



Economic and Social Council

Distr.
GENERAL

E/1988/39/Add.1
1 February 1988

ORIGINAL: ENGLISH

Organizational session for 1988
Item 2 of the provisional agenda*

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Code of conduct on transnational corporations

Note by the Secretary-General

Addendum

* E/1988/2.

Appendix

[Reference:

E/1983/17/Rev.1-

E/C.10/1983/S/5/Rev.1,
annex II]

PROPOSED TEXT OF THE DRAFT CODE OF CONDUCT
ON TRANSNATIONAL CORPORATIONS

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
PREAMBLE		4
DEFINITIONS AND SCOPE OF APPLICATION	1 - 6	4
ACTIVITIES OF TRANSNATIONAL CORPORATIONS	7 - 48	5
A. <u>General</u>	7 - 21	5
Respect for national sovereignty and observance of domestic laws, regulations and administrative practices	7 - 9	5
Adherence to economic goals and development objectives, policies and priorities	10 - 11	5
Review and renegotiation of contracts and agreements	12	6
Adherence to socio-cultural objectives and values	13	6
Respect for human rights and fundamental freedoms	14	6
Non-collaboration by transnational corporations with racist minority régimes in southern Africa	15	6
Non-interference in internal affairs of host countries	16 - 17	7
Non-interference in intergovernmental relations	18 - 20	7
Abstention from corrupt practices	21	7
B. <u>Economic, financial and social</u>	22 - 45	8
Ownership and control	22 - 26	8
Employment conditions and industrial relations	27	8

/...

CONTENTS (continued)

	<u>Paragraphs</u>	<u>Page</u>
Balance of payments and financing	28 - 34	8
Transfer pricing	35	9
Taxation	36	10
Competition and restrictive business practices	37	10
Transfer of technology	38	10
Consumer protection	39 - 42	10
Environmental protection	43 - 45	11
C. <u>Disclosure of information</u>	46 - 48	12
TREATMENT OF TRANSNATIONAL CORPORATIONS	49 - 60	14
A. <u>General provisions relating to the treatment of transnational corporations</u>	49 - 56	14
B. <u>Nationalization and compensation</u>	57	15
C. <u>Jurisdiction</u>	58	15
D. <u>Disputes settlement</u>	59 - 60	15
INTERGOVERNMENTAL CO-OPERATION	61 - 67	15
IMPLEMENTATION OF THE CODE OF CONDUCT	68 - 73	16
A. <u>Action at the national level</u>	68	16
B. <u>International institutional machinery</u>	69 - 72	16
C. <u>Review procedure</u>	73	18

PREAMBLE

The General Assembly,

Recalling Economic and Social Council resolutions 1908 (LVII) of 2 August 1974 and 1913 (LVII) of 5 December 1974, establishing the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations with the mandate, as their highest priority of work, of concluding a Code of Conduct on Transnational Corporations,

Convinced that a universally accepted, comprehensive and effective Code of Conduct on Transnational Corporations is an essential element in the strengthening of international economic and social co-operation and, in particular, in achieving one of the main goals and objectives in that co-operation, namely, to maximize the contributions of transnational corporations to economic development and growth and to minimize the negative effects of the activities of these corporations.

Decides to adopt the following Code of Conduct on Transnational Corporations:

DEFINITIONS AND SCOPE OF APPLICATION

1. (a) This Code is universally applicable to enterprises, irrespective of their country of origin and their ownership, including private, public or mixed, comprising entities in two or more countries, regardless of the legal form and fields of activity of these entities, which operate under a system of decision-making, permitting coherent policies and a common strategy through one or more decision-making centres, in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of others and, in particular, to share knowledge, resources and responsibilities with the others. Such enterprises are referred to in this Code as transnational corporations.

(b) The term "entities" in the Code refers to both parent entities - that is, entities which are the main source of influence over others - and other entities, unless otherwise specified in the Code.

(c) The term "transnational corporation" in the Code refers to the enterprise as a whole or its various entities.

