factors. “Work-place health and safety standards are cited almost as frequently and widely”, explained Ruggie. According to the survey, companies rely on international human rights instruments to shape their policies. Topping the list were the International Labour Organisation (ILO) declarations and conventions, followed by the Declaration on Human Rights.

Governments must support companies

John G. Ruggie sees a common set of practices gradually emerging. “The leading companies of the world must act as global benchmarks to put standards in place”, he said. The role of governments in this process is equally - if not even more - important. But in reality their record, stated John G. Ruggie, is in many cases deplorable, to say the least. In the end, the governments of the home countries of the companies have the key responsibility. They need to stress that respecting human rights is crucial for all companies.

Human Rights Are a Management Issue



Under the United Nations Global Compact, companies have pledged themselves to observe human rights in their spheres of influence. But to achieve their human rights objectives they need to establish management processes, says Klaus Leisinger, Special Advisor to the UN Secretary-General on the Global Compact.

“There are two kinds of companies”, said Klaus Leisinger, Special Advisor to the UN Secretary General on the Global Compact and head of the Novartis Foundation for Sustainable Development, “companies which consider respecting and supporting human rights to be exclusively in the responsibility of governments, and companies which know that human rights issues are part of good management practice and competing with integrity”. In future, the world will see an increasing number of companies that care about the social development in the countries in which they operate and about the working conditions in their supply chain. An important force behind this is the “United Nations Global Compact”, the world’s largest voluntary corporate citizenship initiative. “It also asks companies to embrace, support and enact, within their spheres of influence, a set of human rights core values”, he explained.

Don’t become an unwitting accomplice

Businesses should respect as well as support internationally proclaimed human rights and make sure that they do not become complicit in human rights abuses.

Website:

www.novartisfoundation.com

However, doing good is easier said than done. Leisinger offered some advice. “First, companies need to clarify what their essential, expected and desired human rights goals are respectively and what consequences implementation will have for their business”.

Draw up a code of conduct

These goals not only have to be regularly revised but also continuously implemented by establishing appropriate management processes. It is important to decide who verifies corporate human rights compliance and confers legitimacy, Leisinger said. Keeping your house in order and determining acknowledged values and principles are the most basic requirements. A code of conduct should define the personal responsibility of employees who need guidance on what is acceptable behaviour. A policy on corporate citizenship should clearly state what the company regards as its responsibilities and give advice on specific issues and situations. This set of rules is especially important when operating in countries where undemocratic governments are in power or where the legal system is weak. “Corporate citizenship must be monitored“. Therefore human rights issues need to be dealt with by management

“Responsibilities within the company must be clear: Who is in charge of which human rights issues.”

ranging from the business divisions to the executive committee and the board of directors. In the case of the Swiss-based pharmaceutical company of Novartis corporate citizenship is implemented through corporate citizenship organisations at divisional level, a cross-cutting corporate citizenship steering committee established by the executive committee, and a special audit and compliance committee set up by the board of directors. This tight control - normal in other management issues - is quite new with regards to human rights.

Encourage good corporate citizenship

Some companies have established a corporate business practices office that offers confidential advice on human rights issues to every employee. At Novartis, this has helped the associates to act honestly, lawfully and with integrity. As a pharmaceutical company, Novartis has a special responsibility to be a good corporate citizen in the context of the human right to health. It can provide the answers to a number of pressing health and development problems, e.g. in Africa. Particularly with the focus on long-term problems it therefore has established e.g. the Novartis Foundation for Sustainable Development and the Novartis Institute of Tropical Diseases.

Human Rights: However Difficult, there Is No Alternative

What are the current risks, best practices and most useful ways to achieve progress in the areas of business, human rights and conflict prevention? Scott Morrison (Metalor), Danièle Gostely Hauser (Amnesty International), Vada O'Hara Manager (Nike), Jockin Arputham (Slum Dwellers International) and Niels Christiansen (Nestlé) shared their experiences.



