

The United Nations Working to Internalize the Global Compact Principles

Background

The United Nations Global Compact initiative, launched at the World Economic Forum by Secretary-General Kofi Annan in 1999, calls on business leaders to embrace and enact ten universal principles in the areas of human rights, labour, the environment and anti-corruption. After the Compact's launch, United Nations Management considered whether changes in administrative practice would be necessary and it was concluded that only a limited number of steps were feasible – primarily consisting of an awareness-raising approach directed toward potential suppliers of the UN.

Over the past five years, however, the Global Compact initiative has grown considerably. Businesses from around the world have responded to the Secretary-General's call to action and member states have endorsed the Global Compact. Since its operational launch in 2000, the Global Compact has become the world's largest and most widely embraced corporate citizenship initiative, with more than 2,300 participants from over 80 countries. The developing world is home to half of its participating firms, as well as to two-thirds of the country-level networks that have developed in support of the initiative.

Given the increased profile of the initiative, it became increasingly apparent that the UN could no longer be asking GC participants to follow practices that the UN itself did not fully observe. Thus, to preserve the UN's credibility as the initiator of the Global Compact, the Organization could no longer do less than what it was asking of others. The Secretary-General was directly challenged on this point by Oded Grajew, President of Instituto Ethos, at a Global Compact Advisory Council meeting that took place in July, 2003. At that meeting Mr. Grajew asked the Secretary-General to ensure that the UN itself "walks the talk" and the Secretary-General agreed to consider how the UN could find ways to translate the Compact's principles into practice. Following the meeting, the Secretary-General requested that a review be carried out to "explore the extent to which the UN can embrace the Compact's principles in its own procurement, human resources and pension fund policies".

By October of 2003 a note was sent by the Secretary-General to Under Secretary-General of Management, Ms. Catherine Bertini asking her to explore the potential application of the Compact's principles to the UN's transactions. In January of 2004, Ms. Bertini engaged a consultant to develop an assessment of the status of the UN and to provide recommendations for future action.

“The Right Road”

In February 2004, the consultant submitted “The Right Road” A Report to the Under-Secretary-General for Management on the Global Compact and the Practice of Administration in the United Nations. The report concluded that while the UN administration generally applies the Global Compact principles in carrying out its global operations, it does not formally and explicitly embrace the principles and there is much scope for taking a leadership role in implementing and advocating best practice in this area.

Key Findings of the report:

- **Low awareness of the materiality of GC principles to UN purposes lets lessons learned escape institutional memory.**
 - No official guidelines re: how to consider GC principles as critical operational imperatives re: decision making processes.
 - No organized effort to build on the lessons learned from individual, discrete experiences or to seize the opportunities such lessons offer to “mainstream” GC principles into practice.

- **Silence at the centre permits practice which does not promote the advancement of international norms.**
 - Without a systematic, conscious institutional commitment to applying the GC principles to all Organizational processes, there has been only a small impetus for substantial movement toward this end.

- **No logical, ethical or legal bars exist to managing the Organization’s staff and service functions to be consistent with GC principles.**

** Actively implementing the Global Compact’s principles will “permit the UN to practice what it preaches; test and then produce models for discharging administrative functions in a cost effective, ethical and environmentally sustainable way; increase staff morale by offering the work force new chances to do both well and good; benefit from cross-pollination of ideas and experience about norm implementation all over the world; and strengthen and deepen ties of purpose among those who serve the United Nations”.

Translating the UN’s Commitment into Operational Reality

By May 2004, a process was set in motion aimed at making the United Nations a leading example of responsible corporate citizenship, as advocated by the Global Compact.

The process is steered by an “**Advisory Group**” which provides overall guidance to the working groups and also assists in the promotion of the application of the GC principles on a broader basis throughout the organization.

