

- 00096

BBA

GLOBAL COMPACT & CORPORATE SOCIAL RESPONSIBILITY

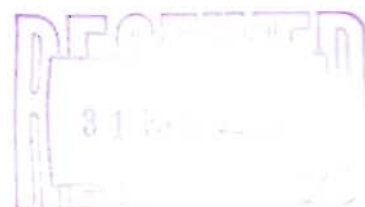


United Nations Global Compact

Developed Based on United Nations Charter

Compiled By
Dr. Syed Ferhat Anwar
Professor
Institute of Business Administration
University of Dhaka

May 2006



What is the Global Compact?

In an address to the World Economic Forum on 31 January 1999, United Nation Secretary-General Kofi Annan challenged business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labor and civil society to support universal environmental and social principles. The Global Compact's operational phase was launched at UN Headquarters in New York on 26 July 2000. Today, many hundreds of companies from all regions of the world, international labor and civil society organizations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labor, the environment and anti-corruption.

Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. In this way, the private sector – in partnership with other social actors – can help realize the Secretary-General's vision: a more sustainable and inclusive global economy.

The Global Compact is a purely voluntary initiative with two objectives:

- Mainstream the ten principles in business activities around the world
- Catalyze actions in support of UN goals

To achieve these objectives, the Global Compact offers facilitation and engagement through several mechanisms: Policy Dialogues, Learning, Country/Regional Networks, and Projects.

The Global Compact is not a regulatory instrument – it does not “ police”, enforce or measure the behavior or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labor and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.

The Global Compact is a network. At its core are the Global Compact Office and six UN agencies:

[Office of the High Commissioner for Human Rights](#)
[United Nations Environment Programme](#)
[International Labor Organization](#)
[United Nations Development Programme](#)
[United Nations Industrial Development Organization](#)
[United Nations Office on Drugs and Crime](#)

The Global Compact involves all the relevant social actors: governments, who defined the principles on which the initiative is based; companies, whose actions it seeks to influence; labor, in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; and The United Nations, the world's only truly global political forum, as an authoritative convener and facilitator.

Why Participate

There are numerous benefits to participating in the Global Compact.

These include:

- Demonstrating leadership by advancing responsible corporate citizenship.
- Producing practical solutions to contemporary problems related to globalization, sustainable development and corporate responsibility in a multi-stakeholder context.
- Managing risks by taking a proactive stance on critical issues.
- Leveraging the UN's global reach and convening power with governments, business, civil society and other stakeholders.
- Sharing good practices and learning.

- Accessing the UN's broad knowledge in development issues.
- Improving corporate/brand management, employee morale and productivity, and operational efficiencies.

Human Rights

For more information on the Global Compact's business and human rights program, please see also our [Human Rights issues page](#).

Principle One

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence: and

Principle Two

Make sure they are not complicit in human rights abuses.

The Origin of the Human Rights Principles

Human rights are universal and belong to everyone equally. The origin of Principles One and Two is in the 1948 Universal Declaration of Human Rights (UDHR). The aim of this Declaration was to set basic minimum international standards for the protection of the rights and freedoms of the individual. The fundamental nature of these provisions means that they are now widely regarded as forming a foundation of international law. In particular, the principles of the UDHR are considered to be international customary law and do not require signature or ratification by the state to be recognized as a legal standard.

The UDHR is a keystone document; it has been translated into over 3000 languages and dialects. While some principles may not be directly applicable to business, consistency with the declaration is important.

What does the Universal Declaration Say?

Equality

The Declaration begins by laying down its basic premise that "all human beings are born free and equal in dignity and rights." The Declaration then goes on to give content to its understanding of equality by prohibiting any distinction in the enjoyment of human rights on such grounds as race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Life and Security

The rights to life, liberty and security, and the right to be free from slavery servitude, torture or cruel, inhuman or degrading treatment or punishment further develop the notion of personal dignity and security. The rights of the individual to a just national legal system are also set out. The right to recognition as a person before the law, to equal protection of the law, to a judicial remedy before a court for human rights violations, to be free from arbitrary arrest, to a fair trial before an independent court, to the presumption of innocence and not to be subjected to retroactive penal laws are all set out in the Declaration.

Personal Freedom

Rights protecting a person's privacy in matters relating to family, home, correspondence, reputation and honor and freedom of movement are all part of the Universal Declaration. The right to seek asylum, to a nationality, to marry and found a family and the right to own property are also proclaimed by the Declaration. Freedom of thought, conscience and religion and freedom of opinion and expression are set out along with the right of peaceful assembly and association and the right to take part in government.

Economic, Social and Cultural Freedoms

Touching other aspects of the daily lives of people, the Declaration proclaims the right to social security and to the economic, social and cultural right indispensable to human dignity and the free development of each individual's personality. These rights are to be realized through national efforts and international co-operation in accordance with conditions in each state.

The right to work is set out, and to equal pay for equal work and to just and favorable remuneration ensuring for the worker and the worker's family an existence worthy of human dignity (which can be supplemented if necessary by other means of social protection). The Declaration also recognizes that right to form and join trade unions, the right to rest and leisure, reasonable limitations on working hours and periodic holidays with pay. The right to a standard of living adequate for health and well being, including food, clothing, housing, medical care, and to social services and security, if necessary, are also proclaimed as are the rights to education, and to participate in the cultural life of the community, and to the protection of the moral and material interests resulting from any scientific, literary or artistic production.

Global Compact Principles One and Two call on business to develop an awareness of human rights and to work within their sphere of influence to uphold these universal values, on the basis that responsibility falls to every individual in society.

PRINCIPLE ONE

Businesses should support and respect the protection of internationally proclaimed human rights.

Why Human Rights Are Important for Business

The responsibility for human rights does not rest with governments or nation states alone. Human rights issues are important both for individuals and the organizations that they create. As part of its commitment to the Global Compact, the business community has a responsibility to uphold human rights both in the workplace and more broadly within its sphere of influence. A growing moral imperative to behave responsibly is allied to the recognition that a good human rights record can support improved business performance.

Reasons for companies to address human rights issues include:

Compliance with local and international law

As a minimum, business should strive to ensure that its operations are consistent with the legal principles applicable in the country of operation. The consideration of lawsuits against multinationals for poor practice outside their country of origin is a growing trend.

Promoting the rule of law

Businesses operating outside their country of origin may have an opportunity to promote and raise standards in countries where support and enforcement of human rights issues is insufficient. Societies where human rights are respected are more stable and provide a good environment for business.

Addressing consumer concerns

Access to global information means that consumers are increasingly aware of where their goods come from and the conditions under which they are made. A proactive approach to human rights can reduce the potentially negative impacts of adverse publicity from consumer organizations and interest groups.

Supply chain management

Global sourcing and manufacturing means that companies need to be fully aware of potential human rights issues both upstream and downstream. Promoting best practice in human rights will allow business to select appropriate business partners.

Increasing worker productivity and retention

Workers who are treated with dignity and given fair and just rewards for their work are more likely to be productive and remain loyal to an employer. New recruits increasingly consider the social and environmental record of companies when making their choice of employer.