Scott Morrison, CEO of Swiss-based metals manufacturer Metalor, described the political, legal and moral dilemmas a company faces manufacturing in a country where human rights are violated. Recently Metalor was accused of breaking international law in Congo. The company's board drew the consequences and halted all Metalor's activity in this country. However, the effect was nil, as a competitor simply took Metalor's place. "Leaving is not always the right option", Morrison said. He called for a joint effort by all stakeholders so that small and medium-sized enterprises such as Metalor had a chance to meet the "triple bottom line" of economic growth, social and environmental responsibility and human rights.

Danièle Gosteli Hauser offered her view from 15 years as Economic Relations and Human Rights Coordinator of Amnesty International: "The dilemmas have intensified." Therefore, Amnesty International has shifted the focus of attention from governments to global companies, as they are now the most important players with regard to human rights. "They have the power to influence situations", Gosteli said. "Being neutral in dangerous zones is simply impossible for companies." She mentioned Liberia, Angola and Sierra Leone where thousands of weapons were bought with the help of companies using the profits of

the illegal diamond trade. Corporations should be pro-active in such countries, Gosteli concluded. "They need to get in contact with as many stakeholders as possible to find solutions."

Manager, Director of Global Issues Management at the sportswear producer, Nike, echoed this. "Nike is always on the offensive", he said. Manager described how consumer attitudes with regard to sportswear had undergone a "change of paradigm" in recent years. Whereas only quality, service and the price used to interest consumers, "people nowadays want to know under which social conditions a product is being made." Nike had responded to these changes not only by providing consumers with information but had also used sport to foster social change, Manager said.

Jockin Arputham, leader of the organisation Slum Dwellers International and an inhabitant of a slum settlement in Bombay, brought many of the policies mentioned by other speakers down to earth. "We

are the ones affected by globalisation", he said. He mentioned the example of one private company whose "sole interest in Bombay was how they could evict 80,000 people from their dwellings." Arputham argued that slum dwellers need to organise themselves. To do this,

"In order to create long-term shareholder value, you have to create long term social values."

Niels Christiansen
Nestlé

communication is essential. "We want 10,000 public toilets in Bombay," he said, "because, when you provide public toilets, you also create a communication centre for the local population."

Niels Christiansen, Vice-President Public Affairs of Nestlé, made clear that "in order to create long-term shareholder value, you have to create long-term social values." There can be no economic benefit without development. By sponsoring educational programmes in developing countries Nestlé has tried to identify its brands with social values. In India, for instance, the company has helped increase milk production by supporting and educating the people actually taking care of the cows - women. They have benefited greatly from the support provided by Nestlé.

Websites:

www.metalor.com
www.nestle.com
www.nike.com
www.sdi.net.org
www.amnesty.org

Human Rights and Conflicts: Compliance Assessment

Most companies want to observe human rights but need help to do so. Now they can check whether their conduct is in line with human rights, explained Marie Busk. Faced with difficulties, they can also turn to guidelines based on specific experience, added Salil Tripathi.



“Companies’ awareness of human rights issues has risen steadily over the past decade”, said Marie Busk, Human Rights Advisor with the Danish Institute for Human Rights, whose work focuses on business-related human rights issues. “Managers think that the right attitude towards human rights is a key factor to their success,” added Busk. However, there is considerable confusion among companies about the best ways to promote human rights in their spheres of interest and influence. Very often, companies are unsure whether they are keeping within human rights regulations and how to meet not just legal demands but also ethical ones. A human rights checklist is useful here - something the Danish Institute for Human Rights has devised and successfully deployed.

