



# **REPORT**

## **Meeting of the Global Compact Board**

**United Nations Headquarters  
New York**

**1 November 2007**

**Prepared by the Global Compact Office**

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## I. Executive Summary

The Global Compact Board met at United Nations Headquarters in New York on 1 November 2007 to receive an update on the status of the Global Compact following the 2007 Leaders Summit and discuss priority issues, including: funding, integrity measures, and strategic direction for the Global Compact as the initiative moves into its next phase of growth and engagement.

Global Compact Board Chairman Secretary-General Ban Ki-moon officially opened the meeting, which was attended by nearly all members. Anne Lauvergeon, Chair of the Executive Board of Areva, Guy Ryder, General Secretary of the International Trade Union Confederation, and Huguette Labelle, Chair of Transparency International, were unable to attend.

There were many important outcomes from the Board meeting:

- The Secretary-General encouraged the Board to continue to be leaders on the issue of corporate citizenship by standing at the forefront and showing the value of dialogue and change, particularly in the area of climate change. He also emphasized that business is a core constituent of the United Nations and that business leaders have potential to make a significant contribution toward shared objectives.
- The Board agreed that multinationals need to report fully on global and local implementation of the ten principles. Recognizing that companies are organized differently across countries, business lines and work streams, the Board determined that national reporting is not always appropriate.
- Regarding subsidiary engagement, the Board agreed that subsidiaries which join the Global Compact when the headquarters company has not joined should be subject to the standard COP policy. However, for subsidiaries that have joined the Global Compact in addition to the headquarters company, it will be at the discretion of the parent company to choose how to report on subsidiary implementation of the GC. Therefore, subsidiaries of participating global companies will not be required to submit COPs.
- In relation to the facilitation of dialogue on alleged systematic and egregious abuses by participants, the Board agreed to change the name of the “complaint mechanism” to “dialogue mechanism” in order to better reflect the Global Compact’s goal of dialogue and constructive conversation.
- It was announced that a Board level Labour Working Group will be managed by IOE and ITUC with welcome involvement by all interested Board members. It was agreed that there is overlap across the issue areas – particularly labour and human rights – though there is room for collaboration and cooperation.
- With regard to climate change, it was agreed that this is a priority and cross-cuts many issue areas. Climate change will continue to be the focus of the Global Compact’s work related to environment.
- Based on the Board discussion, it was agreed that the Global Compact Office would prepare a proposal for the Board on possible actions for enhanced relations and dialogue both with donor governments and all governments, more broadly.
- Board members agreed generally on the need to improve the Global Compact’s funding situation and ensure the financial sustainability of the initiative’s future operations. However, views differed widely with regard to the proper approach, particularly the potential introduction of a required cost-covering contribution by business. The Global Compact Office proposed that a support group be established to formulate a proposal and engage in a dialogue with other stakeholders. A two-page outline will soon be produced and circulated to the Board on options for funding.

The Board agreed to hold its next meeting in the first half of 2008, preferably in the month of April. Selection of a date will take place shortly.



## II. Preliminary Discussion

Following a briefing by Global Compact Office staff – based on the background document “UN Global Compact Office Three-Year Plan 2008-2010” – members of the Board offered a number of thoughts and observations on the following topics.

### **Government dialogue (discussion continues in Section V of this report):**

**Talal Abu-Ghazaleh** stressed that the role of the Global Compact and its Board is to remain impartial in matters of government, and that the initiative should not single out any country or government for short-comings or failures in areas related to the GC principles.

**Mads Øvlisen** stated that there are situations (e.g. anti-corruption) where business is working hard to improve standards – sometimes at the peril of employees in the field – only to have governments not support the actions. He added that government interaction should happen soon because too many governments still have naïve views about corporate responsibility and are making policies that are not making it easier for responsible business practices.

**Oded Grajew** supported Mr. Øvlisen’s remarks and stated that the Global Compact must continue to devise a relationship with governments whereby there is honest dialogue on their role in corporate responsibility issues – instances of hindering and helping – without being inappropriate or incriminating. The focus must be on dialogue. Mr. Grajew added that this ability to dialogue with government is a unique advantage of the GC. He suggested that before a dialogue is held that priority issues are prepared and a specific agenda is set.

**Antonio Peñalosa** agreed that there are situations that could call for dialogue on government actions and further Global Compact discussion about the feasibility of operating in certain areas that do not respect the ten principles – places, for example, where human rights are not respected, enacted or implemented in the law. In the matter of Myanmar, for example, Mr. Peñalosa explained that he had been involved in negotiations for eight years on the issue of forced labour and that things had been moving positively in past six months through dialogue. He asked the Board: In places where we know that legislation and practice do not broadly respect the ten principles, how can we defend the presence of the Global Compact? He suggested that deeper conversation be held on this topic in the next Board meeting.

**Mary Robinson** agreed that strengthening relationships through dialogue will be important as the Global Compact grows. She suggested an annual dialogue where issues related to governments’ role in corporate citizenship can be raised (e.g. failure to protect human rights, corruption) to all governments – perhaps at the annual meeting of ECOSOC.

