

**THE UN GLOBAL COMPACT  
AND HUMAN RIGHTS:**

OCTOBER 2010  
FINAL DRAFT FOR COMMENTS

**DEVELOPING A VISION FOR**

**2020**

# CONTENTS

<b>Executive Summary</b>	<b>01</b>
<b>1. The UN Global Compact's First Decade: Assessing achievements and challenges</b>	<b>06</b>
<b>2. The Global Compact and Human Rights: Ensuring greater impact over the next decade</b>	<b>10</b>
<b>3. The Global Compact at Work: Protecting the integrity of a key UN initiative</b>	<b>12</b>
<b>Conclusion</b>	<b>26</b>

# EXECUTIVE SUMMARY

The 10<sup>th</sup> Anniversary of the UN Global Compact (UNGC) was commemorated at its Leaders Summit in New York City on 24-25 June 2010. The Summit reaffirmed the importance of the UNGC's central mission – to embed human rights, labour, environmental and anti-corruption principles into corporate practices. Participants highlighted the urgent need to bring mass scale to the discipline of corporate responsibility and recommitted to the UNGC as a key initiative in this effort.

The Institute for Human Rights and Business (IHRB) has been and remains a strong supporter of the Global Compact and wishes to see it grow in effectiveness and integrity as it begins the second decade of its existence.

This review seeks to offer an independent assessment of the Global Compact within the broader corporate responsibility movement, focusing in particular on its role in advancing corporate understanding of and respect for human rights. It aims to make practical recommendations on how the strategic approach of the UNGC could be developed over the coming years to build on successes and address concerns raised.

The analysis and recommendations in this report are based on desk research and interviews conducted with key Global Compact stakeholders. Those interviewed included representatives from business, civil society, international agencies, the investment community, academia, the public sector, close observers of the UNGC, and persons familiar with the day-to-day workings of various Global Compact Local Networks.

While acknowledging the strategic aim announced at the June 2010 Leaders Summit of dramatically increasing the number of participants in the UNGC over the next decade to 20,000, a central conclusion of this review is that an equally important goal as the initiative begins its next phase should be to *deepen* the engagement of UNGC participants. This report offers a series of recommendations aimed at improving the UNGC's ability to enhance its overall effectiveness and that of individual participants. It is important to stress that proposals made in this report to strengthen the

UNGC as an initiative and the quality of participant involvement are unlikely to be effective without significantly expanding the capacities of the UNGC Office, relevant UN agencies and UNGC Local Networks to support and engage directly with participating companies.

This review also gives particular attention to how the human rights aspects of the UNGC can be enhanced in particular through establishing stronger links with the UN-endorsed *Protect, Respect and Remedy* framework put forward by Professor John Ruggie, the Special Representative of the UN Secretary-General on Business and Human Rights (SRSR).

As John Ruggie said at the June 2010 UNGC Leaders Summit: "The age of declaratory CSR is over." This report offers a number of proposals for how the human rights due diligence framework that is being developed through the SRSR's mandate could become the baseline expectation for all GC participants in terms of providing annual reports on progress towards embedding the UNGC principles into their corporate policies and practices. The "Blueprint for Corporate Sustainability Leadership" launched at the June UNGC Leaders Summit points in this direction yet in its current form stresses that it "does not entail any new commitments for participating companies..." Due diligence as conceived through the SRSR's work would entail new commitments of all companies while recognizing that company size, industry sector and country context all must be taken into consideration as well.

## KEY ACHIEVEMENTS

---

During the past decade, the UNGC has:

- **Taken the corporate responsibility agenda to a wide global audience.** By May 2010 the UNGC had over 5,300 active business participants in more than 135 countries, up from the figures at the Leaders Summit in June 2007 of over 3,000 firms in 116 countries.<sup>1</sup>
- **Initiated dialogue on the areas covered by the 10 Principles and CSR more broadly** in developed and developing countries. In recent years the UNGC has expanded significantly in developing countries. For example, there are now 101 companies from China, 85 from India, 89 from South Korea, 189 from Brazil, over 130 each from Argentina and Colombia, and more than 25 each from Kenya, Nigeria and South Africa.
- **Spawned learning forums in the form of over 80 Local Networks.** Over 320 participants representing 77 Global Compact Local Networks attended the VII Annual Local Networks Forum, in Istanbul in June 2009. The Local Networks are groups of participants and other stakeholders that advance UNGC principles and initiatives within a country or region. The UNGC Office is credited with generating high levels of enthusiasm and building capacity amongst the Networks, particularly in developing countries.
- **Helped put the business and human rights debate on the map for companies globally,** in parallel with the work precipitated initially by the UN Sub-Commission on the Promotion and Protection of Human Rights<sup>2</sup> and carried forward under the UN

---

<sup>1</sup> These figures were taken from the report “859 Companies Delisted for Failure to Communicate on Progress” published on the GC website (New York, 1 February 2010). The higher totals sometimes circulated may include non-active signatories, and non-corporate participants from UN agencies, academia, business associations, civil society, labour and the public sector.

<sup>2</sup> In April 2004 the UN Commission on Human Rights considered a set of “Norms” that had been approved by the UN Sub-Commission on the Promotion and Protection of Human Rights in August 2003. The Commission did not approve the Norms, but noted their content, and the process gave rise to the then Human Rights Commission initiating an initial three-year mandate for a UN Special Representative on Business and Human Rights. In July 2005, Kofi Annan appointed

Human Rights Commission and its successor, the Human Rights Council through the mandate of the UN Secretary-General’s Special Representative (SRSG).

- **Developed or commissioned major management guidance tools and case study material on business and human rights,** in partnership with the Office of UN High Commissioner for Human Rights (OHCHR) and tool-providers like the Business Leaders Initiative on Human Rights, the Danish Institute for Human Rights, and the International Business Leaders Forum, with more in the pipeline. The UNGC and OHCHR have developed an on-line business and human rights training module, and they promote and disseminate many additional tools and resources devised by third parties.<sup>3</sup>
- **Responded to demands for increased accountability by evolving a series of “Integrity Measures”** for companies on required “Communications on Progress” (COP) and delisting some 1,840 companies for failing to meet these mandatory annual reporting requirements.
- **Highlighted the important role business could play in combating bribery and corruption** by adding the tenth Principle - on Anti-Corruption - to the original nine in June 2004.

## KEY CHALLENGES

---

As the UNGC begins its second decade, a number of key challenges should be addressed in order to further strengthen the effectiveness and legitimacy of the initiative. These include:

- **Serious questions concerning lack of oversight and capacity** should be addressed, including responsiveness to the distinct needs of small and medium enterprises (SMEs) due to rapid expansion

---

Professor John G. Ruggie to be Special Representative of the UN Secretary-General on business and human rights.

<sup>3</sup> For details see:

[http://www.unglobalcompact.org/AboutTheGC/tools\\_resources/humanrights.html](http://www.unglobalcompact.org/AboutTheGC/tools_resources/humanrights.html)

of Global Compact participants, Local Networks, and partnership projects.

- **An unclear governance structure** has resulted in lack of clarity around the roles of donor governments, the UNGC Advisory Board, key UN agencies, UNGC Local Networks and the UNGC Office, and how they interrelate. The UNGC would benefit from further reflection on current structures with a view to developing of a more robust governance framework.
- **Weak systems of transparency and accountability** including delayed participating company reporting requirements for all issue areas and lack of capacity or mandate to verify the accuracy of the statements contained in Communications on Progress submitted by UNGC participating companies. The UNGC Office has stressed that no UN or other entity could undertake such verification even if mandated to do so. COPs are viewed as a communication to a business' own stakeholders and the Global Compact's contribution is enhanced transparency by requiring business to make public information that would not otherwise be available. Nevertheless, efforts to ensure that improved performance with respect to all ten UNGC principles can be fairly assessed in some credible manner remains a key challenge requiring further consideration.
- **Procedures to address concerns about participant behaviour or involvement in serious human rights abuses require review and further development.** Though the UNGC's "Integrity Measures" are a step forward in addressing serious allegations involving UNGC participants, questions remain concerning how the Integrity Measures are implemented in practice and the degree of transparency around this process.
- **Questions concerning the structure and roles of UNGC Local Networks** remain unresolved. Local Networks are viewed as being key to the future development of the UNGC. Greater oversight and capacity are needed if they are to live up to their full potential.

- **Current mechanisms for deepening learning and action around the UNGC Principles such as thematic working groups and annual forums are at varying degrees of development** - strategies for ensuring that guidance tools which are available are widely integrated into company performance, COP reports etc. also require further development.
- **The UNGC in some cases appears to operate independently of the wider UN system** - Concerns have been expressed about marginalization of key UN agencies. Despite stated commitments concerning the role of the guardian agencies<sup>4</sup>, and despite positive working level relationships, roles of agencies and alignment with relevant UN initiatives, such as the developing work of the SRSB on business and human rights, requires fresh thinking.

## A VISION FOR 2020

---

In the decade ahead, the UNGC should build on past achievements and commit to addressing specific challenges that have been identified by stakeholders. This should include securing the additional resources needed to put in place a package of measures that raise the bar for participants, create a solid foundation for cumulative learning and continuous performance improvement, and ensure that the substance of the Global Compact's ten Principles remains at the heart of the initiative.

The UN Human Rights Council-endorsed *Protect, Respect and Remedy* Framework for business and human rights must be integral to this rejuvenated initiative. Building bridges to this important policy framework will be a major investment in the long-term legitimacy of the UNGC and establish the foundation upon which to build future growth strategies.

