



THE GLOBAL COMPACT

THE EMPLOYERS' GUIDE



INTERNATIONAL ORGANISATION OF EMPLOYERS

Revised September 2004

**THE SECRETARY-GENERAL**

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FOREWORD**THE EMPLOYERS' GUIDE TO THE GLOBAL COMPACT**

In 1999, I proposed a Global Compact inviting business to play a role in building the missing social infrastructure of the new global economy by improving their own corporate practices. Specifically, I asked business to embrace and enact within their own corporate activities ten core principles derived from universally accepted agreements on human rights, labour and the environment. Since then, the Compact has inspired many tangible projects aimed at making globalization work for all.

The Global Compact is not a code of conduct, but rather, a voluntary call to action that is being taken up by more and more businesses throughout the world. This publication from the International Organisation of Employers is a further example of that response. It provides a useful guide for employers seeking to understand what the Compact can mean for business.

I commend the IOE for its continuing role in promoting the Global Compact principles among its members and in striving to enhance the Compact's learning and educational focus. The Global Compact is an exciting venture that can make a real difference, even if only in small steps. I hope that those of you who are not already involved will join us as partners soon.

A handwritten signature in black ink, appearing to read 'K. Annan'.

Kofi.A. Annan

THE EMPLOYERS' GUIDE TO THE GLOBAL COMPACT

This short guide is an attempt to answer a number of questions that have been raised by business about the UN Global Compact, whilst at the same time stressing the freedom of action inherent in the Compact.

This guide is not definitive and many questions may remain unanswered after reading it. Given the diverse range of businesses and contexts within which employers operate it is unfortunately impossible to be other than general in the information provided here, but we hope this guide clarifies the main questions that business has asked.

WHAT IS THE GLOBAL COMPACT?

The Global Compact is an initiative of UN Secretary-General Kofi Annan and it is supported by a Global Compact Office under his direct authority. Launched in January 1999, the Global Compact is a call to business world-wide to help build the social and environmental framework to support and ensure the continuation of open and free markets whilst ensuring that people everywhere have a chance to share the benefits of the new global economy.

The ten principles which the Global Compact now encompasses are from the area of human rights (*drawn from the Universal Declaration of Human Rights*), labour (*drawn from the ILO Declaration on Fundamental Principles and Rights at Work*), the environment (*drawn from the Rio Principles on Environment and Development*) and corruption (*drawn from the UN Convention against Corruption*). The tenth principle on corruption was added in June 2004. These principles have been accepted by most of the national governments around the world; hence they are often referred to as "universal principles". The lead UN agencies involved are the International Labour Organization (ILO), the UN Environmental Programme (UNEP) and the UN High Commissioner for Human Rights (UNHCHR). The United Nations Development Programme (UNDP) is also involved in assisting the agencies in developing country specific responses and activities.

AND SO WHAT IS IT NOT?

The Global Compact is not a code of conduct nor is it a prescriptive instrument linked with external monitoring or auditing of company efforts by either the UN or any other group or body. As Secretary-General Annan made clear at the July 26, 2000 launch of the Global Compact, the UN has neither the mandate nor the capacity to monitor or audit company performance regarding the Global Compact. The Compact creates a forum for learning and sharing experiences in the promotion of the ten principles. Through the Global Compact, companies demonstrate to their employees and communities how they are being

responsible corporate citizens. How, or even whether, a company seeks to display this commitment is a matter of choice.

The instruments from which the principles are drawn are the responsibility of governments. The Global Compact does not shift that responsibility onto employers. The Compact promotes the idea that there is a lot employers can do and are doing within their own spheres of influence to promote and advance the ten principles within their business and their community.

Employers are expected to continue to adhere to and work within the national legislative and regulatory framework of the countries in which they operate. However, whatever the national framework, employers, if they support the Global Compact, are expected to work towards the promotion and advancement of the ten principles.

The Global Compact is not a legal instrument, it is aspirational. By accepting it, a company states that it is prepared to work towards the achievement of its objectives. This is not expected to happen overnight, but employers are expected to maintain the momentum of improvement.

The Global Compact plays a role in promoting the good practices that have been inspired by the nine principles. It was not established to provide a forum in which to debate the meaning of the principles or measure performance.

WHO ARE THE NON-BUSINESS PARTICIPANTS?

