

Aligning Corporate Governance with ILO Labor Standards: Challenges and Opportunities for Multinational Enterprises

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Abstract

Multinational enterprises increasingly recognize the importance of aligning corporate governance frameworks with International Labor Organization requirements, but scholarship on this intersection remains limited. This paper addresses that gap by synthesizing evidence that improved governance mechanisms notably enhance labor compliance throughout international operations. The International Labor Organization establishes foundational requirements for respectable work—encompassing freedom of association, collective bargaining, non-discrimination, and workplace safety—that multinational firms have to operationalize through corporate decision-making systems and supply chain governance. Contemporary multinational businesses navigate competing pressures from regulators, shareholders, and civil society while managing labor-related human rights obligations across jurisdictions. Stakeholder-centric governance frameworks provide promising pathways for forums to institutionalize labor issues within operational workflows. Evidence demonstrates that active board oversight, strong due diligence mechanisms, and independent verification structures significantly improve compliance outcomes compared to voluntary codes alone. Leading multinationals in electronics, clothing, and extractive industries have correctly incorporated ILO-aligned measures into center governance systems, promoting both compliance and stakeholder engagement. However, effective implementation remains constrained by functional governance potential gaps in host nations and chronic deficiencies in corporate disclosure verification. This paper argues that integrating ILO standards into company governance constitutes both a strategic imperative for operational resilience and a mechanism for advancing sustainable development. Recommendations emphasize bolstered board duty, comprehensive supply chain due diligence, and unbiased outside verification regimes.

Keywords: Corporate Governance, Labor Standards, International Labor Organization

1. Introduction

Multinational enterprises (MNEs) aspiring to align their corporate governance frameworks with International Labor Organization (ILO) labor standards encounter significant challenges, notably the absence of a structured body of knowledge dedicated to this intersection of corporate governance and labor standards. While extensive literature

addresses corporate governance from various perspectives—including comparative legal, institutional, economic, and political dimensions—there is a dearth of scholarship that explicitly engages with the relationship between governance and labor.

The rationale for incorporating ILO standards into corporate governance frameworks has been widely articulated, yet MNEs still grapple with effectively integrating fundamental labor principles, including the right to freedom of association and collective bargaining, the prohibition of discrimination, and other aspects of decent work, into their governance models. These gaps have created an environment in which many companies are unduly exposed to operational, legal, and reputational risks.

In parallel with the increasing adoption of environmental, social, and governance (ESG) frameworks by the investor community, the adoption of global labor standards from the ILO into corporate governance structures presents an opportunity for MNEs to align their governance frameworks more closely with generally accepted benchmarks. The integration of these standards into governance regimes can enhance human capital management, bolster the resiliency and sustainability of operations, mitigate risk, facilitate stakeholder engagement, and improve the clarity and quality of communications to employees and external stakeholders. (Bueno, 2019)

2. Theoretical framework

Multinational enterprises are subject to varied regulatory frameworks that originate from diverse stakeholders (Graz, Helmerich, & Prébandier, 2019). Accordingly, their corporate governance is influenced by regulatory and supervisory frameworks that include frameworks on labor standards. The pressure to adhere to the International Labor Organization's standards is a prominent example of such an international initiative. More specifically, corporate governance functions that adhere to these standards are first examined, and second, guidelines are proposed for the establishment of governing mechanisms that promote compliance throughout their operations.

2.1. Corporate governance and labor standards

Corporate governance plays a crucial role in shaping a corporation's approach to global labor standards and the pursuit of human rights. Governance systems hinge on three interrelated concepts: structure, accountability, and mechanisms. In general, a governance structure defines the organization of power and the distribution of rights, responsibilities, and interests among stakeholders that shape decision-making. Structures prioritize stakeholders differently, with divergent implications for labor standards. Accountability underpins governance, designating who holds ultimate responsibility (the principal) and who exercises delegated authority (the agent), as well as the channels of accountability by which the principal can verify that delegated tasks have been carried out properly. Mechanisms complement structures by describing how the agent is governed (Bueno, 2019). The labor standards relevant to governance span overlapping technical areas of freedom of association, collective bargaining, non-discrimination and equal pay, forced labor, child labor, workplace safety, and security.

