

Sustainability and sustainable development

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4.

PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



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Abstract: The United Nations Global Compact represents one of the biggest voluntary initiatives under the United Nations organisation. This initiative was founded in 2000. It is strongly connected with Corporate Social Responsibility and efforts in achieving sustainability as it is a call for businesses worldwide to contribute towards sustainable world development in economic, social as well as environmental areas. Until last year, when the UNGC celebrated its 20th anniversary, it already had over 11,500 participants all around the world. This fact can have significant impact on achieving its goals which were set in the form of 10 principles divided into 4 main areas, where the positive and sustainable operating of business as well as other types of organisations is much than needed today. Therefore, in the text of this subchapter, the basic information about the very Global Compact initiative is presented, as well as its 10 universal principles set in the areas of human rights, labour standards, environment and anti-corruption, through which the participants are required to take strategic actions in achieving broader societal goals, mainly current Sustainable Development Goals, the interconnection of which is also presented and highlighted. The aim is to help understand the importance of this UN initiative for creating a better and sustainable world by incorporating business and other organisations.

Keywords: 10 principles, companies, sustainability, Sustainable Development Goals, UN Global Compact.

4.1. Theoretical background

The United Nations Global Compact (UNGC) represents a voluntary initiative, founded in 2000, after a speech by the former UN General Secretary, Kofi Annan, at the World Economic Forum in 1999. The intention was to start a dialogue with business and move the UN towards a more proactive role involving business as part of the solution (Kell, 2013; Rasche, 2010). The UNGC therefore represents “a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take strategic actions to advance broader societal goals, such as the Sustainable Development Goals (SDGs) (see UNDP, 2015), with a focus on cooperation and innovation” (more in UNGC, 2020c; RELX, 2020). It is “a call to business worldwide to help build the social and environmental framework to support and ensure the continuation of open and free markets whilst ensuring that people everywhere have a chance to share the benefits of the new global economy” (IOE, 2020).

It is a leadership programme for the development, implementation and disclosure of responsible corporate practices. Apart from business, the UNGC also involves non-business participants, mainly trade unions, as well as human rights and environmental non-governmental organisations. The UNGC is the largest corporate sustainability initiative in the world with more than 11,500 participants based in 156 countries (UNGC, 2000b). Its mission is also to mobilise a global movement of sustainable companies and stakeholders, and to promote activities that contribute to SDGs, creating a better and sustainable world (UNGC, 2020c).

The UNGC is not a regulatory tool. It is like a place for discussion and a network for communication involving governments, companies and labour organisations, the actions of which are aimed at influence.

The UNGC consists of 10 principles that shall define a participant’s value system and approach towards doing business. These principles (see Figure 1) include the mentioned areas (IOE, 2020):

- *human rights*—derived from the Universal Declaration of Human Rights;
 - *labour standards*—derived from the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work;
 - *environment*—derived from the Rio Principles on Environment and Development;
 - *anti-corruption*—derived from the UN Convention against Corruption.
- Generally, the UNGC signatories/participants are then required to (IOE, 2020):
- make the 10 principles an integral part of their business strategies and everyday actions;
 - create an annual Communication on Progress, a public disclosure to stakeholders (investors, consumers, civil society, governments, etc.) on progress made in implementing the 10 principles and in supporting broader UN development goals;
 - advocate for the Global Compact.

