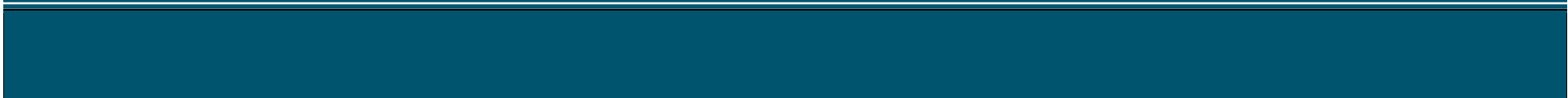




**United Nations** Global Compact

# The Global Compact: Corporate Responsibility in Today's World

Georg Kell  
Executive Director, UN Global Compact



# Agenda

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1

The Challenge – Addressing the Transnational Constellation

2

The Response – The United Nations Global Compact

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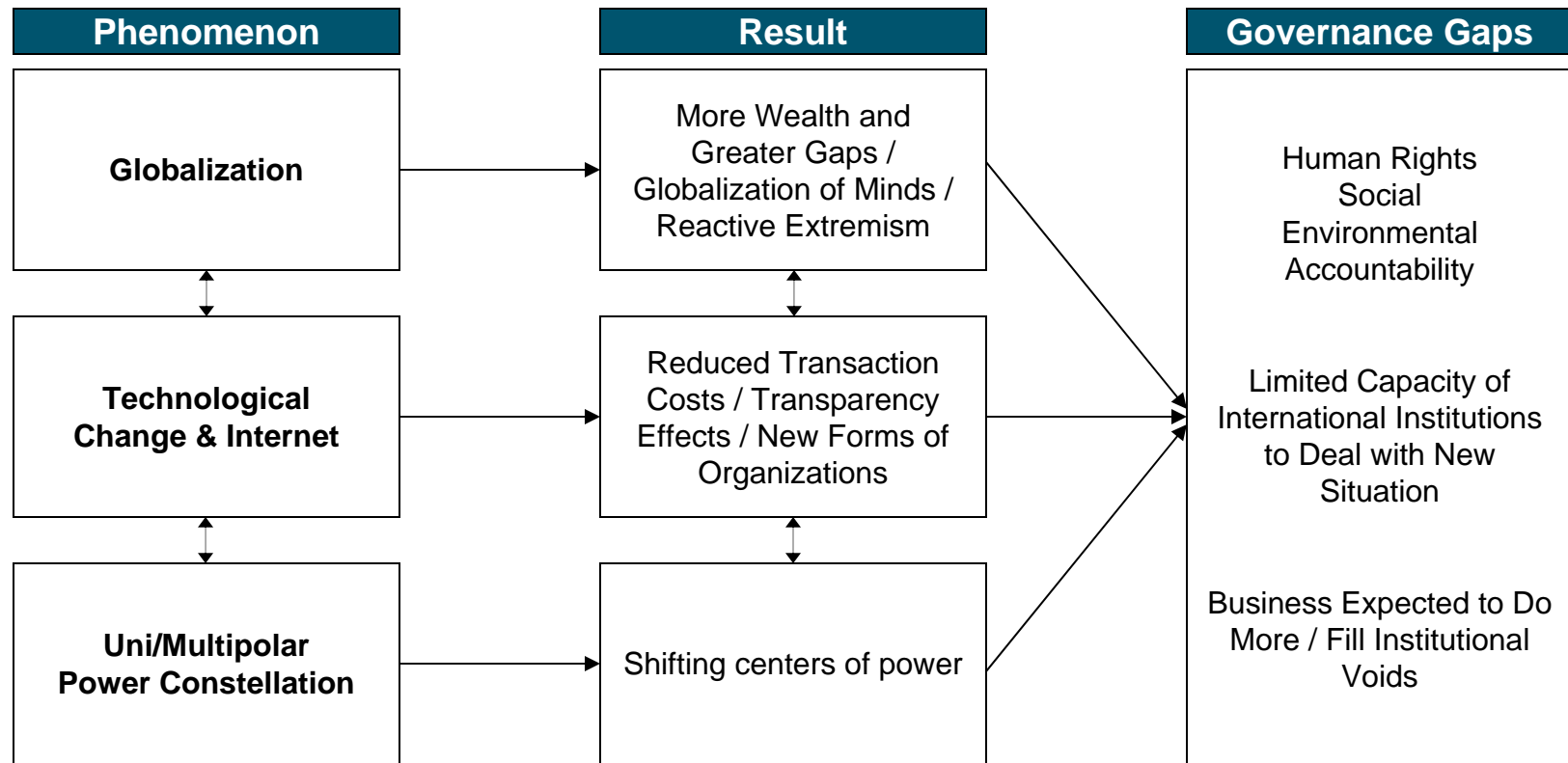
Why Care? – The Business Case