Building good community relationships

Companies that operate on a global basis are visible to a large audience world-wide as a result of the advances in communications technologies. Addressing human rights issues positively can bring rewards both at site level, within local communities, as well as in the broader global commons in which companies operate.

Bringing Human Rights Into Company Policy and Culture

A key starting point is for individuals within companies to develop an understanding of the issues, for example by making reference to the Universal Declaration of Human Rights. Companies also need to ensure that they are respecting existing national laws in the countries where they operate, and identify how these may vary according to local culture. Equally important is that respect for human rights is embedded in the core values and culture of the organization.

The development and implementation of a human rights policy should take into account any appropriate guidelines and, where possible, include input from and consultation with relevant stakeholder groups.

Some ideas for bringing human rights into company policy are by -

- developing a company policy and strategy to support human rights,
- developing a health and safety management system,
- providing staff training on human rights issues and how they are affected by business,
- providing staff training on internal company policies as they relate to human rights
- performing human rights impact assessments of business activities and reviewing them regularly,
- discussing human rights impacts with affected groups, and
- working to improve working conditions in consultation with the workers and their representatives.

Finally, there are a number of examples of how companies can guarantee human rights through their daily activities:

(a) In the workplace:

- by providing safe and healthy working conditions,
- by guaranteeing freedom of association,
- by ensuring non-discrimination in personnel practices,
- by ensuring that they do not use directly or indirectly forced labor or child labor, and
- by providing access to basic health, education and housing for the workers and their families, if these are not provided elsewhere.

(b) in the community:

- by preventing the forcible displacement of individuals, groups or communities,
- by working to protect the economic livelihood of local communities, and
- by contributing to the public debate. Companies interact with all levels of government in the countries where they operate. They therefore have the right and responsibility to express their views on matters that affect their operations, employees, customers and the communities of which they are a part.

100 Finally, if companies use security services to protect their operations, they must guarantee that existing international guidelines and standards for the use of force are respected.

PRINCIPLE TWO

Businesses should make sure they are not complicit in human rights abuses.

Complicity

Many agree that "complicity" is a difficult concept to appreciate and categories, and understanding complicity in order to avoid complicity in human rights violations, represents an important challenge for business. As the dynamics between governments, companies, and civil society organizations is changing, so too does our understanding of when and how different organizations should take on responsibilities for human rights issues. Whilst recognizing that the role of governments in ensuring respect for human rights continues to be extremely important, the changing operating context for business has prompted the Office of the High Commissioner for Human Rights (OHCHR) to lead efforts to define what constitutes corporate complicity in human rights abuses.

It is important to understand that in a business context the notion of complicity can occur in a number of forms -

Direct Complicity

Occurs when a company knowingly assists a state in violating human rights. An example of this is in the case where a company assists in the forced relocation of peoples in circumstances related to business activity.

Beneficial Complicity

Suggests that a company benefits directly from human rights abuses committed by someone else. For example, violations committed by security forces, such as the suppression of a peaceful protest against business activities or the use of repressive measures while guarding company facilities, are often cited in this context.

Silent complicity

Describes the way human rights advocates see the failure by a company to raise the question of systematic or continuous human rights violations in its interactions with the appropriate authorities. For example, inaction or acceptance by companies of systematic discrimination in employment law against particular groups on the grounds of ethnicity or gender could bring accusations of silent complicity.

Contemporary Issues

Human rights issues have become increasingly important as the nature and scope of business has changed. Different actors have different roles to play and it is important for business to be aware of the contemporary factors that have made human rights an organizational issue.

Globalization - the growth in private investment has witnessed companies expanding operations to countries previously untouched by global markets. In some instances these countries have poor human rights records and/or the capacity of the state to address these issues is limited. In these cases the role of business in promoting and respecting human rights is particularly important.

Growth of civil society - in some instances the capacity of the state to address human rights issues have diminished. As a result, a steady alienation of people has occurred towards just those public institutions that were established to serve them. Non-governmental organizations of all types and sizes have grown to fill the void - progressively influencing both public policy and the market agenda. They include new human rights, labor and corporate accountability organizations.

Transparency and Accountability - the need for transparency in business practice has been highlighted both by globalization, the growth of civil society interests and some recent problems in the corporate sector. Advances in information technologies and global communications mean that companies can ill afford to conceal poor or questionable practices.

Possible Actions by Business

An effective human rights policy will help companies avoid being implicated in human rights violations. In order to avoid such situations, companies may wish to consider the following:

- Has the company made human rights assessment of the situation in countries where it does, or intends to do, business so as to identify the risk of involvement in human rights abuses and the company's potential impact on the situation?
- Does the company have explicit policies that protect the human rights of workers in its direct employment and throughout its supply chain?
- Has the company established a monitoring system to ensure that its human rights policies are being implemented?
- Does the company have an explicit policy to ensure that its security arrangements do not contribute to human rights violations? This applies whether it provides its own security, contracts it to others or in the case where security is supplied by the State.
- Does the company actively engage in open dialogue with human-rights organizations?

With respect to this last issue it is suggested that businesses:

- respect international guidelines and standards for the use of force (e.g. the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and the UN Code of Conduct for Law Enforcement Officials);
- if financial or material support is provided to security forces, establish clear safeguards to ensure that these are not then used to violate human rights; and make clear in any agreements with security forces that the business will not condone any violation of international human rights laws; and
- privately and publicly condemn systematic and continuous human rights abuses.

Labor

Principle Three

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle Four

the elimination of all forms of forced and compulsory labor;

Principle Five

the effective abolition of child labor; and

Principle Six

eliminate discrimination in respect of employment and occupation.

The Origin of the Labor Standard Principles

The four labor principles of the Global Compact are taken from the ILO's Declaration on Fundamental Principles and Rights at Work. This Declaration was adopted in 1998 by the International Labor Conference, a yearly tripartite meeting that brings together governments, employers and workers from 177 countries. The

Declaration calls upon all ILO Member States to apply the principles in line with the original intent of the core Conventions on which it is based. A universal consensus now exists that all countries, regardless of level of economic development, cultural values, or ratifications of the relevant ILO Conventions, have an obligation to respect, promote, and realize these fundamental principles and rights. At the most recent G8 Meeting in Evian, France, in 2003, the leaders of the industrialized world encouraged companies to work with other parties to implement the Declaration.

The Principles and Rights identified in the ILO Declaration comprise the labor portion of the Global Compact. They are:

- to promote and realize in good faith the right of workers and employers to freedom of association and the effective recognition of the right to collective bargaining;
- to work towards the elimination of all forms of forced or compulsory labor;
- the effective abolition of child labor; and
- the elimination of discrimination in respect of employment and occupation.

PRINCIPLE THREE

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Freedom of Association and Collective Bargaining

Businesses face many uncertainties in this rapidly changing global market. Establishing genuine dialogue with freely chosen workers' representatives enables both workers and employers to understand each other's problems better and find ways to resolve them. Security of representation is a foundation for building trust on both sides. Freedom of association and the exercise of collective bargaining provide opportunities for constructive rather than confrontational dialogue, and this harnesses energy to focus on solutions that result in benefits to the enterprise, its stakeholders, and society at large.

