

Ms Louise Fréchette  
Deputy Secretary-General of the United Nations  
Room S-3862A  
United Nations,  
New York, NY  
USA

7 April 2003

Dear Deputy Secretary-General,

We are writing to you concerning the UN Global Compact. As you know, we have participated in the Compact for more than three years and, in the case of some of us, in the Advisory Council over the past two years. While we continue to support the broad goals of the Global Compact, we have misgivings about some aspects of its operation and direction. We have raised particular concerns in meetings with UN staff and in the discussions in the Advisory Council and, while some of our concerns have been addressed, there remain outstanding issues which we would like to bring to your attention.

Our organisations have for many years asked companies to commit themselves formally to basic principles in regard to labour rights, protection of the environment and human rights. We support the efforts of the Global Compact to bring the UN's unique authority to bear on this commitment, and particularly value the truly global nature of the initiative. The United Nations must be commended for the effort to include companies from all regions of the world. The events organised under the auspices of the Global Compact have value, and our organisations have participated in such processes.

We should also indicate, however, that the issue of our continuing participation in the Global Compact is a subject of some debate within our respective organisations. The pressure is growing for tangible evidence of progress arising from the Global Compact, and some see this as a prerequisite for continuing involvement.

Our basic concern is about the role of the Global Compact once companies have committed themselves to the principles. The model so far has been that of a "learning network", whereby relevant actors come together through various processes to discuss how best to implement the principles. Proposals to build some mechanisms of accountability into the Compact have been difficult to advance. Indeed, some might argue that accountability mechanisms have weakened over time. The original requirement was that companies submit a *separate* report on compliance to the Secretariat; this was replaced with the obligation that companies submit yearly an

example of how they have implemented the principles. This too has now been abandoned (in any case, few companies were complying). The new requirement is that companies simply include in their existing Annual Reports a statement on their efforts to comply with the Compact.

As we have stated in the past, we believe that the Global Compact must find ways to strengthen methods of accountability for the private sector in relation to the principles. We recognise that the small secretariat can only do so much, and we also treat seriously the argument that the Global Compact *itself* may not be the place to *enforce* compliance. Nevertheless, we look to your leadership in regard to the following issues:

- (i) Clear criteria need to be adopted to deal with cases where companies are alleged to breach the Global Compact principles.

We welcome the inclusion in the latest Mission Statement (revised after the last Advisory Council meeting) that “[a]ppropriate measures will be taken if individual participants use their association with the Compact for purposes other than its stated goals or if their individual behaviour threatens the initiative’s integrity.”

We believe it is necessary to be more specific about what might constitute such behaviour, through setting out clear criteria. We further take the view that the Compact itself must put in place some mechanism – that operates fairly and in a transparent manner – to process allegations that companies are in breach of the principles. In this regard, we welcome the fact that proposals to have an Ombudsperson, as proposed by Oxfam, or some similar complaints mechanism, will be discussed at the next Advisory Council meeting. Clarity on the criteria for assessing a breach of the principles would also be easier if there were greater precision in the language of some of those principles. In this regard, we want to support the proposal advanced at the last Advisory Council meeting that particular “Policy Dialogues” be devoted to elaborating the meaning of “complicity” in principle 2 or the “precautionary approach” in principle 7.

- (ii) The basic requirement that participating companies report annually on their compliance with the principles must be monitored.

If companies commit themselves to the principles, at a minimum their Annual Reports should include information on their efforts to mainstream respect for those principles throughout their operations. The Global Compact Secretariat may not have the resources or be in a position to ascertain whether the information as reported by each company is accurate. The Secretariat must, however, at a minimum:

- monitor whether companies are in fact reporting;
- remind companies that do not that they are required to do so; and
- on an annual basis, make a public assessment of the overall quality of the information companies provide.

In this regard, we are concerned that the latest version of the Mission Statement says “[t]he Global Compact Office neither regulates nor monitors a company’s submissions and initiatives.”

- (iii) The Global Compact and participating companies must show leadership on the human rights principles.

The Global Compact is not a regulatory body. However, it is the UN's most high profile engagement with the private sector and a personal initiative of the UN Secretary-General. As such, it must be seen to support core UN principles and values, which include the notion of accountability in relation to human rights. The Global Compact ought, therefore, at a minimum to support initiatives elsewhere in the UN to strengthen accountability in relation to the private sector's respect for human rights. In this regard we propose in advance of the next Advisory Council Meeting to put on the agenda the need for a public statement of support from the Global Compact for the *Draft Norms on Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* being developed in the UN Sub-Commission for the Promotion and Protection of Human Rights.

Leadership should also include taking up other issues. Some of our organisations have proposed in the past the idea that the Global Compact convene a discussion within the UN on procurement policies, to ensure large UN contracts are awarded to companies who meet basic standards. Each year the UN issues some 135,000 contracts and procurement orders worth approximately \$3 billion. The average contract is worth about \$20,000, but about 2 percent of UN contracts are worth \$1 million or more. If the U.N. applied the Compact's principles in its procurement decisions, even in a limited manner, it could provide a powerful incentive for corporate responsibility and substantially strengthen the impact of the Compact on corporate behaviour. This idea should be debated in the Advisory Council.

- (iv) Participation

The success of the Global Compact depends on involving all stakeholders. As we indicated above, we commend the effort to engage large companies in the developing world (many of which themselves are transnational in operation). We believe, however, that this needs to be complemented by a similar effort to engage and inform local and regional human rights NGOs. Along with local unions partners (where permitted to operate) they are often the best placed to assess whether companies are indeed living up to their commitments, and to encourage, persuade or shame them into doing so.

The Global Compact intends to increasingly rely on its local networks and the "national" compacts organised under the Global Compact umbrella in a number of countries. As it does so, there is a need for the Secretariat to monitor whether, in fact, all relevant stakeholders are involved locally. In this regard, it is somewhat worrying that in the revised Mission Statement, under the section on Civil Society Organisations (CSOs), "four traits" for CSO participation are included, though no such criteria are applied to other actors. The criteria are:

"... willingness to engage with all actors of society; the proven ability to make a substantive contribution; the ability to transcend a single-issue orientation; and the proof of a minimum level of transparency and accountability in matters like membership and funding."

Although these criteria seem straightforward, they might easily be used to exclude local human rights or other NGOs from participating in GC initiatives. While we recognise that efforts have been made to ensure local NGO participation in GC events in different countries, terms like “substantive contribution” and “single-issue orientation” are vague and can be misapplied. We hope local initiatives will be monitored to ensure involvement of all relevant stakeholders.

In closing, we wish to reiterate again our general support for the Global Compact initiative. The challenge now is for the Global Compact to find ways to complement its voluntary and open character with measures to ensure some form of accountability to the principles. We sincerely hope the Global Compact embraces this challenge. We stand ready to assist in this endeavour but believe there must be real progress on the issues raised above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Hobbs', with a long horizontal line extending to the left.

Jeremy Hobbs  
Oxfam International

A handwritten signature in black ink, appearing to read 'Irene Khan', with a long horizontal line extending to the right.

Irene Khan  
Amnesty International

A handwritten signature in black ink, appearing to read 'Mike Posner'.

Michael Posner  
Lawyers Committee for Human Rights

A handwritten signature in black ink, appearing to read 'Ken Roth'.

Kenneth Roth  
Human Rights Watch