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The UN Global Compact: Advancing or Impeding Corporate Sustainability?

Photo by Vladislav Kaplin

This case was written by Andreas Rasche, Professor of Business in Soociety. It was developed based on published sources. It does not reflect primary data collected for research purposes. Moreover, this case is not intended to serve as an illustration of good or poor management practices.

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In 2018, the UN Global Compact (UNGC) was the world's largest voluntary initiative for corporate responsibility and sustainability. As of August 2018, more than 9,800 companies from over 163 countries were UNGC participants. While many saw the UNGC as a true success story and the UN's first fruitful attempt to collaborate with the private sector, others cautioned that the initiative needed major change. Between its establishment in 2000 and the end of 2017, the UNGC had removed more than 8,000 corporations from its participant database for failing to submit the required Communication on Progress (COP) report. As a consequence, some questioned the UNGC's "business model" and wondered whether the initiative was basically a bureaucratic attempt to first enlist and then subsequently delist a high number of firms.

Even more difficult than this short-term challenge was the UNGC's long-term positioning. While corporate responsibility and sustainability were established topics by 2018, many still questioned exactly what the UNGC offered participating companies. As the initiative did not monitor corporate actions in support of its principles, many wondered whether participants were really "walking the talk". Some urged the UN to adopt stronger measures to ensure that participants were accountable, while others were more radical and suggested that the UNGC should simply dissolve itself.[1]

WINDS OF CHANGE: THE BIRTH OF A GLOBAL INITIATIVE (1999-2000)

The UN never had an easy relationship with the private sector. In fact, it was openly hostile towards corporations throughout the 1970s and 1980s.[2] Initial attempts to put the actions of transnational corporations on the UN agenda were tied to the creation of the UN Centre on Transnational Corporations in 1974. One key task of this Centre was to develop the UN Code of Conduct on Transnational Corporations, which, if it had been successful, would have created legal obligations for transnational companies in a number of areas (e.g., human rights). However, the Code was rejected by the UN General Assembly in 1992, mostly due to disagreements between developed and developing nations.

Throughout the 1990s, especially with the start of Kofi Annan's tenure as Secretary-General in 1997, the UN's attitude towards the private sector shifted. Firms were no longer seen as an enemy that had to be tamed, but as entities that could benefit the UN's agenda in different ways. Similarly, the private sector started to move closer to the UN. In particular, the International Chamber of Commerce (ICC), which represents business interests at the global level, sought the UN's input. The ICC was concerned that globalisation had created a situation in which the lack of a global regulatory framework would expose some business activities to undue risks.

The idea of initiating a Global Compact was first voiced by Kofi Annan during his address at the World Economic Forum in Davos in January 1999. Annan said:

> *I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.* [3]

At the time of the speech, it was unclear how exactly such a "compact" would look. As Georg Kell, who served as the Executive Director of the UNGC from 2000 until 2015, commented:

> *When the initial speech was prepared, we had no plans to build an initiative. Building the UN's first public-private, global-local and network based organisation was hard work. We started with a bold idea without knowing how to act upon it. The early days were a struggle – we knew that learning, dialogue, and partnership was the way to go, but we had no idea how. We could not imagine then that an idea would grow into a global movement.*[4]

Kofi Annan's remarks struck a chord with many executives. The Global Compact was officially launched on 26 July 2000 at the UN Headquarters in New York. The initial participants included 44 global companies (among them ethically charged businesses, like Nike, BP and Royal Dutch Shell), two labour organisations, six business associations and twelve civil-society organisations.

At the inaugural press conference, a reporter asked Kofi Annan whether being on the same stage with Phil Knight, who was CEO of Nike at the time, was like dining with the devil. Annan responded "The angels do not need our help"[5], thereby highlighting that the UNGC had adopted a learning-based model rather than a model based on compliance. Annan urged businesses to voluntarily accept nine principles in the areas of human rights, labour standards and environmental protection as a "moral compass". A tenth principle on anti-corruption was added in 2004 (see Exhibit 1). Corporations were expected to abide by these principles regardless of national laws, and they were to jointly learn how to implement them throughout their operations and supply chains. The idea was not to wait for national governments to get it right, but to be proactive and to self-regulate, as some governments were neither able nor willing to accept such standards.