A measure of rigor associated with corporate governance, corporate finance, and the theory of finance in general determines the extent to which high-quality governance translates into improved labor compliance. A lack of convergence surrounding the definition of governance permits diverging perspectives on rigorous guidance. Rigorous finance stipulates that, when owners are dispersed or control is shared, a corporate governance equilibrium specifies how interests are reconciled. An extensive empirical literature supports the proposition that enhanced governance elevates labor compliance (Parella, 2014). Proper access to funding, thereby stimulating the timely acquisition of requisite labor skills, determines whether financing influences labor rights. A second determining factor is whether jurisdictions grant the corporate form or facilitate the extraction of funds without having to formally integrate scattered incomings in advance. Maintenance of the corporate form—or, indirectly, one identification across an interconnected series of firms—contributes to better scores on an index of labor-management relations.

Multinational Enterprises (MNEs) face a dual mandate in aligning corporate governance with ILO Labor Standards: accommodating differences in stakeholder expectations across jurisdictions and addressing the internationalization of their labor-related human rights due diligence obligations. All ILO Conventions and Recommendations must be adapted if they are to support labor rights, but not every instrument aligns with the governance challenge that MNEs confront. Nevertheless, certain conventions and associated governance principles map to the governance challenge. (Thomas & Anner, 2023)

The relevant MNE-related ILO Framework lays out four broad categories that a MNE policy should encompass. These flexibly incorporate various governance instruments, establishing an intersection with the core labor standards and governance principles in the MNE sector.

2.2. International Labor Organization standards and principles

The International Labor Organization (ILO) convention establishes standards of decent work worldwide, accumulated in readily applicable conventions and recommendations covering a range of topics (Heintz, 2002). While multilateral treaties such as human rights, climate change, and taxation grapple with global challenges such as poverty alleviation, sustainable development, and education, the ILO's work on decent work remains relevant to prevent predicaments ex-hypothesi, enforcing alignment also of concepts within the enterprise. Accompanying notions such as the human right to water or food, the ILO stipulates core requirements on freedom of association, collective bargaining, non-discrimination, and workplace safety (Bueno, 2019). Additional ILO principles flowing directly from standards such as due diligence, management accountability along the line, and transparency along auditing are equally significant.

Internationally recognized worker and trade union rights were enshrined in the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Economic, Social and Cultural Rights, and the 1989 Convention on the Rights of the Child. Forward-looking, the parameters of necessary enterprise diligence, customary supervisory reflection at

board/management interfaces, and rules for external scrutiny shall therefore coalesce round ILO stipulations. The resulting intersections show separately through which property, governance, and sovereignty arrangements these provisions become directly enforceable or indirectly elicitable at nearby international firm levels. (Vergueiro, 2026)

3. Legal and normative context for multinationals

Legal frameworks and obligations, covering human rights and labor governance, vary widely across jurisdictions and enable the coexistence of multiple governance models. Multinational enterprises (MNEs) face competing pressures from domestic regulators, shareholders, and civil society actors as they navigate these regulatory landscapes and determine how to best respect labor standards. While at least 26 countries have passed or proposed laws requiring companies to conduct due diligence on human rights and environmental impacts in the value chain, these expectations differ across jurisdictions (Bueno, 2019). Both international treaties and domestic labor laws exhibit highly fragmented availability and enforceability at the national level (Zumbansen, 2026). MNEs must also reconcile differing shareholder expectations and engagement with host jurisdictions, especially in emerging economies without pertinent human rights instruments.

The legal and normative context is further complicated by differences between shareholder-centric models emphasizing profit maximization and stakeholder-centric models integrating broader accountabilities. The prevailing shareholder-centric margin of discretion and perceived irrelevance of stakeholder concerns provides limited motivation or mechanism to address labor standards, particularly when host jurisdictions lack complementary obligations. Even market-leading companies report that system-level governance failures elsewhere dampen responsibility for labor conditions abroad. In contrast, stakeholder-centric models, which recognize labor conditions as governance matters, offer a wider range of pathways through which boards can consider and contribute to labor standards—aligned with the ILO’s own agenda in developing countries. Yet, the effectiveness of either model in enforcing labor standards across borders or enabling the pursuit of ILO principles remains uncertain. (Passador, 2024)

3.1. Domestic regulations and international obligations

Joint International Labor Organization (“ILO”) standards, spanning the 1930s to 1990s, have produced conventions and recommendations on labor governance. Collectively known as core labor standards, four conventions, ratified by 187 member states, set rules for capital mobility (non-discrimination), mobility of workers within states (freedom of association), information transmission (collective bargaining), and control of arms or hazardous chemicals (safety and health) (J. Brudney, 2012). Multinational enterprises (MNEs) face formal controls from domestic authorities and informal constraints via social norms. While states regulate labor-market practices through legislation, MNEs often surpass oversights of domestic authorities, resulting in weaker extra-legal governance than domestic counterparts (Bueno, 2019).