(d) The term "home country" means the country in which the parent entity is located. The term "host country" means a country other than the home country in which an entity other than the parent entity is located.

(e) The term "country in which a transnational corporation operates" refers to a home or host country in which an entity of a transnational corporation conducts operations.

2. For the application of this Code, it is irrelevant whether or not enterprises as described in paragraph 1 (a) above are referred to in any country as transnational corporations.
3. The Code is universally applicable in all States, regardless of their political and economic systems or their level of development.
4. The provisions of the Code addressed to transnational corporations reflect good practice for all enterprises. Subject to the provisions of paragraph 52, wherever the provisions of the Code are relevant to both, transnational corporations and domestic enterprises shall be subject to the same expectations with regard to their conduct.
5. Subject to the relevant constitutions, charters or other fundamental laws of the regional groupings of States concerned, any reference in this Code to States, countries or Governments, also includes regional groupings of States, to the extent that the provisions of this Code relate to matters within these groupings' own competence, with respect to such competence.
6. In their interpretation and application the provisions of this Code are interrelated and each provision should be construed in the context of the other provisions.

ACTIVITIES OF TRANSNATIONAL CORPORATIONS

A. General

Respect for national sovereignty and observance of domestic laws, regulations and administrative practices

7. Transnational corporations shall respect the national sovereignty of the countries in which they operate and the right of each State to exercise its permanent sovereignty over its natural wealth and resources.
8. An entity of a transnational corporation is subject to the laws, regulations and established administrative practices of the country in which it operates.
9. Transnational corporations shall respect the right of each State to regulate and monitor accordingly the activities of their entities operating within its territory.

Adherence to economic goals and development objectives, policies and priorities

10. Transnational corporations should carry out their activities in conformity with the development policies, objectives and priorities set out by the Governments of the countries in which they operate and work seriously towards making a positive contribution to the achievement of such goals at the national and, as appropriate, the regional level, within the framework of regional integration programmes. Transnational corporations should co-operate with the Governments of the countries

in which they operate with a view to contributing to the development process and should be responsive to requests for consultation in this respect, thereby establishing mutually beneficial relations with these countries.

11. Transnational corporations should carry out their operations in conformity with applicable intergovernmental co-operative arrangements concluded by the countries in which they operate.

Review and renegotiation of contracts and agreements

12. (a) Contracts or agreements between Governments and transnational corporations should be negotiated and implemented in good faith. In such contracts or agreements, especially long-term ones, review or renegotiation clauses should normally be included.

(b) In the absence of such clauses and where there has been a fundamental change of the circumstances on which the contract or agreement was based, transnational corporations, acting in good faith, should co-operate with Governments for the review or renegotiation of such contract or agreement.

Adherence to socio-cultural objectives and values

13. Transnational corporations should respect the social and cultural objectives, values and traditions of the countries in which they operate. While economic and technological development is normally accompanied by social change, transnational corporations should avoid practices, products or services which cause detrimental effects on cultural patterns and socio-cultural objectives as determined by Governments. For this purpose, transnational corporations should respond positively to requests for consultations from Governments concerned.

Respect for human rights and fundamental freedoms

14. Transnational corporations shall respect human rights and fundamental freedoms in the countries in which they operate. In their social and industrial relations, transnational corporations shall not discriminate on the basis of race, colour, sex, religion, language, social, national and ethnic origin or political or other opinion. Transnational corporations shall conform to government policies designed to extend equality of opportunity and treatment.

Non-collaboration by transnational corporations with racist minority régimes in Southern Africa

15. In accordance with the efforts of the international community towards the elimination of apartheid in South Africa and its continued illegal occupation of Namibia,

(a) Transnational corporations shall refrain from operations and activities supporting and sustaining the racist minority régime of South Africa in maintaining the system of apartheid and the illegal occupation of Namibia;

(b) Transnational corporations shall engage in appropriate activities within their competence with a view to eliminating racial discrimination and all other aspects of the system of apartheid;

(c) Transnational corporations shall comply strictly with obligations resulting from Security Council decisions and shall fully respect those resulting from all relevant United Nations resolutions;

(d) With regard to investment in Namibia, transnational corporations shall comply strictly with obligations resulting from Security Council resolution 283 (1970) and other relevant Security Council decisions and shall fully respect those resulting from all relevant United Nations resolutions.