In summary, a package of cumulative learning and capacity building, combined with an enhanced accountability framework could include the following:

---

<sup>4</sup> The so-called Guardian Agencies are: OHCHR, the ILO, UNEP, the United Nations Office on Drugs and Crime (UNODC), UNDP, UNIDO and most recently UNIFEM.

- After the first year of UNGC participation, all companies should confirm in writing that they have completed UNGC facilitated new-entrant webinars on human rights, labour standards, environment and anti-corruption, and completed an end-of-year participant questionnaire. The questionnaire will serve an educational purpose and will also enable the UNGC and participants to identify priority-learning needs. The results of the questionnaire should not be made public, but may be evaluated by the Global Compact Office and its expert Working Groups.
- After the second year of UNGC participation, companies should submit a self-assessment of performance on the 10 Principles signed off by the CEO. This requirement should be made clear to participants at the time of joining, to deter companies from joining frivolously. As with the first year questionnaire it will help identify learning gaps and ensure that companies are focused on the substance of integrating the ten Principles into the way they do business. The self-assessment should not be made public, but should be available for scrutiny by the Global Compact Office, UN agencies, Local Network representatives and thematic Working Groups to evaluate where further action or training is necessary.
- After the second year, participating companies should also submit a second learning self-declaration to show they have participated in Communication on Progress (COP) reporting training. This should ensure that when companies come to report they understand what is required and reduce the currently high failure rates.
- At the end of the second year of participation, the UNGC should highlight on its website that the questionnaire, self-assessment and self-learning declarations have been submitted.
- The current COP requirement involves reporting after year one on two issue areas, and only reporting on all four issue-areas after five years of participation. This needs reappraisal and reconsideration. On condition that participants complete the questionnaire, learning self-declarations and end of year two self-assessment,

companies should be given until the third year to complete their first COP, but the report should cover all four thematic 'issue areas'. The package of structured learning will make it practicable and feasible for companies of all sizes and from all continents to report effectively, while putting all ten Principles on an even keel. Companies should continue to be listed as non-communicating, and then delisted, if they fail to report.

- Strengthened mechanisms for quality control will require significant additional resources to be effective but are necessary to properly safeguard the Global Compact's integrity. The UNGC should commission annual spot-checks on a representative sample of questionnaires, self-assessments and COPs. The UNGC need not publish the spot-checks but should produce a summary of key findings and evaluate them with the expert Working Groups, with common areas of weakness flagged as areas for prioritised future learning.

The UNGC should take steps to further strengthen links to the *Protect, Respect and Remedy Framework (UN Framework)* including through the following:

- As part of efforts to strategically align with the UN *Protect, Respect and Remedy Framework*, the Global Compact Office should explore with its UN Agency colleagues how the Due Diligence process being developed by the SRSG<sup>5</sup> could usefully be applied to all 10 UNGC Principles. The UNGC should integrate the UN Framework within the UNGC's year 1-2 training modules outlined above. The Framework's Due Diligence components could be integrated into UNGC participating company commitments, for example, as follows:

---

<sup>5</sup> The Protect, Respect and Remedy Framework, devised by the UN Special Representative on Business and Human Rights (SRSG) and endorsed in 2008 by the UN Human Rights Council, contains separate but complementary human rights responsibilities for States and corporations. The company pillar - known as the Corporate Responsibility to Respect - comes with a menu of human rights due diligence guidance for companies. The steps are to: (i) develop a human rights policy/position statement, (ii) assess the company's human rights impacts, (iii) integrate the policy and impact assessment findings into company management systems and its corporate culture, (iv) to track and report on human rights performance, and (v) to put in place a process to capture and address grievances.

- By Year 3 as a UNGC participant, companies should post a copy of their human rights policy on the UNGC website;
- By Year 5 as a UNGC participant, companies should report on what has been done to integrate the policy into management systems;
- By Year 8 as a UNGC participant, companies should report on how they assess the human rights impacts of their business, posting a summary of its processes on the UNGC Website;

- By Year 10 as a UNGC participant, companies should report on how they track human rights performance;
- By Year 10 as a UNGC participant, companies should post an outline of the company processes to identify and address grievances.

Provisions for current UNGC participating companies to complete such steps in a timely manner will also need to be developed.

# 1. THE UN GLOBAL COMPACT'S FIRST DECADE: ASSESSING ACHIEVEMENTS AND CHALLENGES

## BACKGROUND

When UN Secretary-General Kofi Annan proposed the creation of “a global compact of shared values and principles, which [would] give a human face to the global market” to an audience of business leaders at the World Economic Forum in January 1999, he could scarcely have imagined that it would lead to the development of what is today the world’s largest international corporate responsibility initiative.

At the time of its formal launch in June 2000 the UN Global Compact (UNGC) set out to become:

- A *learning forum* that would foster dialogue to promote good corporate citizenship;
- A *clearing house* for identifying, disseminating, and promoting good practice based on universal principles; and
- A *voluntary initiative* - not a regulatory instrument - that would ask companies “to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices”.

From the inception, UNGC participating companies were expected to report annually on the steps taken to act on the nine Principles (an additional principle relating to anti-corruption was established in June 2004), share lessons learned (both positive and negative), and join in partnership projects (either policy dialogues or operational activities), so as to catalyse action in support of broader UN goals, including the UN Millennium Development Goals.

Annan’s speech at Davos was in some respects prescient. It anticipated the growing restiveness among many in the world about the path economic globalization had taken. The Cold War had ended only a decade earlier, and governments around the world were deregulating economies, promoting foreign investment and moving towards liberalizing trade. A backlash had been growing for some time, which became visible in November 1999 at the Seattle

Summit of the World Trade Organisation. Annan could not necessarily have foreseen the opposition to aspects of globalization, but he understood that it was important for the chief executives of the world’s biggest companies that congregated at Davos that January, to pay heed to the voices from the streets, and take proactive steps to support human rights, environmental and labour standards.

Of the original nine principles, two dealt with human rights. Principle 1 called upon companies to respect human rights; Principle 2 affirmed that companies should not be complicit in human rights abuses committed by others. For organizations working towards building a framework of corporate accountability, this seemed like a major opportunity. The United Nations had already disbanded the Centre for Transnational Corporations, and the process at the UN Sub-Commission on Human Rights to prepare draft Norms concerning the responsibilities of transnational corporations and other business enterprises with regard to human rights had not even begun.<sup>6</sup>

Civil society groups saw the Global Compact as an instrument that could potentially restrain the powers of large corporations and usher in an era of greater accountability. But they grew increasingly frustrated by the Global Compact’s more modest aims, of promoting good behaviour, acting as a learning forum, and sharing good practices and complained that the UN was offering its imprimatur to companies and demanding little in return.

Over the last decade, the Global Compact has gone some way in meeting that central concern, through a reporting mechanism that requires its participants to assess their own performance. But as this report will highlight, the approach taken remains open to criticism. It measures processes with little attention to

---

<sup>6</sup> The Sub-Commission adapted the draft Norms in 2003; the full Commission noted the Norms but told the Sub-Commission not to do any further work. In 2005, Annan appointed John Ruggie, a Harvard professor and specialist in international relations, and formerly a senior official at the UN under Annan, as his special representative for business and human rights.



substance, and while it provides scope for removing companies that do not comply, the compliance being measured is not substantive, but procedural – that is, companies are removed not because of credible allegations levelled against them, but because they have failed to report on deadline.

At the same time, the Global Compact has played a key role in producing an impressive array of materials, including guidance tools and good practice materials, for businesses to adapt the 10 UNGC principles underpinning the initiative. The question is the extent to which these tools are actively used by participants as part of their efforts to report on their progress.

To give the work to support companies in fulfilling their commitment extra direction, four expert Working Groups have been set up - including one on human rights. Separately, the UNGC has collaborated with the United Nations Development Programme to operationalise and support on ground partnerships<sup>7</sup>, and incubated several spin-off initiatives including the Principles for Responsible Investment and the Principles of Responsible Management Education, which aim to introduce corporate responsibility principles to investment and future business leaders.

As it marks its tenth anniversary, the UNGC has enlisted some 5,300 active corporate participants and assembled over 80 Local Networks to oversee its global activities. And in June 2010, the Compact brought together over 1,000 leaders from business, civil society, the public sector, labour, the investment community and academia, to take part in its third Leaders Summit, easily the largest gathering of its kind.

## ACHIEVEMENTS AND CHALLENGES

Unquestionably, the main achievement of the UN Global Compact in its first decade has been its success in reaching out to over 5,000 corporate participants from every continent, and to raise awareness - both among business and a wider stakeholder constituency - around the corporate social responsibility (CSR) agenda. The UNGC has become a truly international initiative that has achieved traction in both developed

---

<sup>7</sup> It operates in 166 countries.

and developing countries and across almost every industry.<sup>8</sup>

In interviews conducted for this review, stakeholders have stressed the vital role the UNGC has played in putting corporate responsibility - as embraced by the Compact's 10 Principles on human rights, labour standards, the environment and anti-corruption - on the radar of the global business community. No other voluntary initiative can claim to have initiated dialogue and learning on the same scale on how the private sector can contribute - through partnerships and responsible business practice - to promoting human dignity, sustainable development, and poverty alleviation.

In recent years, the UNGC has expanded its reach massively in developing countries. Why have so many businesses large and small made this commitment?<sup>9</sup> Amnesty International's former Secretary-General, Irene Khan, has put it this way: "The value of the Global Compact is two-fold: first, it is UN-backed, and second, it is a truly global initiative. The UN brand is very precious and powerful - and has attracted companies from all over the world to it. For companies ...the Compact provides a novel way to engage with multiple stakeholders, including civil society and understand their role in society."<sup>10</sup>

The UNGC has also played a critical part in putting human rights on the business map. When the UNGC was launched in 2000 only a select few companies worldwide had acknowledged their potential to have an impact on human rights; there were no more than two or three publications to guide managers on human rights and even fewer workshops or training were available to managers. Although the Sub-Commission of the then UN Human Rights Commission had started to examine the relationship between business and human rights, it was not until 2005 that the issue was

---

<sup>8</sup> There are restrictions on the participation of tobacco and weapons manufacturers (see below).