3.2. Comparative governance models across jurisdictions

Corporate governance represents the distribution of authority among the various groups and individuals who exert influence on, and are affected by, the firm and its activities. Governance structures define “who gets what, when, and how” within the enterprise, and how it relates to its external environment. Labor standards are concerned with behavioural norms for the workplace. In the context of corporate governance, the need for compliance with labor standards can affect the compact agenda of marginal groups—the firm, the stakeholders on whose behalf it acts (its employees or supply chain, for example) and the wider community whose norms or conscience may introduce externalities (Zumbansen, 2026). The compact thesis argues that effective corporate governance can enhance labor compliance by institutionalising a consideration for such norms within the decision-making routines at the firm level and upstream within the supply chain (P. Sarra, 2001). Capital seeking a return has greater mobility than labor seeking livelihood; therefore, it is easier to relocate the firm and evade compliance than to remove the workforce. However, labor is also the corporate asset that accounts for the most investment, understanding that can be readily translated into a labor compact between governance and productivity—which is frequently enhanced through investment in a safe, healthy and inclusive work environment. The compact is, therefore, an indirect means of addressing the exit efficiency paradox.

4. Opportunities and strategic implications

The governance of global businesses is a subject of increasing attention; it can take on many different forms and be interpreted in diverse ways in different countries. Proper human resources management, compliance with labor and workplace standards, and other elements of decent work contribute directly to the viability and sustainability of a corporation’s assets and operations. Policy compliance relating to a wide range of economic, health, environmental, and social factors is increasingly sought by investors and stakeholders; stock exchanges are setting requirements for such compliance and reflecting it in the manner in which the financial viability of a corporate body is assessed. Because the International Labor Organization (ILO) sets internationally recognized standards for jobs and for workplace conditions that contribute to decent work, and because multinational enterprises (MNEs) are recognized as having a key role in contributing to sustainable development in pursuit of the United Nations Sustainable Development Goals (SDGs)—and deliverables such as creating jobs—the alignment of corporate policy and governance with ILO workplace standards is both a challenge to MNEs and an opportunity for solidifying resilience and broadening the production space. (Alhashim, Alyousof, & Aldawsari, 2025)

Alignment with ILO standards can enhance the value of a corporation’s offer on the international capital markets and improve relations with other stakeholders. The resulting attention from markets and investors, and indeed from the public sphere, creates a need for corporate directors to consider carefully how far from full alignment they are, and the nature of any engagement that they have with national policy frameworks associated with the alignment. There is also room for policy innovation within the ILO agenda; attention to

human capital and stakeholder traction can assist with alignment. Efforts to build up the capacity for individual voice (“speak-up systems”) and consensual voice can constitute an important aspect of alignment, yet are also in their own right capable of contributing to ILO-standard governance and creating traction for the broader ILO agenda. Developing engagement metrics in this territory is still in its formative stages and there is potential for a collaboration of enterprises looking to archive human capital literacy and stakeholder sameness to interact collaboratively to produce more fluid guidelines. (Bennett, 2025)

4.1. Risk management and resilience

Strengthening ILO-aligned governance constitutes a governance-level opportunity for extending operational resilience and mitigating the likelihood of severe labor harms. Governed by distinct but parallel mechanisms, operational risks—exposure to critical failures that disrupt core functions—and reputational risks—exposure to significant events that adversely impact public trust and stakeholder relationships—jointly shape the resilience of operations, supply chains, and business models. Appropriate organizational governance, whether through risk-management commitment, mandate, strategy, or executive representation, increases the likelihood of timely detection and appropriate responsive action (Parella, 2014). Enhanced resilience not only fosters continuity and adaptability in the face of disruptive events but also promotes the adoption and maintenance of necessary task-compliance measures—addressing risk factors that may otherwise escalate into severe labor harms. The ILO-oriented framework of risk-management statutes, processes, and responsibilities thereby promotes resilience and limits operational and reputational risk alike.

Continuing emphasis on stakeholder engagement within the Asia-Pacific region, where multinationals may be less inclined than in other jurisdictions to promote labor standards within supply chains, further amplifies reputational imperatives for ILO alignment (Bueno, 2019). Through direct channels and established connectivity with international actors, such governance measures also mediate links to other corporate objectives such as brand value enhancement and development of performance metrics that meet investor expectations.