The ten principles referred to corresponding UN treaties and conventions. The two human-rights principles were derived from the Universal Declaration of Human Rights. The four labour principles referred to selected conventions introduced by the International Labour Organization (ILO). The three environmental principles referred to the Rio Declaration on Environment and Development (i.e., Agenda 21) and the anti-corruption principle was based on the UN Convention Against Corruption. By launching the UNGC, Annan and his team translated these documents, that were aimed at nation states, into voluntary principles aimed at businesses.

This approach was controversial within the UN, especially given the UN's historical position on the private sector. Some saw the UNGC as an attempt to sidestep opposing interests among some national governments.[6] Moreover, the UNGC was launched without an official UN mandate, which put it at odds with regular UN procedures where activities start after a mandate is provided by Member States.[7] Nevertheless, some Member States expressed political support from the start, and the first General Assembly resolution that codified the emerging consensus around UN-business partnerships came into effect in 2002 ("Towards Global Partnerships", A/RES/56/76). In 2007, the General Assembly allowed the name "UN" to be placed before "Global Compact", thereby signalling that the initiative was fully recognised by the UN.

The voluntary and self-regulatory approach represented a significant shift in the UN's perspective on global governance. While early attempts to regulate transnational firms via the failed Code of Conduct focused on the role of nation states, the UNGC expected voluntary actions directly from the private sector.[8] For corporations, the UNGC was attractive in a number of ways. Some firms appreciated the possibility of participating in the UNGC, as the ten principles could be regarded as an "excuse" to adopt a long-term perspective in corporate decision making. In addition, the UNGC empowered firms' corporate social responsibility (CSR)/sustainability staff and put otherwise neglected issues on the wider corporate agenda, especially as the CEO-centred nature of the initiative required a certain degree of top-management attention. Research also showed that the vast majority of companies believed that participation increased trust in their organisations and boosted social acceptance[9], even though the UNGC explicitly stated that it did not serve as a seal of approval for corporate actions. As the UN enjoyed much higher levels of trust than other international organisations (e.g., the International Monetary Fund) or supranational entities (e.g., the European Union), this motivation was not surprising.[10] Overall, almost 50% of participants believed that the UNGC helped them to at least moderately advance their corporate sustainability efforts (see Exhibit 2).

From the outset, the UNGC was at odds with the typical UN bureaucracy. The UNGC office, which belonged to the Executive Office of the UN Secretary-General and not to any of the UN agencies, was characterised by an entrepreneurial spirit, flat hierarchies and highly committed staff. From its inception, the UNGC was spearheaded by Georg Kell, who was appointed the first Executive Director. A native of Germany, Kell joined the UN Conference on Trade and Development (UNCTAD) in 1987. Through UNCTAD's work on engaging the private sector in the UN system, Kell quickly learned about the UN's contested relationship with corporations. In 1997, Kell became a senior officer in the Executive Office of the Secretary-General, where he was responsible for establishing links between the UN and the private sector. He developed a deep understanding of the relationship between the UN system and corporations, which provided much-needed knowledge during the start-up phase of the UNGC. [11]

"LEARNING TO TALK", GOING GLOBAL AND STRENGTHENING ACCOUNTABILITY (2001-2007)

From its inception, the UNGC did not focus on providing a compliance-based framework that offered firms certification. Rather, learning, dialogue and partnership were expected to underpin the initiative. The basic belief was that businesses would start to learn about corporate responsibility and sustainability owing to their own their enlightened self-interest. Through partnerships with other actors (mostly NGOs and UN agencies), they were expected to embed universal values into the markets in which they operated. Although businesses were considered the UNGC's main participants, non-business actors (e.g., global and local NGOs, business associations and unions) could also join. In the early days, the basic idea of initiating change through learning, dialogue and partnership was new territory for many participants. Although the CSR agenda had proliferated throughout the 1990s, many businesses still thought about their responsibilities to society in terms of compliance and philanthropy.[12]

