

The UN Global Compact

Verity Quinn, Associate of the Federal Court and Emma Dunlevie, Russell Kennedy¹

Seattle, 1999, 50,000 people take to the streets in protest against the Third Ministerial Meeting of the WTO. Melbourne, 2000, protesters and police clash at the World Economic Forum.

Anti-globalisation sentiment swells as the number of trans-national corporations grows and the sheer size and force of the global economy, unregulated by any higher authority than market forces, leaves many feeling powerless. In 2002, Enron collapses amidst allegations of deceptive accounting practices. Back home, the HIH Royal Commission hears accounts of executive officers' spending sprees just days prior to the insurer's collapse. Tales of greed and corruption from the corporate sector unfold and public mistrust of corporations - the main actors in the global economy - suddenly appears well founded.

In an era where the worth of some trans-national corporations is greater than the GNP of a small country and corporate structures have largely outgrown the regulatory framework of the nation-state, "corporate social responsibility" has taken on a heightened importance. The UN has emphasised the need for these increasingly powerful actors in the global economy to take into account the needs and values of societies, this being both a moral imperative and a prerequisite for sustainable development. To this end, UN Secretary-

General, Kofi Annan, proposed a model that would facilitate corporate social responsibility and promote supposedly common inter-societal needs and values - the Global Compact ("GC"). Given the history of UN-corporate relations, such a model was an unprecedented and ambitious initiative.

What is the Global Compact?

Officially launched on June 26 2000, the GC's aim, as stated by Kofi Annan, is to "unite the powers of the market with the authority of universal ideals." In uniting these two powers, it is anticipated that we will see improvements in corporate governance as well as greater respect for the environment, human rights and the notion of sustainable development. The GC has been described by the UN Secretary-General as "a multi-stakeholder learning network," characterised by dialogue and action on the basis of nine central principles (see table 1). These principles are supposedly uncontroversial and universal, grounded in the areas of human rights, labour standards and environmental protection. They are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Fundamental Principles and the Declarations of the 1992 Rio Earth Summit and 1995 Copenhagen Social Summit.

Participants who choose to "engage" with the GC must first send a letter to the UN Secretary-General expressing support for the GC and a commitment to take the following actions:

- to issue a clear statement of support for the GC and its nine principles and to publicly advocate the GC (eg incorporating the principles into the company's mission statement, annual reports and training programs); and
- to annually provide concrete examples of progress made or a lesson learned in implementing the principles in the form of "best practice case studies" published on the GC website.

Participants may also wish to actively support the principles by initiating and participating in projects in partnership with the UN.

GC participants are wide and varied (see table 2) and include NGOs, national associations, UN organisations and, most significantly, corporations. The GC offers corporations - traditionally viewed as motivated by values antithetical to the nine principles - a unique opportunity to invest in sustainable development and perhaps to redress their public image. Furthermore, whereas in the past the primary interaction between corporations and the UN or NGOs was one of confrontation, the GC provides a model of constructive engagement in a shared quest for sustainable development.

TABLE 1

The Nine Principles of the Global Compact

The UN Secretary-General asked world business to:

- 1) support and respect the protection of international human rights within their sphere of influence; and
- 2) make sure their own corporations are not complicit in human rights abuses.

The Secretary-General asked world business to uphold:

- 3) freedom of association and the effective recognition of the right to collective bargaining;
- 4) the elimination of all forms of forced and compulsory labour;
- 5) the effective abolition of child labour; and
- 6) the elimination of discrimination in respect of employment and occupation.

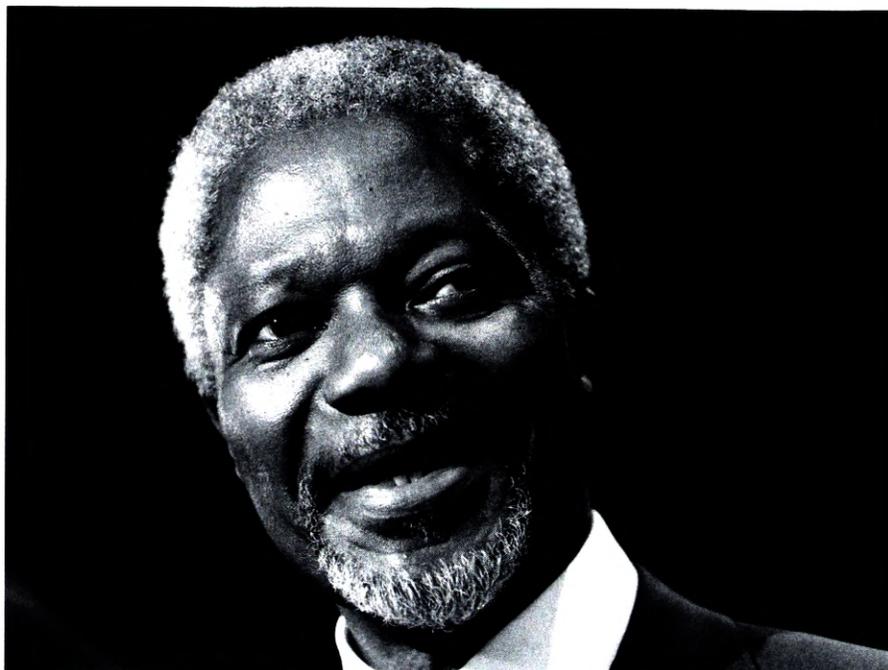
The Secretary-General asked world business to:

- 7) support a precautionary approach to environmental challenges;
- 8) undertake initiatives to promote greater environmental responsibility; and
- 9) encourage the development and diffusion of environmentally friendly technologies.