4.2. Brand value, investor relations, and access to capital

While stakeholder-centric governance may reduce labor-standards violations in regulated jurisdictions, scarce investor incentives for such compliance in unregulated markets—combined with limited technical, institutional, and resource factors—hamper multinationals’ ability to align corporate governance with ILO standards (P. Sarra, 2001).

Brand value can benefit from enhanced compliance with ILO principles and policies. In apparel, a sector associated with widespread labor violations, compliance can protect brand value, reputation, and sales. The outlook in electronics is less certain; although components with high labor-intensity dominate value creation, the relationship between labor governance and brand value remains ambiguous (Zumbansen, P., 2007). Aligned policies contribute to ILO-compliant corporate governance, customer trust, and investor relations, especially when firms clearly communicate policies to the public. Transparency regarding standards and adherence activities is also vital; customers expect straightforward, non-concealed

disclosures. As regulatory frameworks expand and initiatives promoting compliance gain traction, investor expectations of adherence to ILO principles are likely to evolve further.

4.3. Innovation in human capital management

Multinational firms pursuing ILO-aligned corporate governance have reformed their strategies to promote new forms of human capital management capable of sustaining compliance with labor standards. Rather than prioritizing operational efficiency, these companies cultivate innovative working environments that foster skill development and a culture of diversity, equity, and inclusion (DEI), thus enabling employees to thrive, fully contribute, and enjoy greater confidence in their rights. By establishing these arrangements, firms seek to nurture productive workforces, build resilient supply chains, and enhance talent management and brand equity. (Zhao & Du, 2023)

The ILO promotes human capital investments alongside labor-compliance agendas; thus, adopting innovative strategies furthers ILO-conformity objectives (Mena, de Leede, Baumann, Black, Lindeman, & McShane, 2018). Effective management practices in human capital advance organizational learning by improving capabilities, promoting formal training, and creating better working environments (Santiago & Alcorta, 2008). Such practices are particularly vital for multinational firms since limiting attention to labor-compliance issues undermines their pro-ILO status and hampers alignment with national and supranational firm-regulation demands (Zumbansen, P., 2007).

The ILO encourages corporate governance that upholds fundamental labor rights and promotes direct dialog with workers; enhancing human-capital approaches thus contributes to stakeholder engagement and employee voice. Furthermore, innovative human-capital management and associated metrics are crucial for responding to investor and regulatory expectations regarding workplace standards and for demarcating ILO-conformity boundaries when pursuing guidance, including the UN Guiding Principles on Business and Human Rights.

5. Role of multinational enterprises in promoting ILO standards

Multinational enterprises (MNEs) play a major role in the structure of global supply chains. Many of these supply chains span multiple countries and jurisdictions and involve complex operations within and across borders. Accordingly, national laws and international agreements treat MNEs as one entity for the purposes of corporate responsibility. In this context, MNEs have an opportunity to promote International Labor Organization (ILO) standards beyond their corporate borders through supply chain governance. The adoption of ILO standards throughout the supply chain can simultaneously mitigate governance risks associated with a lack of adherence to such global norms. The very structure of MNEs' global supply networks creates particular demands for attention to ILO standards, both to fulfil obligations under domestic laws and to sustain compliance throughout the group (Bueno, 2019).

Select ILO instruments, such as the Declaration on Fundamental Principles and Rights at Work and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, maintain that MNEs should adhere to ILO standards in their activities, both direct and indirect. Such adherence encompasses activities by local subsidiaries and affiliates and extends to those of third parties in the supply chain. Multistakeholder initiatives further fortify the normative expectation that MNEs promote the ILO framework within their operations (J. Brudney, 2012).

5.1. Global supply chain governance

Multinational enterprises (MNEs) govern vast global supply chains through complex structures that may weaken labor protection in countries with weaker enforcement. A better alignment with the International Labor Organization's (ILO) standards will reduce operational and reputational risk and enhance crisis resilience. Improving supply-chain governance can promote compliance with ILO standards in supplier operations and advance respect for workers' rights.

Large retailers often influence supplier practices with explicit codes of conduct that govern wages, hours, child labor, and other workplace topics. These codes specify compliance with local labor laws but may not cover freedom of association, discrimination, or health and safety, which are all key aspects of ILO standards for MNEs (Parella, 2014). As most suppliers will be subject to national legislation on these matters, the adoption of effective stakeholder engagement alongside the monitoring of law conformity could align a buyer's approach with the recommendations of the UN Guiding Principles on Business and Human Rights (Bueno, 2019).

