

of keeping with the legislative history of the Act, it also puts Canada out of step with its major international partners.

### **Assessment**

In conclusion, there are a number of holes in the current policy landscape. The Government's strongest claim to leadership on corporate social responsibility issues has been its exhortations to better behaviour on the part of Canadian corporations. While such exhortations no doubt play a role in promoting corporate social responsibility, they are not sufficient on their own. Voluntary codes of conduct, in particular, tend to be ineffective in the absence of some penalties or other material incentives associated with gross noncompliance with their underlying rationale. While Canada has in place powerful and flexible sanctions legislation in the form of the *Special Economic Measures Act*, Cabinet has been unwilling to use it. Canada has in place the beginnings of a public, principled, and prudent human rights strategy. The task ahead is to strengthen the individual elements and to integrate them into a coherent framework.

and human rights indicators that are relatively objective, easy to measure, and transparent.

The results of these country reviews should be disseminated widely. In particular, they should be accessible through Industry Canada's *Country Database*, which is a premier source of on-line information for Canadian businesses pursuing export or investment opportunities overseas.

The Department of Foreign Affairs and International Trade should also initiate embassy-level programs whereby Canadian diplomatic staff nurture dialogue between Canadian firms and local partners.

### **Proposed 23: Strengthen Codes of Conduct**

Codes of conduct, even purely voluntary codes of conduct, play an important role in encouraging companies to meet a higher standard in their international activities. Although easy to criticize for its generality and lack of concrete guidelines, the Code of International Ethics for Canadian Businesses is an important document. It has provided real guidance for numerous Canadian companies seeking to manage their operations in risky states responsibly.

Therefore, support for the Code of International Ethics for Canadian Businesses, or some alternative code of conduct, should remain a key feature of government policy.

However, the Code itself is in need of significant strengthening. To be effective, codes of conduct must be clear, concrete, and appropriate to the kinds of issues managers face. Government and business should work together to strengthen the International Code of Ethics for Canadian Businesses by negotiating additional, sector-specific provisions. Alternatively, an existing code, such as the UN Global Compact (see appendix B), might be adopted.

Ideally, codes of conduct should be incorporated or adopted by being and verification, and private firms or non-governmental groups need to be willing and able to undertake such monitoring activities. The Government of Canada should promote the emergence of a social auditing industry in Canada with the capacity to monitor