

Convention Watch Briefing Paper

Assess your portfolio against international norms
and principles enshrined in UN conventions



Summary

Convention Watch is a new service from EIRIS that helps clients gain a clear understanding of the many allegations made against companies in negative press articles and through NGO campaigns.

Convention Watch currently covers 5 main issue areas: basic labour standards, international human rights principles, bribery and corruption, military and environment.

Key features include:

- Quarterly reports
- Available on paper or through EIRIS EPM software
- 2,800 companies researched
- Each company with allegations is contacted for their response
- Thorough research process using a wide range of sources
- Transparent methodology
- Stand-alone service or integrated with other social, ethical and environmental criteria
- EIRIS assessment included in report – addressed / not addressed



Convention Watch has been developed in response to client demand, and the service will continue to evolve to take account of additional conventions.

Convention Watch uses the framework of relevant international conventions and norms to analyse how well companies are upholding widely supported principles. Initiatives aimed at the corporate sector such as the UN Global Compact (UNGC) (2000) and the UN Human Rights Norms for Business (2003) increasingly make use of existing international law and standards. The UNGC's aim is to bring companies together with UN agencies, labour and civil society to support ten principles in the areas of human rights, labour, the environment, and anti-corruption.

Increasingly, companies' own codes of conduct make direct reference to upholding international conventions. The International Labour Organisation (ILO) itself has encouraged this process by publicly highlighting, out of its many hundreds of conventions, what it sees as the most fundamental or core conventions. Bodies such as the UNGC and Organisation for Economic Co-operation and Development (OECD) have backed this approach and extended it so that companies are increasingly being asked to demonstrate support for other major international conventions.

Convention Watch – vital new tool

Convention Watch provides concise reports on how companies are dealing with high profile issues and gives context and background information. This can save time and provide a valuable solution to dealing with the information overload which accumulates around controversial issues.

Most importantly, each report grades a company's response to allegations, which allows the client to assess whether the company is dealing adequately with the potential impact on its reputation. Convention Watch gives a balanced assessment and clear guidance as to how this assessment has been reached.

Convention Watch can be used to:

- assess compliance
- screen companies
- engage with companies
- integrate with other EIRIS management criteria as a performance indicator

Convention Watch helps to build up a more detailed analysis of companies, incorporating major negative news in a structured way. The issue of tracking compliance can be particularly useful for managers of public assets such as government backed pension funds.



Convention Watch – reflecting the UN Global Compact

In response to client demand, EIRIS has focused on the following issues and conventions:

Labour standards

EIRIS covers issues identified by the ILO as being core labour standards: child labour, discrimination/equal opportunities, forced labour, freedom of association and collective bargainingⁱ. These form principles 3-6 of the UNGC. The working hours labour standardⁱⁱ is also covered – this is often breached in the drive to supply cheaper goods at short notice. Health and safetyⁱⁱⁱ will be covered later in 2005 and has been highlighted by the UNGC in principle one.

Types of allegations covered by EIRIS for these conventions include:

- mandatory pregnancy testing before hiring
- intimidation and sacking of union leaders
- pressure to work long hours with no days off in supplier factories

International human rights principles

EIRIS covers what are commonly called egregious human rights abuses (such as killings and torture) which clearly contravene the principles enshrined in international human rights law and standards such as the Universal Declaration of Human Rights. EIRIS covers the right to security of persons and the rights of indigenous peoples which are detailed in the UN Human Rights Norms for Business.^{iv} These are principles 1-2 of the UNGC.

Types of allegations covered by EIRIS for these conventions include:

- violations by security forces linked to companies, for example when local militia provide security services at company facilities
- the clearance of indigenous peoples from ancestral lands

ⁱ Child labour – prohibiting the employment of children below 15 years, and below 18 years in most hazardous work (ILO conventions 138 and 182), Discrimination / equal opportunities (ILO conventions 100 and 111 – prohibiting discrimination at work), Forced labour – prohibiting the use of forced labour, indentured labour, slave labour and prison labour (ILO conventions 29 and 105), Freedom of association / Collective bargaining (ILO conventions 98 and 97).

ⁱⁱ ILO conventions 1, 14 and 106 – Hours of Work (Industry), Weekly Rest (Industry) and Weekly Rest (Commerce and Offices)

ⁱⁱⁱ ILO convention 155 Occupational Health & Safety

^{iv} The UN Norms for these issues reference the UN Code of Conduct for Law Enforcement Officials (1979), the UN Basic Principles on the Use of Force & Firearms by Law Enforcement Officials (1990), the ILO Indigenous and Tribal Peoples Convention, 1989 (No. 169), and the UK/US Voluntary Principles on Security and Human Rights (2000)



Corruption

EIRIS covers bribery as specified in the UN Convention against Corruption (2004). Corruption was added to the UNGC in 2004 as principle 10. According to the World Bank Institute, bribes alone drain the equivalent of more than USD 1 trillion (GBP 0.5 trillion) annually from the legitimate global economy of USD 30 trillion.

Types of allegations covered by EIRIS for these conventions include bribes to government officials and others to secure contracts.