<sup>9</sup> The CEO of participating companies is required to prepare a signed letter addressed to the UN Secretary-General in which he/she express commitment to: (i) the UN Global Compact and its ten principles; (ii) engagement in partnerships to advance broad UN goals; and (iii) the submit an annual Communication on Progress (COP).

<sup>10</sup> Address by Irene Khan, then Secretary-General of Amnesty International to the Opening Plenary of the Global Compact Leadership Summit 2007.

considered more comprehensively when then UN Secretary-General Kofi Annan appointed Professor John Ruggie as his Special Representative on Business and Human Rights.

In short, the Global Compact has a credibility and authority that stems from its status as a UN initiative. As such, it has become a central hub for international CSR efforts and learning, and a platform with its own built-in values and policy framework, learning and networking possibilities.

Yet despite its significant achievements, the UNGC has not been without critics. Many criticisms centre on corporate performance and impact, and are the consequence of the strategic aim to dramatically expand participation and the resulting difficulties in ensuring depth of engagement by participants. Some have suggested that the UNGC has taken on the characteristics of a permanent campaign rather than focusing on its stated objective of being a learning forum dedicated to helping its participants enact the 10 Principles, deliver positive change and catalyse efforts to achieve wider development goals.

A number of those interviewed for this review felt that in too many cases substance has been sacrificed over the past decade in the drive to increase participant numbers and develop a wide range of new initiatives. Reports indicate that some companies are declining to join because increasingly they see the UNGC as a “talking shop” which demands too little of its participants and is not challenging enough. Stakeholders have expressed concern that the UNGC is spreading itself too thin and is taking on too many diverse initiatives.

In striking a balance between deepening and widening, a choice that confronts many initiatives of this kind, the unanimous sentiment among those interviewed for this review was that the time has come for the UNGC to take its foot off the accelerator in terms of growing its participant base.

The UNGC admits on its website that it must find ways to “manage the organizational consequences of rapid expansion”. To address this challenge, the UNGC should build on the achievements of its first decade by making it a priority for the next ten years to drill

deeper in addressing specific challenges, raise the bar for participants, strengthen capacity to engage participants directly and redouble efforts to make the 10 Principles key to management practices for those who make the commitment to join the initiative. Doing so is an investment in the long-term legitimacy of the UNGC and a foundation upon which to build future growth strategies.

The strains of rapid growth are manifold and varied. To start, many of today’s UNGC participants are not major companies as was originally envisaged, but are instead small-to-medium sized enterprises (SMEs) with fewer than 250 employees.<sup>11</sup>

SMEs are hugely important to the future success of the corporate responsibility movement and should be welcomed into the Global Compact given its aim of reaching companies of all sizes and in all regions. But at a time when the bulk of training literature and know-how for companies on issues such as human rights is generally still in the development stage and primarily geared towards the needs of large companies, meeting the particular needs of SMEs places a particular burden on the UNGC’s already stretched resources.

The consequences of rapid growth and involvement of SMEs can also be seen in the decision in April 2010 to impose a one-year moratorium on delisting participants from non-OECD/G20 countries for failure to meet the UNGC’s reporting requirements. The moratorium appears to have been designed to allow for further deliberations on how best to manage the sharp current rise in delisting.

While difficulties with reporting would ideally be addressed through support from the Global Compact’s Local Networks at country level, a lesson of the past decade is that many of these Networks are still at an embryonic stage themselves and do not yet have the capacity or knowledge to support the learning needs of either SME participants or large companies. And despite obvious effort from the centre to address this problem, feedback suggests that some Local Networks feel neglected and are unclear on their priorities.

---

<sup>11</sup> Feedback suggests that SMEs now account for half the participant base, but around quarter of those listed as non-communicating (compared with about 16% generally).

This overview of the Compact's growing pains in no way suggests that the UNGC Office is not making genuine and concerted efforts. Indeed, the UNGC Office comprises a small team of dedicated staff. Nor should it detract from the diligent contributions from within other branches of the UN, notably the OHCHR in the case of human rights, as well as a number of Local Networks.

Nonetheless, the complex range of activities the Global Compact now undertakes<sup>12</sup> requires careful reflection on capacity constraints and the need for consolidation of efforts to ensure quality of key outputs in the time ahead.

---

<sup>12</sup> These include coordinating the triennial Leaders Summits (attended by some 1500 persons); organizing the Annual Local Networks Forum and associated logistics; watching over the Communication on Progress process and integrity measures; overseeing the capacity-building needs of approximately 80 Local Networks; producing and disseminating management guidance tools and reports on all its endeavours; facilitating the activity of the four expert Working Groups; developing Policy Dialogues; driving substantive learning and participant implementation around the 10 Principles; and supervising numerous partnership projects, as well as managing the development of the UNGC incubated Principles for Responsible Investment (PRI), the Principles for Responsible Education Management (PREM), CEO Water Mandate and efforts around the Millennium Development Goals.

## 2. THE UN GLOBAL COMPACT AND HUMAN RIGHTS: ENSURING GREATER IMPACT OVER THE NEXT DECADE

As the Global Compact has developed over the past decade, important efforts in the area of business and human rights have taken place elsewhere with increasing momentum. The creation in 2005 of a Special Representative of the Secretary General (SRSG) with a mandate on business and human rights has been critical in this regard.

In 2008, the SRSG put forward the *Protect, Respect and Remedy* Framework (UN Framework) which was unanimously endorsed by the UN Human Rights Council and is now being operationalised under the terms of an extended UN Special Representative mandate, held by Professor John Ruggie, until 2011.

The UN Framework has been well received by the business community and governments, with broad support from civil society and labour organisations as well. It articulates responsibilities for both governments and companies. It is widely considered to be the baseline expectation for all companies with respect to human rights, and as such, in the context of the UNGC, it should be promoted actively. That baseline expectation is that companies should respect international human rights standards and demonstrate that they do so through conducting on-going human rights due diligence processes.

The current efforts of the SRSG to put forward more specific recommendations and guidance will provide an authoritative standard against which to measure company progress in achieving the UNGC's two human rights Principles, or indeed the first six principles since the four core labour rights principles are also all part of the International Bill of Human Rights. This will be the first time clear human rights-oriented criteria or benchmarks against which corporate performance can be measured are likely to be approved by the UN system.

Specifically, the SRSG has concluded that the responsibility to respect human rights requires all companies to demonstrate that they are fulfilling this responsibility by:

- a) Adopting a public statement/policy on human rights,
- b) Assessing their human rights impacts,
- c) Integrating the policy, and assessment findings into their management systems,
- d) Tracking and reporting on performance, and
- e) Putting in place a process for dealing with grievances.

The SRSG has stressed that such due diligence is less about the labels attached or the use of particular tools, but more about the activity and processes that underpin the steps. By undertaking due diligence, companies would not only be taking steps to reduce the risk of being complicit in abuses committed by others, as the second UNGC Principle requires them to do, but also demonstrate that they are in fact respecting human rights in keeping with UNGC Principle 1.

At the operational level, the UNGC Office, OHCHR and SRSG team have worked collaboratively to raise business awareness about the UN Framework, and to integrate the corporate responsibility to respect guidance within UNGC training materials, wider tools and good practice guides for business in this space. From a strategic point of view, however, the UNGC has only begun to signal the implications of the UN Framework for UNGC participants and has yet to explain clearly how the Framework's proposed baseline expectations for all companies should relate to commitments made by companies to the UNGC Principles.

It is worth noting in this context that in 2008, the UNGC's Executive Director, Georg Kell, in an article of the future of corporate responsibility<sup>13</sup> wrote that: "It is now important to rally around globally-accepted frameworks; otherwise I fear that the CR movement

---

<sup>13</sup> The article entitled "The Future of Corporate Responsibility" was published in the *Compact Quarterly*, April 22, 2008. It was based on a speech given by Kell at the Chatham House "Corporate Responsibility 2008" Conference on 13 March 2008.

will never be able to make a deep impact and will fizzle out.”

Perhaps the fact that the SRSG’s work is still on-going and that his proposed guiding principles under the Framework will not be discussed by governments until 2011 explains in part the current lack of clarity about how the UN Framework should influence future directions and expectations concerning UNGC participation.

However, given the widespread multi-stakeholder approval for the *Protect, Respect and Remedy* Framework, the Global Compact’s 10<sup>th</sup> anniversary is clearly an opportunity for increased dialogue and commitment to ensure that as governments acting in

one part of the UN system have endorsed a clear path forward for business and human rights, that the leading private sector initiative within the UN, the UNGC, fully aligns with these policy developments as well.

It should be stressed that many of those interviewed for this study noted that the initial efforts to align UNGC-developed management tools with the *Protect, Respect and Remedy* Framework, while helpful, were insufficient. The new UN Framework provides guidance that companies have been calling for when managing business and human rights issues and puts flesh on the bones of the UNGC’s own Principles.

### 3. THE UN GLOBAL COMPACT AT WORK: PROTECTING THE INTEGRITY OF A KEY UN INITIATIVE

This section looks in more depth at the way the UNGC currently operates and offers views and recommendations on steps to reform its key structures and methodologies.