A number of studies indicate that the dynamic that results from freedom of association can set in motion a "decent work"-cycle that increases productivity, incomes and profits for all concerned. The guarantee of representation through a "voice at work" facilitates local responses to a globalize economy, and serves as a basis for sustainable growth and secure investment returns. The results help bridge the widening representational gap in global work arrangements, and facilitate the input of those people, regions and economic sectors - especially women and informal sector workers - who otherwise may be excluded from participating in processes that build decent work environments.

Freedom of Association

Freedom of association implies a respect for the right of employers and workers to join associations of their own choice. It does not mean that workforces must be organized or that companies must invite unions in. Employers should not interfere in an employee's decision to associate, or discriminate against the employee or a representative of the employee.

"Association" includes activities of rule formation, administration and the election of representatives. The freedom to associate involves employers, unions and workers representatives freely discussing issues at work in order to reach agreements that are jointly acceptable. These freedoms also allow for industrial action to be taken by workers (and organizations) in defense of their economic and social interests.

Collective Bargaining

Collective bargaining refers to the process or activity leading up to the conclusion of a collective agreement. Collective bargaining is a voluntary process used to determine terms and conditions of work and the regulation of relations between employers, workers and their organizations.

An important part of the effective recognition of the right to collective bargaining is the 'principle of good faith'. This is important for the maintenance of the harmonious development of labor relations. This principle implies that the social partners work together and make every effort to reach an agreement through genuine

and constructive negotiations, and that both parties avoid unjustified delays in negotiations. The principle of good faith does not imply a pre-defined level of bargaining or require compulsory bargaining on the part of employers or workers and their organizations.

Possible Strategies for Business

The Global Compact does not suggest that employers change their industrial relations frameworks. However, as organizations such as the International Organization for Employers have indicated, some 'high performance' companies have recognized the value of using dialogue and negotiation to achieve competitive outcomes.

What companies can do:

In the workplace

- Ensure that all workers are able to form and join a trade union of their choice without fear of intimidation or reprisal.
- Ensure union-neutral policies and procedures in such areas as applications for employment and record-keeping; and decisions on advancement, dismissal or transfer.
- Provide facilities to help worker representatives carry out their functions within the company's needs, size and capabilities.
- These facilities include the ability to collect union dues on company premises, posting of trade union notices, and distribution of union documents related to normal trade union activities in the enterprise, and time-off with pay for union activities.

At the bargaining table

- Recognize representative organizations for the purpose of collective bargaining.
- Use collective bargaining as a constructive forum for addressing working conditions and terms of employment and relations between employers and workers, or their respective organizations.
- Address any problem-solving or preventive need within the imagination and interests of workers and management, including restructuring and training needs, redundancy procedures, safety and health issues, grievance and dispute settlement procedures, disciplinary rules, and family and community welfare.
- Provide information needed for meaningful bargaining.
- Balance dealings with the most representative trade union to ensure the viability of smaller organizations to continue to represent their members.

In the community of operation

- Take account of the climate in labor-management relations in the country when ensuring freedom of association and collective bargaining. In countries with insufficient legal protections, take steps to preserve the safety and confidentiality of trade unions and their leaders.
- Support the establishment and functioning of local/national employers' organizations, and trade unions.
- Inform the local community, media and public authorities of your company's endorsement of the UN Global Compact and its intention to respect its provisions, including those on fundamental workers' rights.

PRINCIPLE FOUR

Businesses should uphold the elimination of all forms of forced and compulsory labor.

Forced and Compulsory Labor

Forced or compulsory labor is any work or service that is extracted from any person under the menace of any penalty, and for which that person has not offered himself or herself voluntarily. Providing wages or other compensation to a worker does not necessarily indicate that the labor is not forced or compulsory. By right, labor should be freely given and employees should be free to leave in accordance with established rules.

Forced labor deprives societies of the opportunity to develop human resources for the modern labor market, and to develop skills and educate children for the labor markets of tomorrow. The debilitating consequences of forced labor are felt by the individual, in particular by children, as well as by the economy itself since the degradation of human capital and social stability results in insecure investments.

By retarding the proper development of human resources, forced labor lowers the level of productivity and economic growth for society generally. The loss of income due to disruption of regular jobs or income-generating activities reduces the lifetime earnings of whole families and with it, the loss of food, shelter, and health care.

While companies operating legally do not normally employ such practices, forced labor can become associated with enterprises through their use of contractors and suppliers. As a result, all managers should be aware of the forms and causes of forced labor, as well as how it might occur in different industries.

Forced and compulsory labor can take a number of forms:

- slavery.
- bonded labor or debt bondage, an ancient practice but still in use in some countries, in which both adults and children are obliged to work in slave-like conditions to repay debts of their own or their parents or relatives.
- child labor in particularly abusive conditions where the child has no choice about whether to work,
- the work or service of prisoners if they are hired to or placed at the disposal of private individuals, companies or associations involuntarily and without supervision of public authorities,
- labor for development purposes required by the authorities, for instance to assist in construction, agriculture, and other public works,
- work required in order to punish opinion or expression of views ideologically opposed to the established political, social or economic system, and
- exploitative practices such as forced overtime or the lodging of deposits (financial or personal documents) for employment.

Strategies for Business

Organizations need to determine whether forced labor is a problem within their business sector. It is important to mention that, although high profile cases are typically reported as occurring in developing countries, forced labor is also present in developed countries and as such should be viewed as a global issue.

Understanding the causes of forced labor is the first step towards taking action against forced labor, which requires a comprehensive set of interventions to address not only the needs of individual forced laborers but also the needs of their families. Therefore, if forced labor is identified then these individuals should be removed and facilities and services should be provided to enable them to make adequate alternatives.

In general, a combination of workplace and community actions is needed to help ensure the eradication of forced labor practices.

In the workplace

- make available to all employees, employment contracts stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work
- in planning and conducting business operations, ensure that workers in debt bondage or in other forms of forced labor are not engaged and, where found, provide for the removal of such workers from the workplace with adequate services and provision of viable alternatives in the community of operation
- institute policies and procedures to prohibit the requirement that workers lodge financial deposits with the company
- if hiring prisoners for work in or outside prisons, ensure that their terms and conditions of work are similar to those of a free employment relationship in the sector involved, and that they have given their consent to working for a private employer
- ensure that large scale development operations in which an employer participates do not rely on forced labor in any phase

In the community of operation

- assist in the development of guidelines by sectoral industrial associations and small or medium enterprises where debt bondage or such practices are known to be commonplace
- support and help design education, vocational training, and counseling programs for children removed from situations of forced labor
- help develop skills training and income-generating alternatives, including micro-credit financing programs, for adults removed from situations of forced labor
- encourage supplementary health and nutrition programs for workers removed from dangerous forced labor, and provide medical care to assist those affected by occupational diseases and malnutrition as a result of their involuntary work

PRINCIPLE FIVE

Businesses should uphold the effective abolition of child labor.

Child Labor

Child labor has occurred at some point in time in virtually all parts of the world as nations have undergone different stages of development. It remains a serious issue today in many developing countries - although it also exists (more invisibly) in the developed, industrialized countries where it occurs for example in some immigrant communities.

Forced labor deprives societies of the opportunity to develop human resources for the modern labor market, and to develop skills and educate children for the labor markets of tomorrow. The debilitating consequences of forced labor are felt by the individual, in particular by children, as well as by the economy itself since the degradation of human capital and social stability results in insecure investments.

