



Article

# Multinational Corporations and Human Rights Compliance

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**Abstract:** Multinational corporations (MNCs) are central players in the global economy but have increasingly come under scrutiny for their roles in perpetuating or failing to prevent human rights violations. From labor exploitation and environmental degradation to complicity in abusive state practices, MNCs encounter complex legal, ethical, and operational challenges in ensuring respect for human rights across global supply chains. This article examines the types of risks associated with MNC conduct, the international legal framework including the UN Guiding Principles on Business and Human Rights (UNGPs), and the emerging shift from voluntary to mandatory corporate human rights due diligence. It explores accountability through case studies (e.g., Vedanta, Shell, Nestlé), analyzes compliance mechanisms and barriers, and evaluates recent legislative and judicial developments in Europe and beyond. The paper emphasizes that while voluntary codes remain important, the path forward lies in more robust enforcement, legal liability, and transparent stakeholder engagement to ensure that global business does not come at the cost of fundamental human rights.

**Keywords:** Multinational corporations, human rights violations, UN Guiding Principles, business and human rights, due diligence, labor exploitation, environmental degradation, corporate responsibility,

## INTRODUCTION

Multinational corporations (MNCs) are among the most influential actors in the global economy, operating across borders with investments, supply chains, and labor forces that span continents. This pervasive reach has provoked critical questions about their role in both upholding and violating human rights. From labor abuses and environmental degradation to complicity in state repression, MNCs face growing legal, social, and ethical expectations about their global conduct.

## I. TYPES OF HUMAN RIGHTS RISKS AND VIOLATIONS

MNCs are implicated in a range of human rights issues, which include:

- **Labor Exploitation:** Poor working conditions, forced labor, child labor, wage theft, and inadequate health and safety protections in factories and supply chains<sup>[1][2]</sup>.
- **Environmental Harm:** Pollution, resource depletion, and land-grabbing, adversely impacting local communities and indigenous rights<sup>[1]</sup>.
- **Discrimination:** Allegations of gender, racial, and minority discrimination in employment and community engagement.
- **Direct and Indirect Complicity:** Through subsidiaries, suppliers, or government collusion, MNCs may enable or fail to prevent abuses<sup>[3][4]</sup>.

## II. Core Standards and the International Legal Framework

### A. United Nations Guiding Principles on Business and Human Rights (UNGPs)

The UNGPs (2011) laid the foundational “Protect, Respect, Remedy” framework<sup>[5]</sup>:

1. **State Duty to Protect:** Governments must protect against human rights abuses by third parties, including businesses.
2. **Corporate Responsibility to Respect:** MNCs must avoid infringing human rights and address negative impacts related to their activities, even if not directly caused by them.
3. **Access to Remedy:** Victims must be able to seek effective judicial or non-judicial remedy.

### B. Due Diligence and Duty of Care

- Companies are expected to conduct human rights due diligence—identifying, preventing, and mitigating risks through robust internal systems and transparent value chains<sup>[2]</sup>.
- Parent companies may increasingly be held legally responsible for the conduct of foreign subsidiaries, as established in the UK Supreme Court’s decision in *Vedanta Resources plc v Lungowe* (2019)<sup>[6]</sup>.

### C. Other International Initiatives

- OECD Guidelines for Multinational Enterprises.
- ILO Core Conventions and sector-specific guidance.
- National Action Plans and emerging domestic statutes inspired by international principles<sup>[5]</sup>.

## III. Compliance Mechanisms and Challenges

### A. Compliance Strategies

- **Adopting Codes of Conduct:** Companies formalize their human rights commitments in policy documents and supplier contracts<sup>[7]</sup>.
- **Monitoring and Auditing:** Third-party audits, site inspections, and whistleblower systems detect abuses.
- **Remediation:** Internal complaint mechanisms, external grievance processes, and victim compensation.

### B. Barriers to Effective Compliance

- **Complex Corporate Structures:** MNCs’ dispersed operations make tracing and attributing responsibility difficult<sup>[1]</sup>.
- **Jurisdictional Fragmentation:** Varying local laws, weak enforcement in host states, and limited extraterritorial reach.
- **Profit Motives:** Pressure for cost minimization can tempt companies or suppliers to disregard standards<sup>[1][4]</sup>.
- **Lack of Transparency:** Poor disclosure of company operations and insufficient supply chain oversight.

## IV. Accountability and Enforcement: Recent Developments

### A. Growing Legal Liability

- **Extraterritorial Litigation:** Courts in home countries (e.g., the US, UK, France) increasingly accept cases stemming from violations abroad, as seen in lawsuits against Royal Dutch Shell and Vedanta<sup>[6][1]</sup>.
- **Mandatory Due Diligence:** The EU and several states are moving towards laws that require human rights due diligence as a legal obligation.

### B. Civil Society and Market Pressure

- **NGOs and Advocacy:** Exposure by watchdogs, media, and campaigns—such as product boycotts—pressures MNCs to change<sup>[3]</sup>.
- **Investor Expectations:** Increasing emphasis on environmental, social, and governance (ESG) compliance in capital markets.

### C. Supply Chain Reforms

- **Modern Slavery Laws:** National statutes (e.g., Australia, UK, California) require MNCs to report on efforts to eradicate forced labor in their supply chains.

## V. CASE STUDIES

### 1. Vedanta Resources (UK/Zambia, 2019)

The UK Supreme Court held that a parent company could owe a duty of care for environmental and health harm caused by its foreign subsidiary, setting precedent for transnational corporate liability<sup>[6][21]</sup>.

### 2. Royal Dutch Shell (Nigeria)

Victims of alleged abuses in Nigeria sought remedy in Dutch and US courts, resulting in heightened scrutiny of multinationals' overseas operations<sup>[1]</sup>.

### 3. Nestlé and Child Labor

Major chocolate companies, including Nestlé, faced lawsuits alleging complicity in child labor in West Africa, catalyzing reforms in supply chain monitoring and public reporting<sup>[8]</sup>.

## VI. Graphs and Visual Insights

### 1. Common Types of Human Rights Violations by MNCs (2002–2020)

Violation Type	% of Documented Cases (Est.)
Labor Exploitation	40%
Environmental Degradation	25%
Displacement/Land Grabs	15%
Discrimination	10%
Others	10%

*Visualization: Pie chart illustrating the proportion of major violation types.*

### 2. Compliance Models: From Voluntary to Mandatory

[image:1]

*Flowchart showing progression: Corporate Codes of Conduct → Industry Standards → Voluntary UN/OECD Guidelines → Country Mandatory Due Diligence → Cross-border Legal Accountability.*

## VII. Best Practices and Recommendations

- **Robust Due Diligence:** Ongoing human rights risk assessments and transparent supply chain mapping.
- **Integrated Reporting:** Publicly disclose policies, risks, and remediation efforts.
- **Stakeholder Engagement:** Dialogue with affected communities, workers, and NGOs.
- **Independent Monitoring:** Partner with credible third parties for audits and compliance checks.

## CONCLUSION

Multinational corporations have profound power to impact human rights outcomes—positively or negatively—in every region where they operate. Recent legal, regulatory, and civil society developments have increased the onus on MNCs to proactively manage human rights risks. While global standards like the UNGPs provide guiding principles, effective accountability still relies on a combination of smart regulation, vigilant compliance, market and public pressure, and empowered victims' access to remedy.

*Note: For scholarly or policy work, ensure supporting data and visualizations—such as compliance process diagrams and violation statistics—are current and clearly linked to referenced legal frameworks and case law.*

[image:1]

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