

# **How The Global Compact Works: Mission, Actors And Engagement Mechanisms**

## **I. ORIGINS**

The Global Compact was first espoused by the UN Secretary-General in a speech at the World Economic Forum in 1999. He asked business leaders to contribute to a more sustainable and inclusive global market by embracing and implementing nine universal principles in the areas of human rights, labour and the environment. The Global Compact was then launched as a voluntary, operational initiative in July 2000 at UN Headquarters. Since then, the Compact has evolved rapidly and is today a sprawling network of several hundred companies and national and international business organizations from all regions of the world, international trade union bodies, global civil society entities, business schools, CSR organizations and UN agencies.

## **II. MISSION**

The Compact seeks to contribute to more sustainable and inclusive global markets by embedding them in shared values. It hopes to foster a more beneficial relationship between business and societies, paying particular attention to the world's poorest people. Accordingly, the Compact pursues two complementary goals. The first involves efforts to internalise the Compact and its principles by making them part of business strategy and operations. The second is to facilitate cooperation and collective problem solving between different stakeholders. Four key engagement mechanisms are used to accomplish these goals: Dialogue, Learning, Local Networks and Project Partnerships.

## **III. THE ACTORS**

The Compact involves all relevant actors: governments, which define the principles on which the initiative is based; companies, whose actions it seeks to influence; labour, in whose hands the concrete process of global production takes place, civil society organizations, representing stakeholder communities; and the United Nations, the world's only truly global forum.

## **1. Governments**

Governments provide the essential legitimacy and universality to the principles of the Compact. Ultimately, implementation of the principles takes place within the legislative and regulatory frameworks developed by governments. They facilitate the functioning of the Compact at both global and national levels. As legislatures, they create an enabling, legal environment in which voluntary initiatives such as the Global Compact play a complementary role.

At the global level, they provide the political space for the Secretary-General to experiment with innovative engagement mechanisms involving business, labour and CSOs. They also provide financial support to the Global Compact Office and offer overall policy guidance on advancing responsible corporate citizenship in alignment with UN goals.

At the national level, governments support Compact events and the formation of Global Compact networks. They also help build policies that advance convergence around the Compact and its principles.

## **2. Business**

The Compact is a voluntary initiative promoting responsible global corporate citizenship. It operates on a leadership model in that it aims to bring a critical mass of business leaders on board to build a sustainable movement. A company's CEO, endorsed by the company's Board, must take the initiative to write to the Secretary-General stating the organization's commitment to the Compact and its principles. Once this commitment is made, a company:

- Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations;
- Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
- Is expected to publish in its annual report or similar document (e.g., sustainability report) a description of the ways in which it is supporting the Global Compact and all its nine principles

For sustainability reports, the Global Compact encourages the use of the Global Reporting Initiative. In addition, it supports dialogue with companies by others engaged in the Compact. Special efforts will be made to reach out to small- and medium-sized enterprises, including through IOE member federations and international sectoral associations.

The Global Compact Office neither regulates nor monitors a company's submissions and initiatives. The Compact's website carries the name of the

companies that have sent letters of support and provides links to relevant reports. Global Compact network partners facilitate implementation of the nine principles by submitting business case studies, examples and by offering training and tools.

Participating companies also have the opportunity to contribute to a number of Global Compact activities at the global and local levels, through Dialogue, Learning and Partnership Projects (see below).

### **3. Labour**

Labour is part of both industry and civil society. It plays a role that is distinct from both business and other elements of civil society. That is why it is recognized in the Compact as a separate grouping.

Internationally recognized labour standards, including the fundamental rights that are part of the nine principles of the Compact, are developed in a tripartite process in which business and labour play critical and central roles. They are also heavily involved in the supervisory procedures of the ILO to try to ensure that labour standards are implemented at the national level.

In addition, trade unions participate in tripartite bodies, with business, at the national level where they exist. Social dialogue, including in the form of collective bargaining agreements, is practiced extensively at the national level and is beginning to expand to the global level. Such dialogue, among other things, has produced a number of framework agreements between major companies, several of which are involved in the Global Compact, and the international trade union bodies.

The structures of the international trade union movement equip it to coherently participate in the Compact in a way that covers sector and sectoral engagement as well as on general policy issues. Trade unions are representative organizations that bring to the table long traditions of internal democracy, transparency, and accountability to members.

### **4. Civil Society Organizations**

Civil Society Organizations (CSOs) add critical dimensions to the Compact's operations. They offer not just their competencies and substantive knowledge but their problem-solving capacity and practical reach. Also, they can help to provide checks and balances and lend credibility and social legitimacy to the initiative. These characteristics help entrench the Compact's principles in a broader social context.

When participating in Dialogue, CSOs add value to the processes of relationship building, information sharing, problem solving and consensus building.

As Project partners, their practical reach and skills are often crucial to the design and implementation of initiatives that give practical meaning to the Compact's principles. These initiatives also help to maximize learning efforts associated with a company's Compact related activities.

Apart from the contributions mentioned above, civil society further advances the Compact's goals through:

- Advocating the nine principles to larger audiences
- Challenging business to take a stand on human and labour rights
- Taking concrete action through projects and examples and providing checks and balances for learning examples and projects
- CSOs participate in Compact activities at the local level, through the website and at the global level.