Multinationals can build supplier capacity through the provision of training, technology transfer, and governance improvements that foster respect for fundamental rights. Electronics firms have, for instance, combined capacity-building and governance-enhancement activities on the ground in certain countries. Where suppliers operate in high-impact sectors or sensitive environments, the demonstration of such leadership becomes especially relevant (LeBaron & Rühmkorf, 2017).

5.2. Collaboration with stakeholders and multistakeholder initiatives

Multinational enterprises define themselves not only by their significant size and national origin, but also by their ability to cross borders in pursuit of economic activities, particularly in global supply chain operations involving the substantial out-sourcing or off-shoring of upstream or downstream segments of the value chain. Recognition of their global business reach, therefore, explicitly links MNEs to ILO conventions that govern the entire global workforce. These include the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labor, the abolition of child labor, and the elimination of discrimination in respect of employment and occupation (Bueno, 2019). In such cross-border economic relationship definitions, the minimal ILO principles extend globally across all the territories and jurisdictions in which MNEs operate, clearly also including both their home and host markets for economic

activities engaged in within those jurisdictions (P. Sarra, 2001). Causality then extends further to corporate governance structures, thereby rendering MNEs fully subject to normative alignment with the respective corporate-governance-at-multinational-level considerations in conjunction with compliance with labor standards across the governance ties between both home and host jurisdictions.

The global ILO framework remains universally applicable, however the operationalisation of these governance principles within corporate practice requires a higher level of specification, which necessarily draws upon the individual specificities of the ILO conventions, the further extension of operational-context specifics at the local corporate level amongst the universal applicability of these individual scenarios, and the corporate governance individual definitions or operational specifications across the wider global context of international business corporate governance practices and compliance (Mena, de Leede, Baumann, Black, Lindeman, & McShane, 2018). Formal specification of such operationalisation contextualisation then forms the prerequisite to establish the development of ICCO engagement risk frameworks and necessary ICCO corporate governance compliance-governance and wider corporate practice embedment of implementation risk signalling, determination and outlining of requisite governance– and corporate-practice-governance control mechanics, and definition of the necessary operational-confirmed specification detailing of the corporation’s attendant further corporate labor-practice governance stakeholder engagement, the entire culmination of which serves as the baseline context to which these labor-reform council engagement amongst wider corporate governance and corporate-practice frameworks.

5.3. Capacity building in host countries

Capacity-building activities in host countries encompass training, technology transfer, and strengthening governance systems. International guidelines suggest that multinational enterprises should pay wages that are at least comparable to those offered by similar local employers and provide facilities for workers’ representatives to negotiate collective agreements effectively. These recommendations reinforce the importance of good working conditions, employment practices, and respect for trade union rights in all operations.

However, specifying desired standards is insufficient for embedding them domestically (Bueno, 2019). Accordingly, multinational enterprises face the challenge of determining appropriate implementation measures on the ground. Moreover, multinational enterprises cannot establish proper conditions unsupported by functional governance systems in host countries. Considerable assistance is often required to build robust institutions capable of upholding the rule of law and safeguarding property rights. In contexts where formal frameworks remain weak, the private sector may collaborate with governments to raise awareness of necessary practices and encourage public engagement (Mena, de Leede, Baumann, Black, Lindeman, & McShane, 2018).

6. Policy recommendations for practice and governance

Multinational enterprises (MNEs) with a long-term commitment to the International Labor Organization (ILO) standards face significant operational and governance challenges. These arise from the disproportionate impact of labor noncompliance in countries of operation characterised by low regulatory enforcement, lenient sanctions, or limited capacity for legal enforcement, even at the expense of local jurisdictional accountability (Parella, 2014). Active corporate board oversight of labor issues is thus critical for compliance. MNEs can adopt an enterprise risk management approach that integrates ILO standards into the organisation's governance framework, establishes processes and policies to ensure compliance, and assesses the impact on enterprise value (Bueno, 2019). Adjustments to existing large-scale due diligence audits can expand the scope of compliance verification beyond tiers one and two suppliers to address labor risks, covering the full supply network through a single engagement per operational jurisdiction. By publicly emphasising the MNE's governance accountability for ILO compliance, organisation-wide responsibility, and jurisdictional aggregation strategy, firms can enhance their disclosure of compliance but do not formally attest to adherence (A Compa, 2010). Finally, MNEs can secure external assurances on both limited-scope and comprehensive audit programmes.