**B. Muthuraman** noted that many in Indian government are not familiar with the Global Compact – a better strategy must be identified.

### **Local Networks:**

**Talal Abu-Ghazaleh** suggested that a one-day meeting of Local Networks be held as a side event at the next Leaders Summit in 2010. A complete list of emerging and established networks, including the city where each network is based, was requested.

**Manfred Warda** appealed for labour unions to be systematically informed about the status of new and existing national networks and become more involved. He emphasized the importance of labour support and dialogue on the local level, and how that can contribute to the implementation of social standards as set by the United Nations.



**Mary Robinson** emphasized the need to involve CSOs in the MDG and partnering work of the GC, as well as in the Local Networks.

**Antonio Peñalosa** noted that the sustainability and impact of Local Networks is strong where there is direct involvement by local business organizations. He mentioned that a major challenge is SME implementation of the principles which can be helped by better understanding how to participate in the network and Global Compact. Finally, he supported Mary Robinson's view that Local Network, though business-led, could have some diversity of stakeholders.

**Guy Sebban** stressed that the Global Compact needs to reinforce links between the Local Networks and other organizations in the country, such as ICC, which have common interests and expertise.

**Chen Ying** remarked on the importance of strengthening the Local Networks in the coming years, perhaps by funding more issue management locally – since the Local Networks will be critical for solution finding to many of the challenges that remain around the principles.

**B. Muthuraman** remarked that for the Global Compact to be strong, the Local Networks must be strong and able to elicit support for the initiative on the ground. He commented that the GC has not taken roots fast enough in India with only 100 members. The issue in India is that there is not enough gravity to the GC or sufficient force to bring companies on board. There are other associations, such as CII, that are active in the area and, therefore, a more powerful call to leaders is required.

### **Participant/stakeholder engagement:**

**Mads Øvlisen** raised the issue of how to balance the Global Compact's business driven, yet multi-stakeholder, nature. He questioned whether there are plans in place to assess the ramifications of large increase in civil society participation.

**Mary Robinson** expressed concern over the tendency to think in silos (e.g. participant management, partnerships, issues) and not in holistic manner. Regarding the involvement of civil society, it is important that the Global Compact is working to better define engagement guidance in order to guard against irrelevant CSOs in the initiative.

**Anthony Ling** raised questions about the future participation in the Global Compact given that 420 companies will be expelled at the end of 2007. What does the Global Compact consider success in terms of participation? Who is not involved and why? Would a sector by sector approach help increase participation and action? Do we have the right companies?

**Chen Ying** explained that in China they have done trainings in the last six months for many big companies where they explain the Global Compact as a platform for business to speak out on issues. Companies have interest in this platform – for example they have been training up to 4,000 people in one company. It is critical for the Global Compact to keep this platform for dialogue and learning.

### **Other topics:**

**Talal Abu-Ghazaleh** and **Chen Ying** both expressed appreciation for the work of Georg Kell and the entire Global Compact Office.

**Guillermo Carey** suggested that one important change to better reflect the Global Compact's goal of dialogue and constructive conversation would be to change the name of the "complaint mechanism" to "dialogue". (See related Board decision in Section IV of this report).

**Guy Sebban** suggested that with such a broad range of issues to be tackled and limited resources, the Global Compact identify its key advantages in each area when considering current and future



work streams. Additionally, he reinforced the work being done by ICC in the area of anti-corruption, which the group feels is critical to fight given its distorting effect on markets and competition.

#### **Outcomes: Board requests**

- Antonio Peñalosa requested that time be set aside in the next Board meeting to further discuss the existence of the Global Compact in areas that do not respect the ten principles.
- Talal Abu-Ghazaleh requested a complete list of emerging and established networks, including the city where each network is based.
- Manfred Warda appealed for labour unions to be systematically informed about the status of new and existing national networks.



### III. Opening of meeting and “tour de table”

As Chairman of the Global Compact Board, **Secretary-General Ban Ki-moon** officially opened the meeting with the following remarks:

- The Secretary-General thanked the Board for travelling to New York for a meeting so soon after the Geneva Leaders Summit and **asked for guidance and expertise on the future of the Global Compact**, as the initiative prepares the ground for its next phase of growth and development.
- Emphasis was placed on **finding solutions to climate change**. The Secretary-General remarked that the conference room where the meeting was being held was donated 50 years ago and featured carvings of biodiversity on the walls, and showed impressive foresight by the designers. Additionally, the room recently hosted a consultation of 25 world leaders on climate change. The Secretary-General hoped that this might inspire the Global Compact Board.
- Regarding the Leaders Summit, the Secretary-General expressed his view that it **successfully showed the ability of UN, business and civil society to join together to address common objectives through the Global Compact** initiative.
- He also pointed to a number of important outcomes, such as the **Geneva Declaration**, and new projects launched at the Summit – notably emphasizing his hope that “**Caring for Climate**” will become a truly global platform for business to make a positive contribution to the challenge of climate change.
- In relation to future development of the Global Compact, the Secretary-General highlighted the **challenge of managing growth in participation with deepened engagement and improved accountability**. He asked Board members to consider questions such as: “Are we ready to manage exponential growth and an expanded participant base of 20,000?” and “Do we have the necessary incentives to ensure that leaders and innovators in the Global Compact stay motivated, while at the same time leaving the door open for signatories that are just beginning in their corporate citizenship efforts?”
- Finally, the Secretary-General asked the Board for guidance on identifying a **more sustainable funding structure** for the Global Compact that will allow the initiative to meet rapidly growing demands of stakeholders.