At the time of its creation, the UNGC's learning-based model deviated significantly from other attempts to regulate corporate conduct through voluntary standards. Most voluntary initiatives that had been launched in the 1990s (e.g., the Forest Stewardship Council or Social Accountability 8000) focused on developing standards to certify operations in global supply chains. In contrast, the UNGC operated without any certification or monitoring mechanisms. NGOs and other critical observers interpreted this as a lack of accountability.[13] They argued that firms could easily misuse the UNGC by "bluewashing" their operations – that is, by wrapping their dirty corporate images in the UN's blue flag without much substantial action in support of the ten principles. In 2003, Oxfam International, Amnesty International, the Lawyers Committee for Human Rights and Human Rights Watch jointly expressed their concerns in a letter to Deputy UN Secretary-General Louise Fréchette, stating:

> *We believe that the Global Compact must find ways to strengthen methods of accountability for the private sector in relation to the principles. We recognise that the small secretariat can only do so much, and we also treat seriously the argument that the Global Compact itself may not be the place to enforce compliance.*

As a response to these critical voices, the UNGC introduced the Communication on Progress (COP) policy in 2003. The COP policy obliged all business participants to publicly report on the progress they had made in implementing the ten principles in their operations and strategies. The COP policy was flexible and only asked that certain minimum requirements be met. The reports were to include a statement of continued support for the UNGC, a description of the business's activities and measures of outcomes. As such, the COP policy did not require any monitoring of corporate participants. The policy was based on the three key assumptions: (a) the availability of public reports would create accountability, (b) transparency would foster a race to the top and (c) reports could be seen as a proxy for implementation.[14]

The quick growth of the UNGC from around 130 business participants in 2001 to around 4,200 in 2007 (see Exhibit 3) created new financial needs. From its inception, the UNGC was almost exclusively financed through non-UN sources. While the UN itself did not offer significant financial support, a number of UN Member States made monetary contributions (including the United Kingdom, Switzerland, China, Germany, Denmark, France, Brazil and Turkey). In 2006, the UN permitted the UNGC to establish a US-based foundation (i.e., a non-profit entity exempt from taxation under section 501(c) (3) of the US Internal Revenue Code) in support of the UNGC. The "Foundation for the Global Compact" began to collect donations from participants and, thus, supported its operational work.

One key challenge was to link the global initiative with local corporate sustainability practices. The ten principles, although helpful as a general "moral compass", needed to be further contextualised (and adapted in some cases) to make sense to companies that were embedded in specific local contexts. The UNGC's main vehicle for achieving such contextualisation was local networks – "clusters of participants who come together voluntarily to advance the Global Compact and its Principles at the local level".[15] The first local networks emerged informally right after the launch of the UNGC and without much direction from the Head Office in New York. These early networks were mostly seen as a way to respond to the needs, interests and capacity of participants in diverse local contexts. The idea of local networks was laid out in early publications on the UNGC by one of its co-creators, John Ruggie, who conceptualised the emerging UNGC as an "expanding set of nested networks".[16] Over time, more formal local networks were established. In many countries, they even gained the status of legal, non-profit entities. The number of local networks grew quickly. In 2007, networks existed (or were emerging) in approximately 70 countries.[17] Networks engaged in a wide span of activities, from serving as platforms for multi-stakeholder dialogues to acting as a springboard for partnership projects. Most importantly, networks provided business and non-business participants with opportunities to share knowledge and to discuss the relationships between the ten principles and local challenges. Participating companies were encouraged to join local networks in their respective countries, but they were not required to do so.

MAINSTREAMING THE UNGC (2008-2015)

The UNGC moved with the times. While it referred to "CSR" in its early days, it began to adopt "corporate sustainability" language around 2008. This was a deliberate strategic choice. Many companies still viewed CSR as bound to philanthropic activities related to social issues. In contrast, the corporate sustainability lingo highlighted the strategic nature of certain actions and emphasised that such activities were by no means simply add-ons. It also brought the initiative closer to discussions of environmental issues (e.g., climate change and water sustainability). The use of this terminology also attracted new participants, especially firms that viewed CSR as outdated and old-fashioned. The UNGC grew from around 5,000 business participants in 2008 to more than 8,000 in 2015.