Though it is firstly a call to business, the Global Compact has also involved non-business participants, namely trade unions and a number of human rights and environmental non-governmental organizations (NGOs) (refer Global Compact website www.unglobalcompact.org). The non-business participants bring to the Compact their expertise and experience to enhance the learning focus of the Global Compact and thereby enhance the development of good practices. In looking to promote these principles, employers *may* wish to work with these other actors. The decision and extent of involvement with the non-business participants rest entirely with the employer concerned. There is no obligation to do so.

WHY SHOULD EMPLOYERS GET INVOLVED?

There are a number of reasons, and not all of them are listed here.

Concerns about the pace of globalization are being used to drive a broad international debate about a range of social and environmental issues. In these debates, the many positive contributions employers make are often overlooked or ignored. The evidence is clear that businesses through open markets have helped

raise living standards around the world and have acted as engines of development and growth through the economic activity they generate, their transfer of technology and skills, and improved labour, health, safety and environmental conditions. One way to support the current open market approach and demonstrate that it is the only way to ensure economic development is through promotion of the ten principles.

Enlightened self interest. This works at the international, national and enterprise level. Criticism of aspects of new technologies and free markets has not diminished and is harming business development and operation. In fact there are signs that the opposition from some sectors in society to the free market is only just beginning. If employers want to retain the current open market approach then they have to work to show that not only is it the only way by which economic development can be ensured but that employers are also able to operate responsibly within that environment. If employers do nothing then who will speak for their interests? The Global Compact provides a framework around which employers can demonstrate their commitment, whilst at the same time accentuating the positive aspects of the new economic environment.

The promotion of the ten principles is one way to do that. The other, and more general, approach is to build into the way in which an enterprise operates some sensitivity to the issues which do concern not just employees, but the society within which the business functions. This means that your approach as an employer can be flexible as there is no one-size-fits-all response. What you do, the priorities you identify, and how you proceed will be dependent on your size and capability and your national context. You have the right to find the best approach for your enterprise consistent with sustaining that business.

This is also true with regard to the other types of initiatives undertaken by business in recent years. Voluntary codes of conduct, support for the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration on Multinationals, the Global Sullivan Principles and other voluntary private initiatives, are all valid responses by companies to the issues they face today. The Global Compact is compatible with and not inconsistent with these other initiatives as it does not seek to supplant or supersede these other approaches and provides instead a viable means by which employers can engage in the promotion of the principles in a voluntary context.

The Global Compact is about treating people the way that you would like to be treated yourself. It is about respect. It is about approaching how you do business with an eye on human rights issues within the context of your business and your society. It is about ensuring that, through fair treatment, your staff feels able to contribute their best to your business to the advantage of your business. It is about considering your work processes in light of the environmental impact you may be making. It is not about you becoming a champion of these causes; rather it is about bringing some other very simple considerations into how you do business.

Acting properly makes good commercial sense. In a world where consumer and financial organisations are making purchasing and investment decisions on the basis of how they believe a business is operating, then, unless you are meeting their expectations, they will buy the product or service they want elsewhere, maybe from your competitor or even from another country. When employers respond to the expectations of consumers and society, they are being pragmatic in that they are taking steps to either maintain their existing market share or else seeking to gain access to markets. Increasingly consumers and investors in affluent markets are making choices based on factors that are reflected in the principles of the Global Compact. This is an emerging reality, whether we like it or not, even if the decisions they make are made on the basis of wrong perceptions. Employers need to respond to this and the Global Compact is a simple means of doing so.

Insofar as the principles related to labour are concerned, it should be noted that competitiveness and globalisation are compelling enterprises to make major changes in their human resource management policies and practices. High performance organisations would normally consider principles relating to rights of workers to associate and to negotiate, principles seeking to eliminate child labour and forced and compulsory labour, as well as discrimination as underpinning progressive human resource management approaches.

THE TEN PRINCIPLES and the ways in which employers may respond.

HUMAN RIGHTS

Principle 1: Business should support and respect the protection of internationally proclaimed human rights. This is commonsense. If an employer is acting in a way that infringes on employees' human rights, then the employer is damaging the productivity of the staff. There are very simple steps that an employer can take to ensure that employees are treated with common decency. Just as employers should expect their own human rights to be upheld, employees expect the same from their employer.

Principle 2: Ensure that they are not complicit in human rights abuses. Employers should not take advantage of situations where human rights abuses are occurring or use that breakdown to act inappropriately. Employers should not stoop to that level of complicity but rather, by their behaviour, seek to retain and restore a social recognition of those rights. Employers may also spread the word of appropriate behaviour to their suppliers and address abuses that could damage their reputation with staff and customers.