Following the Secretary-General’s opening remarks, Board Vice Chairman Talal Abu-Ghazaleh began the “tour de table”.

**Talal Abu-Ghazaleh** shared information on the recent launch of the Global Compact in Jordan which brought together top business and civil society leaders, and passed along greetings to the Secretary-General from the Queen of Jordan. Mr. Abu-Ghazaleh noted that six other countries in the Arab region are planning to launch Local Networks. Regarding funding, he provided the opinion that a minimum subscription fee should be charged for participating in the Global Compact, which would be based on considerations such as geography and company size. Mr. Abu-Ghazaleh also explained that there is a need to better develop social indicators which are linked to financial indicators and committed to working in that direction. Finally, he recognized that it is important to involve governments more in the work of the Global Compact – perhaps in the form of an advisory board of donor governments.

**Mary Robinson** provided an update on the Human Rights Working Group, stating that the group has held two meetings this year – during the Leaders Summit in Geneva and on 14 September in New York – with another meeting planned for 12 December. In 2008, a joint meeting is planned between the Human Rights and Anti-corruption Working Groups given the many overlapping issues. The working group is focused on making human rights issues more accessible and understood by business, particularly given that this is an area in which GC participants indicate they are not taking significant action. For instance, focus will be given to dilemma situations, such as how to do business in environments where Global Compact principles are not respected. Additionally, further work needs to be done to roll-out the many tools that have been developed by the GCO and its many partners.



Finally, Mrs. Robinson suggested that the 60<sup>th</sup> Anniversary of the Universal Declaration on Human Rights could be a good opportunity for the GC to ask participants to take steps to develop specific policies on human rights. An additional suggestion is to conduct a plenary session on human rights and business during the next World Economic Forum.

**Mads Øvlisen** added on to Mrs. Robinson's remarks by noting the work being done on the local level to advance human rights issues. He mentioned that many companies join the GC because they identify with the higher goals of the United Nations, such as human rights. It is important to make it easier for small- and medium-size enterprises to understand human rights. Work is being done by many partners – including the Danish Institute – to create better guidance for SMEs on requirements and available resources.

**Mark Moody-Stuart** commented that the best way to spread values is to connect global companies and with local companies (both large and small). He congratulated the Secretary-General on his strong stand on climate change, commenting that it is fundamental for business to be more involved in efforts. Sir Mark highlighted the fact, however, that certain areas – such as energy efficiency, low-carbon emissions – will not be discussed without necessary government frameworks, and business must, therefore, support sensible frameworks. He questioned how the GC might assist government in this regulatory challenge, perhaps by bringing business together in dialogue across national boundaries.

**José Sergio Gabrielli de Azevedo** listed the Global Compact initiatives which he finds most important, including: (1) the Communication on Progress (COP) which helps organizations around the world show what actions they are taking and provides information that helps evaluate and determine what business is doing in relation to the principles; (2) the Principles for Responsible Investment (PRI) initiative gives a platform for the financial community to consider how to allocate investment and also helps the business sector feel their efforts around the principles are not just about “doing good”, but are also strategic; (3) Global Compact “champions” play a critical role by setting example in their actions and through compliance with the principles, which can trickle down to other businesses and society as a whole.

**Anthony Ling** shared his gratification that the responsible investment movement was helping to build a business case for ESG performance and remarked on the astounding interest in PRI by over 200 institutions managing \$10 trillion. He believes this indicates the beginning of a virtuous circle.

**Chen Ying** highlighted that climate has become a major goal in China and that the Global Compact can be used to interpret environmental responsibility into individual action by business. For example, companies are setting specific goals of energy and China will be building “low-emission” cities. Mrs. Chen sees a great role for the GC in these developments.

**Antonio Peñalosa** noted that the International Organization of Employers has been fully committed to the Global Compact since 1999. He shared plans to further organize business commitment worldwide. Mr. Peñalosa also commented on the immense scope of work in the area covered by the Global Compact and looked to the Secretary-General for his priorities and direction.

**Guy Sebban** remarked that the International Chamber of Commerce provides full support for the Global Compact initiative, noting that ICC has worked to provide substantive input and support on anti-corruption tools. He remarked that ICC will also be in Bali for the COP 13 meeting and that the Global Compact must determine where it can add the most value on the climate issue.