Child labor deprives children of their childhood and their dignity. Many of the children work long hours for low or no wages, often under conditions harmful to their health, physical and mental development. They are deprived of an education and may be separated from their families. Children who do not complete their primary education are likely to remain illiterate and never acquire the skills needed to get a job and contribute to the development of a modern economy. Consequently child labor results in scores of under-skilled, unqualified workers and jeopardizes future improvements of skills in the workforce.

Child labor occurs because of the pressures of poverty and lack of development, but also simply as a result of exploitation. It exists both in the formal and in the informal economy. However, it is in the latter case where the majority of the worst forms of child labor are found.

Although children enjoy the same human rights as adults, their lack of knowledge, experience and power means that they also have distinct rights by virtue of their age. These rights include protection from economic exploitation and work that may be dangerous to their health or morals and that may hinder their development. This does not mean that children should not be allowed to work, rather that there are standards that distinguish what constitutes acceptable or-unacceptable work for children at different ages and stages of their development.

Employers should not use child labor in ways that are socially unacceptable and that lead to a child losing his or her educational opportunities. The complexity of the issue of child labor means that companies need to address the issue sensitively, and not take action which may force working children into more exploitative forms of work. Nevertheless, as Principle 5 states, the goal of all companies should be the abolition of child labor within their sphere of influence.

It is useful to mention that the use of child labor can damage a company's reputation. This is especially true in the case of transnational companies who have extensive supply and service chains, where the economic exploitation of children, even by a business partner, can damage a brand image and have strong repercussions on profit and stock value.

Definitions

ILO conventions recommend a minimum age for admission to employment or work that must not be less than the age for completing compulsory schooling, and in any case not less than 15 years. Lower ages are permitted - generally in countries where economic and educational facilities are less well-developed the minimum age is 14 years and 13 years for 'light work'. On the other hand the minimum age for hazardous work is higher at 18 years.

| | | | |
|----------------|----------|----------------|----------|
| Regular Work | 15 Years | Regular Work | 14 Years |
| Hazardous Work | 18 Years | Hazardous Work | 18 Years |

Priority is given to eliminating, for all persons under the age of 18, the worst forms of child labor, including hazardous types of work or employment. The worst forms of child labor are defined as -

- all forms of slavery - this includes the trafficking of children, debt bondage, forced and compulsory labor, and the use of children in armed conflict;
- the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic purposes;
- the use, procuring or offering of a child for illicit activities, in particular the production and trafficking of drugs; and
- work which is likely to harm the health, safety or morals of the child as a consequence of its nature or the circumstances under which it is carried out.

Strategies for Companies

Developing an awareness and understanding of the causes and consequences of child labor is the first step that a company can take toward action against child labor. This means identifying the issues and determining whether or not child labor is a problem within the business. Companies sourcing in specific industry sectors with geographically distant supply chains need to be particularly vigilant.

Forced labor deprives societies of the opportunity to develop human resources for the modern labor market, and to develop skills and educate children for the labor markets of tomorrow. The debilitating consequences of forced labor are felt by the individual, in particular by children, as well as by the economy itself since the degradation of human capital and social stability results in insecure investments.

However, discovering if child labor is being used can be difficult, for example in the case where documents or records are absent, and companies may consider using local non-governmental organizations, development organizations or UN agencies to assist in this process.

If an occurrence of child labor is identified, the children need to be removed from the workplace and provided with viable alternatives. These measures often include enrolling the children in schools and offering income-generating alternatives for the parents or above-working age members of the family. Companies need to be aware that, without support, children may be forced into worse circumstances such as prostitution, and that, in some instances where children are the sole providers of income, their immediate removal from work may exacerbate rather than relieve the hardship.

Actions

What can business do concretely?

In the workplace

- adhere to minimum age provisions of national labor laws and regulations and, where national law is insufficient, take account of international standards
- use adequate and verifiable mechanisms for age verification in recruitment procedures
- when children below the legal working age are found in the workplace, take measures that provide for their removal along with adequate services and viable alternatives both for the children and their families
- exercise influence on subcontractors, suppliers and other business affiliates to combat child labor
- develop and implement mechanisms to detect child labor
- make sure adult workers are given secure employment and decent wages and working conditions so that they do not need to send their children to work

In the community

- assist in the development of guidelines by sectoral industrial associations and small to medium sized enterprises
- support and help design educational, vocational training, and counseling programs for working children, and skills training for parents of working children
- encourage and assist in launching supplementary health and nutrition programs for children removed from dangerous work, and provide medical care to cure children of occupational diseases and malnutrition

PRINCIPLE SIX

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Discrimination

The definition of discrimination in employment and occupation is "any distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation", and is made on the basis of "race, color, sex, religion, political opinion, national extraction or social origin". Discrimination may also occur on the basis of physical or mental disability. Obviously, distinctions based strictly on the inherent requirements of the job are not discrimination.

Discrimination can arise in a variety of work-related activities. These include access to employment and to particular occupations, and to training and vocational guidance. Moreover, it can occur with respect to the terms and conditions of the employment, such as for example equal remuneration, hours of work and rest, paid holidays, maternity leave, security of tenure, advancement, social security, and occupational safety and health. In some countries additional issues for discrimination in the workplace, such as age and HIV status, are growing in importance. It is also important to realize that discrimination at work arises in a range of settings, and can be a problem in a rural agricultural business or in a high technology city-based business.

Non-discrimination means simply that employees are selected on the basis of their ability to do the job and that there is no distinction, exclusion or preference made on other grounds. Employees who experience discrimination at work are denied opportunities and have their basic human rights infringed. This affects the individual concerned and negatively influences the greater contribution that they might make to society.

Discrimination - Direct and Indirect

Discrimination can take many forms, both in terms of gaining access to employment and in the treatment of employees once they are in work.

It may be direct, such as when laws, rules or practices explicitly cite a reason such as sex or race to deny equal opportunity. Most commonly, discrimination is indirect and arises where rules or practices have the appearance of neutrality but in fact lead to exclusions. This indirect discrimination often exists informally in attitudes and practices, which if unchallenged can perpetuate in organizations. Discrimination may also have cultural roots that demand more specific individual approaches.

Strategies for Business

From a business point of view discrimination does not make sense. It is an issue that should be of concern to all businesses because discriminatory practices in employment and occupation restrict the available pool of workers and skills, and slow economic growth for society as a whole. The lack of a climate of tolerance results in missed opportunities for development of skills and infrastructure to strengthen competitiveness in the global economy. Finally, discrimination isolates an employer from the wider community and can damage a company's reputation, potentially affecting profits and stock value.

First and foremost, companies need to respect all relevant local and national laws wherever they are operating. Any company introducing measures to promote equality needs to be aware of the diversities of language, culture and family circumstance that may exist in the workforce. Managers and supervisory staff, in particular, should seek to develop an understanding of the different types of discrimination and how it can affect the workforce. For example, women constitute a growing proportion of the world's workforce, but consistently earn less than their male counterparts. Disabled employees may have particular needs that should be met, where reasonable, in order to ensure that they have the same opportunities (e.g. for training and advancement) as their peers.