#### ACCOUNTABILITY, TRANSPARENCY AND CONTINUOUS IMPROVEMENT

##### Communication on Progress

The principal means by which the UNGC is able to exert accountability is via its Integrity Measures, which is primarily through the Communication on Progress (COP). The UNGC website states that the COP reporting process enables it to:

- (i) Advance transparency and accountability;
- (ii) Drive continuous performance improvement;
- (iii) Safeguard the integrity of the UNGC and the UN; and
- (iv) Help build a growing repository of corporate practices to promote dialogue and learning.

Since the COP process was formalised in 2005, it has undergone periodic revision. A year after becoming a participant of the UNGC, a company has to submit its annual COP<sup>14</sup> which must comprise: a CEO statement of continuing support for the UNGC and its Principles, a description of the practical actions the company has taken to implement the Principles and to support broader development goals, and a measurement of outcomes, for example targets that have been identified. Companies now have to “communicate” after one year (previously it was after two years), and any company that fails to submit its annual COP is identified on the UNGC website as being “non-

<sup>14</sup> Prior to July 2009 companies had two years from the time of joining to complete their first COP.

communicating” and is delisted<sup>15</sup> if it fails to submit a COP for two consecutive years.

This process has resulted in reportedly over nine thousand COPs being made public via the UNGC website, and external stakeholders, including investors, academics, and civil society groups have been able to vet these reports. The fact that stakeholders have such a body of reports at their disposal to assess company performance on CSR issues is unique. Moreover, the UNGC Office has developed a repository of good practice through its Notable COP programme,<sup>16</sup> and has made concerted efforts to support participants and raise standards.

Templates for good reporting have been developed by Local Networks and partners; multi-stakeholder COP workshops are convened; and the Global Compact Office has issued several good practice reporting tools, notably *A Resource Guide to Corporate Human Rights Reporting*.<sup>17</sup> Specific guidance on how to report on anti-corruption has been developed<sup>18</sup> and similar guidance on human rights reporting and the COP is in development in the Human Rights Working Group.

The UNGC’s developing collaboration with the Global Reporting Initiative (GRI) should also be noted in this context. Under the terms of a Memorandum of Understanding signed on 28 May 2010, the GRI, subject to its own due process decision making requirements, will integrate the Global Compact’s ten principles and issue areas within the next iteration of its Sustainability Reporting Guidelines. At the same time, the Global

<sup>15</sup> Delisted companies can reapply at a later date but have to submit a COP and new CEO letter of commitment when they do, and may be vetted by Local Networks.

<sup>16</sup> The Notable COP programme was introduced in 2004 to “highlight and recognize outstanding Communications on Progress (COP).” As of March 2009 over 300 companies were profiled on the UNGC website for reporting good practice.

<sup>17</sup> Published in 2009. The report is a joint initiative of Realizing Rights, the UNGC and Global Reporting Initiative.

<sup>18</sup> Available at: [http://www.unglobalcompact.org/docs/issues\\_doc/Anti-Corruption/UNGC\\_AntiCorruptionReporting.pdf](http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf)

Compact will explicitly adopt the GRI Guidelines as the recommended reporting framework for companies to communicate on progress made. The two initiatives also intend to develop guidance on the use of GRI for the Global Compact and collaborate at the local level on outreach and training.

### Integrity Measures

In response to persistent calls for greater accountability, a series of Integrity Measures were instituted by the UNGC, of which the delisting process for non-reporting companies is a part. The Integrity Measures also address instances of misrepresentation, wrongdoing and serious misdemeanours by a participant. There are publicly available rules and procedures to confront misuse of association with the UN and/or UNGC (and logos), and allegations of systematic or egregious abuse.

Where the UNGC Office deems an allegation of serious abuse to be credible, it requests the company to respond in writing to the charges made against it, and to keep the UNGC informed of any developments. The UNGC Office, at its own discretion, may do what it can to encourage resolution of the matter, including through consultation with a Local Network, a UN Agency, or another UNGC participant or Board member. Companies are listed as “non-communicating” if they fail to engage as set out above within two months, and de-listed at the discretion of the UNGC Office, at which point the UNGC Office reserves the right to indicate this on the UNGC website and revokes any permission to use the UNGC name or logo where previously granted. Companies may seek reinstatement if they subsequently take appropriate steps to remedy the problem.

To its credit, the UNGC has also followed through and used its sanctions in some cases. In February 2010 the UNGC reported that some 1,840 companies had been de-listed for failing to meet the mandatory annual reporting requirements. It is however impossible to know if any companies have been de-listed for cases of serious wrongdoing or simply due to failure to report. Nor is it possible to know whether any de-listed companies have remedied problems identified and reapplied for admission.

### Transparency

Levels of transparency surrounding the enforcement of the UNGC’s Integrity Measures on misuse of the UNGC logo or systematic or egregious abuse are also problematic. Research undertaken for this review has not been able to obtain any information in the public domain on the numbers of companies that have come to the UNGC Office’s attention under this procedure, or been asked to respond in writing to specific allegations. As things stand, it is impossible to know if a company listed as “non-communicating” is there for non-reporting or for failure to respond adequately or within the two-month time limit to allegations of serious wrongdoing. Perhaps more importantly, there is no way stakeholders can track if a delisted company has been removed from the Global Compact for persistently failing to communicate or because the UNGC Office used its discretion to expel the company for more serious issues, such as allegations of misconduct, including charges of grave human rights abuses.

While the current system may be deliberately opaque to protect the reputation of UNGC participants from spurious accusations, there is a risk that as long as stakeholders cannot distinguish between serious acts (e.g. wrong-doing) and procedural omissions (e.g. non-reporting) they will assume the worst and believe the UNGC is protecting those who face accusations of grave abuses.

Several civil society groups maintain websites on which they name companies that, in their opinion, “violate” the principles of the Global Compact. Their methodology may not be perfect, and it is true that the Global Compact itself currently does not have the infrastructure, capacity, or expertise to evaluate allegations consistently. But this lack of transparency reinforces scepticism about the Global Compact.

Stakeholders have pointed out that a more transparent system would show up cases where allegations have no validity and allow companies to clear their name and should therefore be encouraged.

## ADDRESSING CHALLENGES

The UNGC has never claimed to monitor compliance. In response to criticisms levelled against the COP process in the past, UNGC Executive Director Georg Kell has asserted, “the Compact is about learning, dialogue and partnerships” and “seeks to promote collaborative efforts, transparency and public accountability”.<sup>19</sup> However, questions persist as to whether the UNGC process is sufficiently robust and stringent to achieve its stated objectives of learning, driving continuous improvement and safeguarding the initiative’s integrity. Doubts also exist over how the Integrity Measures are implemented in practice and over the levels of transparency.

Concerns include the fact that the UNGC has no entry requirement<sup>20</sup> and does not insist on a particular reporting format. Another concern is the fact that the GC Office “expresses no opinion on the accuracy of the statements contained in the COPs”, maintaining that “such matters are for the participants’ own stakeholders to assess”. Though companies do have to report on two Principles from the first year, they only need communicate on all four areas after five years.

Questions around actual performance aside, in a worst-case scenario this means a company could be a UNGC participant for seven years before delisting, and have never once reported on the arguably most challenging Principles, of human rights and anti-corruption. For almost all that time, such a company can benefit from the advantage of being a participant in an initiative led by the UN system.

Despite efforts by the UNGC Office and Local Networks to build reporting capacity, interviews with a range of stakeholders with first-hand insights into the COP system highlight other areas of weakness. Some suggest the COP is so non-prescriptive that in reality anything goes. Few reports address matters of substance, and some reports obscure more than they reveal. Anecdotal references include worrying

<sup>19</sup> “Is the Compact raising corporate responsibility standards?” *Ethical Corporation*, May 2008.

<sup>20</sup> Although companies involved in the manufacture, sale etc. of anti-personnel landmines or cluster bombs, and companies that are the subject of a UN sanction or that have been blacklisted by UN Procurement for ethical reasons, are not eligible to join.

accounts, including among major multinational companies, of staff completing the COP as a last-minute exercise, and calling colleagues at random to piece together a plausible narrative. Reports of consultants being brought in to create a COP that meets the specifications but which quite clearly bear no relation to the reality inside the company also raise concerns.

The UNGC announced early in 2010 that some 859 companies were de-listed between October 2009 and January 2010, (bringing the total to over 1,800), for failure to meet the COP reporting requirement. While the UNGC should be commended for enforcing its integrity measures, preliminary analysis of recent delisting figures by civil society groups, and specifically the rates of expulsion within many developing countries, raises important questions. Reportedly over 90% of Philippine companies, as many as 60% of Egyptian firms, and over half of Bulgarian businesses have been delisted. The consensus opinion amongst those contacted for this review was that the COP is not a difficult standard to meet. If so, and if these figures are accurate, then it indicates that significant additional efforts are required to build capacity and protect the Global Compact’s reputation as a learning forum for continuous improvement.

The rate of de-listings has reached such proportions that it has in fact precipitated a one-year moratorium by the UNGC on the delisting of companies from non-OECD/G20 countries until December 31, 2010.<sup>21</sup> According to the Global Compact Office, the measure - taken after consultation with the Board - was deemed necessary “pending a further review of the current Communication of Progress (COP) mechanism and its suitability for companies in emerging and less-developed economies”.<sup>22</sup>

Perhaps the decision was motivated by a belief that it is unfair to place companies from all countries on a level playing field, when the CSR agenda is more advanced in parts of the world than others. That remains an untested assumption, since companies from non-OECD states are active in the global business

<sup>21</sup> The introduction of the moratorium means that 347 companies that had been delisted between January 1, 2010 and March 1, 2010 have been reinstated.