Since Dialogue involves multiple, diverse stakeholders, the Compact asks all participants to respect the common policy space that the Compact offers. This is done to ensure that Dialogue remains constructive and produces meaningful outcomes. In fact, participants should be prepared to make a statement to this effect to the Global Compact Office. In sum, four traits are essential to participate in the Compact's activities: the willingness to engage with all actors of society; the proven ability to make a substantive contribution; the ability to transcend a single-issue orientation; and the proof of a minimum level of transparency and accountability in matters like membership and funding. And certainly, participating CSOs are at liberty to pursue their own approaches outside the framework of the Compact.

## **5. Other Actors**

As more and more companies join the Compact, relevant institutions that can facilitate the efforts at internalising the Compact's principles have joined the network. These institutions have expertise in the areas of human rights, labour and the environment, and are highly competent providers of tools that can integrate Compact activities. These include academic, think tank and CSR organizations.

For example, the Compact's Academic Network plays a catalytic role in the Compact's operation by preparing business case studies and commentaries on examples, and by undertaking research on global corporate citizenship. It is also at the hub of efforts to systematically promote the use of Compact material in classrooms to train tomorrow's leaders.

## **IV. ENGAGEMENT MECHANISMS**

Each participating company has the responsibility to translate the Compact and its principles into business strategies and operations. However, as mentioned earlier, all participating companies, labour and CSOs have the opportunity 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. This enables the Compact to realize its full potential.

## **1. Dialogue**

Dialogue is central to the Compact. The overall objective of the Global Compact Policy Dialogues is to create a platform that facilitates mutual understanding and joint efforts among business, labour and NGOs in solving key challenges of globalization working with governments and the UN. The objective is both to influence policy-making and the behavior of all stakeholders.

The outcomes of Dialogue fall into three categories. The upstream products are those that can engender changes in policy frameworks, encompassing both incentive structures and regulatory mechanisms. Downstream products can influence the actual behaviour of participants. Collective action, that is, mobilizing like-minded actors to work together, is the third outcome.

## **2. Learning**

The Learning Forum is a virtual platform that is conceptually located at the centre of the web of relationships that comprise the Compact. Learning is the common thread that weaves the fabric of the Compact together. The Learning Forum has three specific goals. First, it offers a platform for multiple stakeholders, including the Academic Network, to identify critical knowledge gaps and to disseminate information. Second, it attempts to manage its network intelligently to both source and communicate good practices and cutting-edge knowledge to participants. Third, it fosters accountability and transparency through its web portal that both 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.

## **3. 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 geared to facilitate access to UN organizations with relevant operational capacities and competencies.

## **4. Local Networks**

The Global Compact encourages the development of networks at the regional, national and sectoral levels. In dozens of countries around the world, Local Networks, which are analogous to the central Compact network, have coalesced. 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 around the world. The Global Compact Office encourages the formation and activities of such nested networks and offers its communication platforms to showcase practical actions and solutions.

## **V. GOVERNANCE**

As a voluntary corporate citizenship initiative, the Compact has maintained an open network structure, and conscious efforts have been made to eliminate bureaucratic controls. It utilizes the power of transparency, dialogue, and accountability to identify good practices and to find practical solutions to a range of problems and challenges. Willingness and ability to be part of the solution are the overriding criteria for engagement.

As the UN Secretary-General's initiative, the Global Compact Office in New York is at the heart of the network, together with four UN core agencies. Three of these are sometimes referred to as the "guardians of the principles": the OHCHR, the ILO and UNEP. The UNDP, which is the UN's global operational arm, is the fourth agency. Other UN agencies participate whenever necessary and appropriate.

A number of safeguards have been developed to protect the integrity of the UN. Rules, which govern the use of the UN logo, are in place. Also, the Compact has created and followed a self-imposed rule of accepting funding only from governments or non-profits.

Appropriate measures will be taken if individual participants use their association with the Compact for purposes other than its stated goals or if their individual behaviour threatens the initiative's integrity.

The Compact is not a substitute for effective regulation and action by governments. Rather, it is an opportunity for participants to exercise voluntary leadership in the spirit of enlightened self-interest. The Compact is intended to be an initiative that is complementary to government efforts and regulation. It helps establish the business case for doing the right thing. By setting examples within its own sphere of influence, it hopes to generate positive impulses that in turn can contribute towards governance and public policy responses that contribute to a more beneficial relationship between business and society.

The Compact is not strategically positioned to compete with other voluntary initiatives. Instead, it seeks to build on complementarities and to reinforce initiatives which advance

the goals of the Compact, assuming that over time, “content compatibility” and “convergence” will lead to effective global norms that are unique in their universality and legitimacy.

The Compact’s Advisory Council is composed of personalities of outstanding accomplishment and expertise from business, labour, civil society and academia. The Council provides strategic advice to the Secretary-General.

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***Note: This paper was developed by the Global Compact Office in cooperation with the four core UN agencies involved in the initiative. The paper draws on work done by the Compact’s Advisory Council, which reviewed the paper extensively at its third meeting held on 16 January 2003 at UN Headquarters in New York.***