4

A Call for Action - Different Engagement Opportunities

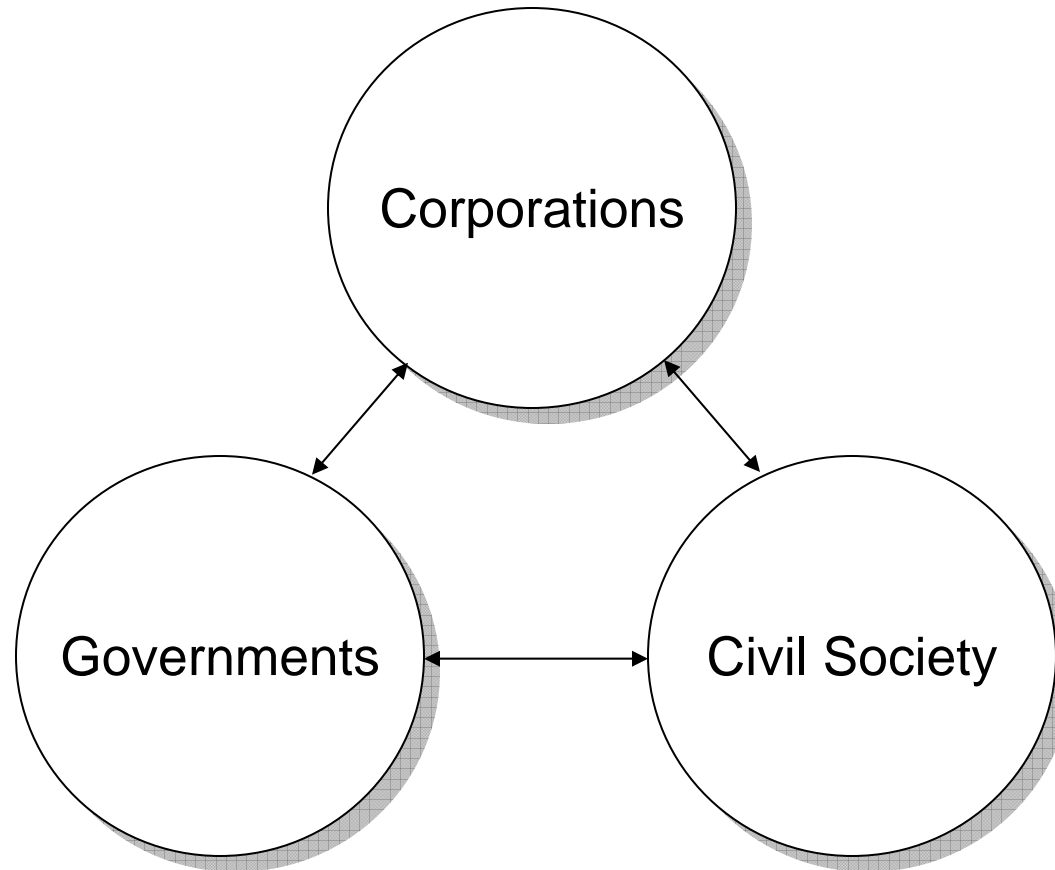


# Reality Check – The Rise of Governance Gaps



# Addressing Governance Gaps – New Actors

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# A Changing Context for Corporations

**Drivers  
Shaping the  
Role of  
Business**

<b>Civil Society, Press &amp; Media:</b> Pressure and Expectations	<b>Financial Markets:</b> Recognizing the Importance of ESG	<b>Public Policy:</b> Supporting Business Responsibility	<b>Consumers:</b> Changing Preferences	<b>Education:</b> Changing Mindsets
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Changing Risk and Opportunity Landscape for Corporations

