



International Chamber of Commerce

*The world business organization*

## Policy statement

### **The role of the United Nations in promoting corporate responsibility**

*Prepared by the Commission on Business in Society*

#### **Executive summary**

For the International Chamber of Commerce (ICC) – the world business organization – corporate responsibility is the voluntary commitment by business to manage its activities in a responsible way. ICC believes that the role of the United Nations should be to promote corporate responsibility broadly, including through the creation of new initiatives – whether local, regional or global – and to support their growth and development. As a global, multi-stakeholder initiative under the leadership of the UN Secretary-General, the Global Compact has contributed to advancing voluntary corporate responsibility among a broad range of actors, articulating universal principles for voluntary corporate responsibility initiatives, and acting as a convening and learning forum to share and promote good practice in corporate responsibility. However, it should be noted that many companies and other organizations have elected to engage with or support one or more of the many other corporate responsibility initiatives that have been developed. Finally, the Global Compact's governance structure, in particular the Compact's accountability to the UN and to its participating companies should be clarified and further strengthened.

#### **ICC views on corporate responsibility**

For ICC, corporate responsibility (CR) is the voluntary commitment by business to manage its activities in a responsible way. More broadly, CR includes the efforts by business to contribute to the society in which it operates.

Voluntary initiatives by business for integrating social and environmental dimensions in its operations and in its interaction with stakeholders can make a significant contribution to business competitiveness, efficiency and reputation. The United Nations (UN) can play an important role in supporting such voluntary initiatives by business, and especially in promoting such an approach among governments in developing countries, thereby encouraging CR initiatives by business in these countries.

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The continuing development of CR initiatives around the world – whether by individual companies, organizations or through collaborative efforts – is a very positive sign that an ever increasing number of organizations are implementing programmes aimed at promoting corporate responsibility. New programmes and initiatives come online on an almost daily basis on a broad range of issues, including education, health care, water, community development, and entrepreneurship. The great diversity of CR initiatives reflects the diversity that exists within business and societies and should be encouraged as a source of richness and innovation. Importantly, these efforts are becoming truly global, with new initiatives growing fastest in the developing world.

### **The United Nations and corporate responsibility**

In this context, ICC believes that the role of the United Nations in corporate responsibility should be to promote CR broadly, including through the continued creation of new initiatives -- whether local, regional or global -- and to support their growth and development. In particular, the UN should focus on efforts that promote CR to smaller and medium-sized businesses in developing and developed countries, rather than on the more advanced companies that already have programmes in place. These efforts would help to promote long-standing global objectives related to economic development, environmental protection and social development – the three key elements of sustainable development – and thus contribute to the fundamental objectives of the United Nations.

### **The Global Compact**

The United Nations has played a key role in promoting CR under the leadership of the Secretary-General of the UN, and joined many other organizations in creating a CR initiative of its own – the Global Compact. Since former UN Secretary-General Kofi Annan first proposed the Global Compact in 1999, it has become one of the more widely known initiatives in the business community and an important tool for UN agencies to coordinate their activities on corporate responsibility. The Global Compact serves a particular purpose and constituency and thus, along with the other CR initiatives that came before and after its launch, contributes to the underlying goal of advancing corporate responsibility, including through its outreach efforts to encourage the integration of internationally agreed basic societal values into business activity everywhere. The Global Compact is particularly compelling due to its voluntary nature, which allows companies to engage where they see a role for their specific core competencies in promoting corporate responsibility within their sphere of influence.

As a global, multistakeholder initiative under the leadership of the UN Secretary-General, the Global Compact has contributed to advancing voluntary corporate responsibility among a broad range of actors, articulating universal principles for voluntary corporate responsibility initiatives, and acting as a convening and learning forum to share and promote good practice in corporate responsibility. The Global Compact has also provided a neutral platform for participating companies to engage in a dialogue with other stakeholders, and help them better understand stakeholder expectations and build partnerships.

It should be noted that many companies and other organizations have elected to engage with or support one or more of the many other CR initiatives that have been developed. Many companies have supported initiatives that are targeted to their specific sector or focus more directly on a specific issue or priority. Moreover, the vast majority of companies seeking to address corporate responsibility do so by integrating CR issues into their own policies and practices without participating in any external programme. It is vitally important for the UN and others to continue to recognize the value that this diversity brings to promoting CR and to continue to support the full range of CR initiatives and approaches.

