

Mr. Georg Kell  
Executive Head  
Global Compact  
United Nations  
Room 3855-c  
New York, NY 10017

October 25, 2001

Dear Georg,

Thank you for extending to us your recent invitation to attend the next meeting of the Learning Forum in London on 29-30 October. Unfortunately we will not be able to attend but wanted to pass on some brief comments about the Global Compact.

As you know, the Lawyers Committee has been involved with the Global Compact from the outset. We have been supportive of this initiative as a first step toward developing mechanisms that will strengthen corporate accountability for the enforcement of human rights. It is essential for all stakeholders - companies, labor unions, rights organizations, UN and government – to work together in promoting international labor, environmental and human rights standards and practices. The Global Compact has the potential to bring these partners together for dialogue and mutual learning, and to facilitate the harmonization of their efforts. As such, it can facilitate the development of a model of good corporate behavior.

However, we continue to be concerned about what we see as ongoing problems with the structure of the Global Compact that we think continue to handicap its effectiveness. The Lawyers Committee and others have raised some of these concerns in the past. In an attempt to address these issues, we wish to offer some recommendations for the future direction of the Global Compact.

## Concerns

- *The voluntary nature of the Global Compact.* The voluntary nature of the process results in selectivity both with respect to the participants and the standards applied by them. Although it is crucial to engage companies whose corporate practices need improvement, it is more likely that an effective Global Compact will need to be led by companies that already have taken steps to seriously address these issues.

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If, however, the Global Compact is viewed as a first step toward promoting a binding legal regime for corporate conduct, with a strong enforcement mechanism coordinated by the UN, we believe that it can have unlimited potential. Developing such binding standards and enforcement mechanisms would be consistent with a role that the UN has played in other areas. We believe the Global Compact would benefit from collaboration with the proposed Draft Universal Human Rights Guidelines for Companies, which is being developed under the guidance of the UN Sub-Commission on the Protection and Promotion of Human Rights. These Guidelines could be taken as a key interpretive tool to substantiate the commitment of companies to the Global Compact's nine principles.

- *The lack of transparency.* As it currently stands, we do not understand there to be any clear mechanisms to verify the reported facts offered by companies or to scrutinize corporate practices. Its difficult, if not impossible to appraise the reported measures taken, lacking input from those whom the measures are intended to benefit, or whom are affected by them.
- *Effectiveness of the learning forum.* Until the Global Compact addresses the concerns highlighted above, its value as an educative platform is greatly reduced. Learning is limited if there are few opportunities for honest critical consideration. Along the same line, the Global Compact does not effectively “utilize the power of transparency and dialogue,” as long as it fails to engage third parties with an interest in the actions taken, to supplement the companies' submissions.

### **Comments on the submitted reports**

The various case studies that were disseminated in preparation for the forum meeting illustrate the relevance of the above concerns. Here are some general observations:

- The reports generally provide subjective, sometimes incomplete, descriptive information, which do not allow for proper assessment on:
  - whether the reported action indeed signifies a new “concrete step” taken “to act on the nine principles,” or whether the company has merely highlighted and reiterated its existing practices;
  - whether the company has honestly endeavored to address an issue that is pertinent to its corporate activities;
  - the effectiveness of the reported action taken, as well as possible ancillary effects;
  - the manner in which the action is valued by the intended beneficiaries;
  - the sustainability of the measures taken.
- Absent more information on these points it is impossible to make a sound judgment of a company's record, especially without input from the actors that are in the best position to value the company's responsiveness to human rights issues. The opinions of such third parties are not routinely included, and only occasionally referred in the reports.

## **Recommendations**

- The Global Compact needs to develop mechanisms to verify reported facts, to scrutinize corporate behavior and to monitor the sustainability of specific measures taken.
- These mechanisms need to be set up with the input and involvement of all the relevant actors. It is important to draw from the expertise and knowledge of the companies, their workers, NGOs, trade unions, other UN bodies, and governments. Such comprehensive mechanisms would simultaneously enhance the educative value of the scheme and build its essential credibility.
- The Global Compact should develop a strategy for local capacity building for non-governmental efforts to address these issues. Grassroots organizations are indispensable both in assessing the nature of the problems and in helping to develop and carry out programs that will provide solutions, consistent with local social, political and economic circumstances. Moreover, explicit co-operation with local NGOs and trade unions lends legitimacy to corporate behavior at the ground level and enhances the chances of success.

We understand that one of the aims of the Global Compact is to ensure that corporations are held accountable for enabling workers to assert and enforce their fundamental rights. The Lawyers Committee believes that the strength of this important initiative is dependent on whether it is based on serious efforts to promote the key principles of accountability and transparency. In order advance these principles, the Global Compact should focus on the development of clear standards, local capacity building, and ongoing, overall scrutiny.

We would be eager to discuss these points with you further at your convenience.

Sincerely,

Justine Nolan  
Director, Workers Rights

**CC: Michael Doyle,**