**Global Trends  
in Corporate  
Responsibility**

Corporate Responsibility Goes Truly Global	Financial Markets are Catching Up	Changing Relation: Voluntary and Regulatory Approaches	A New Symbiosis: Corporate Governance and Corporate Responsibility	From Avoiding Costs to Creating Value
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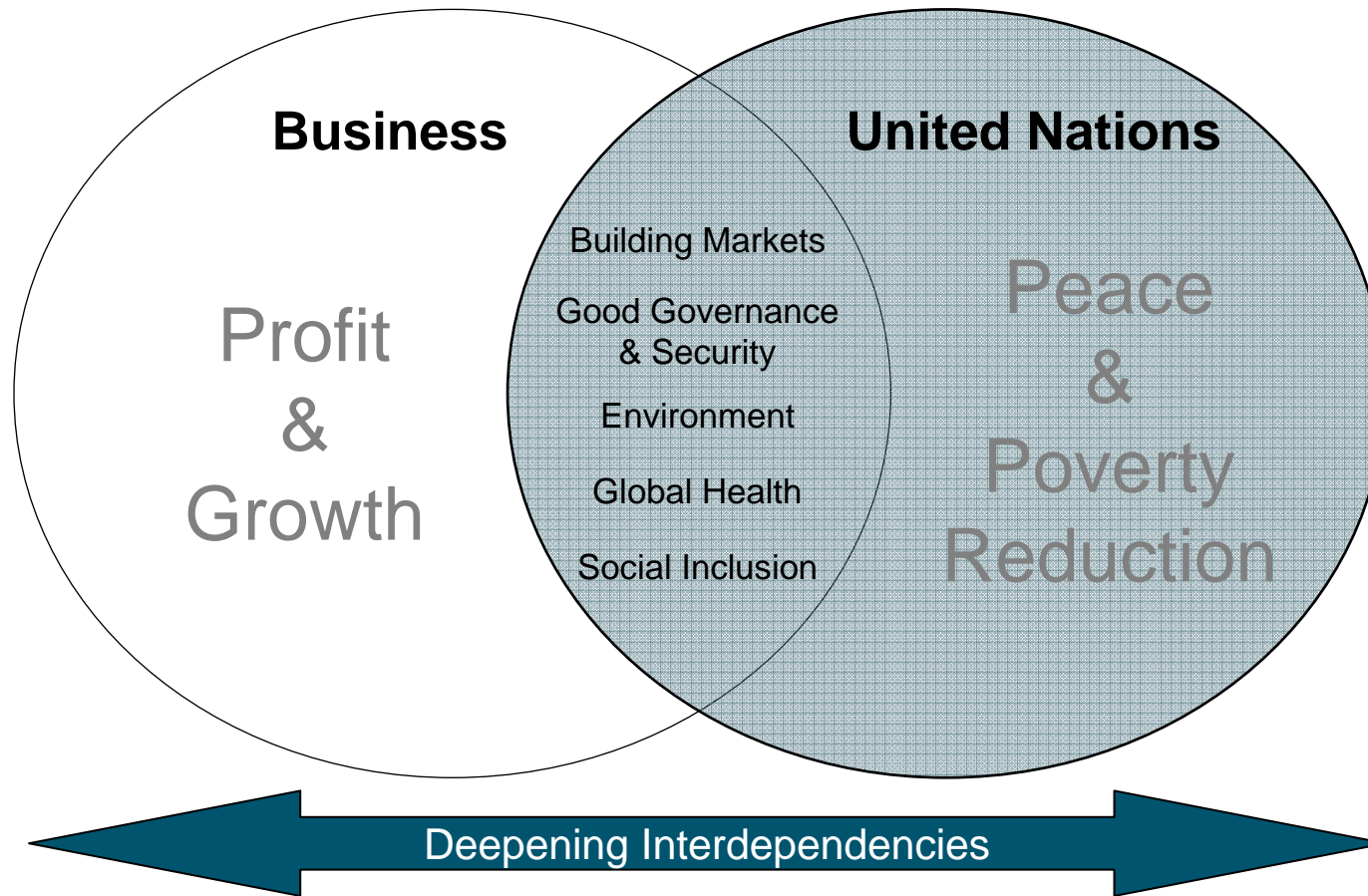
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# A UN-Business Partnership



# The Global Compact - An Overview

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**World's largest corporate citizenship initiative:**  
4,500 business participants & other stakeholders from 116 countries.

