



The Global Compact's next phase *For discussion*

1. Introduction

1.1 In his concluding remarks at the Leaders Summit in June 2004, the Secretary-General called for a strategic review of the Global Compact and the development of a new governance framework that will transform the initiative from its initial phase of experimentation to one of greater focus, transparency and sustained impact. He expressed his desire that, going forward, the Compact give priority attention to the synergies between the global and local levels of its activities, brand management and quality assurance, as well as to promoting broader ownership of the initiative by all its participants.

1.2 Extensive consultations have been ongoing. Taking into account the many helpful comments and suggestions received, this paper serves as the basis for the next and final round. It outlines which features of the Global Compact we propose to retain, which features we intend to give greater emphasis, and what we plan to change altogether.

2. What will remain the same

2.1 As the Global Compact enters its next phase, several core elements will remain unchanged:

2.2 Mission and objectives. The Global Compact's founding principles, mission, and objectives will continue to guide the initiative as before:

Mission

The Global Compact strives to be the world's most inclusive voluntary initiative to promote responsible corporate citizenship, ensuring that business, in partnership with other societal actors, plays

its essential part in achieving the United Nations' vision of a more sustainable and equitable global economy.

Objectives

Toward that end, the Global Compact continues to pursue two complementary objectives:

- Making the Compact and its principles on human rights, labour, environment, and anti-corruption an integral part of business operations and activities everywhere;
- Encouraging and facilitating dialogue and partnerships among key stakeholders in support of the ten principles and broader UN goals, such as the Millennium Development Goals.

2.3 Open and voluntary multi-stakeholder initiative. The Global Compact will remain an open and voluntary initiative engaging a wide spectrum of participants across the globe. The only entry criteria will continue to be a willingness and ability to advance the Compact's aims. The GC continues to see itself as a complement to, and does not claim or aspire to be a substitute for, instruments of governance at national or international levels.

2.4 Leadership model. The Compact will also retain its emphasis on leadership commitment, which has occasioned many productive discussions in corporate boardrooms on human rights, labour standards, environment and anti-corruption. CEOs of companies wishing to participate in the Global Compact will continue to indicate, where appropriate with their board's endorsement, their support for the ten principles and their intention to implement them.

2.5 Types of engagement mechanisms. The primary instruments of participant engagement will remain focused on learning, dialogue, and partnerships. However, improvements will be made in order to deepen the impact of these engagement mechanisms, as outlined below.

3. What will receive new emphasis

3.1 Based on the practical achievements and experience of the past five years, other aspects of the Global Compact will receive new emphasis in its next phase:

3.2 Quality of engagement mechanisms. While the types of engagement mechanisms will remain the same, Global Compact Office operations will become more strategic and outcome oriented. There will be a sharper focus on linking global dialogues and campaigns with local needs and action; leveraging opportunities where voluntary action can help strengthen policy frameworks and public sector capacity; and assisting local businesses in developing countries that strive to achieve greater access to the global marketplace, as well as multinationals seeking to improve the sustainability of their business practices, through the vehicle of responsible corporate citizenship.

3.3 Learning and dialogue activities will become better targeted. Recent examples include the GC campaign on the tenth principle against corruption, integrating global and local elements; the publication “Embedding Human Rights in Business Practices”; and the ongoing efforts to demonstrate the business case for the Global Compact and responsible corporate citizenship generally by working with the financial community and stock exchanges. A Global Compact China Summit will be convened in Shanghai on November 30 – December 1, 2005, focused on the shared interests of local and international businesses in sustainable business practices in China.

3.4 Continuous quality improvement. Even though the Global Compact is not a compliance-based initiative, participants are expected to meet the requirements of applicable national laws and to work continually towards fuller implementation of the ten principles wherever they operate. In the future, greater emphasis will be placed on deepening the quality of participants’ engagement with the Compact so as to motivate better performance, offer greater value for participation, and safeguard the initiative’s integrity. A number of means will be employed to foster continuous quality improvement.

3.5 An annual “communication on progress” was introduced in 2003 (guidelines for their preparation are posted on the GC website). These communications describe actions taken by each participant in support of the

Global Compact principles and are made available publicly, including on the GC website. Companies are expected to employ indicators in presenting their experiences, so as to convey more effectively actual achievements and/or difficulties, thereby maximizing transparency and learning opportunities for all participants and other stakeholders.