In 2008, the COP policy was further refined. The flexible nature of the original policy resulted in many innovative approaches to producing the required reports. However, the quality was generally poor owing to significant differences in the structure, content and level of detail. Most importantly, the refined COP policy allowed the UNGC to delist (i.e., remove) participants that did not submit the required reports. The UNGC moved carefully towards delisting by giving non-communicating participants many warnings and a significant amount of time to produce the required reports. If a firm did not submit a COP, it was given a one-off, 12-month "grace period". During this period, the participant was offered support and guidance to develop an adequate report. Participants that still did not submit a COP were not immediately delisted. Rather, they were first designated as "non-communicating". If a non-communicating participant did not submit a valid COP within 12 months of being categorised as non-communicating, the firm was finally delisted. Hence, it could take up to 36 months to delist a participant (initial 12 months of non-disclosure plus a 12-month grace period plus 12 months of non-communicating status).[18] Delisted business participants could reapply to the UNGC if they were interested in re-joining the initiative.

In 2011, the UNGC made a further adjustment: the COP Differentiation Program. Under the new program, participants were placed into one of three levels depending on a self-assessment of the quality of their COP:[19]

1. GC Learner: For companies that did not meet the COP criteria and had been granted a 12-month grace period to improve their reports. During this period, companies received assistance from the UNGC to enhance their reporting practices.
2. GC Active: For companies that produced a COP that met the minimum requirements: (a) a statement expressing continued support, (b) a description of actions related to the ten principles and (c) outcome measures. As long as these three requirements were met, the format of the report was flexible.
3. GC Advanced: For companies that produced a COP that met all minimum requirements and provided additional information in the following areas: implementation of the ten principles in strategies and operations; action in support of broader UN goals; and advancement of corporate governance in support of corporate sustainability.

One advantage of the differentiation program was that firms with a lot of experience in corporate sustainability (mostly large businesses) could better signal that they were different from companies that had just started their journey. The UNGC believed that such differentiation would enhance the ability of stakeholders, such as NGOs and academics, to vet the participants. The UNGC also added a "top" engagement layer: the LEAD initiative. LEAD brought together a small cluster of highly committed companies to jointly discuss and implement actions with regard to topics that were new to the sustainability agenda at the time (e.g., the involvement of boards of directors in sustainability-related decision making). The LEAD cluster involved only around 60 companies, and participating companies had to make an annual financial contribution to the Foundation.[20]

Although the UNGC had many non-business participants (e.g., NGOs and unions), how these organisations supported the initiative was often unclear. To further engage these non-business participants, the UNGC introduced another reporting requirement.

Starting in 2013, non-business participants were required to submit a Communication on Engagement (COE) report every two years. Much like the COP for business participants, the COE was designed to provide relevant stakeholders with information on an organisation's activities in support of the UNGC. The COE policy shared many similarities with the COP framework: participants that did not submit a report after two years were listed as "non-communicating" for another 12 months, after which they were delisted.[21] In other words, non-business participants could remain part of the initiative for three years without submitting a report. In October 2016, three years after the policy came into effect, the UNGC delisted more than 2,300 non-business participants for failure to comply with its policy – almost 43% of all non-business participants at that time.

While the UNGC operated a relatively simple organisational model in its early years, its organisational complexity increased significantly after 2008. The growing number of participants made it necessary to offer business and non-business participants more focused engagement platforms. The UNGC therefore introduced a number of issue-specific platforms, including Caring for Climate, the CEO Water Mandate and the Women's Empowerment Principles. These platforms allowed firms to join likeminded companies, and to engage in collective action and dialogue around specialised topics. While this provided firms with an opportunity to discuss specific topics, it also posed a risk of making the initiative too complex from an organisational standpoint. From the outside, it was often difficult to assess the relationships and common thread among the different platforms.

Local networks continued to be a relevant part of the initiative. Yet, the creation of local clusters of participants proved to be attractive and problematic at the same time. On the one hand, it allowed participants to engage in their respective local contexts where laws and customs often both enabled and constrained the ten principles. On the other hand, local networks looked very different in terms of their set up – some networks were formally established organisations that were carefully managed, while others involved more informal and infrequent gatherings of participants. As a result, networks showed very different levels of activity in support of the UNGC.[22] Some networks functioned on an ad hoc basis, had little accountability and did not regularly engage with participants.