**Habiba Al Marashi** remarked that since becoming involved with the Global Compact, she and her environmental organization have worked to put the GC on the agenda of the UAE and the wider gulf region. She committed to put all of her resources at the disposal of GC, for example through speaking platforms, government relations and a specific focus on environment in coordination with business and academia.



**Oded Grajew** shared his belief that the example of the United Nations in implementing the Global Compact into the Organization is a most important action to build further credibility with the business community. He asked that the UN complete a Communication on Progress on its efforts to integrate the principles in areas such as procurement and the pension fund.

**Guillermo Carey** noted the success of the Annual Local Network Forum recently held in Monterrey, Mexico which brought together all Local Network focal points. He commented that this forum again exhibited the Global Compact's active global reach. He referenced the regional centre in Latin America which is working to guide SMEs in implementation of the ten principles.

**Manfred Warda** emphasized the long-standing support of the international trade union movement of the Global Compact as a platform to bring stakeholders together to address human rights and labour standards. He expressed the apologies of Guy Ryder for being unable to make the meeting.

**Toshio Arima** shared his confidence in the Global Compact, remarking that it is clear by the Local Network growth and activities that many companies around the world are working hard to take real action on the ground. He expressed his view that top management in companies must be more actively engaged in the initiative.

**B. Muthuraman** conveyed his belief that the Global Compact is a fantastic effort to bring about change, but commented on the need for better measurement of ESG (environmental, social and governance) performance in order to truly change behaviour of business. He emphasized the need to ensure that financial markets, media and government accept and use the "reporting" system devised around the Global Compact principles.

**Ntombifuthi Mtoba** remarked that in Africa stakeholders are embracing the Global Compact increasingly and see how it links to action around the MDGs. Business is seen as a catalyst for poverty alleviation, and the Global Compact helps to push the boundaries of business.

Following the "tour de table", the **Secretary-General** noted that he was impressed by the strong commitment of the Board. He shared his view that business is a core constituent of the United Nations and that business leaders have potential to make a significant difference on shared objectives. Regarding the question of UN implementation of the principles, the Secretary-General mentioned the work already being done in the areas of procurement and the pension fund, remarking that the UN hopes to learn also from the experiences of business and will continue to integrate the principles into the System. He concluded by encouraging the Board to continue to be leaders on the issue of corporate citizenship by standing at the forefront and showing the value of dialogue and change.



## IV. Integrity Measures

A brief status update was provided by the Global Compact Office on the three main areas of the Global Compact Integrity Measures (communication on progress, logo policy and brand management, and facilitation of dialogue on alleged systematic and egregious abuse) based on the background note “Progress on Integrity Measures”. It was stressed that the Global Compact, through strong integrity measures, complements both the OECD Guidelines for Multinational Enterprises and the work of the ILO.

### Communication on Progress (COP) by business:

**Ntombifuthi Mtoba** noted that in South Africa the COP policy raises concerns with companies that have signed on globally and do not want local companies to also report on the principles. She felt that this hinders some local companies from becoming more engaged in the Local Network.

**Oded Grajew** stressed the importance of working with GRI, considering their well-established reporting system and not needing to “reinvent the wheel”. With regard to reporting by multinationals, Mr. Grajew felt that these companies should report also at the national level where they operate considering that often there are double-standards within companies. He proposed that COPs should be country-by-country.

**Antonio Peñalosa** concurred that his experience was often the multinationals do have different approaches and standards across the world; implementation has not reached local levels. It is important to clarify the expectation of reporting on local practices by these companies, perhaps some common template for doing so is required.

**Mark Moody-Stuart** agreed that close relations must be maintained with GRI, but disagreed about strict reporting requirements by country of operation. He stated that due to different company structures this would not make sense in all cases. In the case of Anglo American, they apply standards globally and report failures. Sir Mark continued by explaining that many of his company’s operations do produce their own reports, for example Anglo in Chile, however it should not be a strict rule given different national structures and business lines.

**Habiba Al Marashi** agreed with Mrs. Mtoba’s statement and noted that in her region the COP requirement causes reluctance by business, as they are very concerned about what they formally put in writing on the topic. The Global Compact needs to put more effort on guiding companies in this regard. She remarked that businesses are always interested when workshops are held on COPs. Regarding the issue of multinationals reporting on local operations, she expressed interest in these companies better explaining their regional efforts.

**Chen Ying** stated that business voluntarily joins the Global Compact and there must be a level of trust regarding that commitment. In the case of China, the Local Network works hard to recruit companies and ensure their intentions. She questioned the recruitment process in other parts of the world and if it was systematic. Mrs. Chen felt that the networks could play a bigger role in helping with the COP. She agreed that GRI is an important asset in COP reporting.

**Guillermo Carey** commented on the need to bring more SMEs into the Global Compact and how the current COP policy is not practical for these small companies. He recommended that an abridged, more practical COP policy is determined for SMEs – perhaps that identifies minimum standards for implementation. Also, he mentioned that the labour portion of any company – especially SMEs – should support GC engagement and the validity of the COP reporting, suggesting that labour could sign the COP as part of the process.