<sup>22</sup> <http://www.unglobalcompact.org/news/20-03-25-2010>



arena. The implication of this is that the UNGC is considering creating a two-tier model going forward.

The stakeholders interviewed for this review are universally and forcefully opposed to the development of such a two-tier participant model. Many felt that as a principles-based initiative it would send out an entirely wrong signal. Categorising UNGC participating companies by geography fails to take into account the fact that a number of major global multinational firms - without any serious resource constraints - are based in those same developing countries, and should not be judged by a lower standard than their peers in developed countries.

In attempting to respond quickly to pressures for greater accountability and to expel non-performers, there are some who feel that the UNGC has rushed into developing a system that fails to adequately meet its stated aim of facilitating learning and continuous improvement. Equally, while the UNGC is a voluntary initiative with neither the capacity nor desire to police/evaluate its participants, questions are being asked about whether the reporting requirements and integrity measures as they currently stand truly safeguard the integrity of the Global Compact.

In short, the UNGC's Communication on Progress process and Integrity Measures need further refinement if they are to deliver the accountability and continuous improvement that are increasingly expected of multistakeholder initiatives of this kind. Some participants seem to regard the COP as inconvenient, with one participant calling it "an administrative headache". The UNGC needs to find ways to help participants understand that the COP actually gets to the heart of their commitment to the 10 Principles and questions around the broader need for corporate accountability.

Continuous improvement requires a baseline against which to measure progress. At present this is not part of the UNGC armoury. There is concern that too many firms seem to view their UNGC participation as a mere formality (with one observer terming it "tokenistic"), and they lack a clear understanding of what their commitment really entails. Little wonder then that some companies end up dropping out later or becoming frustrated by the demands of the COP

process. The current system may help attract companies into the fold, with the hope that they will gain trust and confidence in the system over time and go on to deliver. But legitimate questions remain about whether this approach is working and the potential damage it could cause to the UNGC's long-term credibility.

## **ACCOUNTABILITY AND TRANSPARENCY RECOMMENDATIONS**

To address such concerns, the UNGC should:

- Take stock of, collect, and publish statistics on how the COP and Integrity Measures work in practice, with a view to establishing a revised, more transparent system of accountability that links into a well-structured, cumulative learning process, with the 10 Principles at the centre.
- Collect figures on what percentage of participants complete a COP after two years, after five years, and after eight years, and identify which themes are addressed in the first five years. This will help the UNGC make projections on the likely rates of delistings, mitigate risks and plan for the future.
- Where companies fail to communicate, the UNGC should use its influence with relevant stakeholders, including signatories to the Principles on Responsible Investment, to encourage offenders to meet their reporting requirements. Investors wield a high degree of leverage within companies and are valuable agents of change.
- After 31 December 2010, the UNGC should not extend its moratorium on delistings for companies based in non-OECD/G20 countries for failure to submit a COP. The UNGC is a principles-based initiative and there is value in high ambitions. The COP bar is already set low. If SMEs and companies from non-OECD/G20 countries are being delisted at an alarming rate it signifies that capacity-building efforts on the Principles and COP reporting need to be accelerated. The current one-year moratorium should allow sufficient time to ramp up training.

- The UNGC should not look to a two-tier model for OECD and non-OECD companies as a long-term solution to the delisting problem. This would dilute the UNGC’s standards. It also assumes that OECD companies have the resources to report, and non-OECD companies do not, and that is an untested assumption, given the emergence and activities of companies from non-OECD companies around the world. There is extensive UNGC guidance on how to complete a COP and more is in the pipeline. If companies are falling through the net, that may be a commentary on their commitment, and the integrity of the Global Compact could be better served by their departure.
- The UNGC should continue to be more transparent about how its Integrity Measures are used in practice. It should be noted that the UNGC 2010 Annual Review does state that “In 2009, 17 separate matters alleging abuses of the ten principles by business entities were raised with the Global Compact Office” and that “2 were handled under the Integrity Measures dialogue facilitation mechanism” while others did not fall within the “systematic and egregious” definition of abuse or were not pursued for other reasons. This is a welcome step which could be further improved through clarification of which of the 10 Principles areas (if any) were at the heart of allegations, and disclosure of how many cases were referred to the Board or Local Networks; how many firms responded within the allotted two-month timeframe, and how many have been designated as non-communicating or delisted.
- The UNGC should devise a better mechanism for assessing credible complaints against participating companies from civil society groups that take part in the Global Compact. This could include consulting not just with the Board and Local Networks where serious allegations are made, but also with the UNGC’s expert Working Groups.

## GOVERNANCE

The UNGC’s current governance structure was adopted in August 2005 following a comprehensive review and was updated in 2008. Governance of the initiative is

divided between seven entities, each with differentiated tasks [See Appendix for further information]. These entities are:

1. Global Compact Office
2. Global Compact Board
3. Global Compact Leaders Summit
4. Annual Local Networks Forum
5. Local Networks
6. UN Inter-Agency Team (comprised of representatives from the “Guardian agencies”)
7. Global Compact Donor Group

In addition there is a non-profit entity, the Foundation for the Global Compact, which is entrusted with fundraising and to support the work of the United Nations Global Compact Office and other Global Compact-related activities. According to the UNGC website, the Foundation has no governance role *per se*. The Chair of the Foundation does have an ex-officio seat on the Board.

The UNGC website explains that the current governance structure is “light and non-bureaucratic” so as to reflect the initiative’s voluntary nature and to foster stakeholder involvement. It also points out that “the Global Compact Office is the UN entity formally entrusted with the support and overall management of the Global Compact initiative” and that “it has received the endorsement of the UN General Assembly (A/RES/62/211) and has been given UN system-wide responsibilities for promoting the sharing of best practices.”

That specific General Assembly resolution, adopted in 2008:

“9. ... *encourages* the activities of the United Nations Global Compact as an innovative public-private partnership to advance United Nations values and responsible business practices within the United Nations system and among the global business community, including through an increased number of local networks, acknowledges the special management, support, funding structure and position of the Global Compact within the United Nations system, which are specifically designed to reflect the diversity of its stakeholders, notes the activities of the Global Compact Office in this regard, and encourages it to continue its efforts, in particular in

continuing to share relevant lessons learned and positive experiences from partnerships;”

Despite these brief references, it is unclear who is accountable to whom, or if there are any effective channels of communication, for example, between the Donor Group, the Board, the Local Networks or the Inter-Agency Team. There is little explanation as to how the Leaders Summit, a thousand-strong gathering, can truly influence UNGC governance; nor is it made plain how the Annual Local Networks Forum, the Inter-Agency Team, or Donor Group<sup>23</sup> fit into the governance mosaic in practice. The role of the UN Secretary-General is also not clear; except that he appoints the UNGC Executive Director and therefore a clear reporting line exists.

Questions have been raised as to whether the current governance structure is fit for purpose given the UNGC’s expansion over the past decade. Some stakeholders have suggested that the Board should assume strategic decision-making functions and take on an oversight role, perhaps akin to models adopted elsewhere. But it should be noted that unlike other initiatives relevant to business and human rights, like the Kimberley Process Certification Scheme<sup>24</sup>, the Voluntary Principles on Security and Human Rights<sup>25</sup> or Extractive Industries Transparency Initiative<sup>26</sup>, the UNGC is part of the UN system, and as such cannot legally constitute a decision-making Board or structure which includes of non-State actors.

## GOVERNANCE RECOMMENDATIONS

<sup>23</sup> The so-called Guardian agencies represented on the Inter-Agency Team are: OHCHR, the ILO, UNEP, the United Nations Office on Drugs and Crime (UNODC), UNDP and UNIDO.

<sup>24</sup> Set up in 2002, the Kimberley Process Certification Scheme gave meaning and teeth to UN sanctions imposed on Angola, Sierra Leone, and Liberia, to prevent armed groups fighting against legitimate governments from profiting from rough diamonds mined in conflict zones. [www.kimberleyprocess.com](http://www.kimberleyprocess.com).

<sup>25</sup> Established in 2000, the Voluntary Principles is a multi-stakeholder initiative involving seven governments, 17 companies, and 8 NGOs. The companies sign on to the Principles, balancing the need for protecting the assets and people while respecting human rights and fundamental freedoms. [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org).

<sup>26</sup> Established in 2003, the initiative includes governments, companies, and NGOs, and requires transparency in sharing of oil revenues and other payments between companies and host governments. [www.eitransparency.org](http://www.eitransparency.org).

The existing governance structure would benefit from reform and greater transparency to ensure strategic focus and renewal, and provide greater accountability. UN legal constraints prevent the creation of a decision-making board comprised of non-State actors, but alternatives should be considered, borrowing from other models where appropriate.

For example, the UN has expert panels for monitoring sanctions, comprising external experts who recommend specific actions for the UN to undertake; the VPs, the EITI, and the KPCS have established criteria under which members can decide to suspend the membership of specific participants for non-compliance. While acknowledging that the UNGC is not currently structured as a member-based initiative, it should nevertheless explore the relevance of such models deeply to ensure that it can maintain its integrity<sup>27</sup>.

- The UNGC should introduce regular lines of communication between the Donor Group of governments and the UNGC’s Advisory Board and synchronise annual joint sessions of both bodies to review the UNGC’s strategy. Regular channels of communication or joint sessions should also be instituted between the Donor Group, Board, UN Inter-Agency Team and UNGC Local Networks.
- To integrate the UNGC more firmly within the wider UN, and revitalise the strategic relationship between the UNGC and the Inter-Agency Team, the UNGC could allow Inter-Agency Team representatives to attend Board meetings directly, either on a rotating basis or via an agreed nominee to keep Board numbers manageable.
- Local Networks need a voice in the UNGC’s work programme and strategic direction to reinforce the feedback loop between the headquarters and regional activity. Local Network nominees could be elected at each Annual Local Network Forum, one from each continent to participate in governance discussions for a one-year period.