Non-interference in internal affairs of host countries

16. Transnational corporations shall not interfere in the internal affairs of host countries, without prejudice to their participation in activities that are permitted by the laws, regulations or established administrative practices of host countries.

17. Transnational corporations shall not engage in activities of a political nature which are not permitted by the laws and established policies and administrative practices of the countries in which they operate.

Non-interference in intergovernmental relations

18. Transnational corporations shall not interfere in intergovernmental relations provided that this provision shall not preclude such activities as are sanctioned within the framework of bilateral or multilateral co-operation.

19. Transnational corporations should not request Governments acting on their behalf to take the measures referred to in the second sentence of paragraph 67.

20. With respect to the exhaustion of local remedies, transnational corporations should not request Governments to act on their behalf in any manner inconsistent with paragraph 67.

Abstention from corrupt practices

21. (a) Transnational corporations shall refrain, in their transactions, from the offering, promising or giving or any payment, gift or other advantage to or for the benefit of a public official as consideration for performing or refraining from the performance of his duties in connection with those transactions.

(b) Transnational corporations shall maintain accurate records of any payments made by them to any public official or intermediary. They shall make available these records to the competent authorities of the countries in which they operate, upon request, for investigations and proceedings concerning those payments.

B. Economic, financial and social

Ownership and control

22. Transnational corporations should make every effort so to allocate their decision-making powers among their entities as to enable them to contribute to the economic and social development of the countries in which they operate.

23. To the extent permitted by national laws, policies and established administrative practices of the country in which it operates, each entity of a transnational corporation should co-operate with the other entities, in accordance with the actual distribution of responsibilities among them and consistent with paragraph 22, so as to enable each entity to meet effectively the requirements established by the laws, policies and regulations of the country in which it operates.

24. Transnational corporations should co-operate with Governments and nationals of the countries in which they operate in the implementation of national objectives for local equity participation and for the effective exercise of control by local partners as determined by equity, contractual terms in non-equity arrangements or the laws of such countries.

25. Transnational corporations should carry out their personnel policies in accordance with the national policies of each of the countries in which they operate which give priority to the employment and promotion of its nationals at all levels of management and direction of the affairs of each entity so as to enhance the effective participation of its nationals in the decision-making process.

26. Transnational corporations should contribute to the managerial and technical training of nationals of the countries in which they operate and facilitate their employment at all levels of management of the entities and enterprises as a whole.

Employment conditions and industrial relations

27. For the purposes of this Code, the principles set out in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted by the Governing Body of the International Labour Office, should apply in the field of employment, training, conditions of work and life and industrial relations.

Balance of payments and financing

28. Transnational corporations shall carry out their operations in conformity with laws and regulations and with full regard to the policy objectives set out by the countries in which they operate, particularly developing countries, relating to balance of payments, financial transactions and other issues dealt with in the subsequent paragraphs of this section.

29. Transnational corporations should respond positively to requests for consultation on their activities from the Governments of the countries in which

they operate, with a view to contributing to the alleviation of pressing problems of balance of payments and finance of such countries.

30. As required by government regulations and in furtherance of government policies, and consistent with the purpose, nature and extent of their operations, transnational corporations should contribute to the promotion of exports and the diversification of exports and, where appropriate, imports in the countries in which they operate and to an increased utilization of goods, services and other resources which are available in these countries.

31. Transnational corporations should be responsive to requests by Governments of the countries in which they operate, particularly developing countries, concerning the phasing over a limited period of time of the repatriation of capital in case of disinvestment or remittances of accumulated profits, when the size and timing of such transfers would cause serious balance-of-payments difficulties for such countries.