NEW HORIZONS: THE SUSTAINABLE DEVELOPMENT GOALS (2015-2018)

In 2015, Georg Kell stepped down as the UNGC's Executive Director. He was succeeded by Lise Kingo.[23] Unlike Kell, who was a UN veteran, Kingo had a corporate background. Before joining the UNGC, she was the Executive Vice President and Chief of Staff at Novo Nordisk A/S, a prominent pharmaceutical company and UNGC signatory headquartered in Kingo's native country of Denmark.

This change in leadership coincided with another major development at the UN: the launch of the Sustainable Development Goals (SDGs), which were officially presented on 1 January 2016. The SDGs included 17 goals (see Exhibit 4) with 169 targets that defined the UN's development agenda until 2030. Like the UNGC's ten principles, the SDGs were universal objectives that were thought to transcend borders, markets and business sectors. While the SDGs stressed different areas in which international development needed to progress – ranging from poverty reduction (#1) and gender equality (#5) to responsible consumption (#12) and climate action (#13) – the last goal (#17) emphasised the relevance of multi-stakeholder partnerships for the implementation of the SDGs. Hence, SDG17 showed the ways in which the UNGC could contribute to the agenda. Consequently, it was not surprising that the UNGC required its participants to also align with the SDGs in general and SDG17 in particular.

The continued expansion of the UNGC created new financial needs. The Foundation extended its work and attracted additional financial resources to support the initiative. 80% of the Foundation's funding came from private donations, while 20% came from public sources (e.g., governments).[24] In 2016, the Foundation's total income was USD 18,649,195.[25] About 86% of those funds were used to directly support various UNGC programs, while the other 14% was used for administrative purposes and to finance additional fundraising activities.[26]

In 2018, there were 69 active local networks around the world[27] and UNGC business participants came from 163 countries. More than 50% of all participating businesses were small and medium-sized enterprises. While large corporations also engaged in the initiative, only 28% of the Fortune 500 companies were listed as active participants. Many argued that the UNGC needed to make its value proposition more explicit in order to attract more companies and to create a sustainable model for engaging with businesses around the world. The UNGC saw its value proposition as centred around three main items: (1) the ability to offer a unique, principle-based platform for corporate sustainability, which was backed by the UN in a number of ways, (2) the possibility to provide easy access to world-class expertise, tools and resources, which many companies still lacked in relation to corporate sustainability, and (3) the opportunity to become part of a multi-stakeholder initiative with a global reach.[28]

To reinforce this value proposition, the UNGC began to distinguish between two engagement tiers: “signatories” and “participants”. Companies could choose an engagement tier that fit their aspirations. “Participants” engaged with the UNGC at the global level and through the relevant local networks. They also received full access to the resources and activities that the initiative had to offer (e.g., the newly launched UNGC coaching sessions). “Signatories” mostly engaged with the UNGC at the national level through local networks but were not expected to engage at the global level. They received full access to country-specific resources but only basic access to global resources and activities. Firms that wanted to engage at the participant level were required to make an annual financial contribution based on their gross revenue (see Exhibit 5). Signatories, on the other hand, only had to make a financial contribution if their annual revenue exceeded USD 50 million.

OLD AND NEW CHALLENGES

Although the UNGC was a success story in many respects, it was also clear that the high delisting rate had to be addressed for it to remain relevant and accountable. By August 2018, the UNGC had expelled more than 8,000 firms for failure to submit the mandatory reports (see Exhibit 3). In some months, the number of participants that were delisted was higher than the number of firms that joined the initiative.

A closer analysis of delisted participants revealed a number of interesting patterns.[29] The vast majority of delisted firms were small- and medium-sized firms (i.e., firms with fewer than 250 employees). This seemed to confirm what many had predicted – while such firms found it interesting to join a UN-backed initiative, they often did not have the financial and non-financial resources needed to produce the required reports and engage in the initiative. In contrast, larger firms often had dedicated teams or even entire departments to manage corporate sustainability efforts. Also, an affiliation with the UN was usually more attractive for larger firms owing to the positive reputational effects. Smaller firms were usually tied to their local communities and did not benefit as much from their partnership with the UN.