3.6 Companies are encouraged where feasible to employ in their communications standardized and comparable indicators, such as the Global Reporting Initiative's Sustainability Reporting Guidelines.

3.7 Integrity and Accountability. A number of measures to safeguard the Global Compact's integrity are being strengthened (see attached "Note on Integrity Measures"). Restrictions on the use of the UN and GC logos have been made more explicit. Moreover, beginning in June 2005, participating companies that do not communicate their progress for two years in a row will be regarded as being inactive and will be so identified publicly on the Global Compact website. Finally, the prior informal system for reviewing complaints that a participating company may be engaged in systematic and egregious actions that undermine its commitment to, and the reputation of, the Global Compact has been made more detailed and transparent. In each instance, the first aim will be to find ways whereby the company in question can resolve the matter at hand, but the Global Compact Office reserves the right ultimately to revoke participant status in accordance with the steps outlined in the "Note on Integrity Measures."

3.8 More strategic relationships with partners. In the future, less emphasis will be placed on establishing general frameworks of cooperation with other corporate citizenship organizations, and greater emphasis on specific collaborative projects that produce practical tools and solutions to help deliver impact on the ground.

3.9 Local Networks. The number of Local Networks has grown rapidly, to more than forty. So, too, has their significance to the overall initiative. Company participants are encouraged to be involved in such networks where they exist and to consider starting them where they do not. Two working groups are currently examining alternative templates for the organization of Local Networks, one with relatively informal and the other with more institutionalized structures, which may prove useful guides. Local network governance will continue to evolve. Related issues will be dealt with through the Local Networks Forum (described below).

3.10 Local Networks play increasingly important roles in rooting the Global Compact within different national, cultural and language contexts, and also in helping to manage the organizational consequences of rapid expansion. They deepen the learning experience of all participants through their own activities and events. They also promote action in support of UN goals. Moreover, they share information and provide mutual assistance among their members in the preparation and review of communications on progress. In addition, Local Networks are expected to help manage the GC Integrity Measures.

3.11 Upon completion of a relationship agreement with the GC Office, Local Networks acquire specific rights and responsibilities with regard to their using the Global Compact logo and acting on behalf of the GC within their respective countries. These rights and responsibilities will be elaborated more fully at the upcoming Local Networks Forum.

3.12 A self-financed regional Global Compact Center has been established in Barcelona to support the work of Local Networks; others are planned.

3.13 Depending on the interests and commitments of participants, at some time in the future it is possible that the Global Compact would also include a series of sectoral networks.

3.14 Government support. Governments have demonstrated that they appreciate the value of the Global Compact. As the authors of the universal principles on which the initiative is based in the first place, governments have always played a central role. But today they also promote the Compact to companies that are based or operate in their countries, host events, encourage related national activities, provide support to a number of Local Networks, and fund the work of the GC Office through voluntary contributions. In addition, governments exercise de facto oversight of the Global Compact Office through the General Assembly.

3.15 UN embedded. The Global Compact is taking on new importance within the UN itself. The Global Compact Office and the six participating UN agencies (UNHCHR, ILO, UNEP, UNODC, UNDP, UNIDO) have formed an Inter-Agency Team to pool and leverage their expertise. Henceforth, the Global Compact Office and the Inter-Agency Team will be collectively known as the Global Compact Secretariat.

3.16 Throughout the UN, efforts are underway to internalize the Global Compact principles within operations and activities such as procurement, facilities management, management of the staff pension fund, and human resources. In addition, the Global Compact Office is frequently called upon to give advice and support on business-related issues to other UN offices, agencies, funds and programmes – for instance, the recent tsunami relief effort led by the Office for the Coordination of Humanitarian Affairs.

4. What will be completely new

4.1 Most of what will be new in the Global Compact relates to its **governance framework**. In keeping with the GC’s voluntary and network-based character, its structure will be light and designed to foster greater involvement in, and ownership of, the initiative by participants themselves. Six entities will play key governance roles within a multi-centric framework: a Global Compact Leaders Summit; Local Networks; a Local Networks Forum; a Global Compact Board; the Global Compact Secretariat; and a Global Compact Foundation to provide additional support for the entire enterprise.