Companies should develop and promote an equal opportunity policy that applies qualification, skill and experience as the grounds for recruitment. Increasingly, young graduates and new employees are judging companies on the basis of their social and ethical policies at work. In addition, they must promote equality at work, which means that all individuals are accorded equal opportunities to develop the knowledge, skills and competence that are relevant to their job.

Actions

Companies can put in place specific activities to address the question of discrimination and eliminate it within the workplace. Some examples are:

- institute company policies and procedures which make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of staff at all levels;
- assign responsibility for equal employment issues at a high level, issue clear company-wide policy and procedures to guide equal employment practices, and link advancement to desired performance in this area;
- establish programs to promote access to skills development training and to particular occupations;
- work on a case by case basis to evaluate whether a distinction is an inherent requirement of a job, and avoid systematic applications of job requirements in a way that would systematically disadvantage certain groups;
- keep up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organization;
- where discrimination is identified, develop grievance procedures to address complaints, handle appeals and provide recourse for employees;

- be aware of formal structures and informal cultural issues that can prevent employees from raising concerns and grievances;
- provide staff training on disability awareness and reasonably adjust the physical environment to ensure health and safety for employees, customers and other visitors with disabilities.

Outside the workplace companies also have a role to play in eliminating discrimination, for example by encouraging and supporting efforts in the community to build a climate of tolerance and equal access to opportunities for occupational development. Two examples could be through adult education programs and the support of health and childcare services.

In foreign operations, companies may need to accommodate cultural traditions and work with representatives of workers and governmental authorities to ensure equal access to employment by women and minorities.

Environment

Principle Seven

Business should support a precautionary approach to environmental challenges;

Principle Eight

undertake initiatives to promote greater environmental responsibility; and

Principle Nine

encourage the development and diffusion of environmentally friendly technologies.

The Origin of the Environment Principles

Internationally coordinated work on the environment has been led by the United Nations Environment Programme (UNEP), since its inception in 1973. UNEP has provided leadership and encouraged partnerships to care for the environment, for example, through Multilateral Environmental Agreements (MEAs) which have addressed issues such as species loss and the need for conservation at a global and regional level. UNEP has created much of the international environmental law in use today.

The three environmental principles of the Global Compact are drawn from a Declaration of Principles and an International Action Plan (Agenda 21) that emerged from the United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro in 1992. Chapter 30 of Agenda 21, identified that the policies and operations of business and industry can play a major role in reducing impacts on resource use and the environment. In particular, business can contribute through the promotion of cleaner production and responsible entrepreneurship.

The environmental principles of the Global Compact provide an entry point for business to address the key environmental challenges. In particular, the principles direct activity to areas such as research, innovation, co-operation, education, and self-regulation that can positively address the significant environmental degradation, and damage to the planet's life support systems, brought by human activity.

Key Environmental Challenges

- loss of biodiversity and long-term damage to ecosystems
- pollution of the atmosphere and the consequences of climate change
- damage to aquatic ecosystems
- land degradation
- the impacts of chemicals use and disposal
- waste production
- depletion of non-renewable resources

PRINCIPLE SEVEN

Businesses should support a precautionary approach to environmental challenges.

What is a Precautionary Approach?

The Rio Declaration firmly established the link between environmental issues and development by stating that:

"...in order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it."

Therefore, if environmental protection is to be considered as an integral part of the development process, how can the environmental risks associated with human activities be assessed?

The Rio Declaration sets out an extremely important idea, now widely accepted by policy makers, of a precautionary approach to environmental protection -

"In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

The concept is not new having emerged in association with Clean Air legislation in the Federal Republic of Germany in the 1970s. It has become an accepted principle in the European Union and a part of international environmental law. The German concept of 'vorsorgprinzip' embraces notions of risk prevention, cost effectiveness, ethical responsibilities towards the environment, and the (sometimes) uncertain nature of human knowledge and understanding.

Precaution is founded on a number of key concepts, such as -

Preventative anticipation - taking action if necessary before scientific proof is available on the grounds that a delay in the action will cause damage to nature and society.

Safeguarding ecological 'space' - not impinging on ecological margins so that we protect and widen the assimilative capacity of the natural environment. This means refraining from undesirable resource use.

Proportionality of response - to show that selected degrees of restraint are not unduly costly. In other words, allowing for the possibly greater dangers for future generation if important life support systems are undermined.

Duty of care - placing the onus of proof on those undertaking an activity or carrying out change to demonstrate no environmental harm.

Promoting intrinsic natural rights - allowing natural processes to function such that they maintain essential support for all life on earth.

Paying for ecological debt - or compensating for past errors of judgment as indicated by the notion of 'common but differentiated responsibility' enshrined in the UN Framework Convention on Climate Change

It is important here to point out the existence of two concepts - the "precautionary approach", as embodied in Principle 15 of the Rio Declaration, and the "precautionary principle". A discussion of the precautionary principle is presented in the box below.

A Business Approach to the Concept of Precaution

The key element of a precautionary approach, from a business perspective, is the idea of prevention rather than cure. In other words, it is more cost-effective to take early action to ensure that irreversible environmental damage does not occur. Companies should consider the following:

1. While it is true that preventing environmental damage entails both opportunity – and implementation – costs, remediating environmental harm after it has occurred can cost much more, e.g. for treatment costs, or in terms of company image.
2. Investing in production methods that are not sustainable, i.e. that deplete resources and degrade the environment, has a lower, long-term return than investing in sustainable operations. In turn, improving environmental performance means less financial risk, an important consideration for insurers.
3. Research and development related to more environmentally friendly products can have significant long-term benefits.

Nevertheless, interpretation of the precautionary approach can present difficulties for companies. They will be more effectively placed to assess any potential environmental harm if they have a thorough understanding of current environmental impacts, as well as the baseline environmental conditions, within their sphere of influence. This requires developing a life-cycle approach to business activities that can:

- manage the uncertainty, and
- ensure transparency.

With respect to assessing the uncertainty, a number of useful tools are available to gather information on the potential issues and impacts associated with technological, process, planning and managerial changes, such as -

- environmental risk assessment - establishes the potential for unintended environmental damage alongside other risks
- life cycle assessment (LCA) - explores the opportunities for more environmentally benign inputs and outputs in product and process development
- environmental impact assessment - ensures that impacts of development projects are within acceptable levels
- strategic environmental assessment - ensures that impacts of policies and plans are taken into account and mitigated.

These tools provide the data that organizations need when deciding what actions to take. When precaution is a fundamental, strategic issue for business, a range of actions is possible -

- build-in safety margins when setting standards in areas where significant uncertainty still exists
- ban or restrict an activity whose impact on the environment is uncertain
- promote best available technology
- implement cleaner production and industrial ecology approaches
- communicate with stakeholders.

PRINCIPLE EIGHT

Businesses should undertake initiatives to promote greater environmental responsibility.

The Background to Principle 8

The Rio Earth Summit in 1992 acted as a 'wake-up call' for many parts of society, not least of which the business sector. For the first time a comprehensive group of stakeholders gathered together to discuss the issues raised by the patterns of industrialization, population growth and social inequality around the world. The conference highlighted the true fragility of the planet and in particular it drew attention to three concerns:

- the damage occurring to many natural ecosystems,
- the threatened capacity of the planet to support life in the future, and
- our ability to sustain long term economic and social development.

