

Fundación Ideas para la Paz

**Communication on Progress and
Report on Corporate Social Responsibility**

**August 2007
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Our engagement to the Global Compact

The *Fundación Ideas para la Paz* has been a member of the UN Global Compact since November 15th 2005. FIP's engagement to the ten principles of the Global Compact makes part of a wider commitment to the construction of sustainable peace in Colombia. FIP is aware of the importance of the role that the private sector can play in helping to mitigate the impact of Colombia's armed conflict on the vulnerable and socially excluded. Business can largely contribute to create the necessary conditions for lasting peace and greater prosperity.

That is why FIP has been firmly committed to encourage Colombian entrepreneurship as well as foreign companies based in Colombia to adhere to CSR international standards such as the Global Compact and the Voluntary Principles on Security and Human Rights.

Since its adherence to the Global Compact and as part of its engagement, FIP has rolled out several actions that promote greater business engagement in conflict prevention and peace-building. Among them we can highlight the creation of a concrete methodology for the implementation of the Voluntary Principles, as well as the current achievement of a spin-off code on Security and Human Rights inspired on the Voluntary Principles, but adapted to other sectors apart from the extractive one, called the *Colombia Guidelines on Security and Human Rights*.

Further to the promotion of responsible business practice among business based in Colombia, FIP also rules its own organization by the principles of the Global Compact, applying strict corporate governance lines and proper human resource management.



María Victoria Llorente
Executive Director

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Actions Taken according to the Global Compact Principles

Global Compact Principles	Action Taken	For further information
<p style="text-align: center;"><u>HUMAN RIGHTS</u></p> <p>1. To support and respect the protection of internationally proclaimed human rights</p> <p>2. Make sure that we are not complicit with human rights abuses</p> <p>00</p>	<p>The core of FIP's action in promoting more responsible business is focused on principle 1 and 2 of the Global Compact. FIP has been a major actor in the implementation of Human Rights standards, such as the Voluntary Principles, among Colombian entrepreneurship. As part of this work, it has designed specific tools to assist business in embedding Human Rights strategies into their business plans.</p>	p. 5 - 8
<p style="text-align: center;"><u>LABOUR</u></p> <p>3. Freedom of association and the effective recognition of the right to collective bargaining</p> <p>4. Elimination of all forms of forced and compulsory labour</p> <p>5. Effective abolition of child labour</p> <p>6. Elimination of discrimination in respect of employment and occupation</p>	<p>As part of its work as a consultant for the private sector, FIP's initiatives and tools include the promotion of security standards for unionized labor</p>	p. 7-8
<p style="text-align: center;"><u>ENVIRONMENT</u></p> <p>7. Support a precautionary approach to environmental challenges</p> <p>8. Promote greater environmental responsibility</p> <p>9. Encourage the development and diffusion of environmentally friendly technologies</p>	<p>Even if environmental stakes are not the core issue of FIP's activities, FIP takes into account companies' environment policies as part of the work on Risk and Impact Assessments following the recommendations of the Voluntary Principles and Colombia Guidelines</p>	p. 6
<p style="text-align: center;"><u>ANTI CORRUPTION</u></p> <p>10. Business should work against all forms of corruption, including extortion and bribery</p>	<p>Many of the greater challenges companies have to face in Colombia are related to corruption: armed groups looking to extort them, money laundering by drug traffickers, corrupt public officials, etc. Through its work, FIP gives assistance to business, develops specific tools and promotes academic research in order to bring concrete solutions to these issues.</p>	p. 7

About Fundación Ideas para la Paz

Fundación Ideas para la Paz (FIP) is an independent, non-profit think-tank based in Bogotá. It was created in 1999 by leading Colombian businesses to contribute to sustainable peace by disseminating conflict resolution skills and knowledge among key policy making actors as well as raising greater awareness among the business community on the need of greater business engagement in conflict prevention and peacebuilding. FIP is partially funded by annual and/or extraordinary contributions from companies, foreign governments and philanthropic organizations.

Promoting Corporate Social Responsibility among Colombian Entrepreneurship

FIP's Program on *Private Sector and Conflict*

Because it has been made clear that business has to go beyond philanthropy in helping to mitigate the impact of Colombia's armed conflict, FIP created in 2004 the Program on Private Sector and Conflict in order to encourage debate and concrete actions, and pave the way for a more responsible Colombian entrepreneurship. More precisely, the program is focused on Corporate Social Responsibility (CSR) matters that are directly related to armed conflict, looking at actual and potential positive and negative links between businesses and peace.