LABOUR

Principle 3: Business should uphold freedom of association and the effective recognition of the right to collective bargaining. As mentioned earlier, this and the following labour principles are drawn from the ILO Declaration on Fundamental Principles and Rights at Work and so need to be considered within that context. Firstly, the reference to freedom of association is not about opening the doors to unions or having to force people to join unions. It is about respect. If an employee freely chooses to join a union this principle asks you to respect that choice. Similarly if an employee freely chooses not to join a union that decision should also be respected. It asks employers not to exert undue influence over an employee's decision. With regard to the issue of collective bargaining, the Global Compact does not expect an employer to alter the industrial relations framework; however many high performance organisations recognise the value of achieving competitiveness through dialogue and negotiation. To bargain collectively is a matter of free choice. It can only happen if you agree. The Global Compact does not require you to agree.

Principle 4: The elimination of all forms of forced and compulsory labour. This principle is aimed as much at issues of bonded labour where work is performed as payment for a debt as it is to issues like forced labour. It is saying that employees are entitled to be paid for their labour in cash rather than in kind; that their labour should be freely given; and that, if they wish, they can also resign in accordance with national law and practice. They should not be locked into the workplace nor be subjected to violence at work.

Principle 5: The effective abolition of child labour. The ILO has adopted a Convention on the Elimination of the Worst Forms of Child Labour (Convention No. 182) and it is the principles of this Convention that should be the first target. Children represent the workforce of the future. As the quality of the workforce determines both the competitiveness of enterprises and the country itself, keeping children in employment rather than in education undermines future competitiveness. Employers should not be using child labour in ways which are socially unacceptable and which lead to a child losing his or her educational opportunities. A balance must be found whereby, if a child has to work, it must not be in an exploitative or dangerous environment and it must be one where the child's educational needs are catered for. However as a longer-term goal, employers need to be thinking of ways in which they and their society can look to replace children in the workforce in a manner that preserves the life of the child and adds to the human capital development of their society.

Principle 6: Eliminate discrimination in respect of employment and occupation. This requires employers to do no more than employ people on the basis of their ability to do the job that they have on offer. To focus instead on issues of gender, race, religion or other biases means that you are doing your own business a

disservice. Advancement should also be on the basis of merit not on who or what the person is. The positive impact of non-discriminatory practices on the productivity and profitability of businesses is now well-documented. This principle asks you not to fall into the trap of prejudice in the way you operate your business.

ENVIRONMENT

Principle 7: Business should support a precautionary approach to environmental challenges. The obligation for national environmental laws and regulations rests with national governments and the debate surrounding what a precautionary approach means in practice will continue.

In operational terms for employers, however, it means that you should be guided by sound science as to the possible environmental effects of using a certain product or process. You should not be required to do what is, in practical terms, the impossible, namely to prove that a certain product or process will have no negative environment impacts. Rather, basing your evaluation on sound science and risk assessment, in the absence of scientific evidence that a given product or process may *be* dangerous, you should feel free to use it, consistent with your national laws and regulations.

Principle 8: Undertake initiatives to promote greater environmental responsibility. The response here will vary due to the size and nature of the business. However, by applying environmentally responsible policies and practices, employers improve productivity and set an example for others. Employers are encouraged to speak in support of environmental responsibility amongst their own network of business contacts.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies. Employers are encouraged to explore the use and development of environmentally friendly technologies, which not only benefit the local and global environment, but improve business efficiency and productivity. Environmentally friendly technologies help ensure that air and water as well as natural resources will be available at reasonable costs. Employers should work towards continual improvement in the upgrading of environmentally friendly technologies.

CORRUPTION

Principle 10: Business should work against corruption in all its forms including extortion and bribery. This tenth principle emerged from the adoption of the UN Convention against corruption in December 2003 and sets out to strengthen core values with regard to respect for the role of law, probity, accountability, integrity and transparency. It also addresses the loss of confidence corruption brings in institutions as well as its “de-legimitization” of government.

The Convention recognizes that it is the responsibility of governments to take action against corruption. However, it also recognizes that there is also a role for the private sector and civil society. A prime role is in promoting, supporting and encouraging governments to meet their obligations under the Convention as well as holding governments accountable for their actions. Business also, through this principle, can work to ensure that the stable and secure environment investments require to produce returns is realized. Through work against corruption, business can address the market distortions corruption generates and help on the creation of a level playing field.

Steps a business may wish to consider can include:

- Issuing a clear statement/guidelines on business conduct for staff and supplies stating clearly what its position is against bribery and corruption;
- Internal communication and training. This can also address guidelines on gifts, political contributions, hospitality, arrears of possible conflict of interest;
- Create an anti-bribery and corruption culture within the business, which can be flexible enough to reflect local traditions and cultures;
- Partnerships with others to address corruption problems collectively.