Created in 2000 by United Nations Secretary-General

## Vision

“A sustainable and inclusive global economy.”

## Goals

1. Make the ten principles part of business operations everywhere.
2. Facilitate partnerships toward UN goals.



# Ten Principles for Inclusive Markets

## Human Rights

Business should support and respect the protection of international human rights within their sphere of influence; and

make sure they are not complicit in human rights abuses.

## Labour

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;

the elimination of all forms of forced and compulsory labour;

the effective abolition of child labour;

the elimination of discrimination in respect of employment and occupation.

## Environment

Business should support a precautionary approach to environmental challenges;

undertake initiatives to promote greater environmental responsibility;

encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

Business should work against all forms of corruption, including extortion and bribery.



# The Global Compact - What It Is (Not)

## What It Is...

Values-based Framework to Integrate Universal Principles into Organizational Change

Multi-stakeholder Network Acting as a Platform for Learning and Collaboration

Initiative Based on Internationally Accepted Principles

## What It Is NOT...

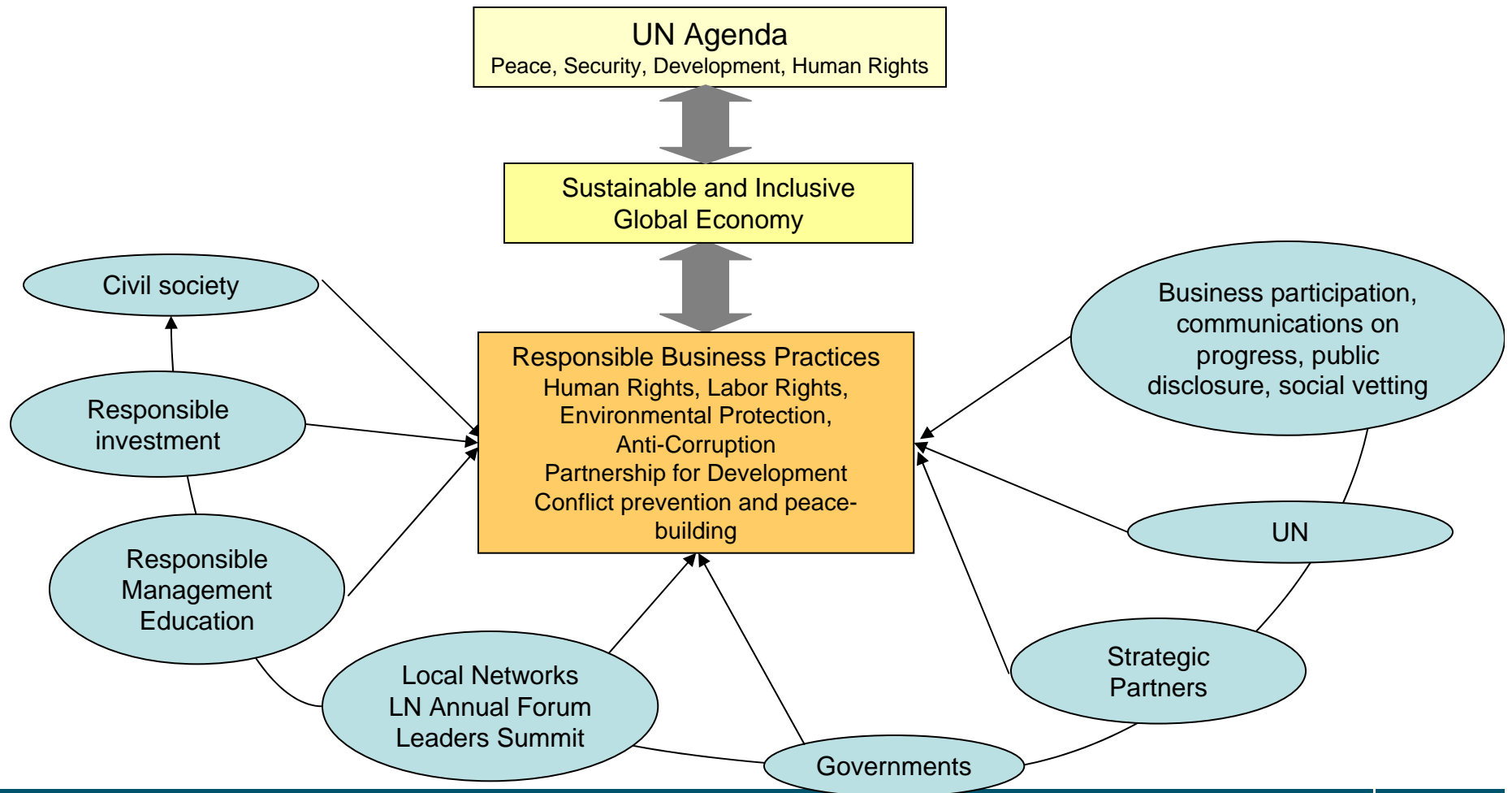
Regulatory Instrument

Substitute for Codes/Standards

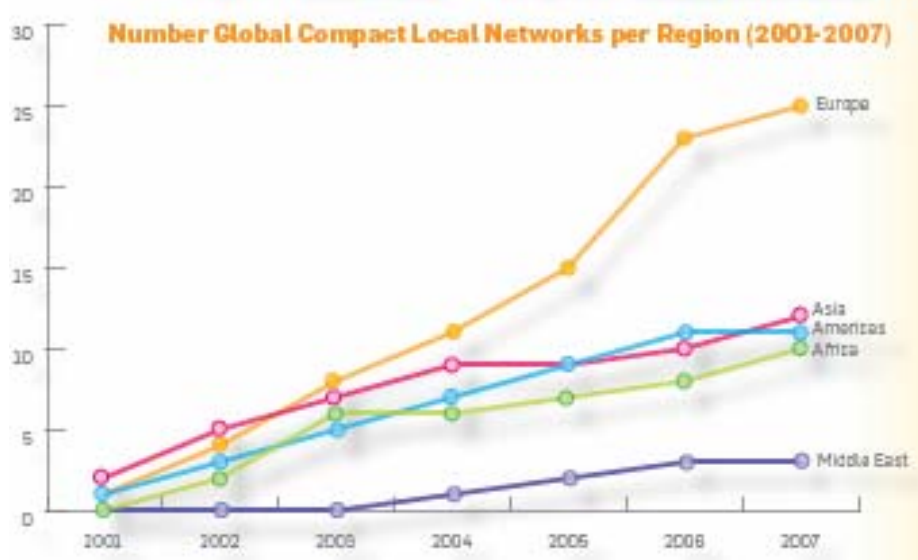
Public Relations Initiative



# A UN-Business Partnership

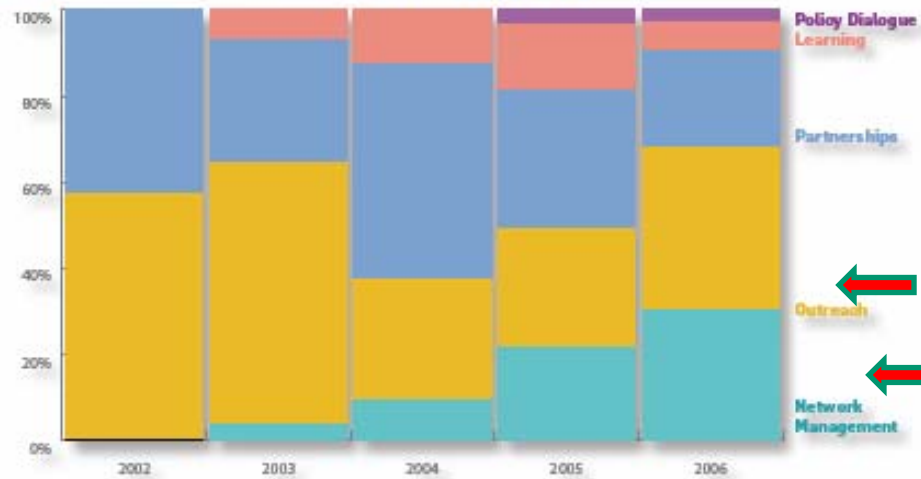


# Steady growth

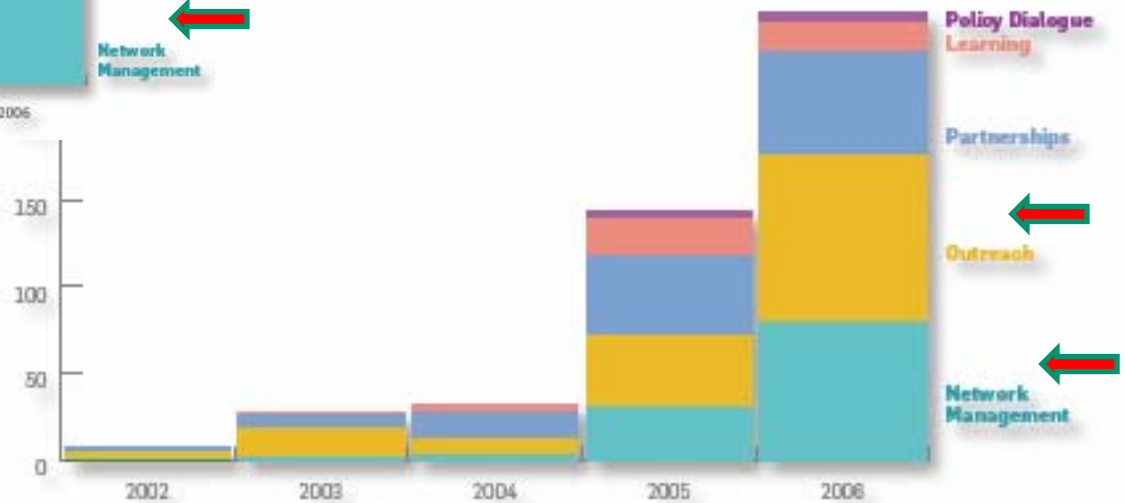


# Activities

Reported Local Network Activities 2002-2006 (% per year)



Local Network Activities 2002-2006 (absolut)



# Enhancing Accountability – The Global Compact Integrity Measures

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## **Public Disclosure – Transparency**

Public leadership commitment. Empowering employees.  
Social Vetting/Peer Review.  
Market Incentives to Reward Good Performance.

## **Communication on Progress (COP) Policy**

Participants are required to submit a COP annually.  
Continuous failure to submit a report leads to delisting.

## **The Global Compact Logo Policy**

The use of the Global Compact's name and logos are limited to certain authorized users only. The Global Compact reserves the right to take action in the event of a breach of this policy (e.g., revoking participant status).

## **Dialogue Facilitation**

The Global Compact has transparent means to handle credible complaints of systematic or egregious abuse of the initiative's overall aims and principles.



# Choices of Firms to Address the Meet New Risks and Opportunities

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Reactive

National Law  
&  
International Law

Proactive



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# Beyond Philanthropy - Corporate Responsibility 'Goes Business'

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“70% of global investment managers surveyed believe that integrating environmental, social and governance issues into analysis will become mainstream in 3-10 years.”

Mercer Consulting (2005)

“This is not bleeding-heart liberalism. This is about managing risks in a challenging global context.”