32. Transnational corporations should not, contrary to generally accepted financial practices prevailing in the countries in which they operate, engage in short-term financial operations or transfers or defer or advance foreign exchange payments, including intra-corporate payments, in a manner which would increase currency instability and thereby cause serious balance-of-payments difficulties for the countries concerned.

33. Transnational corporations should not impose restrictions on their entities, beyond generally accepted commercial practices prevailing in the countries in which they operate, regarding the transfer of goods, services and funds which would cause serious balance-of-payments difficulties for the countries in which they operate.

34. When having recourse to the money and capital markets of the countries in which they operate, transnational corporations should not, beyond generally accepted financial practices prevailing in such countries, engage in activities which would have a significant adverse impact on the working of local markets, particularly by restricting the availability of funds to other enterprises. When issuing shares with the objective of increasing local equity participation in an entity operating in such a country, or engaging in long-term borrowing in the local market, transnational corporations should consult with the Government of the country concerned upon its request on the effects of such transactions on the local money and capital markets.

Transfer pricing

35. In respect of their intra-corporate transactions, transnational corporations should not use pricing policies that are not based on relevant market prices, or, in the absence of such prices, the arm's length principle, which have the effect of adversely affecting the tax revenues, the foreign exchange resources or other aspects of the economy of the countries in which they operate.

Taxation

36. Transnational corporations shall not, contrary to the laws and regulations of the countries in which they operate, use their corporate structure and modes of operation, such as the use of intra-corporate pricing which is not based on the arm's length principle, or other means, to modify the tax base on which their entities are assessed.

Competition and restrictive business practices

37. For the purposes of this Code, the relevant provisions of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices adopted by the General Assembly in its resolution 35/63 of 5 December 1980 shall also apply in the field of restrictive business practices.

Transfer of technology

38. (a) Transnational corporations shall conform to the transfer of technology laws and regulations of the countries in which they operate. They shall co-operate with the competent authorities of those countries in assessing the impact of international transfers of technology in their economies and consult with them regarding the various technological options which might help those countries, particularly developing countries, to attain their economic and social development.

(b) Transnational corporations in their transfer of technology transactions, including intra-corporate transactions, should avoid practices which adversely affect the international flow of technology, or otherwise hinder the economic and technological development of countries, particularly developing countries.

(c) Transnational corporations should contribute to the strengthening of the scientific and technological capacities of developing countries, in accordance with the science and technology established policies and priorities of those countries. Transnational corporations should undertake substantial research and development activities in developing countries and should make full use of local resources and personnel in this process.

Consumer protection

39. Transnational corporations shall carry out their operations, in particular production and marketing, in accordance with national laws, regulations, administrative practices and policies concerning consumer protection of the countries in which they operate. Transnational corporations shall also perform their activities with due regard to relevant international standards, so that they do not cause injury to the health or endanger the safety of consumers or bring about variations in the quality of products in each market which would have detrimental effects on consumers.

40. Transnational corporations shall, in respect of the products and services which they produce or market or propose to produce or market in any country, supply to the competent authorities of that country on request or on a regular basis, as specified by these authorities, all relevant information concerning:

Characteristics of these products or services which may be injurious to the health and safety of consumers including experimental uses and related aspects;

Prohibitions, restrictions, warnings and other public regulatory measures imposed in other countries on grounds of health and safety protection on these products or services.

41. Transnational corporations should disclose to the public in the countries in which they operate all appropriate information on the contents and, to the extent known, on possible hazardous effects of the products they produce or market in the countries concerned by means of proper labelling, informative and accurate advertising or other appropriate methods. Packaging of their products should be safe and the contents of the product should not be misrepresented.

42. Transnational corporations should be responsive to requests from Governments of the countries in which they operate and be prepared to co-operate with international organizations in their efforts to develop and promote national and international standards for the protection of the health and safety of consumers and to meet the basic needs of consumers.