**Manfred Warda** commented that global framework agreements between labour and multinationals can be an important way of ensuring that practices are carried out at national levels.



**Mark Moody-Stuart** again stressed that a report/COP should build confidence and cover local practices, however, this cannot be a fixed requirement by local operation or subsidiary since sometimes there are many lines of business within one company. Other times, it may be appropriate to report along national lines.

**Georg Kell** stressed that the Geneva Declaration rightfully underscores the need to engage subsidiaries of participating companies and motivate them to support Local Networks. Doing so would significantly increase the Global Compact's reach and provide an infusion to Local Network operations everywhere.

#### **Outcome: Multinational and Subsidiary COPs**

(1) The Board stressed the importance of ensuring that GC participants fully engage their subsidiaries, both at the global level and in Local Networks.

(2) The Board agreed that multinationals should report fully on global and local implementation of principles, but recognize that companies are organized differently across countries, business lines and work streams. Therefore, local reporting is not always appropriate. Flexibility is necessary.

(3) The Board agreed that subsidiaries that have joined the Global Compact when the parent company has not joined are subject to the standard COP policy. However, in cases where subsidiaries have joined the Global Compact in addition to the parent company, it will be at the discretion of the parent company to choose how to report on subsidiary implementation of the GC.

#### **Communication on Progress (COP) by United Nations:**

**Oded Grajew** again expressed disappointment that the UN has not yet produced a COP for implementation of the principles in the System, suggesting that this negatively impacts the Global Compact's credibility.

**Talal Abu-Ghazaleh** expressed his view that it is not the role of the Board to ask the Secretary-General to produce a COP.

**Georg Kell** replied with his appreciation of Mr. Grajew's insistence, pointing out that the GC is now systematically advocated across the UN. He mentioned the letter sent by the Board to the Secretary-General regarding increased action within the UN following the July Board meeting.

**Antonio Peñalosa** asked that the Global Compact Office promptly circulate letters by the Board Vice Chairmen to the rest of the Board members, such as the letter to Secretary-General Ban which requested increased action by the UN to implement the principles.

#### **Outcome: Communication with Board**

A request was made for the Global Compact Office to ensure that all communications by the Board Vice Chairmen on behalf of the Board are promptly circulated to all members.



## **Facilitation of dialogue on alleged systematic and egregious abuse:**

**Antonio Peñalosa** agreed with the suggestion by Mr. Carey to refer to facilitation of “dialogue” and not “complaint” in the case of issues raised on Global Compact participants. He mentioned that the complaints received by the Global Compact Office were handled well in accordance with recognized processes to facilitate dialogue; however, the conclusions the conclusions presented in the draft for consideration were too negative.

**Manfred Warda** commented that labour finds the integrity measures critical and that they are pleased with some progress being made to better deliver at the local level. It is important to clarify what is reasonable in Global Compact facilitation of dialogue on issues raised, stating that the Global Compact cannot deliver credibility on the broad scale of company activities and should guard against unjustified expectations. Mr. Warda reinforced that dialogue is the core reason for labour involvement in the Global Compact.

### **Outcome: “Dialogue Mechanism”**

Board members commended the Global Compact Office on the handling of dialogue on critical issues and the way in which the integrity measures complement other instruments, especially the OECD Guidelines for Multinational Enterprises and the relevant ILO mechanisms.

The Board agreed to change the name of the “complaint mechanism” to “dialogue mechanism” in order to better reflect the Global Compact’s goal of dialogue and constructive conversation.



## V. Strategic Direction

Based on the briefing provided earlier by the Global Compact Office and the background document “UN Global Compact Office Three-Year Plan 2008-2010”, the Board was asked to provide reflections and guidance on priorities for the Global Compact as it moves into its next phase.

### General comments:

**Guy Sebban** pointed out that it would be important to agree on criteria for selecting priorities, as it is a large task for a Board with diverse interests to identify the actual priorities. He recommended that the Board and Global Compact Office consider where the initiative adds the most value.

**Mads Øvlisen** noted that the three year plan was a good first step of identifying a “wish list” of activities, but remarked that the identification of priorities must be tied to funding – a matter to be discussed later in the agenda.

### ISO 26000:

**Antonio Peñalosa** remarked that he was prepared to support the Global Compact’s efforts to ensure that an ISO social responsibility standard would be consistent with the ten principles. However, he cautioned that the Global Compact should wait to see the results of the ISO negotiations before deciding how to move forward. He shared his hope that the ISO 26000 guidance would be a strong entry point for business to social responsibility and the GC.

**Manfred Warda** presented the position of the trade union movement on ISO 26000, which is against a reference to the Global Compact in the standard.

**Mark Moody-Stuart** questioned labour’s outright opposition to the Global Compact reference. He agreed with Mr. Peñalosa’s “wait and see” approach, but felt that if ISO 26000 does come into force that it would be important for the guidance to be aligned with the ten principles and ultimately supportive of the Global Compact initiative.