Delisted firms came from a number of countries, although countries in which corporate sustainability was a well-developed topic (e.g., in terms of legislation on non-financial disclosure) usually had lower delisting rates. Moreover, firms that joined the UNGC in the early days were more likely to be among the delisted firms than firms that joined later on. This called into question whether early adopters really knew what they were getting into when they joined. To many, the high number of delisted firms showed that the UNGC’s “business model” needed to be improved. They questioned whether firms could be trusted to live up to the ten principles when more than 8,000 participants did not even complete a basic COP and whether the UNGC engaged enough with delisted firms.

Some argued that the high number of delisted firms showed that the UNGC’s barriers to entry were too low. Firms wishing to join the initiative had to send a letter to the UN Secretary-General expressing their intent to: (a) support the ten principles, (b) take action in support of broader UN goals (like the SDGs) and (c) report annually on implementation progress (see Exhibit 6 for a sample letter). The letter needed to the signed by firm’s the chief executive.

The delisting debate showed that the battle between the UNGC and NGOs about the “bluewashing” of corporate practices was still alive. On the one hand, it was clear that NGOs’ original concern that the initiative attracted “bad apples” had some substance. On the other hand, the UNGC’s counter-arguments were still relevant. First, it had to keep entry barriers low because, as a UN-driven initiative, it needed to be inclusive (all companies from all countries and almost all sectors were welcome).[30] Second, its aim was to promote learning, dialogue and partnership in the context of corporate sustainability. It neither had the political mandate nor the financial resources to monitor companies’ implementation activities. Third, from the outset, the UNGC was not designed as a seal of approval or a code of conduct. Instead, it was intended to promote principle-based change. The UN perceived the initiative as one with “teeth” despite its voluntary character.[31]

In 2010, UN Secretary-General Ban Ki-moon set a goal of having 20,000 participants by 2020.[32] However, to reach this ambitious goal, the UNGC had to answer some pressing questions. Should it focus on quantitative growth (i.e., more participants but limited engagement) or qualitative growth (i.e., fewer participants but deeper engagement)? Was there a way to reconcile quantitative and qualitative growth? Should the UNGC further lower its standards to prevent firms from leaving, or should it simply accept that the vision of 20,000 participants by 2020 was out of reach? All of these questions had to be assessed against the initiative's historical background and its aim of providing a platform for learning, dialogue and partnership that revolved around corporate sustainability.

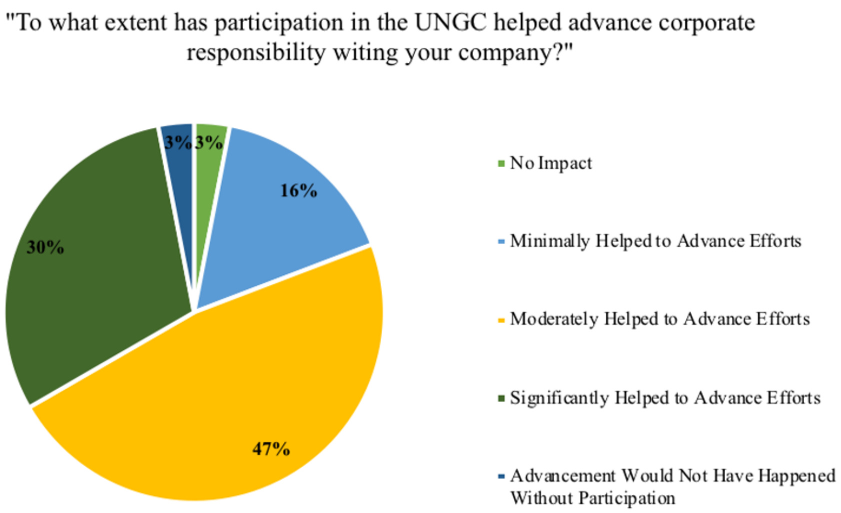
APPENDIX

EXHIBIT 1: THE UNGC'S TEN PRINCIPLES

Human Rights	Business should support and respect the protection of international human rights; and make sure they are not complicit in human rights abuses.
Labour Rights	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; the elimination of discrimination in respect of employment and occupation.
Environ-ment	Business should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Business should work against all forms of corruption, including extortion and bribery.