Environmental protection

43. Transnational corporations shall carry out their activities in accordance with national laws, regulations, established administrative practices and policies relating to the preservation of the environment of the countries in which they operate and with due regard to relevant international standards. Transnational corporations should, in performing their activities, take steps to protect the environment and where damaged to rehabilitate it and should make efforts to develop and apply adequate technologies for this purpose.

44. Transnational corporations shall, in respect of the products, processes and services they have introduced or propose to introduce in any country, supply to the competent authorities of that country on request or on a regular basis, as specified by these authorities, all relevant information concerning:

Characteristics of these products, processes and other activities including experimental uses and related aspects which may harm the environment and the measures and costs necessary to avoid or at least to mitigate their harmful effects;

Prohibitions, restrictions, warnings and other public regulatory measures imposed in other countries on grounds of protection of the environment on these products, processes and services.

45. Transnational corporations should be responsive to requests from Governments of the countries in which they operate and be prepared where appropriate to co-operate with international organizations in their efforts to develop and promote national and international standards for the protection of the environment.

C. Disclosure of information

46. Transnational corporations should disclose to the public in the countries in which they operate, by appropriate means of communication, clear, full and comprehensible information on the structure, policies, activities and operations of the transnational corporation as a whole. The information should include financial as well as non-financial items and should be made available on a regular annual basis, normally within six months and in any case not later than 12 months from the end of the financial year of the corporation. In addition, during the financial year, transnational corporations should wherever appropriate make available a semi-annual summary of financial information.

The financial information to be disclosed annually should be provided where appropriate on a consolidated basis, together with suitable explanatory notes and should include, inter alia, the following:

- (a) A balance sheet;
- (b) An income statement, including operating results and sales;
- (c) A statement of allocation of net profits or net income;
- (d) A statement of the sources and uses of funds;
- (e) Significant new long-term capital investment;
- (f) Research and development expenditure.

The non-financial information referred to in the first subparagraph should include, inter alia:

- (a) The structure of the transnational corporation, showing the name and location of the parent company, its main entities, its percentage ownership, direct and indirect, in these entities, including shareholdings between them;
- (b) The main activity of its entities;
- (c) Employment information including average number of employees;
- (d) Accounting policies used in compiling and consolidating the information published;
- (e) Policies applied in respect of transfer pricing.

The information provided for the transnational corporation as a whole should as far as practicable be broken down:

By geographical area or country, as appropriate, with regard to the activities of its main entities, sales, operating results, significant new investments and number of employees;

By major line of business as regards sales and significant new investment.

The method of breakdown as well as details of information provided shall be determined by the nature, scale and interrelationships of the transnational corporation's operations, with due regard to their significance for the areas or countries concerned.

The extent, detail and frequency of the information provided should take into account the nature and size of the transnational corporation as a whole, the requirements of confidentiality and effects on the transnational corporation's competitive position as well as the cost involved in producing the information.

The information herein required should, as necessary, be in addition to information required by national laws, regulations and established administrative practices of the countries in which transnational corporations operate.

47. (a) Transnational corporations shall supply to the competent authorities in each of the countries in which they operate, upon request or on a regular basis as specified by those authorities, and in accordance with national legislation, all information required for legislative and administrative purposes relevant to the activities and policies of their entities in the country concerned.

(b) Transnational corporations shall, to the extent permitted by the provisions of the relevant national laws, regulations, established administrative practices and policies of the countries concerned, supply to competent authorities in the countries in which they operate information held in other countries needed to enable them to obtain a true and fair view of the operations of the transnational corporation concerned as a whole in so far as the information requested relates to the activities of the entities in the countries seeking such information.

(c) The provisions of paragraph 54 concerning confidentiality shall apply to information supplied under the provisions of this paragraph.

48. (a) With due regard to the relevant provisions of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and in accordance with national laws, regulations and practices in the field of labour relations, transnational corporations shall provide to trade unions or other representatives of employees in their entities in each of the countries in which they operate, by appropriate means of communication, the necessary information on the activities dealt with in this Code to enable them to obtain a true and fair view of the performance of the local entity and, where appropriate, the corporation as a whole. Such information shall include, where provided for by national law and practices, inter alia, prospects or plans for future development having major economic and social effects on the employees concerned.