<sup>27</sup> This is particularly relevant in the context of industries or activities in countries against which there are sanctions in place, or where other international bodies, such as the International Criminal Court, have initiated specific actions.

- The Donor Group of governments and Local Networks should interact more, including on ways to provide greater budgetary support for the Local Networks so they can meet their full potential. An on-going role for government representatives within the Local Networks should be considered, on condition that multi-stakeholder participation is safeguarded, involving civil society and labour (which is currently not always the case - See Local Network section below for detail).

## **UNGC-UN AGENCY RELATIONS**

The UNGC identifies the UN Inter-Agency Team as integral to its governance framework, and, at the time of its launch, the UNGC stressed the important role these so-called “guardian agencies” could play in support of the initiative.

At the operational level, all evidence points to a strong degree of inter-action between the UNGC Office and other parts of the UN. On issues relating to human rights, for example, there appears to be a warm and productive working relationship between the lead individuals within the UNGC Office and OHCHR, which has resulted in the development of a very effective set of management tools. Similarly, the United Nations Development Programme (UNDP) plays a strong role in developing partnerships through the UNGC, and operationally helps run a large number of the Local Networks. However, questions remain about the specific objectives of these relationships, and whether the capacity of the various agencies is fully utilised by the UNGC - and vice versa - particularly on strategic matters.

The information on the UNGC website about each of the agencies and their work with the Global Compact and private sector more generally may be indicative of a wider malaise. At the time of researching this report, the information of none of the agencies had been updated for at least five years. Website maintenance often isn't a priority for busy organisations, but stakeholder interviews suggested a deeper problem. There is a growing sense among a number of stakeholders that instead of working together strategically as envisaged in 2000, the UN agencies and the UNGC, are in fact drifting apart and in some cases seen as being out of alignment. Some have suggested

that the UN's private sector engagement and the UNGC run on parallel tracks rather than in unison.

Both the UNGC Office and the relevant UN agencies could strengthen their working relationships. Interviews indicate that the UNGC Office guards its relations with the private sector somewhat possessively and may be wary of day-to-day interference from other parts of the UN. From the UN agency perspective, some officials view the UNGC as a mechanism that makes them into junior partners and a feeling exists that the agencies are being marginalised. Although Inter-Agency calls still take place once every six months, several agency personnel seem to have started to question whether they can truly influence what goes on within the UNGC and as a result have either stopped engaging or opted to focus instead on more productive operational areas of work through their own agencies.

A more productive relationship between the UNGC and key UN agencies would be beneficial for all. UN agencies could garner UNGC insights on how best to achieve effective engagement with the private sector, or receive help in brokering relations with UNGC participants. While the UNGC could gain greater access to and mobilise the UN's in-country capacity, and gain from the deep knowledge and expertise the agencies have in the content and meaning of the Principles.

### **UNGC-UN Agency Recommendations**

- The UNGC and UN Agencies should reinvigorate their working relations at a strategic level, capitalising on good operational collaboration where it exists.
- The UNGC should accept more strategic input from UN agencies, in exchange for being able to mobilise the expertise and on-ground capacity the various agencies can offer.
- The UNGC Office should strive to engage more systematically with UN agency counterparts and plan ahead as to how the relevant UN Agency could bolster each endeavour, when planning conferences and local meetings, or when incubating new initiatives.

- Over time, UNGC should be the catalyst for UN agencies to build their private sector engagement capacity and broker dialogue with UNGC participants, aiming for greater coherence and integration, just as CSR departments within companies typically take on more of a guidance/operational role, once corporate responsibility themes are embedded within the day-to-day decision-making of the company's functional departments.

## **LEARNING FORUM: LOCAL NETWORKS, WORKING GROUPS AND TOOLS**

---

The UNGC has always maintained that one of its main purposes is to be a learning forum for promoting good practice on corporate responsibility. Interviews for the review revealed that this was still widely felt to be an appropriate aim for the UNGC, particularly in many emerging market contexts where understanding of the substantive issues that underpin the 10 Principles is often still in its infancy.

### **a) Local Networks**

The Local Networks are central to the UNGC's role as a learning forum, and - in the opinion of some of the stakeholders interviewed for this review - potentially offer the Global Compact its greatest value added. It is through the Local Networks that the UNGC Office disseminates tools and information on human rights and the wider CSR discourse and embeds corporate understanding of the 10 Principles and how they can be implemented. The Local Networks also play a pivotal role in feeding learning and good practice examples from the national level back to the centre. Since 2003 an annual meeting of Local Networks, the Annual Local Networks Forum (ALNF), has been convened to bring together Local Network focal points and company representatives to share experiences and learning. These seem to generate high levels of enthusiasm, especially from those representing Local Networks in developing countries.

The Local Networks are self-governing and determine their own activities, but since 2008 have been required to sign an annual *Memorandum of Understanding* (MOU) with the UNGC Office confirming that among

other things they: are committed to the principles of the UNGC; hold a minimum number of events/activities annually; are willing to support participant efforts to develop a COP; will produce an annual activities report; and identify a day-to-day liaison person for contact with the UNGC Office.

Some Local Networks are self-funded and the UNGC website stipulates that: "A small secretariat funded by contributions of network participants can be put in place (however, no fundraising for other purposes under the UN name is allowed without authorization by the Global Compact Office)"; adherence to this rule however is not included within the text wording of the MOU template.

In practice the Local Networks vary enormously. Some are overseen by local chapters of UNDP, while local business associations or development agencies facilitate others. Most involve a blend of large and small companies, including subsidiaries of global parent firms that are themselves members of the UNGC, and there are family-run local businesses.

Some Local Networks are truly multi-stakeholder forums that actively involve civil society, labour and academics. Others effectively operate as private business clubs that don't appear to allow NGOs or labour. The Global Compact Office reports that it has begun seconding staff from emerging markets and developing countries to better support Local Networks in those regions. Moreover, a number of the Board Members are Local Network representatives or have close links with the Local Networks within their country thereby helping to ensure that the needs and challenges of Local Networks are well reflected in Board deliberations.

Owing to the high levels of autonomy, what each Network is able to deliver currently is hugely dependant on the personalities involved, the budgets they can raise from participant fees and the appetite for learning. Where charismatic corporate champions or administrators drive activities, the Local Networks appear dynamic and provide unique contributions. Where leadership is less energetic, Local Networks suffer, and in a handful of cases have dissolved amidst personal acrimony. Complaints that meetings feel lacklustre and that no proactive learning takes place

were heard from some stakeholders. Others suggested that some large companies now only allow junior staff to attend for this reason.

From the perspective of those administering the Local Networks, some are concerned about meeting fatigue, while others are unclear on what material to cover. Catering to the simultaneous needs of newcomers and SMEs, while maintaining the interest of longstanding multinational companies poses an additional challenge. Given participants' limited availability and resource constraints there are only so many events each network can host in one year. Local Networks therefore often have to strike a balance between providing foundation learning on the 10 Principles or holding discussions that capture the interest of all members. The UNGC Office is attempting to address learning needs around COP reporting by holding annual workshops at the Annual Local Network Forums, but the learning needs often go beyond just meeting the specifications of the COP process.

One major area of concern is that some Local Networks still do not appear to have grasped the distinction between core business practice and philanthropy. There is a feeling that some regard the COP as a necessary administrative evil that distracts from developing philanthropic projects and convening meetings where the sharing of good news stories predominates.

Another worry involves reports in at least one case where a Local Network operates as a moneymaking venture charging for consultancy services, e.g. to review COPs. If these allegations are accurate, it is clear that the current MOUs had not anticipated such an eventuality, and they need to be amended to prevent such activities from occurring.

A recurring message from stakeholders consulted for this review was that, while local initiatives need to flourish, the system needs rigor and has to 'muscle-up'. Learning needs should be addressed in a more structured way and a greater sense of common purpose be injected if the Local Networks are to build on the foundations laid over the first decade.

## **b) Working Groups**

Since 2007 the UNGC has set up four expert working groups – on human rights, labour, environment and transparency - to give strategic direction to the initiative, particularly in its role as a Learning Forum for integrating the UNGC's 10 principles into management practices. Public information about the respective working groups varies, with the Human Rights and Transparency Working Groups receiving the most attention. The UNGC website provides full membership lists and terms of reference for these groups. Each has a multi-stakeholder membership of over 50 participants, with representatives of approximately 35 companies. How these participants are chosen is unclear.

The Human Rights Working Group (HRWG) first met in June 2007. It has a particular status by virtue of the fact that the UN Human Rights Council referred to it explicitly in the 2008 UN Special Representative mandate, when it asked the SRSG to: “[...] *identify, exchange and promote best practices and lessons learned on the issue of transnational corporations and other business enterprises, in coordination with the efforts of the human rights working group of the Global Compact*”.

Global Compact Board member and former UN High Commissioner for Human Rights, Mary Robinson,<sup>28</sup> currently chairs the HRWG. The Group holds face-to-face meetings on average three times a year. Increasingly webinars are being introduced in between face-to-face gatherings to aid learning among Local Networks and help development of a range of forthcoming management guides and good practice materials. An opportunity for Local Network representatives to engage with the HRWG in face-to-face discussion has been instituted at each of the last two Annual Local Network Forums.

The HRWG, working closely with the UNGC Office liaison team and OHCHR representative, played a key role in driving a CEO Statement signed by the heads of over 250 UNGC participating companies to mark the 60<sup>th</sup> Anniversary of the Universal Declaration of Human Rights in December 2008. The HRWG raises awareness about tools, develops new ones, advises when asked regarding wider UNGC agendas and publications (e.g.

