

3 June 2003

Dear Mr. Hobbs, Ms. Khan, Mr. Posner, and Mr. Roth,

Thank you for your thoughtful letter of 7 April, which reached us by mid - May. I very much welcome your proposals and ideas. I would also like to take this opportunity to thank you for the valuable contributions you have already made over the past three years. As a voluntary initiative, the Global Compact's effectiveness depends on the willingness of its participants – business, labour and civil society – to invest time and effort and to work together in a constructive manner. As a global network, the Compact is ultimately what its participants make of it.

The concerns you are raising are very important to us. Some of them are already the subject of ongoing efforts. Other concerns can be addressed in the context of the Advisory Council and other upcoming events. At this point, I would like to offer the following comments:

(i) The first issue you raise - safeguarding the integrity of the initiative by ensuring that individual participants do not abuse their association with the Compact or that their individual behaviour does not threaten the initiative's integrity – is indeed under active consideration and will be on the agenda of the upcoming Advisory Council meeting. All participants who embrace the Compact have an interest in ensuring that the initiative is not used for purposes other than its stated goals. I am confident that we will make progress on this.

(ii) The second issue – asking companies to include in their annual reports descriptions on progress made in implementing the Compact and its principles – is currently being addressed in a comprehensive manner. The new strategy, which was discussed at length at the last Advisory Council meeting, has been introduced and all participants have now been asked to communicate progress in their annual reports or other public documents. I agree with you that the Global Compact Office should make all efforts to

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assess the effectiveness of this approach and to ensure that all information is made public and transparent. The Global Compact Office should also remind companies that failure to do so is inconsistent with the Compact's objectives. Beginning with the availability of reports in 2004, the Compact Office will aim to undertake annual assessments of their overall quality.

We also have to acknowledge that many participating companies, particularly from developing countries, do not have the resources to publish reports. In addition, language barriers and the growing number of participating companies from around the world pose additional challenges. At the same time, there is tremendous demand for practical tools and support to explain the meaning and relevance of the principles, especially the ones related to human rights, and to facilitate their practical application. There is no doubt in my mind that the implementation of the Compact will have to rely increasingly on local networks and the active involvement of all participants.

(iii) Regarding leadership on human rights, I note your intention to raise the question of the *Draft Norms on Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights*, being developed by the UN Sub-Commission on Human Rights, at the upcoming Advisory Council meeting. This would indeed be the appropriate forum in which to pursue your proposals.

Regarding the UN's own relations with business, you may be aware that the Secretary-General issued a set of guidelines in July 2000. These guidelines state that the UN should use the Global Compact principles as a point of reference in choosing a business partner. The full text of the guidelines is available on the UN web site. As for procurement, the authority to establish policies and criteria lies with the General Assembly. Nevertheless, companies doing business with the Organization are already being encouraged to adhere to the Compact and its principles and we will explore what further steps can be taken.

(iv) Concerning participation, I want to assure you that the Compact remains an open and inclusive network. Willingness and ability to contribute remain the overriding characteristics of participation. As the Global Compact is taking root in many countries around the world, it is of increasing importance that all partners are involved. The Global Compact Office and the UN agencies involved will make special efforts to this end.

The Global Compact remains an ambitious experiment in cooperation. As a voluntary initiative which is meant to complement regulatory approaches, the success of the initiative depends largely on the active involvement of its participants. Already, the Compact has lent new importance to the universal principles the international community gave us. And our sustained efforts to find practical solutions through dialogue, learning and actions at the global level as well as our ongoing support for the growing number of local networks offer many opportunities to do so in the future. The full potential of the Compact, however, can only be realized if organizations such as yours are fully involved. I very much hope that we can continue to build on that. I can assure you that we will make every possible effort on our side to ensure the integrity of the Compact.

Let me once again express my gratitude for your constructive contribution. I look forward to continuing to work with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Louise Fréchette', with a stylized flourish at the end.

Louise Fréchette