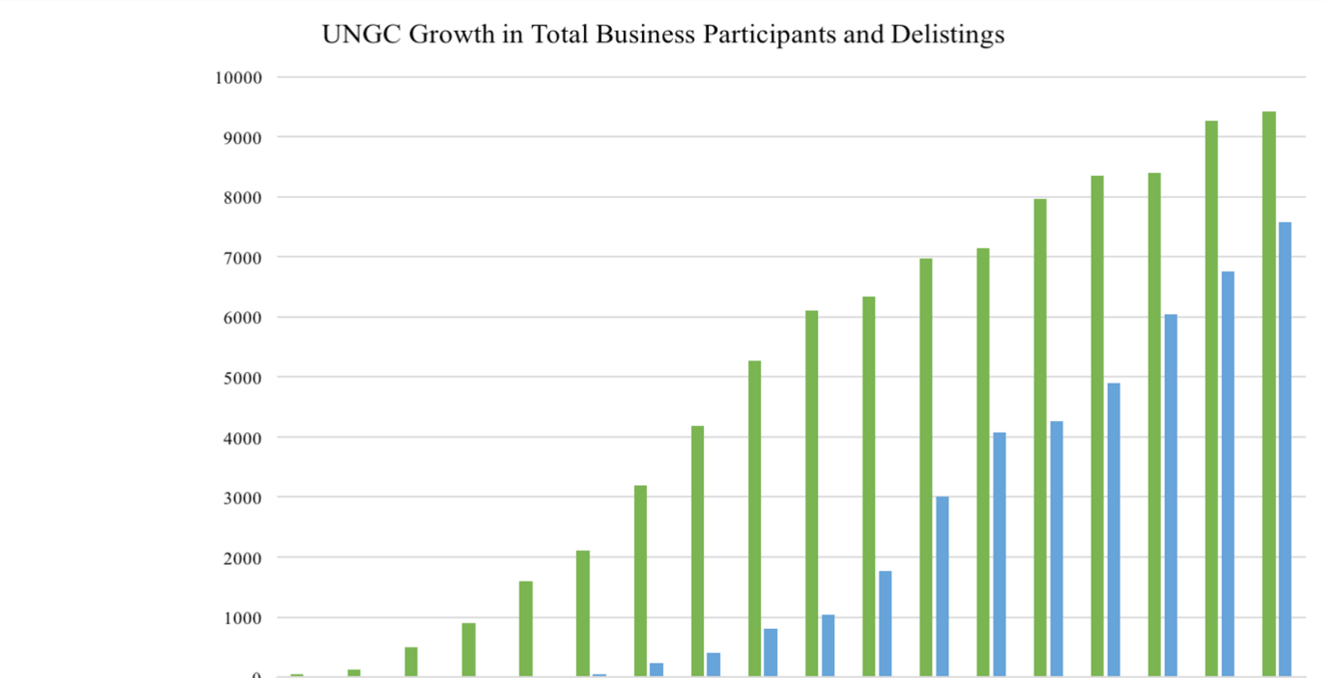
Source: www.unglobalcompact.org

EXHIBIT 2: THE VALUE OF UN GLOBAL COMPACT – PARTICIPANTS' VIEW



Source: Adjusted from UN Global Compact. 2017. *United Nations Global Compact Progress Report: Business Solutions to Sustainable Development*. New York: UN Global Compact Office.

EXHIBIT 3: UN GLOBAL COMPACT PARTICIPANT GROWTH (2000-2017)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Business Participants	43	131	499	904	1,604	2,102	3,190	4,186	5,271	6,109	6,334	6,970	7,136	7,969	8,343	8,391	9,270	9,413
Total Delisted Companies						43	237	397	801	1,043	1,766	3,011	4,078	4,256	4,893	6,041	6,754	7,572

Source: Total Business Participants adapted from UN Global Compact. 2017. *United Nations Global Compact Progress Report: Business Solutions to Sustainable Development.* New York: UN Global Compact Office; Total Delisted Companies retrieved from own data (2005–2008), UNGC annual reviews (2009) and UNGC Monthly Bulletins (2009-2017).