---

<sup>28</sup> Mary Robinson also chairs the international board of the Institute for Human Rights and Business.

recent publications on COP reporting), and occasionally researches emerging themes (e.g. gender issues within the business and human rights agenda). Most recently it has agreed to become a good practice forum, and various sub-groups are devising a wider spectrum of good practice notes on key business and human rights dilemmas.

The Labour Working Group and Working Group on the 10<sup>th</sup> Principle are also active and have similarly produced literature for company managers that are rarely being developed outside the UNGC. The Environmental Working Group is newer and will no doubt follow suit in time.

Is there sufficient interplay between the four groups? Is there scope for greater cross-fertilisation of learning? Responses from stakeholders interviewed for this report suggest that the individuals involved are not always deeply familiar with new initiatives and trends within the other Principle areas, and all could potentially benefit from greater interaction.

### c) Tools and UNGC website

A major plank of the UNGC's added value over the last decade has been in collating good practice case materials and producing management guidance tools on various aspects of CSR, including each of the areas covered by the 10 Principles. The UNGC Office has commissioned, financed, and co-authored dozens of publications and workbooks. For example on human rights it has entered into partnerships with the OHCHR and respected tool-providers like BLIHR, the Danish Institute for Human Rights and the International Business Leaders' Forum, to produce tools that might not otherwise have received strong UN backing. In many instances the UNGC has provided tool developers with direct access to its corporate participants in order to test the different products at various stages of development. The UNGC has also taken a lead in disseminating these materials to its Local Networks and participants.

The UNGC website has served as a centralised hub for many tools. In the area of human rights, the UNGC has compiled a list of key resources<sup>29</sup> so that Local Network

<sup>29</sup> First produced in 2008, the UNGC now regularly updates this list of key human rights resources. This summary document: *Some key*

focal points and others have a clearer sense as to what is available to meet their training needs. Some have suggested that this could be taken further and refined. Concerns about some existing materials being too detailed or academic for most companies were also highlighted in stakeholder interviews, and that greater priority should be given to developing more concise and actionable web-based tools. Others questioned why so few materials have been translated into languages other than English. The need for tools tailored for the specific requirements of SMEs was also flagged for urgent attention.

### Recommendations on Local Networks, Working Groups and Tools

There is an on-going need for the UNGC to serve as a learning forum, but greater structure is needed to ensure year-on-year progression in participants' understanding of the issues and company performance. The Local Networks are integral to this, but while local innovation should still be encouraged, there is a need for more direction from the centre and greater consistency.

- Local Networks, like all franchised operations, require minimum standards that come with rigorous quality control. The current annual Local Network MOU letter should be revised to ensure that Local Networks involve some level of multi-stakeholder participation. It should be stated firmly that the rationale of the Global Compact is to create a multi-stakeholder forum, and as such denying access to civil society groups, labour groups, or academics, is fundamentally against the Global Compact's spirit. Given that political realities in many countries may prevent granting similar status to civil society groups and labour organisations, at the very least Local Networks should be obliged to engage with such groups that show interest and commitment in working towards the Global Compact ideals, for example by offering them "observer" status.

---

*business and human rights guidance materials and how to use them* (June 2010) can be found on the UNGC's website guidance materials section:

[http://www.unglobalcompact.org/Issues/human\\_rights/Tools\\_and\\_Guidance\\_Materials.html](http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html)

- The Local Network annual MOU should also show how substantive learning has been achieved around the 10 Principles, with less emphasis on numbers of events held and more on substance, including how continuous improvement and better performance are being achieved. The Local Networks should record which UNGC management tools are being used by their members. A clause should also be added to the MOU prohibiting Local Networks from charging consultancy fees for help with COP reporting. Nor should Local Networks certify compliance with the UNGC Principles unless or until the UNGC Office develops a global methodology with stringent criteria<sup>30</sup>.
- A new, more cumulative learning process should be instituted of self-assessments and annual learning letters and questionnaires for new members, so that participants are better prepared by the time they have to submit their first COP. Using the recently successfully introduced webinar technology, the UNGC should institute a timetable of webinar-based workshops for new entrants on human rights, labour standards, environment and anti-corruption, and COP reporting; setting aside times at regular intervals. This would enable the UNGC to reach large numbers of participants at one time in multiple countries, and alleviate pressure on the Local Networks to meet the recurring newcomer training needs, freeing their resources for more advanced activities and training.
- The UNGC should revisit its archive of training tools and guidelines in light of the *Protect, Respect and Remedy Framework* on business and human rights and the guiding principles to be published in 2011 by the SRSB to ensure that this UN endorsed framework is fully integrated within all UNGC training materials. The UNGC should also identify what is fresh and actionable in its current tools, and re-issue these for a new audience. Where possible the development of shorter, more

<sup>30</sup> Some Local Networks carry out peer reviews and may recommend to the UNGC Office where they believe a COP should be profiled on the UNGC website as a "Notable COP". Some networks will also offer an interpretation as to whether they feel a COP is compliant or not, but this differs from reported instances of explicitly certifying compliance.

practical tools should be a priority, as should translation into the main UN languages. Some stakeholders highlighted the publication, "*A Human Rights Framework*," as an example of a UNGC-backed tool that is easily accessible and has been translated into all UN languages.

- The UNGC should also collaborate with its Working Groups and other expert stakeholders, to adapt current materials on each of the 10 Principles for SMEs. The Compact should also convene webinars tailored specifically to address SME needs.
- The UNGC's website can be a one-stop shop for tools on the areas covered by the Principles. To achieve this it needs to be simplified and streamlined, so that Local Networks and participants can more readily access/use the materials they need. The UNGC should consider a separate learning forum/tools web portal.
- The UNGC should fully implement its earlier commitment to install web links between participant COPs and the page on that company that appears on the website of the Business & Human Rights Resource Centre ([www.business-humanrights.org](http://www.business-humanrights.org)). This would ensure that there is some opportunity for stakeholders to compare what the company says about itself and what critics highlight.

## UNGC INITIATIVES

---

In parallel with its efforts to promote the 10 Principles and foster cross-sector partnerships that promote international development, the UNGC has also incubated several spin-off initiatives that are themselves starting to flourish, namely the Principles for Responsible Investment (PRI), the Principles for Responsible Management Education initiative (PRME) and the CEO Water Mandate.

The Principles for Responsible Investment emerged from collaboration between the UN Global Compact and the UNEP Finance Initiative and was launched in April 2006 at the New York Stock Exchange. The PRI invites large institutional investors – both asset owners (e.g. pension funds, endowments) and asset managers



– to commit to a set of six principles designed to build environmental, social and corporate governance issues into investment decision-making. The PRI's Principles are voluntary and aspirational and provide a menu of possible actions for incorporating environmental, social and governance (ESG) issues into mainstream investment and ownership practices. An elected Board of 11 representatives from asset owner signatory organisations and two representatives from the United Nations govern the PRI initiative. The Secretariat reports to the PRI Board. The initiative has exceeded expectations and today stands as the world's largest responsible investment initiative with more than 600 institutional investors representing more than \$20 trillion in assets.

The PRI signatories among other things pledge to “seek appropriate disclosure on ESG issues by the entities in which we invest, including by asking “for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact)” but no explicit reference is made to human rights norms.

The Principles for Responsible Management Education (PRME) was launched at the 2007 Global Compact Leaders Summit with the aim of helping to develop a new generation of business leaders capable of managing environmental and social challenges. It aims to advance corporate social responsibility through the incorporation of universal values into academic curricula and research. An international task force of deans, university presidents and official representatives of leading business schools on the recommendation of the academic stakeholders of the Global Compact developed the initiative. The Global Compact Office and members of a PRME Steering Committee now govern the PRME initiative jointly<sup>31</sup>

The PRME affirms that any institution willing “to integrate corporate responsibility and sustainability in a gradual but systemic manner” is welcome to join. In a model that could serve for the UNGC itself, participants are among other things required to send a letter of

support from their highest executive together with a short questionnaire to the PRME Secretariat.

In addition they agree to put in motion changes so that the PRME become part of the institution's operations, curriculum and research; commit to report annually on the progress made to all stakeholders; and publicly advocate the values of the PRME. It is worth pointing out that while the second Principle of the PRME states that “We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact” there is no explicit obligation to focus on the UNGC's Principle areas of human rights, labour standards, the environment and anti-corruption.

The CEO Water Mandate was also launched in July 2007 and is a “public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices.” Endorsing CEOs acknowledge that to operate sustainably and contribute to the vision of the UN Global Compact and the Millennium Development Goals that water resource management needs to become a priority.

The CEO Water Mandate covers six areas: Direct Operations; Supply Chain and Watershed Management; Collective Action; Public Policy; Community Engagement; and Transparency.

It has its own constitution and is open to companies of all sizes and from all sectors, and from all parts of the world, provided they are already, or intend within the next six months to become, UNGC participants. The initiative requires the endorsement of a company's Chief Executive Officer, or equivalent, and for companies to report annually on their implementation progress, according to a transparency policy.

Although the process began initially from an environmental perspective, a growing social dimension has been brought to the endeavour and human rights have taken on an increasingly prominent role in the Mandate, in part because investors and businesses seem to increasingly frame social impacts linked to water in human rights language.

<sup>31</sup> The PRME has over 313 participants and hosted its second Global Forum for Responsible Management Education from 22-23 June 2010.

Some CEO Water Mandate members, such as PepsiCo and Intel have moved to recognise the right to water, others - such as the Coca Cola Company - recognise a rights-based approach to water use.