The message to companies was spelled out in Chapter 30 of Agenda 21, in which the role of business and industry in the sustainable development agenda is discussed. And an outline of what environmental responsibility means for business is presented -

"[The] responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making and fostering openness and dialogue with employees and the public." (30.26)

"In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

In the ten years since "Rio", the imperative for business to conduct its activities in an environmentally responsible manner has not lessened. On the contrary, as recent analyses of the "state of the planet" indicate, despite progress in some areas (e.g. ozone-depletion, air-pollution in many developed regions, or advances towards reducing greenhouse gases under the Kyoto Protocol) the overall trends are negative and much work still remains to be done. Scientists and experts are reporting disturbing global trends concerning not only vital aspects of our life support system, but also the foundation of our social development system.

Given the increasingly central role of the private sector in global governance issues, the public is demanding that business manage its operations in a manner that not only enhances economic prosperity and promotes social justice, but also ensures environmental protection in the regions and countries where it is based. Through Principle 8, the Global Compact provides a framework for business to take forward some of the key challenges made 10 years ago.

Towards Environmentally Responsible Business Practice

Business gains its legitimacy through meeting the needs of society, and increasingly society is expressing a clear need for more environmentally sustainable practices. One way for business to demonstrate its commitment to greater environmental responsibility is by changing its modus operandi from the so-called "traditional methods" to more responsible approaches to addressing environmental issues -

| | |
|--------------------------------|--------------------------------------|
| inefficient resource use | ▶ resource productivity |
| end-of-pipe technology | ▶ cleaner production |
| public relations | ▶ corporate governance |
| reactive | ▶ proactive |
| management systems | ▶ life-cycles, business design |
| one way, passive communication | ▶ multi-stakeholder, active dialogue |

Such a change in business strategy brings with it a number of benefits. UNEP-DTIE has pinpointed the following reasons why a company should think about improving its environmental performance -

- Application of cleaner production and eco-efficiency leads to improved resource productivity
- New economic instruments (taxes, charges, trade permits) are rewarding clean companies
- Environmental regulations are becoming tougher
- Insurance companies prefer to cover a cleaner, lower risk company
- Banks are more willing to lend to a company whose operations will not burden the bank with environmental lawsuits or large clean-up bills
- Environmental stewardship has a positive effect on a company's image
- Employees tend to prefer to work for an environmentally responsible company (such a company also often has good worker health and safety records)
- Environmental pollution threatens human health
- Customers are demanding cleaner products

However, once a company has decided to adopt a more environmentally responsible corporate policy, what initiatives does it need to undertake? 7 key elements that contribute to environmental responsibility are shown below -

- apply a precautionary approach,
- adopt the same operating standards regardless of location,
- ensure supply-chain management,
- facilitate technology transfer,
- contribute to environmental awareness in company locations,
- communicate with the local community, and
- share benefits equitably.

And in order to turn these concepts into concrete, environmentally responsible actions, a company can choose to

- implement the International Declaration on Cleaner Production [see below],
- work with suppliers to improve environmental performance (supply chain management),
- re-define company strategies and policies to include the 'triple bottom line' of sustainable development - economic prosperity, environmental quality and social equity,
- set quantifiable objectives and targets,
- develop sustainability indicators (economic, environmental, social),
- measure, track, and report progress in incorporating sustainability principles into business practices, including reporting against global operating standard,
- adopt voluntary charters, codes of conduct, codes of practice in global and sectoral initiatives, and
- ensure transparency and unbiased communication with stakeholders.

PRINCIPLE NINE

Businesses should encourage the development and diffusion of environmentally friendly technologies.

What is meant by an 'environmentally friendly technology'?

Encouraging the development and diffusion of environmentally friendly technology is a longer-term challenge for a company that will draw on both the management and research capabilities of the organization. For the purposes of engaging with the Global Compact, environmentally friendly technologies are considered to be those that are described in Chapter 34 of Agenda 21 as being "environmentally sound". Agenda 21 outlines environmentally sound technologies (ESTs) as those which -

"...protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their wastes and products, and handle residual wastes in a more acceptable manner than the technologies for which they were substitutes. [ESTs] are not just individual technologies, but total systems which include know-how, procedures, goods and services, and equipment as well as organizational and managerial processes."



Important here is an understanding that this broad definition includes end-of-pipe and monitoring techniques but that explicitly encourages more progressive preventative approaches, such as pollution prevention and cleaner production technologies. The aspiration of this principle is, therefore, towards clean technology where the function is to provide a human benefit or service, rather than concentrating on products per se.

Reasons to Develop and Diffuse (EST's)

Environmentally proficient technologies allow us to reduce the use of finite resources and to use existing resources more efficiently. For example, improvements in the power to weight ratio of batteries has led to a significant reduction in the use of toxic heavy metals whilst bringing substantial benefits to the consumer.

Waste storage, treatment and disposal is costly both in financial as well as in environmental and social terms. Since environmentally sound technologies generate less waste and residues, the continued use of inefficient technologies can represent increased operating costs for business. In addition it also results in a retrospective focus on control and remediation rather than prevention. In contrast avoiding environmental impacts through pollution prevention and ecological product design increases the efficiency and overall competitiveness of the company and also may lead to new business opportunities.

As environmentally sound technologies reduce operating inefficiencies, they also lead to lower emissions of environmental contaminants. This benefits in the first case workers who are exposed to much lower levels of hazardous materials on a daily basis and also results in a substantially reduced risk of accidents or technological disasters.

Methods to Promote the Use and Diffusion of ESTs

Engagement with Principle 9 will depend to some extent on the size and nature of the business. However all companies will want to pursue the business benefits that come from a more efficient use of resources. As this principle captures both 'hard' technologies and 'soft' systems the potential entry points are broad.

Waste storage, treatment and disposal is costly both in financial as well as in environmental and social terms. Since environmentally sound technologies generate less waste and residues, the continued use of inefficient technologies can represent increased operating costs for business. In addition it also results in a retrospective focus on control and remediation rather than prevention. In contrast avoiding environmental impacts through pollution prevention and ecological product design increases the efficiency and overall competitiveness of the company and also may lead to new business opportunities.

At a basic factory site or unit level, improving technology may be achieved by four principle means:

1. Changing the process or manufacturing technique - from simple modifications to more advanced changes that require research and development.
2. Changing input materials - in order to use raw materials that are less toxic, for example.
3. Changes to the product - for example by switching from solvent- to water-based paints.
4. Reusing materials on site - separating, treating and recovering useful materials from waste, so-called "by-product synergies".

Strategic level approaches to improving technology include:

- Establishing a corporate or individual company policy on the use of EST's
- Making information available to stakeholders that illustrates the environmental performance and benefits of using EST's.

- Refocusing research and development towards 'design for sustainability'.
- Use of life cycle assessment (LCA) in the development of new technologies and products, so as to take into account impacts in manufacture, use and at the end of life of the product.
- Employing Environmental Technology Assessment (EnTA) - an analytical tool designed to ensure that decision making processes related to technology adaptation, implementation and use are sustainable.
- Examining investment criteria and the sourcing policy for suppliers and contractors to ensure that tenders stipulate minimum environmental criteria.
- Co-operating with industry partners to ensure that 'best available technology' is available to other organizations.