6.1. Integrating ILO standards into board-level risk frameworks

In many jurisdictions and under various international standards, the board of directors bears ultimate responsibility for economic misconduct and human rights violations. In principle—though rarely in practice—the same holds for respect for international labor rights. The board is expected to gauge the impact of policies and operations not only on financial performance but also on human rights. Social-impact assessments, however, seldom examine compliance with International Labor Organization (ILO) norms. Voluntary Codes of Conduct usually call for respect of these standards but do not specify diligence expectations, pathways to remediation, or the target of board oversight (Parella, 2014).

Incorporating ILO standards into board-level risk frameworks involves monitoring adherence, prioritizing due diligence, and allocating accountability appropriately. Controls should cover child labor, forced labor, freedom of association, discrimination, occupational safety, and remuneration. The depth of assessment, remediation, and decision-making authority also merits scrutiny (Bueno, 2019).

6.2. Strengthening due diligence and audit regimes

Multinational enterprises are urged to perform broad and specific due diligence concerning labor rights, including the observance of core labor rights and human rights commitments. The ILO Tripartite Declaration and Chapter V of the OECD Guidelines advise that wages disbursed by multinational enterprises should be similar to those of local employers. Moreover, they should provide worker representatives with amenities that facilitate the development of effective collective agreements. While these documents furnish an international benchmark of conduct, they do not delineate how to implement these standards at the national level. The UNGP do not clarify legal sanctions such as corporate

criminal or civil liability necessary to guarantee that due diligence is executed throughout operations (Bueno, 2019).

Recent legislation addresses forced labor, child labor, human trafficking, and conflict minerals in worldwide supply chains. Supply chain regulation is arduous due to its multi-tiered and fluid character. Additionally, regulation is frequently delegated to the regulated parties themselves, particularly when probing human rights abuses by multinationals. There exists a pressing demand to govern corporate management of third-party suppliers in relation to human rights and labor practices. Regulations directed at responsible supply chains impact both multinational corporations and host governments, acting as an alternative to international law. Codes of conduct have largely failed to mold corporate behavior, underscoring the necessity for robust due diligence and audit regimes that ensure compliance and uphold human rights standards in global supply chains (A. Sarfaty, 2015).

6.3. Enhancing public reporting and external assurance

Sixth, conduits for public reporting and external assurance can be refined in ways that elevate disclosures on labor standard compliance and related governance, thereby responding to constituency demands for greater transparency and accountability while signalling corporate commitment to ILO principles.

The vast majority of corporate disclosures on labor or human rights remain unassured, not independently verified by external agencies or third-party experts. This raises serious questions about the reliability, credibility, and robustness of such information, which in turn undermines efforts to align corporate conduct with the considerable body of internationally agreed labor standards and significant corporate governance principles centred on human capital (Parsa, Roper, Muller-Camen, & Szigetvari, 2018). The current insufficiency of public reporting on the impact of corporate governance on ILO-aligned labor compliance requires urgent remedial action. Such methods can bolster organisational learning by compelling firms to identify those governance structures and policies that decisively influence the realisation of worker rights. Notably, beyond signalling alignment with ILO provisions, extensive reporting on governance also improves organisational governance itself.

Independent, external assurance fosters an environment conducive for candid internal reporting on ILO-related exposure and exposure management strategies. Absent today's pervasive rush to publicly disclose unassured information on sensitive topics such as labor practices, many organisations understandably choose not to report—restricting the information available to stakeholders working constructively to identify and close systemic gaps between organisation practice and ILO principles. High-quality, credible disclosure—whether satisfied through assurance or a credible assurance-indicative standard—expressly aligned with ILO and other governance principles promotes stakeholder confidence. Such confidence strengthens collaboration on governance improvements and expansion of credible, assurance-indicative disclosure (Ghoogassian, 2015).