The consensus is that each of these initiatives - incubated by the UNGC and retaining some links with the Global Compact Office - is flourishing in its own right and is well-governed, but there is perhaps a missed opportunity in each case the UNGC has not more proactively pushed the normative content (i.e. Its own Principles) in such partnerships.

Noteworthy, for example, is the fact that when the CEO Water Mandate was announced, the declaration made no specific reference to General Comment 15 of the UN Committee on Economic, Social and Cultural Rights, which provides normative content to the right to water, or other official documents with regard to the right to water.

#### **UNGC Initiatives Recommendations**

- PRME and PRI each has its own separate set of principles for their respective participants. The UNGC should use its leverage to encourage these initiatives to incorporate the explicit content of the UNGC 10 Principles into their respective frameworks and operational commitments going forward.

### **A VISION FOR 2020**

---

In developing a vision for 2020, the UNGC should begin with a renewed commitment to making the Global Compact's 10 Principles the centre of its platform for the next decade. All UNGC participants should be reminded that the Global Compact is not about philanthropy but about the integration of the 10 Principles into management practices.

That is at the heart of participants' commitment and must take priority. On human rights and labour standards, this commitment requires alignment with the UN-endorsed *Protect, Respect and Remedy* Framework.

By raising the bar in this way the UNGC may lose some companies in the short term, but many others will be attracted to join. To build on the achievements of its first decade and truly embed the Global Compact Principles in the way its participants conduct their daily business, the UNGC must reignite the learning forum concept; this time with a more structured learning process at its heart.

The advent of webinar technology, which significantly increases the potential reach of training driven by the GC Office and its Working Groups, makes this more realistic than was previously possible, given the UNGC's staffing and resource constraints. This may mean that the UNGC has to be more prescriptive than it has been in the past.

The UNGC is a pioneering initiative. As such it should be willing to set a clear learning path for participants that provides them with the guidance and requirements needed to address all four thematic issue areas. This does not mean that it stops embracing local initiative.

Developing such an approach will be a complex and multi-faceted process, requiring extensive dialogue with all UNGC stakeholders and significant additional resources. One approach for putting such a new system in place would involve the following steps:

- After the first year of participation, companies should confirm in writing that they have completed UNGC facilitated new-entrant webinars on human rights, labour standards, environment and anti-corruption, and completed an end-of-year participant questionnaire. The questionnaire will serve an educational purpose and will also enable the UNGC and participants to identify priority-learning needs. The results of the questionnaire should not be made public, but may be evaluated by the Global Compact Office and its expert Working Groups.
- After the second year of participation, companies should submit a self-assessment of performance on the 10 Principles signed off by the CEO. This requirement should be made clear to participants at the time of joining to deter companies from joining frivolously. As with the first year

questionnaire it will help identify learning gaps and ensure that companies are focused on the substance of integrating the ten Principles into the way they do business. The self-assessment should not be made public, but should be available for scrutiny by the Global Compact Office and its expert Working Groups to evaluate where further action or training is necessary.

- After the second year, companies should also submit a second learning self-declaration to show they have participated in Communication on Progress (COP) reporting training. This should ensure that when companies come to report they understand what is required and reduce the currently high failure rates.
- At the end of the second year of participation, the UNGC should highlight on its website that the questionnaire, self-assessment and self-learning declarations have been submitted.
- The current COP requirement involves reporting after year one on two issue areas, and only reporting on all four issue-areas after five years of participation. This should be changed. On condition that participants complete the questionnaire, learning self-declarations and end of year two self-assessment, companies should be given until the third year to complete their first COP, but the report should cover all four 'issue areas.' The package of structured learning will make it practicable and feasible for companies of all sizes and from all continents to report effectively, while putting all ten Principles on an even keel. Companies should continue to be listed as non-communicating, and then delisted, if they fail to report.
- Some quality control is necessary to properly safeguard the Global Compact's integrity. The UNGC should commission annual spot-checks on a representative sample of questionnaires, self-assessments and COPs. The UNGC need not publish the spot-checks but should produce a summary of key findings and evaluate them with the expert Working Groups, with common areas of weakness flagged as areas for prioritised future learning.

The UNGC should take steps to further strengthen links to the *Protect, Respect and Remedy Framework (UN Framework)* including through the following steps:

- As part of efforts to strategically align with the UN *Protect, Respect and Remedy Framework*, the Global Compact Office should explore with its UN Agency colleagues how the Due Diligence process being developed by the SRS<sup>32</sup> could usefully be applied to all 10 UNGC Principles. The UNGC should integrate the UN Framework within the UNGC's year 1-2 training modules outlined above. The Framework's Due Diligence components could be integrated into UNGC participating company commitments, for example, as follows:
- By Year 3 as a UNGC participant, companies should post a copy of their human rights policy on the UNGC website
- By Year 5 as a UNGC participant, companies should report on what has been done to integrate the policy into management systems
- By Year 8 as a UNGC participant, companies should report on how they assess the human rights impacts of their business, posting a summary of its processes on the UNGC Website.
- By Year 10 as a UNGC participant, companies should report on how they track human rights performance
- By Year 10 as a UNGC participant, companies should post an outline of the company processes to capture and address grievances.

Provisions for current participating companies to complete such steps in a timely manner will also need to be developed.

---

<sup>32</sup> The *Protect, Respect and Remedy Framework*, put forward by the UN Special Representative on Business and Human Rights (SRS) and endorsed in 2008 by the UN Human Rights Council, contains separate but complementary human rights responsibilities for States and corporations. The company pillar - known as the Corporate Responsibility to Respect - comes with a menu of human rights due diligence guidance for companies. The steps are to: (i) develop a human rights policy/position statement, (ii) assess the company's human rights impacts, (iii) integrate the policy and impact assessment findings into company management systems and its corporate culture, (iv) to track and report on human rights performance, and (v) to put in place a process to capture and address grievances.

## CONCLUSION

In striking a balance between deepening and widening as it goes forward, the conclusion of this review is that the UNGC should give less priority to further growth of its participant base over the short term, and instead devote its considerable energies and expertise to building on the clear achievements of its first decade.

It should make it a priority for the next ten years to drill deeper in addressing specific challenges, raise the bar for participants, strengthen capacity to engage participants directly and redouble efforts to make the 10 Principles key to management practices for those who make the commitment to join the initiative.

The UN *Protect, Respect and Remedy Framework* should be strategically aligned to reinforce accountability within the UNGC and re-establish its credibility<sup>33</sup> with external stakeholders. Doing so will be an important sign of increased commitment to further strengthening the effectiveness and legitimacy of the Global Compact in the years to come.

---

<sup>33</sup> The UNGC website has a section specifically devoted to the Guidance Materials for companies on human rights. The UNGC is itself co-author of at least ten major tools and management guidance publications that are profiled on the website:

[http://www.unglobalcompact.org/Issues/human\\_rights/Tools\\_and\\_Guidance\\_Materials.html](http://www.unglobalcompact.org/Issues/human_rights/Tools_and_Guidance_Materials.html)

# APPENDIX

## UNGC Governance

The Global Compact Office (GCO) comprises the Executive Director, who reports to the UN Secretary-General, and a team of approximately 20 full-time permanent members of staff, reinforced by interns and officials on secondment. The GCO maintains overall management responsibility for the initiative.

The Global Compact Board is a multi-stakeholder advisory body that meets annually to “provide ongoing strategic and policy advice” and to make recommendations to the GCO. It is made up of four constituency groups - representing business, civil society, labour and the UN. The UN Secretary-General, the Chair of the Foundation for the Global Compact and the Executive Director of the UNGC Office have ex-officio seats, while the GC Executive Director represents the Inter-Agency Team.

The Board may be consulted in relation to implementation of the Compact’s integrity measures. The civil society and labour constituency groups are expected to provide close liaison to their communities and share with the Board, the GCO and Inter-Agency Team in particular, insights into the most recent trends and best practices of corporate citizenship in their respective domains. Board members act in a personal, honorary and unpaid capacity. They may serve for three years with the possibility of one three-year renewal.

Global Compact Leaders’ Summit is a triennial gathering of the top executives of all Global Compact participants and other stakeholders. Reportedly its governance function is to produce “strategic recommendations and action imperatives related to the future evolution of the initiative”.

Local Networks comprise 80 or so groups of participants that meet to advance the UNGC and its principles in a country or region. They embed the Global Compact within different nations and cultures, and according to the GC’s website help “to manage the organizational consequences of rapid expansion”. The Local Networks feed into the agenda for the Annual

Local Networks Forum and the Leaders Summit, and may be consulted for advice in relation the UNGC’s integrity measures. They are self-governing and typically operate on a franchise-like basis. The UNGC website explains that “they have the opportunity to nominate members for election to the Global Compact Board”.

The Inter-Agency Team<sup>34</sup> is reportedly “responsible for ensuring coherent support for the internalization of the principles within the United Nations and among all participants” and like the Board and Local Networks has an advisory role with respect to the management of the integrity measures complaints procedure. Individual Inter-Agency Team members do not have a direct seat on the Board, but are instead represented on it by the GCO’s Executive Director.

Global Compact Donor Group is currently made up of the governments of: China, Colombia, Denmark, Finland, France, Germany, Italy, Republic of Korea, Norway, Spain, Sweden, Switzerland and the United Kingdom. The Donor Group meets twice annually to review progress made and to ensure the effective and efficient use of its funding.

---

<sup>34</sup> The so-called Guardian agencies represented on the Inter-Agency Team are: OHCHR, the ILO, UNEP, the United Nations Office on Drugs and Crime (UNODC), UNDP and UNIDO.