In this framework, FIP's program on Private Sector and Conflict follows four lines of action:

- To promote the observance of domestic and multinational companies with operations in Colombia to international standards, including the Voluntary Principles on Security and Human Rights and the UN Global Compact's Ten Principles
- To collect, systematize and promote private sector best practices in conflict prevention and peace-building
- To conduct academic research on the challenges faced by companies operating in conflict zones and their opportunities for positive engagement
- To advise companies on the development and implementation of different kinds of codes and tools that help them comply with international standards related to the protection of human rights in conflict and weak governance zones.

As part of this work, FIP has been collaborating with a number of public and private actors, as for example International Alert, the Global Compact and the International Business Leaders Forum. The most outstanding actions conducted by FIP in this field have been the promotion of the Voluntary Principles on Security and Human Rights among business based in Colombia (1); the creation of a spin-off code on Security and Human Rights similar to the Voluntary Principles, but adapted to other sectors apart from the extractive one, called the Colombia Guidelines on Security and Human Rights (2); the publication of various documents about private sector and conflict stakes (3); and the conduction of multiple forums and conferences on the same issues (4).

1. Promoting the Voluntary Principles on Security and Human Rights and Assisting Companies in their Implementation

The Voluntary Principles on Security and Human Rights are an initiative of the governments of the United States, the United Kingdom, the Netherlands and Norway, in partnership with the extractive and energy sectors as well as non-governmental organizations, that aims at promoting human rights and corporate social responsibility.

“The participants recognize the importance of the promotion and protection of human rights throughout the world and the constructive role business and civil society -- including non-governmental organizations, labor/trade unions, and local communities -- can play in advancing these goals. Through this dialogue, the participants have developed the following set of voluntary principles to guide Companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. Mindful of these goals, the participants agree to the importance of continuing this dialogue and keeping under review these principles to ensure their continuing relevance and efficacy.”¹

The Voluntary Principles thereby fall into three categories: risk assessment, relations with public security, and relations with private security. They establish concrete guidelines in order to assist companies in managing the risks and impacts related to their activities, and in running their relations with private and public security agencies. The principles also see that multinationals better understand, mitigate, and prevent the political, economic, and security effects of their operations on the environment and the well-being of local communities.

FIP has been working in partnership with International Alert with the purpose of monitoring the implementation of the Voluntary Principles among companies of the extractive industry operating in Colombia. As part of this work, FIP and International Alert have developed a toolkit, the Conflict Sensitive Business Practice (CSBP) methodology, designed to help extractive industries minimize the conflict related risks of their operations. CSBP methodology was launched in April 2005 in Colombia with the participation of FIP, the Colombian Global Compact Network, the UNDP Colombian office and International Alert.

Following this event, FIP has continued to develop different tools to complement the CSBP methodology which has promoted among business leaders through seminars and punctual assistance. The first company to experience the implementation of our CSBP methodology to factor human rights and peace-building issues into their business plans was Carbones del Cerrejon, followed by Occidental Petroleum and Ecopetrol, the Colombian state oil company.

Concerning Cerrejon, the implementation of the CSBP began in 2006. It has included four visits to the mine which resulted in a baseline report that served as a starting point for the CSBP pilot project. The report includes a general overview of the company's background and a general diagnosis on Security, Human Rights and environmental issues and policies. Consequently, two workshops on risk assessment related to the armed conflict were carried out for approximately 40 people of the company personnel. Additionally, special training on conflict analysis has been provided to the company's protection division. Finally, a workshop on communication strategies with stakeholders was conducted for personnel from the protection and communications divisions.

¹ From the introduction of the text of the Voluntary Principles on security and Human Rights at www.voluntaryprinciples.org.

CSBP pilot projects for Oxy and Ecopetrol have been conducted in two phases. Phase one included workshops and seminars to introduce the CSBP methodology to the company's concerned personnel; the elaboration of a report that underlined the weaknesses of the two companies' risk assessments tactics; and the elaboration of a new methodology for risk assessment based on CSBP guidelines. Phase two aims at giving a sharper induction on CSBP strategies to the relevant teams and having a better knowledge of the company's context.

Finally, it can be underlined that in February 2007 FIP began to make part of the Technical Secretariat of the National Committee for the Voluntary Principles, today called the Mining and Energy Human Rights Committee.