EXHIBIT 4: SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Source: https://www.un.org/sustainabledevelopment/sustainable-development-goals/

EXHIBIT 5: UNGC PARTICIPANT AND SIGNATORY FEES

	PARTICIPANT	SIGNATORY
COMPANY REVENUE TIERS BY ANNUAL GROSS SALES/REVENUE	REQUIRED ANNUAL CONTRIBUTION	
> USD 5 billion	USD 20,000	USD 10,000
USD 1 – 5 billion	USD 15,000	USD 7,500
USD 250 million – 1 billion	USD 10,000	USD 5,000
USD 50 – 250 million	USD 5,000	USD 2,500
USD 25 – 50 million	USD 2,500	Local Network fee may apply*
< USD 25 million	USD 1,250	Local Network fee may apply*

Source: UN Global Compact. (2018). U*nited Nations Global Compact: A Call to Action for Sustainable Business. New York: UN Global Compact Office.*

EXHIBIT 6: UNGC SAMPLE "LETTER OF COMMITMENT"

Sample Entry Letter for COMPANIES Only

[Company letter-head]

[Date]

H.E. António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to confirm that *[name of company]* supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement those principles. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. *[Name of company]* will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the UN Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the Ten Principles. We support public accountability and transparency, and therefore commit to report on progress within *one year* of joining the UN Global Compact, and *annually* thereafter according to the UN Global Compact COP policy. This includes:

- A statement signed by the chief executive expressing continued support for the UN Global Compact and renewing our ongoing commitment to the initiative and its principles. This is *separate* from our initial letter of commitment to join the UN Global Compact.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the UN Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Sincerely yours,

[Signature]
[Name Mr. / Ms. _______]
[Title* CEO/Managing Director]

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[2] See, e.g., Coleman, D. (2003). The United Nations and Transnational Corporations: From an Inter-nation to a "Beyond-state" Model of Engagement. Global Society, 17(4), 339–357; Kell, G. (2016). Relations with the Private Sector. In J. Katz Cogan, I. Hurd, & I. Johnstone (Eds.), *Oxford Handbook of International Organizations* (pp. 730–753). Oxford/New York: Oxford University Press; Sagafi-nejad, T. (2008). *The UN and transnational corporations: From code of conduct to Global Compact*. Bloomington & Indianapolis: Indiana University Press.

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[20] See the overview on the LEAD at: https://www.unglobalcompact.org/library/1311.

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[23] See https://www.un.org/press/en/2015/sga1579.doc.htm.

[24] See http://globalcompactfoundation.org/about.php.

[25] See https://www.unglobalcompact.org/docs/publications/UNGC_2016_Annual_Mgmt_Report.pdf.

[26] See http://globalcompactfoundation.org/about.php.

[27] The exact number of local networks remains unclear, as the numbers given in UNGC reports differ (also depending on whether "emerging" local networks are included). While some UNGC publications state that more than 100 local networks existed in 2011 (https://www.unglobalcompact.org/docs/networks_around_world_doc/LN_Brochure.pdf), more recent publications estimate the number of networks to be around 69 (https://www.unglobalcompact.org/docs/publications/GCLNs-Accelerating_National-SDG-Implementation.pdf).

[28] UN Global Compact (2018). *United Nations Global Compact: A Call to Action for Sustainable Business.* New York: UN Global Compact Office.

[29] For an in-depth analysis see: Rasche, A., Lund-Larsen, M., Gwozdz, W. & Moon, J. (2017): Which firms leave multi-stakeholder initiatives? An Analysis of Delistings from the UN Global Compact. Paper presented at the Annual Meeting of the European Group for Organization Studies (EGOS), Copenhagen; Knudsen, J. (2011). Company Delistings from the UN Global Compact: Limited Business Demand or Domestic Governance Failure? *Journal of Business Ethics*, 103(3), 331–349.

[30] The UNGC had a few exclusion criteria – firms that were "subject to a UN sanction; listed on the UN Ineligible Vendors List for ethical reasons; derive revenue from controversial weapons, including the production, sale and/or transfer of antipersonnel landmines or cluster bombs; derive revenue from the production and/or manufacturing of tobacco" could not join the initiative (see https://www.unglobalcompact.org/participation/join/who-should-join).

[31] See https://www.un.org/press/en/2010/sgsm12974.doc.htm.

[32] See https://www.un.org/press/en/2010/100624_Global_Compact.doc.htm.