### Working Groups:

**Antonio Peñalosa** announced that the IOE would be pleased to lead the Global Compact Labour Working Group together with ITUC and the ILO. He felt this group could play an important role, particularly as it relates to the issues raised on participants and the “dialogue mechanism”. Mr. Peñalosa expressed his view that this should indeed be separate from the Human Rights Working Group and welcomed all Board members to be involved.

**Mary Robinson** responded with her support of the establishment of the Labour Working Group, but clarified her view that there also is clear jurisdiction of certain aspects of labour in the context of human rights. Mrs. Robinson agreed that the issues could be looked at from many perspectives and urged the Labour Working Group – like the Anti-corruption Working Group – to collaborate with the human rights group.

**Antonio Peñalosa** responded with his view that freedom of association is clearly a labour right with instruments specific to the ILO and supervisory bodies and interpretation which have been built over time. However, he agreed that there was room for collaboration and cooperation.



### **Outcome: Labour working group**

The Labour Working Group will be managed by IOE, ITUC and ILO with welcome involvement by all interested Board members. It was agreed that there is overlap across the issue areas – particularly labour and human rights – though there is room for collaboration and cooperation.

### **Climate change:**

**Talal Abu-Ghazaleh** reminded the Board of the Secretary-General's emphasis on climate change and asked whether the Global Compact was adequately addressing the issue, questioning if it needed to be placed in a separate category?

**Habiba Al Marashi** remarked that climate change is indeed critical as it cross-cuts many issues – affecting areas such as food production and poverty. She stated that if not addressed aggressively at the global level, then major impacts will occur. Mrs. Al Marashi commented that climate change should be the focus of the Global Compact's environmental area since it is tied to numerous environmental issues.

**Mary Robinson** agreed that climate change is an important issue, but did not feel it should be separately identified from the principles. **Chen Ying, Guillermo Carey** and **B. Muthuraman** concurred with her comments.

### **Outcome: Climate change**

It was agreed that climate change is a priority and cross-cuts many issue areas, however there is no need to further elaborate climate change in relation to the principles. It will continue to be the focus of the Global Compact's work related to environment.

### **Government dialogue:**

Summarizing the conversation from the first session of the Board meeting, **Mark Moody-Stuart** suggested that the Global Compact carefully consider how to undertake greater dialogue with government. The key is to ensure an appropriate balance among all stakeholder groups, without allowing any one group to have undue influence. He identified two separate needs: (1) working on relations with donor governments and (2) taking key issues to all governments.

**Oded Grajew** reinforced his earlier comments that the Global Compact must take an agenda to governments – asking for support that can enable and provide incentives for corporate citizenship in areas related to the principles.

**Mary Robinson** concurred that while there are issues that the Global Compact might want to take to all governments (e.g. human rights or anti-corruption), it is critical to explore the best venue for doing so. She suggested that it should be in a context where all – not just some – governments meet or could potentially meet, such as ECOSOC. Mrs. Robinson warned against institutionalizing this dialogue. She also recognized the need for separate relations with donor governments.

**Outcome: Government dialogue and relations**

Based on the Board discussion, it was agreed that the Global Compact Office would prepare a proposal for the Board on possible actions for relations and dialogue both with donor governments and all governments, more broadly.



## VI. Global Compact Funding

The working luncheon of the Board meeting focused on the Global Compact's funding strategy and new proposals to raise a cost-covering contribution from business participants – further details provided in background note “Proposal relating to the introduction of a Cost Covering Contribution (CCC)”. Sir Mark Moody-Stuart welcomed two Board members of the Foundation for the Global Compact, James Kearney of Latham & Watkins and Caroline Williams.

### Briefing:

**Mark Moody-Stuart** explained that the Foundation had raised approximately USD 500,000 in its first year from about 30 companies. During the second year of operations, general contributions were lower due to the Leaders Summit. He stressed the need to strengthen fundraising efforts again. Sir Mark opined that the system of “voluntary taxation” did not seem to work very well and that the Global Compact Office had put forward the idea of collecting a cost-covering contribution from companies. He stated that the system should be voluntary and that there should be a ceiling to individual contributions, perhaps around USD 10,000.

**Georg Kell** explained the need to reach a general understanding about increasing contributions from business participants. He stressed that the private sector component of the Global Compact's funding should increase over time – and was linked to governance issues. Mr. Kell emphasized that the introduction of a business contribution should in no way diminish the growth of the Global Compact. Concerns had been expressed that the GC could become a fee-based membership club, which would diminish the voluntary adoption of the initiative by business. He suggested the introduction of a dual system of minimum cost-covering payment – taking into account size and financial capacities of participating companies – and the option of a voluntary contribution.

According to Mr. Kell, the end goal would be to fund about 50 percent of the Global Compact's operating budget through business contributions, amounting to roughly USD 2-3 million per year. He further mentioned that it is important not to undermine the work of local networks that already depend on contributions. Currently, about 20 networks collect fees from participants. In closing, Mr. Kell stressed that the introduction of a business contribution would force the Global Compact to become more client-oriented and focus its efforts, which he described as a benefit for the work of the Office.