Four specialized working groups have been established in the following areas:

A) Investment Management

Ms. Chieko Okuda, Investment Management Services (Chair)

B) Facilities Management

Mr. Martin Bender, Facilities Management Service, OCSS (Chair)

Ms. Andrea Henrichsen, Facilities Management Service, OCSS

Mr. Florin Ionescu, Facilities Management Service, OCSS

C) Procurement

Mr. Kiyohiro Mitsui, Procurement Service, OCSS (Alternate)

Ms. Sandra Saiegh, Procurement Service, OCSS

D) Human Resources

Ms. Samsiah Abdul-Majid, Office of the ASG for Human Resources (Chair)

Mr. Vandi Minah, Office of the ASG for Human Resources (Alternate)

The establishment of these working groups and the work undertaken thus far is only the beginning of an organizational change process that will take many years. It is an undertaking that will require all stakeholders, including Member States, OAHs, staff, other UN departments, other organizations of the UN and members of the UNJSPF to be involved.

One of the strengths of the Global Compact is its voluntary nature and its recognition of the value of continuous improvement. An important objective of the Global Compact is to foster organizational change. Thus, participants should embrace and enact policies and procedures aimed at advancing the principles of the Compact and annually communicate their progress to stakeholders – an important tool to demonstrate implementation through public accountability. The Global Compact has not adopted a compliance-based approach, but rather stresses that participants demonstrate a commitment to real organizational change. The Global Compact Performance Model is a useful tool for participants as it sets out how companies can translate their commitment to the Compact principles into their corporate strategies and daily practices.

Progress of the Working Groups

Already, the Working Groups have taken important steps to begin integrating the Global Compact's ten principles into the operational realities of UN Administration. The following contains an overview of actions undertaken to date and planned next steps.

A) Investment Management Service

First and foremost the Investment Management Service has a fiduciary responsibility to the UNJSPF to ensure the appropriateness of risk and profitability of all investments.

Although support for the Global Compact principals is strong, the IMS recognizes that it must utilize full due diligence in analyzing and implementing any changes that may impact investment performance.

Therefore, prior to the consideration of any changes, **the IMS is conducting extensive discussions with internal investment management staff, investment advisors, service providers, and expert consultants to formulate methodologies and plans for evaluating the potential impact of the Global Compact.** These plans must fully address the question, *“What is an appropriate investment policy for the Fund to have sound investment strategies in terms of the Global Compact principals as well as fully exercising the best practices of sound fiduciary responsibility?”* It will be important for the Fund to establish a sound and well-tested investment policy strategy from which optimal implementation tactics may be derived.

The IMS is already doing qualitative analysis of the companies they invest in regarding issues that are consistent with the Compact’s principles. They are also collecting information to formulate a policy in general that supports the Global Compact.

The IMS is considering the following steps in order to develop an appropriate investment policy that promotes Global Compact principles:

1. Develop an investment policy promoting Global Compact principals and goals complementary to fiduciary responsibility.
2. IMS should implement the investment policy promoting the Global Compact compatible with the fiduciary responsibility and duties of the IMS.
3. IMS should collect information from peers, consultants, and other sources to support the formulation and implementation of the investment policy. To do so, the IMS Director and appropriate staff should participate in relevant seminars, conferences, and meetings inside and outside of the United Nations to support formulating and implementing this strategy.
4. IMS should coordinate with relevant groups and individuals inside and outside of the United Nations to promote the Global Compact in a form desirable for Fund fiduciaries whose responsibility is to meet profitability goals with the level of risk consistent with the Fund’s actuarial assumptions and risk tolerances.

The Board of the UN Joint Staff Pension Fund approved an approach *“aimed at integrating the goals of sustainable development and the principles of the Global Compact into the Fund's operating processes and investment policies. It requested that periodic reports be provided on the status of implementation with regard to investment policies”*. This approach will integrate the principles of the Global Compact in the Fund’s long-term plans and day-to-day operational activities, as well as within the investment decision-making process.

The Pension Fund is also currently involved in the “*Principles for Responsible Investment*” (PRI) initiative co-sponsored by the UNEP Finance Initiative and the Global Compact. It has mobilized a group of approximately 20 international public pension funds in the development of a core set of investment principles based on environment, social and corporate governance criteria. The Principles for Responsible Investment will be announced by signatories and rolled out in early 2006, and the Global Compact Office expects the UNJSPF to endorse the PRI following the required UN internal process.