Altruism or Naked Opportunism?

The GC is largely structured as a learning forum and value-based platform. In engaging with the GC principles, corporations are not bound by a detailed code of conduct or regulatory arrangement.

Whilst a corporation's engagement may be cancelled or refused should it blatantly disregard the GC principles, the GC is often criticised for its lack of provision for accountability or monitoring of compliance. Its critics suggest that the GC structure simply allows corporations to wrap themselves in the UN flag and take on a positive brand image without the corresponding responsibilities. However, it is likely that this lack of detailed reporting or enforcement procedures attracts corporations to the model - the GC is a flexible, low-cost mechanism for the channelling of corporate goodwill. It certainly does not guarantee the end of unus-



UN SECRETARY-GENERAL, KOFI ANNAN

tainable business practices, but it does encourage corporations to “join the debate” on human rights, labour and the environment.

Over time, new benchmarks will evolve to be met by businesses, around which public expectations and debate on corporate governance will grow.

The Melbourne Model

We are also witnessing a number of innovative initiatives at a local level which are significantly advancing the scope and impact of the GC. Melbourne is the first, and as yet only, city to have engaged with the GC. In what has become known around the world as “The Melbourne Model,” the Committee for Melbourne – a private, non-profit network of business, academic, science and community leaders – is working cooperatively with the City of Melbourne and the United Nations Association of Australia (Victorian Branch) to create a “city-wide or community approach” to the GC. As described by Janine Kirk, Executive Director of the Committee for Melbourne, the Melbourne Model is about “bringing business together with community and government to deliver outcomes which promote Global Compact principles.” Rather than focusing on corporate engagement alone, the Melbourne Model is about rolling out the GC principles into the broader community at large and bringing together public bodies, companies and community groups to improve outcomes. Ms Kirk maintains that “One of the strengths of the Melbourne community is that people do work collaboratively and in partnership. The Global Compact sums up the Melbourne community. We are a collaborative, dynamic, forward-looking community.” The Committee for Melbourne,

according to Ms Kirk, has a long-term goal of “creating Melbourne as the Geneva of the Asia-Pacific.” The Committee for Melbourne sees the GC as offering a unique opportunity to enhance Melbourne’s status as an international centre for corporate social responsibility.

The Committee for Melbourne acts as a facilitator of initiatives and identifies ideas and opportunities based on promoting GC principles. “We approach local government and businesses and ask them, ‘How do we take these ideas forward?’” says Ms Kirk. She goes on to say that, “We assist organisations in seeing effective ways of engaging with other stakeholders. Companies can come together and exchange ideas, opportunities and maybe conduct joint projects, while taking on board the minimum standards of the Global Compact. When you bring the various sectors of the community together, you can come up with some really interesting ideas and many practical outcomes - we are only limited by our imagination.”

A prime example of the GC in action, according to Ms Kirk, is the recently announced project, *Werribee Plains – a Vision for a Sustainable Future*. Launched by Premier Bracks in August 2002, the first phase of this project aims to “green” the Werribee plains area by utilising treated waste water previously lost into Port Phillip Bay. The Committee for Melbourne, which is facilitating the project, believes that it will effect major agricultural, residential and technologically-based development in the region, with the potential to generate more than \$500 million worth of investment and 1000 new jobs for Victorians in the water, agribusiness and eco-tourism sectors. The

Participants in the GC include:

City of Melbourne
 Committee for Melbourne
 Monash University
 The University of Melbourne
 RMIT
 Methodist Ladies College
 Ruyton Girls School
 Allens Arthur Robinson
 BP Australasia
 Rio Tinto
 Daimler Chrysler
 Shell Australia
 Westpac
 International Chamber of Commerce
 Unilever

project provides an example of how business, government and community can successfully work together towards the ambitious goals embodied in the GC principles. As Ms Kirk points out, this project “provides evidence that we can convert waste streams into revenue streams and create projects of global significance based on sustainability and triple bottom-line principles.” The Committee for Melbourne sees the objectives of such projects as enhancing the quality of life in Melbourne in the medium and long term.

Are we seeing a new era of corporate responsibility?

Globalisation has so far been largely characterised by the inequitable distribution of benefits and the inconsistent application of global rules. The notion of corporate social responsibility contemplates a greater role for corporations in reversing this trend in deference to the global pursuit of sustainable development. Although we are far from having a corporate sector universally committed to human rights, labour standards and environmental protection, the GC is a small but significant step in the right direction. With greater encouragement and respect given to such initiatives, we may come to witness a human face to the global market.

Should you wish to encourage your company to engage with the GC, or for further information, visit the GC website at www.unglobalcompact.org or contact the Committee for Melbourne on (03) 9650 8800 or visit www.melbourne.org.au. ●

1 The views expressed in this article are the personal views of the authors.