### Discussion:

**Mads Øvlisen** felt that the Board was not in position to make the decision to introduce contributions. While he agreed that funding is needed, he urged the Board to consider the strategic implications. He explained that Lego and NovoNordisk were very sympathetic to the idea of joining and revitalizing the UN, but that their engagement focused on endorsement, advocacy and supporting Local Networks. He proposed to explore ways to make voluntary taxation work. Mr. Øvlisen explained that if the GC were to become an organization offering services, it should be clearly defined what its constituents receive for their contributions. He suggested the establishment of a small working group to determine what funding options are available. In closing, he expressed his certainty that companies would contribute voluntarily, but he warned that many may leave the GC if mandatory contribution were to be introduced.

**Guy Sebban** underscored the need to address the relationship between the funding of Local Networks and the global level. He further pointed out that some basic question had not yet been sufficiently addressed. If the GC were to collect money from companies, consideration should be given to who is making the decision within the company (where even small contributions are often decided at the highest levels). Mr. Sebban also urged the Board to look at the perceptions of contributions. In his view, contributions can be treated in three ways: as donations, as contributions with an expectation of a return, or as a tax. He stressed that without a clear view of who is targeted for a contribution, the Board would not be in a position to make a decision.



**Mary Robinson** underscored her interest in creating a sustainable basis for the GC. She commented that she is leaning more toward the voluntary contribution. Describing the experience of the Business Leaders Initiative on Human Rights, which she chairs, she said that companies are contributing because they are getting value. She urged the Board to consider where the Global Compact stands, stressing that there is a value (around tools, guidance and COPs) that needs to be intensified and could then be used to help strengthen interest in voluntary contribution. She said that an increase in value delivered could possibly tip the scales towards a fee structure. Mrs. Robinson reinforced that the GC could be quite buoyant on the voluntary side if the value was better assessed.

**Georg Kell** added that with regard to the branded initiatives such as Caring for Climate and the CEO Water Mandate, fundraising is relatively easy. But he cautioned that the Global Compact could drift too much in the direction of a professional service provider, which could tie the initiative's hands. He described the funding debate as both an issue of scale and a global issue.

**Caroline Williams** explained that PRI, as a smaller and younger initiative, spent some time defining the right words with regard to funding. PRI sent out voluntary invoices to signatories. There was also a hope that foundations would contribute, but the foundations suggested that the signatories should cover the costs. The dilemma was that funds don't typically make contributions. When PRI then resorted to calling the contribution an investment fee, funds were raised more easily. The first year of PRI operations brought contributions from 20 percent of signatories, to be raised to 25 percent for the second year. Summing up, Mrs. Williams stressed the importance of choosing the right words to describe what are perceived as regular, acceptable fees from a business perspective.

**Mark Moody-Stuart** explained that the initial idea was to have a very low fee to cover costs of putting COPs on the GC website, for example. The initially suggested number was around USD 2,000 to 3,000 for large companies. However, as he pointed out, some supporters may then just pay the minimum required instead of making a larger contribution. He stressed that the chosen system should not prevent higher contributions from some champions. He suggested that the Board consider a compromise that combines a low minimum contribution rate with flexibility for larger sums.

Pointing to Latin American experiences, **Guillermo Carey** pointed out that some companies are willing to pay large sums as part of their commitment to corporate citizenship. He stressed the need to market the GC properly.

**Oded Grajew** emphasized that contributions are a test for the GC to determine what the initiative means to the participating businesses. He stated that if with proper effort, there is still no financial support then something is wrong. He also cautioned not to destroy local networks by taking money at the global level, suggesting that the GC perhaps collect a percentage of local contributions. Overall, he said, the GC should prepare a funding concept and take the risk, as it was the only chance of gaining stability.

**Manfred Warda** remarked that regular contributions could imply that the initiative now needs to represent the interests of business. He expressed preference for a model where companies contribute to specific projects or initiatives.

**B. Muthuraman** explained that companies must recognize that the work of the GC requires a certain kind of expenditure. He urged that strong case must be made for business contributions, stating that industries not only can afford it, but it is their job to contribute.

Presenting the situation of the Japanese network which currently collects about USD 1,000 per annum from its 56 participants, **Toshio Arima** stressed the dilemma of reconciling the funding needs of the Global Compact Office and Local Networks. While he supported the basic idea of contributions, he said that a sound proposal must be developed that gives companies in Japan and elsewhere good reasons to pay.



**Chen Ying** raised the need to consult meaningfully with existing participants, as it may be easier to collect contributions from new participants. As other Board members before, she stressed the need to identify the added value delivered by contributions.

**Habiba Al Marashi** outlined several funding options based on the experience of the Emirates Environmental Group, including administrative charges for newcomers, with a lower scale for existing participants; subscriptions to publications; and the use of the website to create revenue streams. She also recommended finding individual partners for specific projects and programs.