2. The Colombia Guidelines on Security and Human Rights

The initiative of the Colombia Guidelines came about in 2004 as a group of experts observed with optimism the emergence of new ways of thinking and new practices in the extractive industry with regards to their political, social and security impacts. The idea was to design a code/guideline drawing on this experience, adapted for other industries and the challenges they encounter when balancing safeguarding security with ensuring the respect and promotion of human rights. Those challenges include²:

- Terrorists attacks or kidnappings
- Armed groups or criminal networks looking to extort companies and contractors
- Money laundering by drug traffickers
- Underdeveloped laws and regulations of economic activities
- Corrupt public officials
- Military and police engaged in human rights abuses
- Local communities that develop dependency on social investment and donations from private companies, which are implicitly asked to carry out state functions
- Instability and political polarization
- Historical difficulties in labor relations

To address these challenges, it has been determined that the guidelines could include the following elements³:

- Guidelines for risk assessment and political and security impacts so that companies can systematize and deepen their understanding of their surroundings as well as the role of the company within their environs.
- Guidelines for their security policies to be put into practice by their own departments, contractors or public security forces
- A commitment to the non-payment of extortion
- Guidelines to promote human rights, transparency and respect for political and ideological pluralism, which contemplates permanent training for employees and contractors.
- Protocols for the protection of unionized labor that aim at the protection of freedom of association from threats related to conflict and post-conflict situations

² Alexandra Guáqueta, *Company operations in weak governance zones: a practical guide for non-extractive industries*, November 2006.

³ Ibid.

Concerning this last point, the guidelines recommend that companies set up formal communication channels with unionized employees and agree to jointly report to relevant authorities on potential risk situations. In addition, NGOs and unions should set up mechanisms to promote transparency within their organizations and identify possible links between their members and illegal armed groups.

What has been done?

As part of this initiative, the first step was to raise a consultation process among Colombian based multinationals to have a comprehensive approach to their problems and interests. Thus, in April of 2005, Fundación Ideas para la Paz and the International Business Leaders Forum (IBLF), with the participation of International Alert, convened a meeting with several Colombian companies in the launching of a new process similar to the one used by multinationals in the extractive sector. Companies from the agro-industrial and food industries along with representatives from multinationals, including personnel from Indupalma and Coca-Cola, attended this meeting. It became clear at the consultation that companies in other sectors had fewer problems in their relations with law enforcement agencies (they don't have major agreements with public security forces), but that they were still exposed to security threats, political complications due to the armed conflict and the increasing scrutiny by NGOs and public opinion. That same year, FIP participated in another round of consultations with Colombian companies in Medellín, who expressed interest in a better understanding of the Voluntary Principles and the possible development of a similar process for their interests. Companies' response was overall positive.

Consequently, in July 2006, FIP elaborated a draft proposal of a spin-off code on Security and Human Rights that was sent to the domestic and international companies concerned.⁴ The proposal examined the lessons learned from the Voluntary Principles, presented ways other companies and stakeholders, including Colombian NGOs and unions, would benefit from a similar initiative, and drafted, in a general manner, the possible contents of a spin-off code, which could be called the Colombia Guidelines.

The Colombia Guidelines on Security and Human Rights were officially launched on January 17th, 2007 with the presence of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. The event gathered representatives from the private sector⁵, local and international NGOs, unions, the Colombian as well as foreign governments. Ruggie underlined the importance of the Guidelines “as an example of the growing recognition by companies in developing countries and emerging markets of the need to engage in human rights”, particularly of domestic companies, and that such interest demonstrates how “Colombia has strong institutional capacities to address the country's challenges”.

To advance in the process, FIP has designed a two-track approach. Track one involves further consultations with local and international NGOs and unions⁶: Even though approaching civil society organizations has not been easy -- NGOs and unions in Colombia are extremely reluctant to talk to or work with companies -- we have already secured the commitment of several to become part of

⁵ Amongst them, a committed group of nine companies --a mix of Colombian and multinationals, including Coca Cola, Nestlé, Isa, Isagen, Indupalma and Tipiel.

⁶ Among them Codhes, Cinep, Indepaz, UITA, CUT, HRW and International Alert.

the Colombia Guidelines process⁷. The second track is about getting companies to start adopting right away some of the recommendations in the Guidelines. This was a lesson learned from similar initiatives like the Voluntary Principles and The Extractive Industries Transparency Initiative (EITI): in order to properly approach civil society, companies have to give proofs of the seriousness of their engagement -for which engaging in concrete actions serves as evidence.

As part of this work, we have:

- Requested each company to compile existing practices on security, human rights and respect of unions and sent it to FIP in report form, which will serve as a baseline in order to monitor the impact of the Guidelines implementation.
- Conducted a Practical Workshop, where the three leading extractive companies in Colombia, which have already implemented the Voluntary Principles, showed the other companies committed with the Guidelines how implementation could take form concretely.