An example of how environmentally friendly technologies are being promoted comes from the area of climate change and the work of the IPCC (Intergovernmental Panel on Climate Change). Here the goal is to encourage the use of technologies that result in lower emissions of greenhouse gases (GHG's), and in particular of carbon dioxide CO₂. In its Inventory of Technologies, Methods and Practices for Reducing Emissions of Greenhouse Gases the IPCC has focused on the energy sector. As a first step it has defined the Energy Cycle starting with the primary fuel resources and going right through the lifecycle until delivery of the energy service to the customer. This is shown in the diagram below for the generalized or reference energy cycle. It has then identified the environmental aspects that are sources of GHG's for each part of the cycle. Finally, it has addressed the technologies that are involved with each step in the process and provided an inventory of the technologies at the present that respond best to the objective to reduce GHG emissions...

Transparency and Anti-corruption

On 24 June 2004, during the UN Global Compact Leaders Summit it was announced that the UN Global Compact henceforth includes a tenth principle against corruption. This was adopted after extensive consultations and all participants yielded overwhelming expressions of support, sending a strong worldwide signal that the private sector shares responsibility for the challenges of eliminating corruption. It also demonstrated a new willingness in the business community to play its part in the fight against corruption.

Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery."

Corruption is now recognized to be one of the world's greatest challenges. It is a major hindrance to sustainable development, with a disproportionate impact on poor communities and is corrosive on the very fabric of society. The impact on the private sector is also considerable - it impedes economic growth, distorts competition and represents serious legal and reputation risks. Corruption is also very costly for business, with the extra financial burden estimated to add 10% or more to the costs of doing business in many parts of the world. The World Bank has stated that "bribery has become a \$1 trillion industry."

The rapid development of rules of corporate governance around the world is also prompting companies to focus on anti-corruption measures as part of their mechanisms to protect their reputations and the interests of their shareholders. Their internal controls are increasingly being extended to a range of ethics and integrity issues and a growing number of investment managers are looking to these controls as evidence that the companies undertake good business practice and are well managed.

The international legal fight against corruption has gained momentum in more recent times through the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and through the entering into force of the first globally agreed instrument, the United Nations Convention against Corruption (UNCAC) in December 2005.

There are a number of very different reasons for why businesses should combat corruption in all its forms.

The ethical case

Corruption is inherently wrong. It is a misuse of power and position and has a disproportionate impact on the poor and disadvantaged. It undermines the integrity of all involved and damages the fabric of the organizations to which they belong. The reality that laws making corrupt practices criminal may not always be enforced is no justification for accepting corrupt practices. To fight corruption in all its forms is simply the right thing to do.

The business case

There are many reasons why it is in any company's business interest to ensure that it does not engage in corrupt practices. All companies, large and small, are vulnerable and the potential for damage to them is considerable. The following are some of the key reasons for avoiding involvement in corrupt practices:

Legal risks

Regardless of what form a corrupt transaction may take, there are obvious legal risks involved. Not only are most forms of corruption illegal where it occurs, but also it is increasingly becoming illegal in a company's home country to engage in corrupt practices in another country. The principle that it is illegal to bribe foreign officials was first established in the US Foreign and Corrupt Practices Act of 1977 and since then, this principle has gained legal standing within the whole of the OECD and in a number of other countries. It is a principle that was universally recognized in 2003, through the adoption of the UN Convention against Corruption.

The enforcement of anti-corruption legislation internationally has hitherto been relatively poor, but this is slowly changing. In developing countries and emerging markets, where the opportunity for corruption has been rife because of weak law and regulation, corruption has become an issue of significant political importance and there is growing determination to act and to take those accused of corrupt practices to court. There is also a growing number of examples where developing countries with limited capacity to handle such cases have obtained outside legal assistance. To this end the OECD is playing a critical role in ensuring that its member states are developing judicial capacity to enforce the prohibition against any involvement in bribing foreign officials.

This changing environment of law, regulation and enforcement makes it harder for business managers to assess and quantify the legal risks to which corruption exposes their operations. Change brings uncertainty. Of particular significance for many large companies is the degree to which they may be responsible for agents acting on its behalf in other countries. What may yesterday have been considered an independent agent - for whom the principal company carried no responsibilities - may today be someone whose actions the principal company indeed can be legally accountable for.

Reputational risks

Based on the experience of recent years, companies whose policies and practices fail to meet high ethical standards, or that take a relaxed attitude to compliance with laws, are exposed to serious reputational risks. Often it is enough to be accused of malpractice for a reputation to be damaged even if a court subsequently determines that they have not been involved in corrupt practices. It is of critical importance for a company to be able to quickly quash any unfounded allegations by demonstrating that it acts in a transparent manner and has in place policies and procedures designed to prevent corruption. The argument that although what they may have done may have been against the law or international standards, it was simply the way business was done in a particular country is not an acceptable excuse. Nor is it good enough to claim that other companies and competitors have engaged in similar practices.

Financial costs

There is now clear evidence that in many countries corruption adds upwards of 10 per cent to the cost of doing business and that corruption adds as much as 25 per cent to the cost of public procurement. This undermines business performance and diverts public resources from legitimate sustainable development.

'Known as clean' and repeat demands

There is growing evidence that a company is less likely to be under pressure to pay bribes if it has not done so in the past. Once a bribe is paid, repeat demands are possible and the amounts demanded are likely to rise. Conversely a company which takes a firm and principled stand against all forms of corruption will become known for this and the risk of its employees being exposed to demands will lessen. For example, a business manager representing a large international company in China recently confirmed that despite pressures to do otherwise, his company did not accept any kinds of corruption: 'Zero tolerance is the only practical solution'.

Blackmail, no recourse and security risks

By engaging in corrupt practices, company managers expose themselves to blackmail. Consequently the security of staff, plant and other assets are put at risk.

'The one who cheats will be cheated against'

If a company engages in or tolerates corrupt practice, it will soon be widely known, both internally and externally. Unethical behavior erodes staff loyalty to the company and it can be difficult for staff to see why high standards should be applied within a company when it does not apply in the company's external relations. Internal trust and confidence is then eroded.

Companies have a vested interest in sustainable social, economic and environmental development

It is now clear that corruption has played a major part in undermining the world's social, economic and environmental development. Resources have been diverted to improper use and the quality of services and materials used for development seriously compromised. The impact on poorer communities struggling to improve their lives has been devastating, in many cases undermining the very fabric of society. It has led to environmental mismanagement, undermining labor standards and has restricted access to basic human rights. Business has a vested interest in social stability and in the economic growth of local communities. It has therefore suffered, albeit indirectly, from the impact of lost opportunities to extend markets and supply chains. The business community can and should play its part in making corruption unacceptable. It is important to recognize that corruption diverts resources from their proper use. Financial resources that were intended for local development may, as a result of corruption, end up in foreign bank accounts instead of being used for local purchasing and the stimulation of local economies. At the same time it distorts competition and creates gross inefficiencies in both the public and private sectors. In most cases when corruption occurs, the services or products being purchased are inferior to what had been expected or contracted for. The long-term sustainability of business depends on free and fair competition. Corrupt practices also accompany and facilitate drug dealing and organized crime. Money laundering and illicit international money transfers are used as support mechanisms for international terrorism. Global businesses have to be constantly vigilant to avoid being associated with these major international challenges.