(b) Procedures for consultation on matters of mutual concern should be worked out by mutual agreement between entities of transnational corporations and trade unions or other representatives of employees in accordance with national law and practice.

(c) Information made available pursuant to the provisions of this paragraph should be subject to appropriate safeguards for confidentiality so that no damage is caused to the parties concerned.

TREATMENT OF TRANSNATIONAL CORPORATIONS

A. General provisions relating to the treatment of transnational corporations

49. In all matters relating to the Code, States shall fulfil, in good faith, their international obligations, including generally recognized and accepted international legal rules and principles.

50. States have the right to regulate the entry and establishment of transnational corporations including determining the role that such corporations may play in economic and social development and prohibiting or limiting the extent of their presence in specific sectors.

51. Transnational corporations should receive fair and equitable treatment in the countries in which they operate.

52. Subject to national requirements for maintaining public order and protecting national security and consistent with national constitutions and laws, and without prejudice to measures specified in legislation relating to the declared development objectives of the developing countries, entities of transnational corporations should be given treatment accorded to domestic enterprises in similar circumstances. Nothing in this paragraph should be construed as excluding the right of the host country to grant such special incentives and facilities to transnational corporations as may be considered necessary in its national interest.

53. The importance of endeavouring to assure the clarity and stability of national policies, laws, regulations and established administrative practices is acknowledged. Laws and regulations affecting transnational corporations should be publicly and readily available. To the extent appropriate, relevant information regarding decisions of competent administrative bodies relating to transnational corporations should be disseminated.

54. Information furnished by transnational corporations to the authorities in each of the countries in which they operate containing confidential business information shall be accorded reasonable safeguards normally applicable in the area in which the information is provided, particularly to protect its confidentiality.

55. In order to achieve the purposes of paragraph 26 relating to managerial and technical training and employment of nationals of the countries in which transnational corporations operate, the transfer of those nationals between the entities of a transnational corporation should, subject to the laws and regulations of the countries concerned, be facilitated.

56. Transnational corporations are entitled to transfer all payments legally due. Such transfers are subject to the relevant legislation of host countries, such as

foreign exchange laws, and to restrictions emanating from exceptional balance of payment difficulties.

B. Nationalization and compensation

57. It is acknowledged that States have the right to nationalize or expropriate the assets of a transnational corporation operating in their territory, and that appropriate compensation is to be paid by the State concerned, in accordance with the applicable legal rules and principles.

C. Jurisdiction

58. An entity of a transnational corporation is subject to the jurisdiction of the country in which it operates.

D. Dispute settlement

59. Disputes between States and entities of transnational corporations, which are not amicably settled between the parties, shall be submitted to competent national courts or authorities. Where the parties so agree, or have agreed, such disputes may be referred to other mutually acceptable dispute settlement procedures.

60. Where the exercise of jurisdiction over transnational corporations and their entities by more than one State may lead to conflicts of jurisdiction, States concerned should endeavour to avoid such conflicts, in particular by seeking to avoid the exercise of jurisdiction by one State where jurisdiction more properly appertains to another State, and should endeavour to adopt mutually acceptable principles and procedures, bilaterally and multilaterally, for the settlement of such conflicts on the basis of respect for the principle of sovereign equality and for their mutual interests.

INTERGOVERNMENTAL CO-OPERATION

61. States agree that intergovernmental co-operation is essential in accomplishing the objectives of the Code.

62. States agree that intergovernmental co-operation should be established or strengthened at the international level and, where appropriate, at the bilateral, regional and interregional levels.

63. States agree to exchange information on the measures they have taken to give effect to the Code and on their experience with the Code.

64. States agree to consult on a bilateral or multilateral basis, as appropriate, on matters relating to the Code and its application and with respect to the development of international agreements and arrangements on issues related to the Code.

/...

65. States agree to take into consideration the objectives of the Code as reflected in its provisions when negotiating bilateral or multilateral agreements concerning transnational corporations.