AND SO....?

Employers may not be able to address all of the ten principles all at once, nor are they expected to do so. Considering the vast differences in size and location of companies around the world, employers are encouraged to work in their own way and at their own speed towards embracing, supporting and enacting these principles in the workplace.

Employers are now, and will continue to be, under the spotlight for their social and environmental practices and policies. The Global Compact is one way for employers to demonstrate publicly how they promote and support the universal principles of human rights, fundamental principles and rights at work, environmental sustainability and corruption. Employers need to continue to show that they can react positively to these issues by demonstrating good practices.

The UN is seeking broad support from the business community for this initiative. If employers wish to formally engage with the ten principles of the Global Compact, the UN asks that business follow this procedure:

- Have the company's Chief Executive, on behalf of the Board, write to the UN Secretary-General expressing a clear commitment in support of the principles of the Compact and show a willingness to participate in activities of the UN with regard to the Global Compact. This letter is not about "signing on" to the Global Compact but is seen as a statement of support for promoting the ten principles and the first step towards full engagement with the Global Compact. It is not a binding commitment associated with specific performance criteria.

GLOBAL COMPACT GUIDELINES FOR “COMMUNICATIONS ON PROGRESS”

The following is lifted directly from the Global Compact website:

Global Compact participants are expected to communicate with their stakeholders on an annual basis about progress in implementing the Global Compact principles through their annual reports, sustainability reports or other corporate communications. Participants are also expected to submit a short description and a URL link to these communications on the Global Compact and/or Global Compact local network website.

To safeguard the integrity of the initiative as a whole, only those participants who communicate progress will be allowed to continue their participation in the Global Compact.

1. **Communications on Progress (COPs)**. COPs should include the following three elements:
 - a. **Statement** of continued support for the Global Compact in the opening letter, statement or message from the Chief Executive Officer, Chairman or other senior executive.
 - b. **Description** of practical actions that participants have taken to implement the Global Compact principles during the previous fiscal year.
 - c. **Measurement** of outcomes or expected outcomes using, as much as possible, indicators or metrics such as the 2002 Global Reporting Initiative (GRI) Guidelines.

Note: COPs should be integrated in participants' already existing communications with stakeholders, such as annual reports or sustainability reports. In the event that a participant does not publish an annual report or a sustainability report, a COP can be issued through other channels where employees, shareholders, customers and other stakeholders expect to read about the company's major economic, social and environmental engagements.

2. **Link to and Description of COPs**. Participants are expected to submit a brief description and, where an online version exists, a URL link to their COP on the Global Compact website and/or Global Compact local network website. In the event that an online version of the COP does not exist, participants can submit an electronic version of their COP as an attachment with a description of how they are communicating the content to their stakeholders. More detailed information on how to enter the link to and description of COPs is available on the Global Compact website (<http://www.unglobalcompact.org>) under “About the Global Compact” “How to Participate” “Further Documents” (The login for submission is “ungc”, the passcode is “action”).

The Global Compact Office accepts COPs in all languages by allowing companies to post links to their respective reports on the Global Compact website and/or Global Compact local network website. The development of local Global Compact networks will offer opportunities to facilitate this process. COPs are important demonstrations of participants' commitment to the Global Compact and its principles. It is also a tool to exercise leadership, facilitate learning, stimulate dialogue and promote action.

As it is a “learning model”, the Global Compact encourages the exchange of information on initiatives undertaken in the course of the promotion of the principles. Each participating company has the responsibility to translate the Compact and its principles into business strategies and operations. However, all participating companies have the opportunity, either alone or in partnerships with others, to advance the goals of the Compact together through Dialogue, Learning and Projects, both at the global level and through Local Networks at national or regional levels.

Dialogue

Dialogue is central to the Compact and the overall objective of the Global Compact Policy Dialogues is to create a platform that facilitates mutual understanding and joint efforts in addressing key challenges of globalization. The objective is both to influence policy-making and behaviour.

Learning

The Learning Forum is a “virtual” web-based platform. It has three specific goals. First, it offers a platform for business and others, including academia, to identify critical knowledge gaps and to disseminate information. Second, it attempts to be both a source of, and a means to communicate, good practices and cutting-edge knowledge to participants. Third, it facilitates dialogue and enables web links to relevant public documents. The Forum offers participants the opportunity to share experiences in the form of presentations, examples or case studies, both at meetings and on the Compact website.

