Subsidiary Participation and Communication on Progress

Companies joining the United Nations Global Compact commit to implementing the Ten Principles into their strategies and throughout their operations. Their efforts are expected to be continuous and comprehensive wherever they operate. Multinational business Participants or Signatories are expected to work toward a globally coherent approach to corporate sustainability.

A company’s commitment to join the UN Global Compact applies not only to its headquarters, but also to all subsidiaries, local branches and country offices. It is important that this commitment is spread throughout the company’s operations around the world. For multinational Participants or Signatories of the UN Global Compact, the engagement of subsidiaries can generate significant business value and is one of the most important contributions that can be made to scale up corporate sustainability efforts.

There are several ways in which subsidiaries of companies can participate in the UN Global Compact:

1. Parent company’s UN Global Compact commitment and engagement tier applies to all subsidiaries
   - For companies that prefer that their subsidiaries do not become Participants or Signatories individually, the parent company’s annual Communication on Progress (COP), engagement tier, and required annual financial contribution will cover activities of all subsidiaries.
   - Subsidiaries are strongly encouraged to participate actively both at the global and the local level, including through the Global Compact Local Networks and in global platforms, events, or special projects to which the parent company has access.
   - However, subsidiaries that wish to actively engage with Local Network/s in their country of operation/s (outside of the country where the parent company is domiciled) may be asked to pay to a Local Network activity or membership fee.
   - Subsidiaries domiciled in the same country as the parent company and wishing to engage with the Local Network in that country will not be asked to pay a Local Network activity or membership fee, unless otherwise agreed.

If a parent company meets the exclusionary criteria, it will not be admitted to the UN Global Compact. Its subsidiaries or affiliates can apply individually should they not meet any of the product-based exclusionary criteria. However this exception does not apply if the subsidiary or affiliate is part of a corporate group that derives more than 5% of its revenue from the production of tobacco products.
2. Subsidiaries can choose to engage in the UN Global Compact alongside the parent company

- In addition to the parent company’s commitment to reinforce their commitment to the United Nations Global Compact at the local level, subsidiaries can, but are not required to, become UN Global Compact Participants or Signatories themselves. This can be accomplished by sending their own letter to the United Nations Secretary-General, selecting their own engagement tier and making the appropriate financial contribution (a Signing Subsidiary).
- Signing Subsidiaries will be listed individually as Participants or Signatories on the UN Global Compact website, according to their own selected engagement tier
- The parent company and each Signing Subsidiary are expected to communicate annually on their progress to implement the UN Global Compact principles. This can be accomplished by:
  i. Separate COPs submitted by the parent company and each Signing Subsidiary; or
  ii. A COP for the parent company, which covers the Signing Subsidiary, can be submitted by the Signing Subsidiary.

Note: If a parent company is de-listed for integrity reasons, other than failure to communicate on progress, the UN Global Compact reserves the right to review the participation of its subsidiaries on a case by case basis and determine appropriate action based on the involvement of the subsidiary(ies) in the issues identified.

3. Subsidiaries of non-participating companies can become UN Global Compact Participants/Signatories

- Subsidiaries of non-participating parent companies are strongly encouraged to participate individually, either as Participants or Signatories. These companies are expected to make the commensurate financial contribution for their engagement tier and annual revenue/sales.
- These companies will be listed as Participants or Signatories on the UN Global Compact website and are expected to communicate annually on their progress to implement the UN Global Compact principles in line with the COP policy.

Subsidiaries that do not meet the product-based exclusionary criteria can apply individually to the UN Global Compact, even if their parent company is excluded from participation. However this exception does not apply if the subsidiary or affiliate is part of a corporate group that derives more than 5% of its revenue from the production of tobacco products.

Note: Within this policy, the term "subsidiary" is defined as a company controlled by another company in the sense that the parent can dominate the decision-making process of the subsidiary in relation to its financial and operating policies in pursuance of the objectives of the parent company.