An online human rights check

“We are offering a preventive tool that helps organisations identify human right violations in their daily work”, Busk explained. Available over the Internet, the Human Rights Compliance Assessment is a self-assessment tool that ensures a quick and confidential audit of policy. The basic checklist contains just over thirty questions, but a more sophisticated version includes over 350 questions covering the most

complex aspects of doing business in an environment where human right abuses are common. According to Busk, paying attention to human rights also pays real dividends. “If you play by the rules, you decrease your risk of being sued and finding yourself in a costly legal dispute.” And even if a company is not convicted, the damage to its

“Companies’ awareness of human rights issues has risen steadily over the past decade.”
Marie Busk
Danish Institute for Human Rights

brands and image is often substantial. There might even be implications for staff loyalty: employees seem to prefer companies that obey the rules even in critical situations. Companies thus increase their attractiveness for employees and in turn benefit from a highly motivated workforce. As capital markets become increasingly conscious of human rights issues, companies that implement and monitor human rights strategies are more likely to be looked on favourably by socially responsible investors. That is one of the reasons behind the development of evaluation tools - to help outsiders assess a company’s policy. In recent years a number of online tools have also been developed. “What makes our system special is that we asked a wide range of experts on human rights issues for their opinion”, said Busk. A different approach was presented by Salil Tripathi, Senior Policy Adviser with International Alert. His organisation has published

a number of guidelines to help companies facing challenges when operating in conflict zones. “The extractive industries for example, are faced with different human rights challenges in different countries”, he explained. These guidelines were based on actual decisions taken by a number of companies operating in conflict zones.

Conflict-sensitive practices

The extraction industry, often faces conflict with the local community, as in Nigeria. Elsewhere, as in South America, armed gangs are a major worry. “It is extremely important to avoid the mistakes other companies have made.” What companies operating in difficult countries need are “Conflict-Sensitive Business Practices” that will help them handle hostile local communities or regional rebel groups. Managers benefit greatly from these because dealing with a violent environment is in most cases a completely novel experience for them. “By adopting these practices companies benefit from avoiding confrontation and the costs associated with it.” In turn, as companies become more sensitive and understanding, local communities also benefit from their presence.

Websites:

www.humanrightsbusiness.org
www.international-alert.org

Investors Increasingly Look to the Human Rights Record

Companies financing international projects face growing challenges. What are the investment implications on human rights issues? Houria Sammari (International Finance Corporation), Foster Deibert (WestLB) and Glen Armstrong (Sustainable Finance) agreed that human rights loom ever larger in investment decisions.



One of the panellists, Houria Sammari, Senior Programme Manager of the International Finance Corporation (IFC), a company of the World Bank group dedicated to the growth of the private sector in developing countries, described the IFC performance standards that companies have to comply with to get funding. These include social and environmental assessments, labour and working issues like workers' rights, child labour and non-discrimination. Other key issues include pollution prevention, community health and safety, land acquisition and involuntary resettlement, conservation of bio-diversity, the rights of indigenous people and the preservation of cultural heritage.

Sammari explained that agreements between international finance companies already urge them to respect these standards. Investment will not be made when certain human rights standards are not observed. This is a relatively recent development. Hitherto, it was mainly economic factors that played a key role. By recognising human rights as key criteria when evaluating investments, the international financial community has set an example to other industries worldwide. This develop-

Websites:

www.westlb.de

www.ifc.org

www.sustainablefinance.co.uk

ment is based on the conviction that human rights are not only important in themselves but also essential in building sustainable business in developing countries. "With globalisation and the internet, NGOs, governments and banks are becoming more and more important", said Glen Armstrong, co-founder of Sustainable Finance. "Especially the role of the NGOs should not be underestimated." They play an important role as social watchdogs on international finance.

The investment focus has shifted

"Human rights are in the core business planning of companies", Sammari added. Questions a company has to ask

itself when assessing the human rights impact of its own activities in a sensitive area include:

Who are the people whose rights might be affected? What is the nature of the impact? How much control can the company exercise? What are the alternatives to human rights violations? Sammari endorsed applying "best practice" standards based on the conventions of the International Labour Organization (ILO) in order to monitor working conditions and carry out workplace inspections.