Environment

EIRIS covers climate change and ozone depleting substances under this area, and plans to include biological diversity. The Kyoto Protocol^v was implemented to address the problem of climate change, widely recognised as the most significant environmental issue facing the world today. The Montreal Protocol^{vi} has successfully reduced global production and consumption of ozone depleting substances (ODS) by more than 80% compared with base year levels, and adherence to its phase-out schedule should eventually see the full recovery of the ozone layer. The Convention on Biological Diversity was signed by 150 government leaders at the 1992 Rio Earth Summit – it is dedicated to promoting sustainable development. Principles 7-9 of the UNGC relate to environmental issues.

Types of allegations covered by EIRIS for these conventions include:

- companies publicly opposing Kyoto – this will be extended to identify companies lobbying against Kyoto
- companies involved in the illegal trade in ODS

Risk to the environment from genetically modified organisms (GMOs), bio-piracy and the threat to bio-diversity in protected areas are issues that EIRIS will be adding to the environment criteria later in 2005.

Anti-Personnel Landmines

EIRIS covers involvement in the production of Anti-Personnel Landmines (APMs). It is estimated that since 1975, there have been more than one million landmine casualties – most of them civilians, many of them children. The Ottawa Convention (1997)^{vii} seeks to end the use of APMs worldwide. Types of allegations covered by EIRIS for these conventions include allegations of capability relating to the production of parts or raw materials as well as manufacture of APMs.

^v Kyoto Protocol to the United Nations Framework Convention on Climate Change (1999)

^{vi} Montreal Protocol on Substances that Deplete the Ozone Layer (1987)

^{vii} The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction, typically referred to as the "Ottawa Convention" or "Mine Ban Treaty," entered into force on January 1, 2005. However, major powers, such as the United States have not signed the treaty, and few countries in key regions of tension, namely the Middle East and South Asia, have opted to participate.



Convention Watch – consistent and transparent methodology

Wide range of sources – checked every three months

EIRIS uses a wide range of sources in a methodical way, covering allegations in the global press on Dow Jones/Reuters and on NGO websites.

NGO website examples	Global press examples
OECD Watch	Financial Times
Transparency International	Wall Street Journal
Human Rights Watch	Los Angeles Times
Amnesty International	Danish News Digest
Clean Clothes Campaign	The Globe and Mail
Oxfam	La Tribune
Int Confederation of Free Trades Unions	Cinco Dias
Friends of the Earth	Jakarta Post
Landmine Monitor	Australian Financial Review
And many more...	And many more...

Analysis by experts

At present ten EIRIS analysts work on Convention Watch, which means that it incorporates issue and sector expertise relevant to the allegations of breaches. This enables the client to be confident that the reports are professionally produced and are the result of years of experience in analysing companies’ commitment to corporate social responsibility.

Engaging with companies

EIRIS contacts each company and sends the report to the relevant person for their comments. Company websites, CSR reports and news databases are checked for details of how the company has responded to the allegation. In addition, EIRIS incorporates existing company research into the Convention Watch reports, for example analyses of company policies and systems for human rights, supply chain issues and bribery.

Company assessments

EIRIS assesses each allegation against a company as ‘addressed’ or ‘not addressed’. This is according to precisely defined indicators which are listed in the report. Examples include taking appropriate disciplinary action against agents, employees or contractors in bribe allegations or in allegations of human rights abuses pressing for independent investigations.

High level approval and sign-off

Each new and amended report is rigorously verified and approved before publishing. The final sign-off is carried out at an internal committee meeting held each quarter and chaired by senior management.



Convention Watch – another tool in the EIRIS SRI kit

EIRIS provides extensive information on companies of which Convention Watch is just one part. Ethical Portfolio Manager (EPM) software combines full company reports on a range of issues, which complements the information provided in Convention Watch.

How to access Convention Watch

The service is available on EIRIS' software system, Ethical Portfolio Manager (EPM) and is also available as a stand-alone product. Convention Watch is updated with new reports and amendments to existing reports each quarter.

Example extract from company reports

The following is an extract showing the summary from an example company report. As well as the summary shown here, actual company reports include a detailed breakdown of the allegation and sources used, reference to the conventions being breached, the company response and an explanation of EIRIS' assessment. The explanation of the assessment includes, in cases where an allegation is deemed 'not addressed', an outline of the steps that should be taken in order for a company to receive an 'addressed' assessment.

Chocolate manufacturer – Core Labour Standards

There have been accusations of breaches of core ILO standards in Chocolate manufacturer's supply chain.

Summary

EIRIS has analysed these allegations (in accordance with the definitions stated within the Guide to EIRIS Research) to provide the following assessment:

These allegations have been assessed as addressed because the Company's supply chain policy supports all of the ILO standards it has been accused of breaching and it has responded specifically and in detail to the allegations and it has joined a relevant industry initiative aimed at addressing core labour standard breaches in its sector.

Details of the accusations and the Company's response are set out below:

The allegations relate to breaches of principles promoted by international conventions on

- Child Labour
- Forced Labour

These allegations did not relate to specific instances. Instead, they involved allegations that breaches were endemic in the specific sector from which the Company sources its products and that it was therefore possible that a proportion of the Company's supply chain could be involved in alleged breaches.



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The logo for EIRiS, featuring the letters 'EIRiS' in a bold, white, sans-serif font. The 'i' is lowercase and has a dot. The logo is set against a black rectangular background. To the left of the logo, there is a faint, glowing blue map of the world with grid lines, overlaid on a dark blue background.