**José Sergio Gabrielli de Azevedo** recommended that the Global Compact Office develop clear fundraising activities, finding different sources from different areas to finance needs. He explained that Petrobras pays both voluntary and mandatory contributions to different organizations. He stressed that mandatory contributions should not exclude the possibility for future voluntary contributions.

**James Kearney** of Latham & Watkins stressed that voluntary contributions should be used to ensure that companies are not thrown out of the GC for not paying. He explained that Latham & Watkins used to make voluntary contributions to roughly 65 organizations around the world. When some of these organizations began asking for mandatory payments, L&W looked at these payments as business expenses and assessed the value of the payment to the firm. In all cases, no further payments were made. Mr. Kearney emphasized that the GC needs a systematic approach that considers the concerns of Local Networks, is consistent and should prevent the GC being seen as a service provider.

**Mark Moody-Stuart** pointed out that no immediate decision by the Board was needed, but rather the discussion was served as important input to a more comprehensive proposal. He stressed that the role of Local Networks is absolutely fundamental and that the funding of Local Networks and the Global Compact Office should be kept separate. In his opinion, funding the GCO through a share of Local Network contributions or, conversely, funding Local Networks through the GCO are not viable options.

Sir Mark added that a small administrative fee to cover GCO costs may be acceptable, with an even lower contribution for small companies. But these contributions should be kept separate from the larger support. At the same time, he urged that the GCO redouble its efforts to secure project-based funding.

**Ntombifuthi Mtoba** recommended that the funding discussion requires consultation with other stakeholders, as she, for instance, has no mandate to speak on behalf of the Local Network in South Africa.

**Oded Grajew** supported Mrs. Mtoba's point, suggesting a participatory process with all stakeholders to clarify expectations, present proposals, and outline problems and challenges. He argued that the process of explaining the situation and consulting with participants can be part of the solution, if done properly.

**Georg Kell** proposed that a support group be established by the GCO to formulate a proposal and engage in a dialogue with other stakeholders. He said that a two-page outline would be produced and circulated to the Board in due course. He once again stressed that the process is not about fundraising or "celebrity dinners", but about seeking new ways to be more effective, sustainable and able to reach out to all participants.

In closing, **Mark Moody-Stuart** reiterated the Board's commitment to the issue and noted that it will be critical to raise more funds from business in order to secure government funding.



### **Outcomes: Funding**

While Board members agreed generally on the need to improve the Global Compact's funding situation and ensure the financial sustainability of the initiative's future operations, views differed widely with regard to the proper approach. Several members questioned the potential cost-covering contribution for various reasons, including: risk of driving away participants, GC value needs to be better clarified, and issues with Local Network fundraising. However, many other Board members were supportive of a minimal administrative fee for participation in the Global Compact if it: would not compete with larger fundraising needs, is determined through consultation with stakeholders, and is properly introduced. A suggestion was made to form a small Board working group to further consider the issue.

Georg Kell proposed that a support group be established by the GCO to formulate a proposal and engage in a dialogue with other stakeholders. He said that a two-page outline would be produced and circulated to the Board shortly on this process.



## VII. Appendix: Members of the Global Compact Board

<b>Business</b>	
Talal ABU-GHAZALEH	Chairman and CEO, Talal Abu-Ghazaleh Organization, Egypt
Toshio ARIMA	Director and Executive Advisor to the Board, Fuji Xerox, Japan
José Sergio GABRIELLI DE AZEVEDO	President and CEO, Petrobras, Brazil
Guillermo CAREY	Senior Partner, Carey & Allende Abogados, Chile
CHEN Ying	Deputy Director-General, China Enterprise Confederation, China
Anne LAUVERGEON*	Chair of the Executive Board, Areva, France
Anthony LING	Chief Investment Officer, Goldman Sachs International, UK
Ntombifuthi MTOBA	Chair of the Board, Deloitte, South Africa
B MUTHURAMAN	Managing Director, Tata Steel, India
Mads ØVLISEN	Adjunct Professor, Copenhagen Business School Chair, Lego, Denmark
<b>International Labour and Business Organizations</b>	
Antonio PEÑALOSA	Secretary-General, International Organization of Employers
Guy RYDER*	General Secretary, International Trade Union Confederation
Guy SEBBAN	Secretary-General, International Chamber of Commerce
Manfred WARDA	General Secretary, International Federation of Chemical, Energy, Mine and General Workers' Unions
<b>Civil Society</b>	
Habiba AL MARASHI	Chair, Emirates Environmental Group
Oded GRAJEW	Chair, Instituto Ethos de Empresas e Responsabilidade Social
Huguette LABELLE*	Chair, Transparency International
Mary ROBINSON	Chair, Realizing Rights: The Ethical Globalization Initiative
<b>Ex-Officio</b>	
Sir Mark MOODY-STUART	Chairman, Foundation for the Global Compact
Georg KELL	Executive Director, UN Global Compact Office

\* Not present at 1 November 2007 Board meeting in New York.