Projects

Partnership Projects are an important means to achieving the Compact’s goal of providing more opportunities for the poor. Participating companies, labour and civil society organizations are invited to share Projects on the website. The Compact Office is prepared to facilitate access to the UN organization with the relevant operational capacities and competencies.

Local Networks

The Global Compact encourages the development of networks at the regional, national and sectoral levels. These networks replicate some or all of the global activities of Dialogue, Learning and Projects. They take a variety of shapes, involve different actors and stress different themes. Rooted as they are in local contexts, Local Networks are increasingly sustaining outreach efforts and solution finding. The Global Compact Office encourages the formation and activities of such networks and offers its communication platforms to showcase practical actions and solutions.

GLOBAL COMPACT INTEGRITY MEASURES

The following is lifted directly from the Global Compact website:

1 Background

The Global Compact is a voluntary corporate citizenship initiative that seeks to advance universal principles through the self-enlightened engagement of its participants. As such, it is not designed to, nor does it have the mandate or resources to, monitor or measure the performance of its participants. Nevertheless, it is important to have transparent procedures in place to protect the integrity of the United Nations and Global Compact initiative as a whole. The following integrity measures have therefore been developed:

2 Misuse of association with the UN and/or Global Compact

The UN Business Guidelines (<http://www.un.org/partners/business/otherpages/guide.htm>) contain general principles on cooperation with the business community and provisions on the use of the UN name and logo. They are applicable to companies participating in the Global Compact and can be invoked in the event of individual participants using their association with the Global Compact (or the UN) for purposes other than the initiative's stated goals.

The policy on use of the Global Compact's own logo is as follows:

Permission to use the Global Compact logo must be sought in advance in writing (letter, fax or e-mail) from the Global Compact Office, United Nations, New York, NY 10017 or globalcompact@un.org or Fax: 212-963-1207). Permission to use the Global Compact logo will be granted ONLY in the context of a participant's Global Compact-related activities. Without express permission, the logo is not to be used for commercial purposes of any kind, including, but not limited to, print and/or digital advertising, public relations, product and/or service promotion or certification. The Global Compact logo must not be used as a component of an organization's own logo or other branding elements. Under no circumstances can the logo be used as a permanent graphical element of stationary, business cards or other variably utilized print materials. Permission will NOT be granted if the context of the logo's use suggests that it is a certificate or seal of approval for activities, services and/or products.

The Global Compact Office reserves the right to take appropriate action in the event of a breach of this policy. In serious cases, this may include removing the participant's name from the list of participants.

3 Failure to communicate progress

The Global Compact's policy on communicating progress asks participants to communicate with their stakeholders on an annual basis about their progress in implementing the Global Compact principles. The policy is available on the Global Compact website. Links to/descriptions of these communications on progress are expected to be submitted to the Global Compact and/or Global Compact local network website. Should a participant not submit a link to/description of its communication on progress to the Global Compact website by 30 June 2005, or within two years of joining the Global Compact (whichever is the later), that participant will be removed from the list of participants until such a submission is made. Moreover, the participant will not be permitted to participate in Global Compact events, including in local network activities. The Global Compact Office reserves the right to publish the names of participants removed from the list.

The intention is that the same procedure will apply to any participant that has previously communicated their progress but then allows two or more years to elapse without communicating their progress.

4 Lack of intention to improve performance

The Global Compact welcomes all participants that pledge to work towards implementation of the principles through learning, dialogue, projects, process improvements and/or other means. However, should the behaviour of a participating company undermine the good efforts made by others, or the integrity of the initiative as a whole, the following measures will be taken. The purpose of applying these measures is to assist the company to align its behaviour to the commitment it has made to the Global Compact.

When a complaint is presented in writing to the Global Compact Office, it will endeavour to:

- a. Use its good offices to encourage resolution of the complaint.
- b. Refer the issue to one or more of the UN organisations that are guardians of the principle for action, assistance or advice.
- c. Ask the relevant country/regional Global Compact network, or other Global Compact participant organisation, to assist in finding a solution.

The Global Compact Office is committed to providing a transparent and fair process for the parties involved. To promote productive resolution of the complaint, neither the Global Compact nor its core UN agencies will make any public statements regarding any complaint until it is resolved.

For more information on the Global Compact and what it might mean for your business, please contact your national employers' organisation. Other information can also be found on the websites of the UN (www.unglobalcompact.org) or on that of the International Organisation of Employers (www.ioe-emp.org).

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