4.2 Global Compact Leaders Summit. The Leaders Summit will be convened triennially to review progress and provide overall strategic direction for the Global Compact. As in the case of the adoption of the tenth principle on anti-corruption, all participants will be consulted in a “virtual leaders summit” before fundamental or “constitutional” changes in the GC are adopted. The next Leaders Summit will take place in 2007.

4.3 Local Networks. Apart from fulfilling the requirements included in their relationship agreements with the Global Compact Office, and generally acting in accordance with the Global Compact’s principles and objectives, Local Networks are intended to be self-governing. Moreover, they have the opportunity to nominate members for election to the Global Compact Board (see below), provide input on major activities undertaken by the Global Compact Office, and convene an annual Local Networks Forum. Local Networks are also expected to play an important role in relation to communications on progress and integrity measures.

4.4 Local Networks Forum. This annual event will permit representatives of Local Networks to share experiences, review and compare progress,

identify best practices, and adopt recommendations intended to enhance the effectiveness of Local Networks in achieving quality improvements. The Barcelona Global Compact Center will host the next Forum on September 22 - 23, 2005.

4.5 Global Compact Board. A twenty member Board will provide ongoing strategic and policy advice for the initiative as a whole, making recommendations to the GC Secretariat, participants and other stakeholders. The Board will oversee Board elections. Board members are also encouraged to assist in raising funds and provide contributions in kind for global events, activities, and the publication of tool kits and action guides.

4.6 The Board will comprise four constituency groups – business, civil society, labour, and the United Nations – with differentiated roles and responsibilities apart from their overall advisory function. The Board as a whole will hold an annual formal meeting, but the constituency groups are expected to interact with the Global Compact Office on an ongoing basis.

4.7 The Board will be composed as follows:

- Twenty members drawn from the four constituency groups. It is intended that the Board members will come from the senior most level within their organizations (Chairman, President, Head, etc.).
- Two members from the UN: The Secretary-General and the Head of the Global Compact Office will serve ex-officio, the latter representing the entire Global Compact Secretariat. The Executive Heads of the six core UN Agencies will be invited to participate in Board meetings as observers.
- The Chair of the Global Compact non-profit entity (see below), also ex officio.
- The Secretary-General will appoint the other initial members for a one-year term. At their first meeting, they will draw lots (by grouping) to determine which of them will have an additional term of one, two or three years.
- Subsequent elected membership will be determined by election (within groupings) to three-year terms, with one-third of the seats being up for election every year. Members are eligible for one re-election. After a break of one year, they again become eligible for election on the same basis.

- Eleven members from business, nominated by the Local Networks and participating companies.
- Four members will be from global civil society organizations, one each from the areas of human rights, environment, anti-corruption, and development.
- Two members will represent international labour, selected by the ICFTU.

4.8 In addition to its general Board responsibilities, the business group will be asked to help resolve issues arising under the complaints procedures described in greater detail in the attached “Note on Integrity Measures”. Civil society and labour groups are expected to provide whatever relevant information they may have, and the GC Office ultimately will implement any decision.

4.9 In addition to their overall Board responsibilities, the civil society and labour constituency groups are expected to provide close liaison to their communities and share with the Board as a whole, and the GC Secretariat in particular, insights into the most recent trends and best practices of corporate citizenship in their respective domains.

4.10 Global Compact Secretariat. The Global Compact Office represents the GC Secretariat, including the Inter-Agency Team, on the Board. Beyond that, it has overall responsibility for brand management and implementation of the integrity measures. It is also charged with advocacy, issue leadership, fostering network development, and maintaining the GC communications infrastructure. Finally, the GCO services the Leaders Summits, the Board and, for the time being, the Local Networks Forum.

4.11 The Inter-Agency Team is responsible for ensuring coherent support for the internalization of the principles within the United Nations and among all participants. The agencies most closely associated with the ten principles also have an advisory role in managing the integrity measures complaints procedure. A Memorandum of Understanding describes the rules and roles governing the GC Secretariat.

4.12 Global Compact Foundation. Despite strong government backing for the Global Compact, the resource base required to manage its scale, growth and greater participant ownership will remain insufficient unless voluntary business contributions and other sources of funding are explored for non-

core activities, such as events, issue campaigns and publications. Indeed, it is intended that GC participants increasingly will fund these activities. A Global Compact Foundation will be established to assist the Global Compact Office with securing the resources needed to undertake its activities.