B) Facilities Management

The meeting of the UN Interagency Network of Facilities Managers in Beirut on 8 - 10 September 2004 generated a series of recommendations with regard to how facilities managers can proceed in this area. Cornis van der Lugt, the Global Compact focal point at UNEP’s Division of Technology, Industry and Economics (DTIE) made a presentation on “Societal responsibility and the Global Compact: a challenge for the UN System” in order to introduce the Global Compact and the ideas surrounding the implementation of the Compact’s principles. The INFM members agreed to align their practice and managerial roles with the value framework of the Global Compact by advancing the principles through advocacy and awareness-raising and through internal training of staff.

Key recommendations/proposed follow-up activities stemming from the meeting:

1. We *need buy-in of senior management*, legislative bodies, oversight / auditors ... HLCM.
2. We need to *advance the Global Compact principles through advocacy, awareness-raising* and our educational role externally (UN agency raising the issue with business partners, vendors) and internally among UN employees system-wide, including the UN family.
3. We need to do *training: internally and externally* with i.e. requisitioners, procurement officers, contractors etc. on the Compact principles and practical implications of implementation. (i.e. Agency representatives need copies of the UNEP/FIDIC/ICC Environmental Management Systems Training Kit for internal adaptation and use).
4. Each agency may wish to *consider creating an environmental policy and putting environmental management systems in place* (using ISO 14000 framework as guide).
5. We need to *expect vendors to subscribe to the principles of the Global Compact*.
6. We need to create/improve our INFM *website database with examples from all agencies of best practices in environmental and social responsibility*, with advice from technical agencies on what is economically feasible.
7. We need to link agency websites with the interagency (INFM) website, with a committed person to manage *website content that gives regular updates and*

an overarching view of the internalization occurring within the UN (i.e. covering activities of HR management, facilities management, procurement, pension fund).

8. We need to suggest to GC Office the *hosting of a Global Compact Meeting of UN Facilities Managers and Procurement Officers with GC company representatives to share learning experiences on how to implement* and deal with dilemma situations. (i.e. HIV/ Aids, labour disputes, Environment, Health & Safety Issues). This meeting could possibly be sponsored by Governments supporting the GC.
9. We need to commit ourselves to *annual report-back at INFM meetings on progress made* in internalizing the GC principles, on implementation plans, steps taken, experience gained.

Under the umbrella of the Global Compact initiative, the INFM has highlighted the following standard practices and policies which demonstrate progress towards implementation of the Global Compact principles:

- **“Fair Pack Policy”**
 - **Safety Construction Guidelines compliance**
 - **UN Procurement Process and Standard Construction/Professional and Services Contracts**
 - **Evaluation of Technical Proposals**
- **The facilities management division also implements the following policies and practices consistent with support for the Global Compact principles:**

1. Yearly OSHA training.

- 2. Code compliance** (i.e. barrier free accessibility and use of the premises, study and upgrading of evacuation routes, upgrading of the fire alarm system)

3. Environmental Policies

i) Use of environmentally friendly materials

- cleaning, painting, ducts and pipes insulation
- HCFC (hydrochlorofluorocarbons) refrigerants, avoid DDT-based pesticides
- preservation and refinishing of existing hard wood

ii) Use of environmentally friendly products

- carpet, floors – use of recyclable, environmentally friendly material requested in the RFP
- furniture – ergonomic furniture/efficient layouts

iii) Environmentally friendly practices

- energy conservation (i.e. reflecting colours on new roofs, insulation material, lighting)

- replacement of lighting fixture ballasts, eliminating oil-based non-recyclable products
- PES uniform vendors manufacturer and cleaning procedures ISO 9000 compliant
- indoor air quality: air monitoring twice a year
- potable water quality: water quality monitoring twice a year
- waste management: licensed contractor follows federal safety and local disposal procedures
- paper recycling program

4. FMS has published the Global Compact principles on the INFM website.

5. FMS is supporting the Issue Management Group on sustainable procurement and environmental management. They are in the process of performing a survey for the preparation of an inventory of existing sustainable procurement policies and practices which will demonstrate that the UN is already working to implement the Compact's principles.

6. FMS is acting as a coordinator on standards and best practices for the Offices Away from Headquarters (OAH) in order to develop environmentally friendly, high-performance buildings.

7. In January 2005, the Global Compact Office gave a briefing to all Professionals in the facilities management division in order to raise awareness within the department.