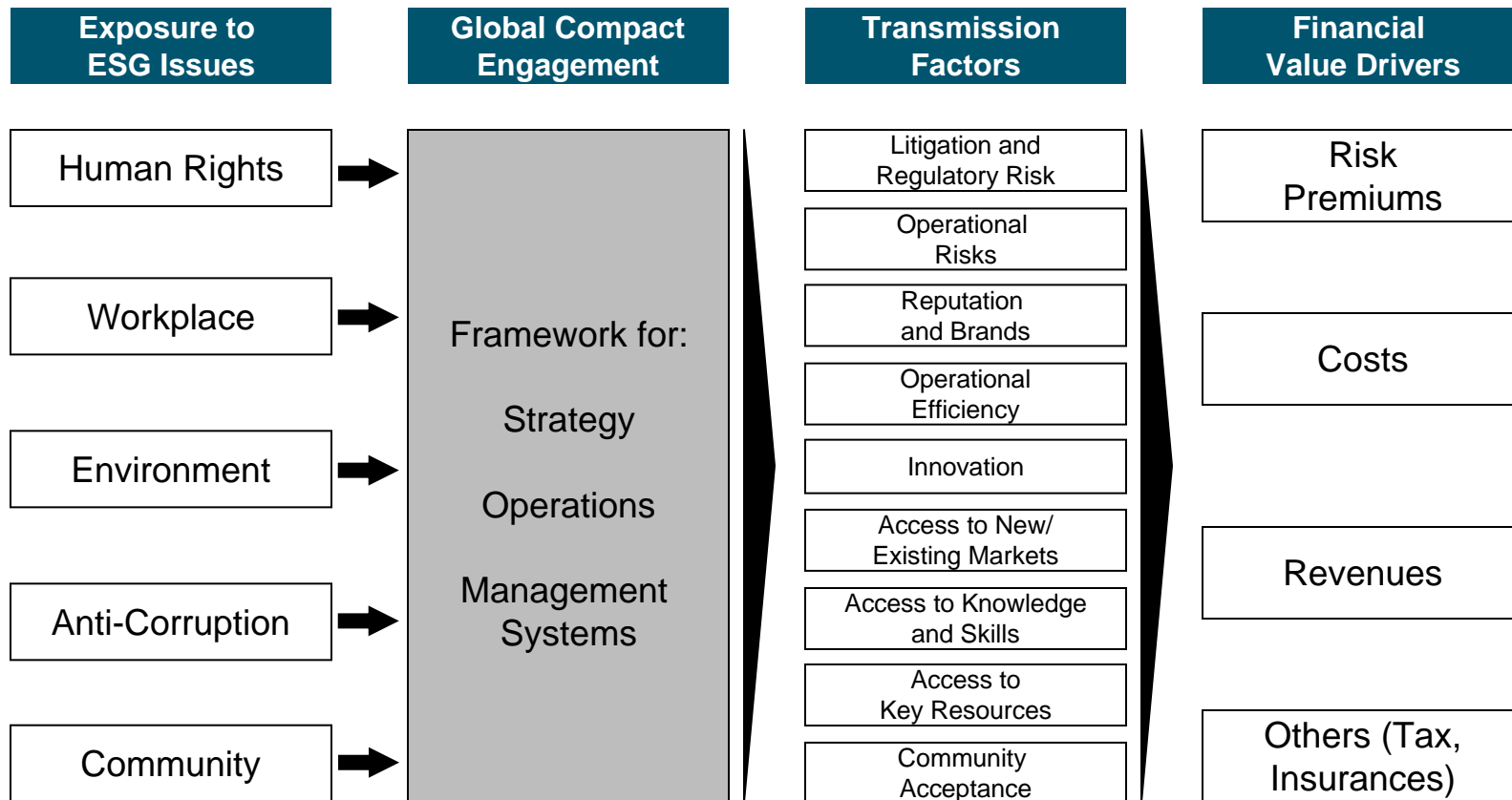
Anthony Ling (Goldman Sachs)

“Businesses need to introduce explicit processes to make sure that social issues and emerging social forces are discussed at the highest levels as part of overall strategic planning.”

Ian Davis (McKinsey & Co.)



# Sustaining Growth and Mitigating Risks



# The 'Business Case' for the Global Compact

<b>Investor</b>	stronger financial performance / improved relations with investment community
<b>Innovator</b>	enhanced employee productivity / creative and value-added solutions
<b>Customer</b>	stronger relationships with community / credibility and trust / enhanced products & services
<b>Operations</b>	operational efficiency / reduction of transaction costs / 'ethical' supply management
<b>Competitor</b>	better reputation and branding vs. competitor / enhanced license to operate vs. competitor
<b>Employee</b>	enhanced employee relations (recruitment, motivation, retention, innovation, productivity)
<b>Society</b>	better relationship with community / credibility and trust in society / 'license to operate'
<b>Change Agent</b>	moral compass for organizational change / proactive action basis to minimize risks



# ESG Leadership - How to Realize the Business Case

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CEO/Board Committee - Shaping Expectations