66. States agree not to use transnational corporations as instruments to intervene in the internal or external affairs of other States and agree to take appropriate action within their jurisdiction to prevent transnational corporations from engaging in activities referred to in paragraphs 16 to 18 of this Code.

67. Government action on behalf of a transnational corporation operating in another country shall be subject to the principle of exhaustion of local remedies provided in such a country and, when agreed among the Governments concerned, to procedures for dealing with international legal claims. Such action should not in any event amount to the use of any type of coercive measures not consistent with the Charter of the United Nations and the Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States in accordance with the Charter of the United Nations.

IMPLEMENTATION OF THE CODE OF CONDUCT

A. Action at the national level

68. In order to ensure and promote the implementation of the Code at the national level, States should, inter alia:

(a) Publicize and disseminate the Code;

(b) Follow the implementation of the Code within their territories;

(c) Report to the United Nations Commission on Transnational Corporations on the action taken at the national level to promote the Code and on the experience gained from its implementation;

(d) Take action to reflect their support for the Code and take into account the objectives of the Code as reflected in its provisions when introducing, implementing and reviewing laws, regulations and administrative practices on matters dealt with in the Code.

B. International institutional machinery

69. The United Nations Commission on Transnational Corporations shall assume the functions of the international institutional machinery for the implementation of the Code. In this capacity, the Commission shall be open to the participation of all States. It may establish the subsidiary bodies and specific procedures it deems necessary for the effective discharge of its functions. The United Nations Centre on Transnational Corporations shall act as the secretariat to the Commission.

70. The Commission shall act as the international body within the United Nations system for all matters related to the Code. It shall establish and maintain close

contacts with other United Nations organizations and specialized agencies dealing with matters related to the Code and its implementation with a view to co-ordinating work related to the Code. When matters covered by international agreements or arrangements, specifically referred to in the Code, which have been worked out in other United Nations forums, arise, the Commission shall forward such matters to the competent bodies concerned with such agreements or arrangements.

71. The Commission shall have the following functions:

(a) To discuss at its annual sessions matters related to the Code. If agreed by the Governments engaged in consultations on specific issues related to the Code, the Commission shall facilitate such intergovernmental consultations to the extent possible. Representatives of trade unions, business, consumer and other relevant groups may express their views on matters related to the Code through the non-governmental organizations represented in the Commission.

(b) Periodically to assess the implementation of the Code, such assessments being based on reports submitted by Governments and, as appropriate, on documentation from United Nations organizations and specialized agencies performing work relevant to the Code and non-governmental organizations represented in the Commission. The first assessment shall take place not earlier than two years and not later than three years after the adoption of the Code. The second assessment shall take place two years after the first one. The Commission shall determine whether a periodicity of two years is to be maintained or modified for subsequent assessments. The format of assessments shall be determined by the Commission.

(c) To provide, upon the request of a Government, clarification of the provisions of the Code in the light of actual situations in which the applicability and implications of the Code have been the subject of intergovernmental consultations. In clarifying the provisions of the Code, the Commission shall not draw conclusions concerning the conduct of the parties involved in the situation which led to the request for clarification. The clarification is to be restricted to issues illustrated by such a situation. The detailed procedures regarding clarification are to be determined by the Commission.

(d) To report annually to the General Assembly through the Economic and Social Council on its activities regarding the implementation of the Code.

(e) To facilitate intergovernmental arrangements or agreements on specific aspects relating to transnational corporations upon request of the Governments concerned.

72. The United Nations Centre on Transnational Corporations shall provide assistance relating to the implementation of the Code, inter alia, by collecting, analysing and disseminating information and conducting research and surveys, as required and specified by the Commission.

C. Review procedure

73. The Commission shall make recommendations to the General Assembly through the Economic and Social Council for the purpose of reviewing the Code. The first review shall take place not later than six years after the adoption of the Code. The General Assembly shall establish, as appropriate, the modalities for reviewing the Code.
