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“Protecting Freedom in the Global Age ”

GA6: Legal Committee

The legal accountability of Multinational Companies for the absence or violation of corporate social responsibility



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Forum: The General Assembly 6th Committee: Legal

Issue: The legal accountability of Multinational Companies for the absence or violation of corporate social responsibility

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Introduction

Globalization is among the most prominent aspects which are shaping today's modern world. With the continuous growth of the global market, the expansion of multinational companies (MNCs) in order to gain the slightest advantage over their competition is inevitable. Unfortunately the target –or profit, to be precise- driven competition in the market impels some of the factors in the market, MNCs in this case, to exploit loop holes regarding regulations, if any, about corporate social responsibility or to completely disregard them. Since, as it is explained in detail in the following sections of the report, corporate social responsibility is a set of guidelines which companies adhere to mostly voluntarily, there are seldom laws that enforce executives of MNCs to comply with corporate social responsibility. Therefore, it is this committee (GA6: Legal Committee)'s task to come up with innovative solutions that not only address the issue of: *The legal accountability of Multinational Companies for the absence or violation of corporate social responsibility*, but also to do this without interfering with the internal policies of any Member States.

Definition of Key Terms

Multinational companies (MNCs): A corporation that has facilities and other assets in at least one country other than its home country (Chen). Generally speaking, MNCs derive at least a quarter of their revenue from their services outside their country of origin.

Corporate social responsibility: Corporate social responsibility is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public (Chen). As it is further explained in the following section it is possible to approach corporate social responsibility from different angles.

Minimum Wage: A minimum wage is the lowest wage per hour that a worker may be paid, as mandated by federal law (Liberto). In addition to this, delegates should also be aware that in some countries, such as the US, some workers may be exempt from minimum wage and special arrangements regarding their salaries are possible. Most countries have their own laws for such exemptions (E.g.: the US addresses the issue with the Fair Labor Standards Act).

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Member State: A state that is a member of an international organization. In the context of this committee the phrase is used to refer to states that are members of the United Nations (UN). When referring to Member States of other international organization such as the European Union (EU) or the African Union (AU) delegates are encouraged to specify the respective organization in order to prevent misunderstandings.

General Overview

The origins of corporate social responsibility can be traced back to the 1950s. Howard Bowen's *Social Responsibilities of the Businessman* is considered by many to be the source where the term was introduced. After Bowen, Morrell Heald also addressed the issue of corporate social responsibility in his book *Management's Responsibilities to Society*. However, it wasn't until the 60s when the phrase was used by Keith Davis to evoke a meaning that closely resembles the context the phrase has today. Davis defined corporate social responsibility as "...businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". Closely after Davis came Joseph W McGuire; in his book *Business and Society* (1963) he stated that, "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" (The Evolution of CSR). This statement, in contrast to Davis's, called for companies to do beyond what is required by law in order to give back to society. It was then acknowledged by companies that corporate social responsibility was referring to any work, that aims to give back to society, done voluntarily.

As it was acknowledged earlier in this report, it is possible to approach corporate social responsibility from different aspects since it is an extremely vague phrase that still lacks a concrete definition. In essence, corporate social responsibility is a code of conduct beyond what is required by laws, regulations, and trade rules (Investopedia). The two main ways MNCs can practice corporate social responsibility is through environmental efforts and ethical labor practices. Many businesses try to minimize their carbon footprint as a way of showing their environmentally friendly business model. Many businesses also pay their lowest ranking employees more than the minimum wage enforced by their respective countries labor laws. Some MNCs also do philanthropy by funding large scale community involvement projects or Non-Governmental Organizations (NGOs). Even though it's extremely rare, some MNCs also pay for their employees' graduate degree tuition. All of these could be considered as practice of corporate social responsibility (Schooley).

The problem is all of the aforementioned are done by MNCs voluntarily; meaning that any MNC which currently follows a socially responsible business model can suddenly stop this practice, and it would face no legal consequence. Meaning that during times of economic recessions, when MNCs and many small-sized local businesses tend to downsize their workforce, any MNC could instead eradicate its socially responsible business plan in order to minimize its spending. Similarly, any newly established business whose only goal is to make profit for its shareholders is not required to practice corporate social responsibility at all.

Delegates, in essence, should work on solutions to make MNCs legally accountable of employing and preserving socially responsible business models.

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Major Parties Involved and Their Views

UN Global Compact: A voluntary, UN authorized, initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals (About the UN Global Compact) The UN Global Compact is built on **The Ten Principles** which basically serves as one of the most accurate set of guidelines to define corporate social responsibility. Delegates are advised to visit UN Global Compact's website and at least take a look at The Ten Principles in order to gain a better understanding of the topic.

CSR-in Action: An international company that provides consultancy to businesses, MNCs in this committee's context, looking forward to practice corporate social responsibility

Timeline of Events

1953	<i>Social Responsibilities of the Businessman</i> by Howard Bowen was published.
1957	<i>Management's Responsibilities to Society</i> by Morrell Heald was published.
1963	Joseph W McGuire's statement regarding corporate social responsibility on a voluntary basis
1989	<i>Ben and Jerry's</i> became the first company to publish a social report on corporate social responsibility.
26 July 2000	<i>UN Global Compact</i> was established and <i>The Ten Principles</i> was published.

Evaluation of Previous Attempts to Resolve the Issue

NGOs such as the UN Global Compact have previously tried to get CEOs of MNCs to agree to verbal agreements where social conducts were outlined for MNCs to follow. However, these efforts suffered from the same problem that brought up the issue of corporate social responsibility in the first place: Such agreements were not legally binding. Therefore there is still no guarantee that even the MNCs whose CEOs are member of the UN Global Conduct will continue their socially responsible business plan.

Some legislators in the United Kingdom (UK) and the United States (USA) have previously tried proposed laws that straight up required corporate social responsibility. Even though such laws would have made it mandatory for MNCs to practice corporate social responsibility, they were not passed in

RESEARCH REPORT

any of the cases due to both the UK's and the USA's intention to preserve the conditions of a free market economy.

Possible Solutions

Since the *Legal Committee* is a part of *The General Assembly (GA)*, it is out of this committee's jurisdiction to outright **demand** Member States to amend their constitution (which would violate the UN Charter since it would be considered interfering with a Member State's internal policies, while also challenging any GA resolution's need to be not binding) to make it mandatory for MNCs to practice corporate social responsibility.

Instead, delegates should focus on solutions such as asking Member States to employ incentives for following socially responsible business plans. Such incentives may come in forms of tax reductions while importing raw materials or exporting their goods.

Another approach to the issue, although discouraged, would be to call for *willing* Member States to amend their respective labor laws in order to make it mandatory for MNCs operating there, having local stores or offices in the country, to practice corporate social responsibility. While encouraging Member States to do so, any draft resolution should also explicitly state that in the case of these amendments passing and the labor law of the respective Member State gets amended, any MNC which does not follow a socially responsible business model would face legal consequences.

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