We take much pride in the way the process has advanced and particularly in the two events mentioned that gathered companies, NGOs and unions, which are among the first to take place in Colombia, placing the process of the Colombia Guidelines as a leader of its sort.

As for the road ahead, an important step will be to decide how to engage the Colombian government and what role to give it. The second term of the year will then be dedicated to design a governance and monitoring structure and begin formal implementation. This pilot phase will end in April 2008.

3. Conduction of Forums and Conferences

To promote Corporate Social Responsibility, FIP, through its program on private sector and conflict regularly conducts forums and conferences that gather a large range of public and private actors. Following are those events that FIP has organized and/or attended in 2006:

- September 7th, Bogotá. FIP, in partnership with International Alert and Los Andes University, organized the event “Building bridges between the private sector and civil society for peacebuilding in Colombia” to launch a study conducted on those matters by FIP in 2005.
- October 9th, Medellín. FIP attended a seminar organized by ISA, a Colombian major company in the in the power and telecommunications sectors. FIP personnel conducted a presentation on business security challenges in Colombia and existing standards in that area.
- October 11th, Bogotá. FIP organized the event “The role of the private sector in peace-building” in partnership with Indepaz⁸ and the Asamblea Permanente de la Sociedad Civil por la Paz .
- November 17th, Medellín. FIP participated in a round-table on Colombian companies’ experiences in the promotion of peace. The round-table was conducted by Indepaz, Andi⁹ and Proantioquia.
- July 24th, Bogotá, October 31st, London, November 3rd, Washington DC. In partnership with IBLF, FIP conducted the different launching events of the publication “Peace and Human Rights in Colombia: a Business Agenda”

⁷ Furthermore, on June 13, 2007 FIP organized a dialogue session between NGOs and unions and Salil Tripathi from International Alert to discuss the role of civil society in the Colombian Guidelines and other multi-stakeholder initiatives --such as monitoring and reporting-- and how to deal with the issue of independence.

⁸ Indepaz, Instituto de Estudios para el Desarrollo y la Paz, is a Colombian NGO that Works for the construction of lasting peace in the country

⁹ Andi, is the national association of Colombian entrepreneurs, Proantioquia is a private foundation that works in the department of Antioquia

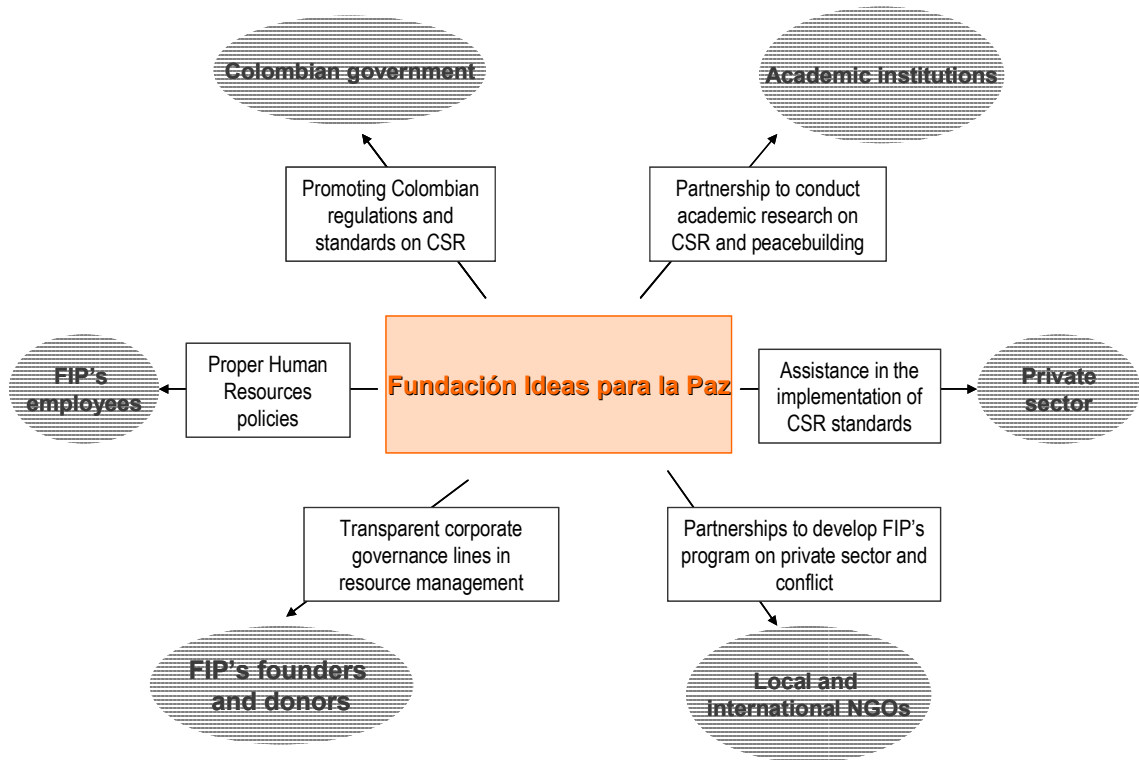
4. FIP's Publications on Private Sector and Conflict