"There are performance standards companies have to comply with."

Houria Sammari
International Finance Corporation

Foster Deibert, Head of Sustainability Management of the German bank WestLB, pointed out, however, that bi- or multilateral financing institutions do not have a development mandate. They are sponsors and therefore only partly responsible. "Risks have to be in line with rewards", he said, "but even the smallest project is on the radar screen of stakeholders." An important instrument for global investment banks are the Equator Principles, a framework for banks to manage environmental and social issues when financing projects. They cover sensitive topics such as the relocation of people when dangerous substances are used

in gold mining. "The Equator Principles create a level field among competitors on issues they should not compete on." Deibert emphasised that financial institutions should be more consistent in their approach to human rights. Project sponsors

should observe the same requirements in both developed and less developed countries.

Companies need to identify best practice

The panel concluded that identifying and implementing best practice is too difficult for one company on its own. Institutions must therefore make greater efforts to share information between themselves.

Companies and Their Staff Will Be Held Accountable



Avoiding complicity in human rights violations is vital - but not easy. Mark Taylor of FAFO and Jennifer Zerk, advisor to the International Commission of Jurists, explored the new risks posed by “liability complicity” in cases involving grave violation of international human rights legislation.

In many jurisdictions, corporations as well as individual business representatives have found themselves subject to costly civil or criminal litigation for alleged complicity in human rights violations like war crimes committed by partners or subcontractors. A specialist on the field, Jennifer Zerk, adviser to the International Commission of Jurists Expert Legal Panel on Corporate Complicity in International Crimes, explained that in the US, legal action has focused on securing plaintiff reparations under the Alien Tort Claims Act from companies involved in violations of “customary international law”. Thus, an increasing number of companies with corporate presence in the US are facing judicial action.

Companies face a high risk

“For internationally operating companies, the risk of being held criminally and financially accountable for commercial transactions with partners that commit international crimes is now becoming a reality”, said Zerk, who nevertheless added that there is often a gap between moral standards and the law when it comes to companies. She pointed out how the current inconsistency of international human

rights standards presents a problem for companies operating in different countries or continents. “Complicity and liability are overlapping concepts, which have a legal impact and which need to be clarified now.”

Powerful legal tools are in place

Legal systems have changed worldwide in recent years. Mark Taylor, Managing Director of the FAFO Institute for Applied International Studies in Norway, presented a recent study from his institute on the legal remedies for private sector liability in cases of grave breaches of international law. The survey showed that many countries now have powerful legislation to address violations of international law, and, in terms of jurisdiction, many have wide geographical reach. But there are still many aspects calling for international standards. “Questions of supply chain liability are still open”, Taylor said. This situation is difficult for companies as they have to take account of different legislation in the various jurisdictions in which they are operating. “Companies have to make sure for themselves that they are on the safe side. Most governments don’t inform their businesses enough about complicity and resulting liability.”

The discussion with participants raised a number of questions. For

example, in a case of “liability complicity”, who is committing the criminal act and is therefore responsible – the company or a person acting on behalf of the company?

Case-by-case assessment is important

Zerk and Taylor agreed this had to be judged on a case-by-case basis. There is no common denominator as to where the limits of “liability complicity” exactly fall. Even the question whether direct or indirect responsibility is involved is often unclear. “Law doesn’t work with structure but with cases”, Taylor said. The terms of complicity and liability still need to be defined properly, but at least recent developments are going in the right direction. “There is a firm interest internationally to reach a consensus on complicity and liability”, Zerk said. The panel made clear that companies operating abroad are under even tighter scrutiny than when working at home. The panel concluded that the far-reaching jurisdiction of many countries will force companies to stick to the rules set by the laws at home. This might lead to the elimination of the double-standards that have long been common in international business.

Websites:

www.icj.org
www.fafono.no

Third Party Compliance: Opportunity as well as Risk

Corporate social responsibility (CSR) is increasingly important in respecting human rights and preventing conflict. Peter Braunhofer (Pfizer) and Willi Schilling (Feller AG) identified the obstacles.