Principle 10

Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery."

Origin of the 10th principle

On 24 June 2004, during the UN Global Compact Leaders Summit it was announced that the UN Global Compact henceforth includes a tenth principle against corruption. This was adopted after extensive consultations and all participants yielded overwhelming expressions of support, sending a strong worldwide signal that the private sector shares responsibility for the challenges of eliminating corruption. It also demonstrated a new willingness in the business community to play its part in the fight against corruption.

Underlying legal instrument

With the adoption of the United Nations Convention against Corruption in Merida, Mexico in December 2003, an important global tool to fight corruption was introduced. The Convention is the underlying legal instrument for the 10th principle against corruption and entered into force on 14 December 2005.

Objectives of the 10th principle

The adoption of the tenth principle commits UN Global Compact participants not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programs to address corruption. Companies are challenged to join governments, UN agencies and civil society to realize a more transparent global economy.

How to define corruption?

Corruption can take many forms that vary in degree from the minor use of influence to institutionalized bribery. Transparency International's definition of corruption is "the abuse of entrusted power for private gain". This can mean not only financial gain but also non-financial advantages.

What is meant by extortion?

The OECD Guidelines for Multinational Enterprises define extortion in the following way: "The solicitation of bribes is the act of asking or enticing another to commit bribery. It becomes extortion when this demand is accompanied by threats that endanger the personal integrity or the life of the private actors involved."

... and what about bribery?

Transparency International's Business Principles for Countering Bribery define "bribery" in the following way: "Bribery: An offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust, in the conduct of the enterprise's business."

Practical steps to fight corruption

The UN Global Compact suggests to participants to consider the following three elements when fighting corruption and implementing the 10th principle.

- i. **Internal**
As a first and basic step, introduce anti-corruption policies and programs within their organizations and their business operations;
- ii. **External**
Report on the work against corruption in the annual Communication on Progress; and share experiences and best practices through the submission of examples and case stories;
- iii. **Collective**
Join forces with industry peers and with other stakeholders

Frequently Asked Questions

1. How do companies participate in the Global Compact?

Answer:

To participate in the Global Compact, a company:

1. sends a letter from the Chief Executive Officer (endorsed by the board) to U.N. Secretary-General Kofi Annan expressing support for the Global Compact and its principles; and
2. sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations
3. is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.; and
4. is expected to publish in its annual report or similar public corporate report (e.g. sustainability report) a description of the ways ("Communication on Progress") in which it is supporting the Global Compact and its principles.

In addition to these actions, companies have the added opportunity of participating in a number of Global Compact-sponsored initiatives and programs.

2. How can non-governmental organizations and other non-business participants get involved?

Answer:

As equal partners and important stakeholders, civil society and other non-business organizations can participate through a number of Global Compact engagement mechanisms, including Policy Dialogues, Learning, Local Networks and Partnership Projects. In these areas, such organizations have a crucial role to play in helping to foster partnerships and produce substantive action. Non-business participants are also encouraged to commit their organization to the ten principles and to report on progress made within their organization.

3. Is the Global Compact legally binding?

Answer:

No. The Global Compact is a purely voluntary initiative. It does not police or enforce the behavior or actions of companies. Rather, it is designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships.

4. If there is no monitoring or enforcement, how does the Global Compact know that a company is truthfully portraying its actions?

Answer:

The Global Compact is not a performance or assessment tool. It does not provide a seal of approval, nor does it make judgments on performance. The Global Compact does, however, seek high quality and integrity in the contributions and activities by companies. Company submissions are shared openly and publicly in the Learning Forum where peer review and other stakeholder comment is invited. In addition, companies are encouraged to develop their examples of corporate change into larger case studies for peer review.

Participants are also expected to publish in their annual report or similar corporate report (e.g. sustainability report) a description of the ways in which they are supporting the Global Compact and its ten principles. This is known as the "Communication on Progress". The Global Compact believes that this sort of openness and transparency encourages good practices by participants (see also question 5 below).

5. Isn't there a danger of companies using UN logos and their affiliation with the UN and the Global Compact to "blue-wash" their operations that might actually be harming society?

Answer:

The Global Compact has developed its own logo, which is used frequently in official Compact documents and publications. The use of the Global Compact image is strictly regulated and the same restrictions apply to its use as the general United Nations logo. Those policies are contained in the UN Business Guidelines, which can be accessed at <http://www.un.org/partners/business/otherpages/guide.htm>.

In addition, following the recommendations made by the working group of the Secretary General's Advisory Council, the GC adopted a set of integrity measures to safeguard the initiative and to avoid potential abuse. They also encourage companies to communicate at least annually to their stakeholders and the public at large on progress made in internalizing the principles within their own operations and activities. Global Compact participants are also expected to submit a short description and a web link to these communications to the Global Compact and/or Global Compact local network website. Participants that do not submit such a description within two years of signing on to the Global Compact will be removed from the list of participants until a submission has been made.

6. Is the Global Compact a substitute for existing regulatory approaches?

Answer:

Absolutely not. The Global Compact views itself as complementing other voluntary initiatives and regulatory approaches by helping to establish the business case for human rights, labor standards, environmental stewardship and the fight against corruption. The Global Compact is a purely voluntary initiative designed to promote innovation in relation to good corporate citizenship. Many of the existing standards support the principles of the Global Compact and are therefore quite consistent with its overall objectives.

7. Why should a company that has already established its own code of conduct participate in the Global Compact?

Answer:

Corporate codes of conduct are extremely important and many companies have demonstrated leadership and positive change through their development and implementation. The Global Compact is not a code of conduct. Rather, it seeks to add new dimensions to good corporate citizenship by creating a platform - based on universally accepted principles - to encourage innovative new initiatives and partnerships with civil society and other organizations.

8. Are there any financial obligations in becoming a Global Compact participant?

Answer:

The Global Compact is a voluntary initiative, not a formal membership organization. As such, we do not collect any fees for core funding. The Global Compact only accepts core funding from government donors. On occasion, participants may be asked to contribute to the cost of convening specific meetings and activities they wish to attend.

9. I operate a business with less than 10 employees. Can I still participate in the Global Compact?

Answer:

Due to administrative constraints, companies with less than ten direct employees (micro enterprises) will not be entered into the database of participating companies. However, we encourage micro enterprises to stay informed about all Global Compact activities via this website and to engage with their Global Compact country network. Network information can be found in the "[Networks Around the World](#)" section of this website.

10. Can company subsidiaries join the Global Compact?

Answer:

The Global Compact applies the leadership principle. If the CEO of a company's global parent (holding, group, etc.) embraces the Global Compact by sending a letter to the UN Secretary-General, the Global Compact will post only the name of the parent company on the global list assuming that all subsidiaries participate as well. Subsidiaries that wish to directly send a letter to the Secretary-General, to underline their commitment, will be listed as participants, and are invited to become active in the Global Compact country network of their host country.