As part of its work on Corporate Social Responsibility, FIP also conducts academic research on the challenges faced by companies operating in conflict zones and their opportunities for positive engagement. In 2006 were published:

- The Spanish and English versions of the report "Peace and Human Rights in Colombia: a Business Agenda", in partnership with IBLF and the Global Compact-NY
- Alexandra Guáqueta, "Doing business amidst conflict: emerging best practices in Colombia", as part of the book *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector*, London, International Alert
- Alexandra Guáqueta "Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector. Case study: Colombia", Working Papers FIP. Spanish and English versions
- Alexandra Guáqueta, *Company operations in weak governance zones: a practical guide for non-extractive industries*, FIP Proposals
- Article by Alexandra Guáqueta (and Angelika Rettberg), on the economic costs of the conflict in Colombia, *Portafolio*, October 20th, 2006

FIP: A Responsible Organization

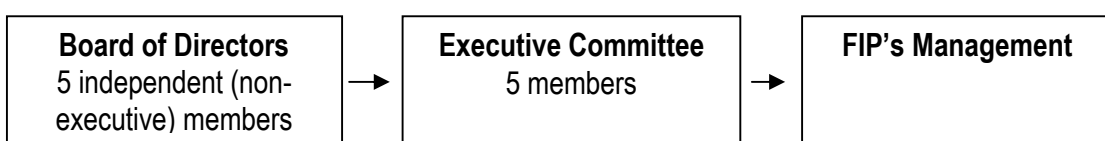
1. FIP's Shareholders



2. Corporate Governance

FIP is a non-profit organization founded in 1999 by 11 companies and three individuals, with the mission to contribute ideas and proposals to help overcome the internal conflict in Colombia. Currently, 27 companies are members of FIP, which provide to the organization around 45% of its financial resources. Different international organizations and foreign Government Cooperation constitute FIP's other donors. FIP's organizational structure answers to the need of having appropriate mechanisms to ensure proficient and transparent management, compliant with Colombian law as well as with the requirements of its founders and donors.

Organizational Structure



The Board of Directors is constituted by five independent members that represent high executive management of the companies members of FIP. The Board of Directors meetings are held on a yearly basis, with up to two extra-curricular meetings if important decisions need to be made (for example, those that go beyond FIP's statutes). The Board of Directors reviews FIP's yearly management reports and investment plans.

The Executive Committee is also constituted by five members that represent high executive management of the companies that are members of FIP. This Committee has more direct control over FIP's management as it is held on a monthly basis to review ongoing projects and related budgets.

Thus, the Executive Committee and the Board of Directors guarantee the efficient and transparent use of FIP's capital. In addition, FIP provides its different external donors with detailed management reports to inform them about the projects they finance and the way their donations have been invested.

Finally, FIP's budget management is controlled by the relevant public institution: the Fiscal Audit Office and is audited every six months at the internal level by Audilimited, and every year at the external level by Ernst and Young (for this year).

3. Human Resource Management

FIP's workforce is constituted by a team of fifteen people, from which nine of them are women, including the Executive Director and the Academic Director.

In the team, six persons work as FIP employees and nine work as consultants. They all have social security affiliation, occupational hazard insurance, life insurance and occupational pension schemes as required by Colombian law. Consultants however, must pay for social security on their own and do not have the same benefits as those with fixed contracts. FIP has tried to design a hiring and labor policy known to all to make sure that researchers' payment follow a point system, but there is much improvement to be achieved on that front.

Concerning annual paid leave, FIP goes beyond Colombian law as it provides two weeks of holydays which is a legal requirement for employees but not for contractors. The average wage level of FIP's employees and contractors is \$ 2.5 Million Pesos (US\$ 1.173), which amounts to five Colombian minimum wages.

At least three FIP employees have been granted student loans and scholarships.