Advocacy Internal and External

Policies to Implement the Ten Principles - Strategic and Operational

Reach of Implementation - Subsidiaries and Supply Chain

Actions to Support UN Goals

Continuous Communication on Progress



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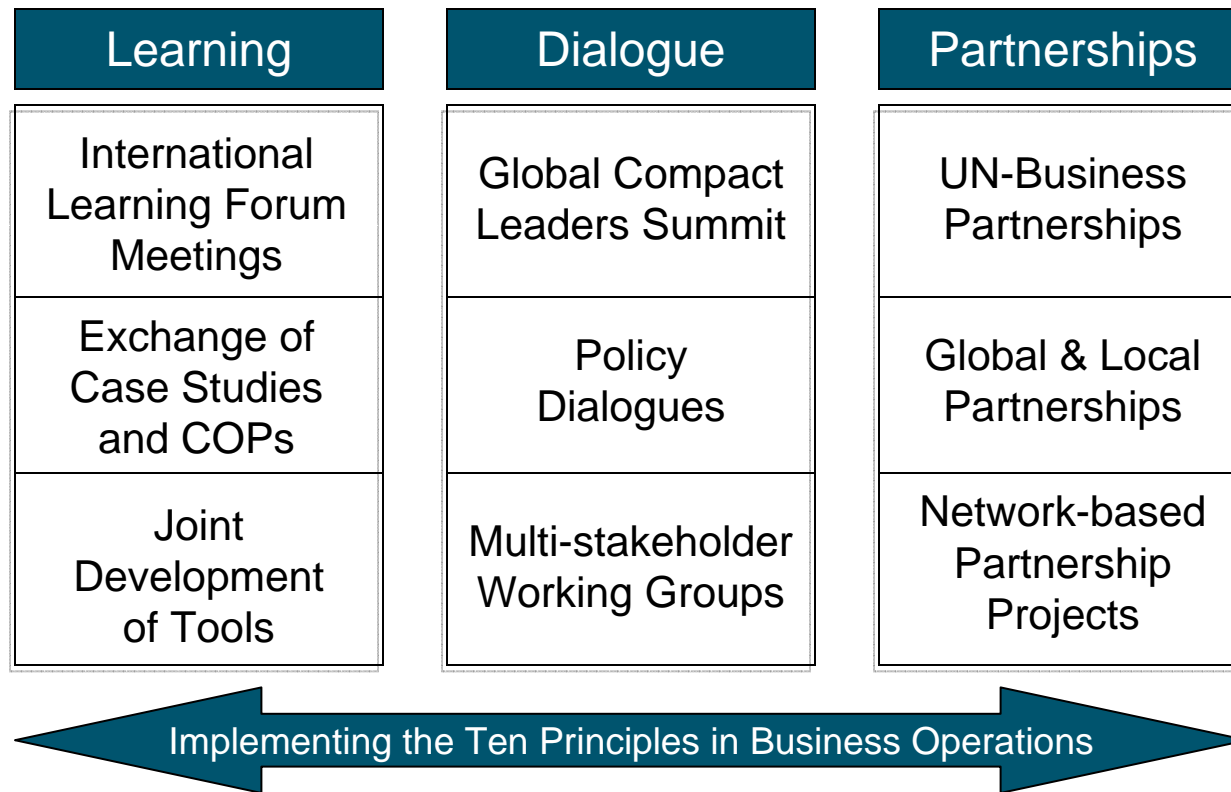
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# How the Global Compact Works

## Learning, Dialogue, Partnerships



# 'Caring for Climate' - Engagement for a Sustainable Environment

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## What It Is

'Caring for Climate' is a voluntary and complementary action platform for those Global Compact participants who want to demonstrate leadership on climate related issues and advance climate change solutions.

## Some Facts

Launched at the GC Leaders Summit 2007

As of August 2007: support of 180 companies  
(thereof 124 large firms and 56 SMEs)

Requirement: CEO-level support



# The Principles for Responsible Management Education (PRME)

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## What It Is

The PRME principles provide an engagement framework for academic institutions to advance corporate citizenship through the incorporation of universal values into curricula and research.

## Some Facts

Launched at the GC Leaders Summit 2007

The principles were developed by an international task force consisting of sixty deans and university presidents

Currently around 40 participants



# The Principles for Responsible Investment (PRI)

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## What It Is

The PRI is a best-practice framework designed to assist members of the investment community in incorporating environmental, social and governance (ESG) issues into investment decision-making and ownership practices.

## Some Facts

Launched in April 2006 at New York Stock Exchange

Developed by multi-stakeholder group of experts

230 signatories representing USD 10 trillion in assets



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[www.unglobalcompact.org](http://www.unglobalcompact.org)