### **Aspirational principles**

An important aspect of the Global Compact is its aspirational and exhortative nature in promoting broadly shared values, while leaving it up to each participating company to identify its own priorities and actions to support these values. The principles of the Compact inspire companies to address the issues relevant to their own operations and the Compact's programmes have served as a learning forum through the dissemination of good company practices. Experience to date demonstrates the importance of upholding this original concept.

The Global Compact's voluntary nature has been extremely useful in inducing companies to participate in it, encouraging them to complement the necessary action by governments themselves, and to safeguard and advance the Compact's principles. The principles' increasing integration into the operational culture of these companies underlines the need to maintain this instrumental characteristic as the Compact's defining attribute.

Within these parameters, the Global Compact can serve, along with the many other CR initiatives that have been developed or are yet to come, as a useful framework for companies to demonstrate good corporate citizenship in the global marketplace. As such, it can support the most important contribution that business makes to economic, social and environmental progress – creating wealth and productive employment.

While the Global Compact has developed into an important mechanism for the UN to engage with the private sector, the sheer size of the challenges faced by the global community makes clear that the UN should continue to encourage and welcome the contribution of other CR efforts. Similarly, even as some companies seek to use the Global Compact as an entry point into the UN, other co-operation points for business within the UN – either a particular UN agency, programme or initiative – should be maintained and further strengthened.

### **Global Compact governance structure**

Although the Global Compact was conceived and launched as an initiative of former UN Secretary-General Kofi Annan, the perception among the general public and the business community is that it is an official UN programme. In this context, its operational governing structure must be sensitive to the need for transparency and accountability, since judgments on its performance will tend to reflect on the UN itself.

While a number of measures have been taken to improve the Compact's internal governance, the Global Compact's status within the UN system should be usefully clarified to its benefit and that of its participating companies. In particular, the Global Compact's accountability to the UN and to its participating companies should be clarified and further strengthened.

Additionally, the relationship between the Global Compact Office and the Compact's local networks and their respective roles should be better defined, in order to ensure that initiatives taken by the local networks are consistent with and mutually supportive of the Compact's actions at global level. The Compact's global and local networks can be particularly useful for participating companies. These can however result in a patchwork of membership, with some local companies and affiliates of multinational enterprises being invited to join the Compact by some local Global Compact networks and not others. Greater coordination between the Global Compact Office and the local networks would be useful in this respect. For its part, the Global Compact Foundation should be encouraged to have greater interaction with Global Compact participating companies to foster partnerships and win-win collaborations.

Most importantly, the role of the Global Compact Board should be strengthened, with a view to changing its current purely advisory role into providing more of an oversight function in coordination with the Global Compact Office. This would bring the Compact more in step with the transparency and accountability mechanisms used in many other CR initiatives. The Global Compact Board would then have a suitable basis on which to provide strategic and policy direction for the initiative as a whole on all matters affecting the general direction and evolution of the initiative. While understanding the need to protect both the perception and reputation of the UN and the Global Compact through the implementation of specific integrity measures, these should not undermine the voluntary nature of the initiative, which has been and will be one of the key success factors of the Global Compact.

## **Conclusion**

The benefits of CR are many, but it must always be recognized that the best and most effective way for business to contribute to sustainable development is by creating wealth for its owners, employees, customers and society at large. No other human activity matches private enterprise in its ability to assemble people, capital, and innovation in order to create meaningful jobs and produce goods and services profitably. To make this contribution, business requires a conducive and stable political and economic environment – the basic elements of which have been identified in numerous UN discussions.

Business and other principal stakeholders in civil society can together, in the context of responsible global citizenship promoted by the Global Compact, increasingly help shape the international agenda and policy development on global economic and social issues so as to encourage and support government actions for a more stable, inclusive and rules-based global system.

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## **About ICC**

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. The fundamental mission of ICC is to promote an open international trade and investment system and the market economy, and to help business corporations meet the challenges and opportunities of globalization. Business leaders and experts drawn from ICC's global membership establish the business stance on broad issues of trade and investment policy as well as on vital technical subjects. ICC was founded in 1919. Today it groups thousands of member companies and associations from 130 countries.

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