Whether involving a large company or a small one, the problems concerning human rights issues are similar. Peter Braunhofer, responsible for Health Care Policy of the pharmaceutical company Pfizer, and Willi Schilling, Head of Human Resources of Feller AG, a medium-sized company specialized in the production of power sockets and switches, debated the key questions: What are the best practices for managing extra-commercial issues such as conflicts and human rights and the risks of supplier or subcontractor behaviour? How do medium-sized and multinational enterprises deal with these challenges?

The contribution of small companies

Even though corporate social responsibility is being taken seriously by an increasing number of companies, only few - especially family-owned companies - have a tradition of philanthropic policy. One of these is the Swiss-based Feller AG. The company has always promoted and practised equal labour rights for men and women. "Women have always had a special posi-

Websites:

www.feller.ch
www.pfizer.com

"Especially family owned businesses have a philanthropic company policy."
 Willi Schilling,
 Feller

tion in our company because our long-time CEO Elisabeth Feller has influenced the culture in a sustainable way", said Willi Schilling. Equal rights are part of the company's strategy, the Human Resource specialist explained, and its aim is to raise gradually the number of women in technical positions. Feller encourages women to educate and continuously develop themselves in

technical professions. The company also provides social incentives such as flexible working hours or part-time jobs, even in top positions, to enable women with small children to remain in their jobs. Peter Braunhofer explained that for Pfizer compliance with corporate social responsibility standards is a top priority globally, firstly, because non-compliance would result in legal problems and, secondly because public perception would be negative. "Our role in local and global communities is defined by citizenship", said Braunhofer. "We strive to conduct business responsibly in a changing world. For that reason, we integrate citizenship through the entire company."

A unique challenge

As the only US pharmaceutical company to sign the UN Global Compact, Pfizer, said Peter Braunhofer, has both the ambition and a unique opportunity to be a good corporate

citizen. "We welcome this challenge and know we can achieve this only by incorporating the needs and interests of our various stakeholders." Braunhofer and Schilling agreed that acting as a corporate citizen is the only way a company can succeed in the long run.

The first step: a code of conduct

However, philanthropic programmes or codes of conduct for employees do not solve everything. The panel identified a number of unresolved issues:

- How should the concept of corporate social responsibility be applied to suppliers in developing countries?
- Is there any way to achieve an international standard using the rules set by the Global Compact or the International Labour Organisation?
- In offshore production, how can companies combine compliance with local standards and home-country expectations without surrendering their competitive advantages?
- How best to balance the short-term interests of shareholders with long-term obligations about human rights?

Social Enterprise: an Alternative Way to Promote Peace and Human Rights



The goal of social entrepreneurship is not profit but benefiting as many people as possible – and thereby changing the world. Jeroo Billimoria of Child Savings International and Pamela Hartigan of the Schwab Foundation, discussed its challenges.

“To be a social entrepreneur requires the courage to believe in people’s capacity to better their own situation”, said Pamela Hartigan, Managing Director of the Schwab Foundation for Social Entrepreneurship. Social entrepreneurship is a recent concept. It means building businesses in developing countries that will benefit local communities in the long run. The main feature which made a social enterprise different from an “ordinary” enterprise, Hartigan said, was the absence of a market, the absence of regulations and, as a consequence, unfortunately often the absence of capital.

“These are no reasons to stay away from planning a social business”, Hartigan said. She told the story of a young man in Nigeria who started building public toilets in cities. On the lines of a franchise system he had these toilets run by the members of youth gangs. “These kids who used to be living on the streets suddenly had a job, which was a great opportunity for them”, Hartigan commented. In her experience social entrepreneurs often work with people neglected by government. “It’s the single-minded vision to change the world which motivates social entrepreneurs to start their own projects”, said the

second speaker of the panel, Jeroo Billimoria, from India, the Chair of the Board of Child Savings International. In her experience, many social enterprises would never have

“A social entrepreneur is a mixture between Richard Branson and Mother Teresa.”
Pamela Hartigan
Schwab Foundation

been started if they had been measured by “normal” entrepreneurial criteria, like financial prospects or a low risk profile.