C) Procurement

Over the past few years, the UN Procurement Service (UN/PS) has been undertaking **various awareness-raising activities to inform potential UN vendors about the Global Compact and its principles.** The United Nations Procurement Service *has already incorporated an Appendix into its solicitation documents that brings to the attention of the supplier the Global Compact and its principles.* **The UN/PS has also included a page on its website devoted to explaining the GC initiative.** These documents have recently been updated to incorporate the latest information about the Global Compact as well as information about the 10th principle.

The *General Assembly has also recognized the efforts of the Procurement Service* in this important area. (A/RES/59/288)

“15. Notes the promotion by the Procurement Service of the voluntary principles of the corporate social responsibility initiative, the Global Compact, within the United Nations procurement framework,…”

The UN/PS staff has also participated in briefings by the Global Compact Office in order to raise awareness of the importance of the internalization of the principles of the Global Compact. The presentation has been shared with the Chiefs of Procurement of the Peacekeeping Missions, Regional Commissions, OAHs and Criminal Tribunals.

In addition to the fact that the Secretary-General has mandated the UN to explore ways to incorporate the principles of the Global Compact into UN procurement practices, the UN Office of Internal Oversight Services (OIOS) recommended, in light of recent audits, that the UN draft a "Code of Conduct" for UN suppliers. The UN Procurement Department *has drafted a "UN Supplier Code of Conduct"* and supporting implementation documents including *an implementation guide; a self-assessment checklist; and a remediation guide*. The code is an "aspirational" document containing a set of standards that the UN expects its suppliers to abide by - but it is not a "compliance-based" code. It will not be mandatory or of a contractual nature. However, at the same time there should be some mechanism that could allow the UN to reserve the right not to do business with a particular vendor if the UN has knowledge that violates the principles. The documents are designed in the spirit of continuous improvement. The draft code was shared with colleagues from other organizations of the UN system, members of the Interagency Procurement Working Group (IAPWG), at its 2004 meeting in Indonesia and with the UN Office of Legal Affairs. The UN Procurement Service has received feedback, revised the documents accordingly and expects to promulgate the documents in early 2006.

The UN system of organizations has recently launched the "UN Global Marketplace", (UNGM), a unique procurement portal to access all information related to procurement activities of all UN organizations managed by UNDP/IAPSO in Copenhagen. This website contains an electronic registration form, that must be completed by all individuals or companies interested in doing business with the UN. *This registration form on the UNGM portal currently contains a couple of generic questions related to the Global Compact but an expansion of these questions is being considered as part of the enhancements to the UNGM being undertaken by IAPSO.*

Further, *IAPSO issues a series of publications*, also available on-line, that soon will be available via the UNGM site related to *"How to do business with the UN"*. *These guidelines were drafted some time ago and do not contain particular references to "ethical issues" or the Global Compact but an addition to the "How to do Business with the UN" guide to cover the Global Compact is being considered.*

All UN organizations engaged in procurement participate every year in Business Seminars organized by the member countries. The UN/PS encourages developing countries and countries with economies in transition to host these business seminars in order to increase participation of these countries in UN procurement activities. **During these seminars, the UN/PS briefs the participants about the importance of supporting the Global Compact.**

The UN Procurement Service has proposed the following steps in relation to its implementation of the Global Compact's principles.

1. Review current procurement practices in relation to the Global Compact: Issue a questionnaire based on the consultant's report to be sent to all UN organizations via the Procurement Message Board or the IAPWG Communities of Practice.
2. Seek the views of the main stakeholders (finance, audit, legal) and main clients. Discuss how to incorporate the Global Compact Principles into the UN procurement process.
3. Based on the above, identify areas to be enhanced, changes to be introduced, proposed enhancements to the UN Global Marketplace (UNGM); practices to be incorporated ; availability of resources and prepare a brief report to be circulated to all UN organizations for review/ comment.
4. Presentation of final report at the 30th IAPWG meeting for adoption and discussion of ways of implementing long term recommendations.
5. Establish a timeline for the implementation of recommended practices, assign resources, monitor implementation of recommended practices.

D) Human Resources

E) Capital Master Plan