7. Case illustrations

The newly adopted corporate governance codes present an opportunity for many multinational enterprises to integrate ILO labor standards into their corporate governance arrangements. These codes direct board members to oversee and manage the most significant risks facing the corporation, protect and enhance the corporation's assets—including its brand value and access to capital—and promote long-term value creation. The United Nations' Guiding Principles on Business and Human Rights call on enterprises to respect internationally recognized human rights and, in particular, to carry out human rights due diligence, setting the stage for the integration of labor standards into corporate governance. International standards and frameworks instructing enterprises on how to implement these obligations now exist. Examples include the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. (Wolfsteller & Li, 2022)

Multinational enterprises may view implementation of ILO labor standards across the employer-employee relationship spectrum as merely a compliance exercise. They have already volunteered to comply with these standards when endorsing key instruments, such as the OECD Guidelines for Multinational Enterprises. Yet organizations that regard compliance as the lowest common denominator find it challenging to identify the additional elements required to demonstrate commitment. Multinational enterprises seeking to respect more than one authority on a subject must grapple with coordination of hierarchies. Authorities or instruments that promulgate rhetoric without simultaneously describing how to translate visionary statements into actionable, verifiable practices overload enterprises that endorse multiple frameworks. (Thomas & Anner, 2023).

7.1. Case study: a multinational electronics firm

Multinational enterprises (MNEs) play a critical role in supporting the International Labor Organization's (ILO) agenda. While their direct responsibility for advancing working conditions is limited under internationally established frameworks, they can have significant influence by applying their established corporate governance practices to the ILO framework across diverse territorial and jurisdictional boundaries. The ILO's strategies cannot be implemented within the confines of the corporation's home jurisdiction. Nevertheless, the voluntary character of such governance allows MNEs to progressively adopt the stipulated standards and thereby contribute to aligning ILO goals with corporate strategies while respecting multi-jurisdictional intricacies. (Fazil, Hakimi, & Akrami, 2024)

Enhanced freedom of association, generic specifications pertaining to wages, and the establishment of workers' safety committees have been adopted. Reporting outlines government expectations in numerous countries where MNEs operate that are conducive to ILO objectives. Nevertheless, considerable implementation gaps remain, with countries across the three sectors exhibiting ILO conformance in global accord yet failing to demonstrate progress towards achieving ILO core labor objectives. (Oluwaniyi & Duruobioma, 2026)

Electronics remains an illustrative case. A MNE from a country where corporate law and governance incentivise shareholder-centric strategies nonetheless advanced robust governance reforms. Strong technical skills and limited local aptitude highlight the electronics sector's direct contribution to value generation. Governance mappings underscore the necessity of management engagement with senior manufacturing executives to safeguard the specific components necessary for effective global supply-chain assembly. Far-reaching commitments to ILO standards cascade throughout operations, yielding credible and transparent reporting of compliance details (A Compa, 2010).

7.2. Case study: a multinational apparel firm

Global apparel firms often rely on suppliers in low-income countries with inadequate social legislation or weak enforcement of existing laws. Such firms have thus advanced the implementation and monitoring of labor standards through enforcement-oriented policies. The most important international guidelines for labor rights are the International Labor Organization (ILO) Conventions and Recommendations. The supply-chain governance experience of a multinational apparel firm illustrates the potential for corporate governance, aligned with these universal principles, to enhance workers' rights in domestic settings. The approach combines code enforcement with fostering stakeholder commitment to improvement. The supplier code encompasses ILO-recognized core labor standards and, upon initial engagement, suppliers are tasked to report the status of compliance with each provision. A multi-partner capacity-building initiative further supports suppliers' adherence to ILO standards and the code. Governance enhancement has thus promoted both compliance and the continuity of stakeholder engagement. (Toshpo'latov, 2024).

The firm's supplier code covers ten strategic areas, with emphasis on labor standards such as freedom of association and collective bargaining; non-discrimination; and child labor. Initial assessment reveals that labor-related provisions have attained the highest compliance levels. Overall conformance with the code has increased markedly since early engagement. The firm's overall approach actively promotes awareness of these issues and has spurred other actors from multiple industry sectors and civil society to join in similar efforts. An increasing number of stakeholders regard the code as a de facto benchmark for supplier responsibility; its widespread acceptance further bolsters stakeholder collaboration. Code content remains sufficiently adaptable and capable of evolving, through consultation with local partners, to relevant national priorities. Modifications targeted at strengthening the links between codes, the firm's broader governance agenda, and multinational enterprises' international responsibilities are under consideration (Parella, 2014).

7.3. Case study: a multinational extractives company

Providing the essentials of modern living for surrounding communities remains a significant challenge for a multinational extractives company. Past supply systems offered limited scope for direct engagement on the critical risks of health, safety, and infrastructure, and adherence to company codes proved insufficient to address the distinctive hazards of the sector. Since elevating its governance from code compliance to a wider-spectrum welfare strategy linked to clarified business responsibilities, the enterprise uncovered substantial

opportunities for local collaboration on safety, broader health needs, and improved social underpinnings. Corporate self-regulatory efforts have advanced noticeably, yet challenges remain on the interaction between local and global improvements.