“It’s not going to work”: this is what you often hear when you present an idea”, she said. Billimoria, however, has proven more than once that ideas do work if they are pursued fervently enough.

A bank account for every child

One of her projects was to set up an educational curriculum for street children who had run away from rural areas to the city. Billimoria was also the founder of a child help-line – a project accepted and now widely

promoted by UNICEF. The idea of Child Savings, she explained, is to provide children in poor countries with their own bank accounts. In this case it is not just money that matters but self-esteem. Children at the bottom of society

suddenly learned that they could achieve something and climb up the social ladder. “By contributing to the

rights of children and their education we help them become independent”, she said.

Need for sustainable globalisation

In the discussion with the audience the panel concluded that globalisation, if achieved on a sustainable basis, would change the world for the better. One participant pointed out that there was a strong correlation between social welfare and high moral standards in a country. One question, however, remained: What exactly is a social entrepreneur? Pamela Hartigan suggested the following definition: “When creative and courageous solutions are demanded, when you have to take high risks and make small profits, when you reach thousands of people with your initiative, when you don’t dream of an annual five-week vacation and don’t receive a regular pay check – then you are a social entrepreneur.” It needs enthusiasm and stamina and a helping of management knowledge. The short version of this is “A social entrepreneur is mixture between Richard Branson and Mother Teresa.”

Websites:

www.childsavingsinternational.org
www.schwabfound.org

Taking Human Rights Seriously Profits Everyone

The conference clearly showed that companies have a major role to play in preventing conflicts and in promoting human rights, said Thomas Greminger, Head of Political Affairs Division IV, Human Security. Corporate social responsibility is not based on philanthropy alone but on economic self-interest: it strengthens competitiveness and reputation.



“Companies and foreign policy interests overlap to a certain extent”, Thomas Greminger, Head of Political Affairs Division IV said, summarising the key conclusions of this year’s annual conference. Companies are concerned with political stability in both developing and transitional countries because this is the foundation for good investment and production conditions. “There is an economic interest in promoting human rights for companies operating in these countries”, he said.

Human rights and peace-building at the core of Swiss Foreign Policy

Peace promotion and the observation of human rights are key elements of Swiss foreign policy. They are closely connected to the economic interest of Switzerland. The promotion of development, human rights and peace is the basis for securing sustainable prosperity and therefore for the promotion of human security. In this way, Swiss foreign policy contributes to politi-

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cal stability, legal certainty and the reduction of political risks. But a partnership between politics, business and civil society is needed to make further progress on this path.

In this partnership the DFA plays a many-sided role ranging from awareness-raising among target groups to supporting and promoting existing initiatives and implementing and financing new projects.

New risks, new opportunities

Representatives of companies stressed that firms that are active internationally now face political risks of a different order. Markets are fragile and can never become sustainable unless human security is ensured. However, this state of affairs does not mean that companies should remain passive participants. Indeed it creates opportunities for them to contribute to the promotion of human

rights and to conflict resolution and thus to lay the foundations for economic growth. However, to grasp these “new” possibilities, companies - multinationals and SMEs alike - must be pro-actively committed to

stakeholder dialogue and partnership, to respect for the Universal Declaration of Human Rights as a common framework, and to the need to embed values such as human rights at the heart of their organisations and their day-to-day operations.

International companies: releasing their potential through partnership

The intensive analysis of the role of business in the promotion of peace and human rights undertaken at the 2006 annual conference showed that companies have become key actors in the field of human security. We hope therefore for a strengthening of cooperation between business, politics and civil society in order to meet their common challenges together in the future.

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