Attention to local community needs constitutes the overarching corporate responsibility in areas of extractive operations. In regions with complex social conditions—such as tenuous public health, deteriorating workplace safety, poorly organized settlements, and deficient service delivery—community engagement is pivotal to achieving objectives at the core of business strategies (Aubourg & Renault-Tesson, 2011). Global sustainability norms establish the expectation of mutually beneficial stakeholder relationships for enterprises operating under these circumstances, reinforcing the role of local community development in safeguarding the corporate ‘social license.’ These factors account for an expansive approach to community engagement, wherein health, safety, local economic empowerment, and infrastructure improvement occupy attention alongside traditional supply-pipeline considerations.

While nevertheless areas of concern, company codes already incorporated local stakeholder expectations targeting improvements to foundations for broad productivity, residence safety, and sustainability of infrastructure (Bueno, 2019). Standards and expectations from targeted diagnostics, stakeholders, and code-land parties thus fitted under a larger governance initiative. The prior extractive company governance model nonetheless directed operational—safety, process, project, and product—hazards as primary risks, establishing the corporate framework for a wider occupational health and safety policy of commitments and controls. The corpus had remained unchanged in articulating overall compliance to company codes along the pipeline without specifying additional or alternative community issues that might require scrutiny.

8. Conclusion

Despite differing governance structures and labor contexts, multinational enterprises demonstrate shared opportunities for aligning corporate governance with the ILO Declaration through actionable governance reforms across various industry sectors. Multinational firms can integrate ILO-aligned measures into core governance systems to enhance compliance with eight ILO labor standards relevant to corporate conduct while pursuing harmonised, stakeholder-orientated governance consistent with the ILO Declaration. Such measures reinforce the recognition of labor-related risks and advance the incorporation of ILO standards within emerging corporate governance frameworks.

Multinational enterprises face complex challenges and trade-offs when addressing the alignment of corporate governance systems with the ILO Declaration. Nevertheless, numerous multinational enterprises have undertaken noteworthy initiatives to align corporate governance with ILO standards in diverse sectors, including electronics, apparel, and extractives. Countries actively considering or pursuing substantial corporate legal reforms are examining the potential of ILO alignment to meet stakeholder expectations for responsible governance. These ongoing efforts not only advance corporate compliance with critical social

standards but also foster the evolution of innovative governance paradigms in the contemporary business landscape.

Global supply chains and transnational operations create profound imbalances between corporate influences and national regulatory capacities, motivating multinational enterprises to address ILO standards beyond local legislation. Despite regulatory gaps concerning ILO standards in import and investment nations, multinational enterprises apply high-level ILO principles across diverse jurisdictions to mitigate labor rights losses along increasingly fractured supply chains. Contemporary governance strategies increasingly delegate local adherence to ILO standards to line management, prompting stakeholders to advocate the linking of enterprise governance with the ILO Declaration.

Leading multinationals exert significant pressure on suppliers to uphold ILO labor provisions and manage supplier performance through risk-based due diligence frameworks covering factories and farms. However, adherence to the Declaration often requires policy guidance at the corporate governance level to delineate expectations and procedures within sprawling supply chains. Enterprises with stakeholder-oriented frameworks frequently perceive amendments to governance structures and processes as valuable steps toward ILO alignment. Because ILO-minimum standards often surpass national requirements, progressive companies are reformulating the principle of legality to broaden international compliance and procedural fairness, thereby aligning local arrangements with the ILO Declaration.

Meanwhile, leading electronics, apparel, and extractives multinationals have aligned corporate governance with ILO standards, either undertaking comprehensive reforms or implementing targeted enhancements. In the electronics sector, the world's largest multinational undertook extensive governance changes nationwide to incorporate labor-standard considerations following high-profile workplace incidents, establishing worker-channel mechanisms, adjusting risk frameworks, and augmenting management oversight. The apparel industry's largest enterprise developed a clear [sanfrancisco.com](https://www.sanfrancisco.com) supply-chain governance strategy that, while not explicitly linked to the ILO Declaration, enhances supplier compliance with numerous core provisions and improves monitoring transparency. In the extractives field, a major global operator routinely integrates community rights and safety concerns into new project governance.

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