Principles of the United Nations Global Compact

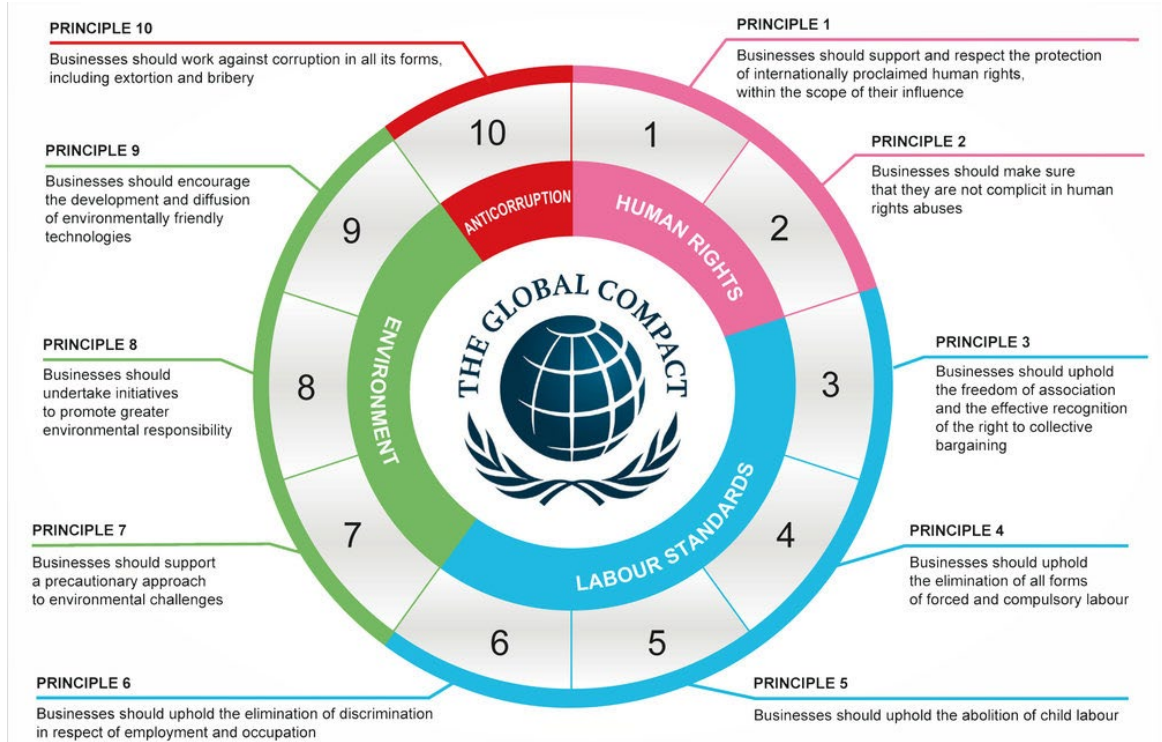


Figure 1. Ten principles of the UN Global Compact

Source: (BusinessHub4 Sustainability, 2020).

By incorporating the 10 UNGC principles into strategies, policies as well as procedures, and establishing a culture of integrity, companies confirm their basic responsibilities towards people and the planet, also setting the platform for long-term success (Global Compact Network Canada, 2019).

It can be said that the UNGC, as the largest global governance, voluntary corporate responsibility initiative in the world, addresses the social and ecological responsibilities of multinational corporations. Its underlying idea is that all business participants, NGOs, organised labour, UN agencies and governments, make an active contribution to achieving UN goals and UNGC principles (Kell, Slaughter, & Hale, 2007; Thérien & Pouliot, 2006; Williams, 2004) through incorporating them into their policies and strategies. It needs to be highlighted that, compared to other initiatives, the UNGC has considerable geographic reach (as it covers more than 150 countries) and also moral legitimacy as well as political support of the UN with its 193 Member States (Ruggie, 2001).

Therefore, the UNGC is also often introduced as part of an emerging global institutional infrastructure for corporate responsibility (Vogel, 2008; Waddock, 2008).

4.2. Principles of the UN Global Compact

The main goal of the UNGC is that business and other participating organisations integrate, support and promote the set of 10 principles divided into the 4 mentioned areas: human rights, labour standards, the environment and anti-corruption. The level of their engagement shows their ability to encourage these principles in their field of operation.

Human rights

Principle 1: *Businesses should support and respect the protection of internationally proclaimed human rights.*

Principle 2: *Assuring businesses are not complicit in the abuse of human rights.*

One of the most challenging areas in every sphere of sustainability as well as in the area of business sustainability is the respect and support for human rights. As already mentioned, these 2 principles are derived from the world-known document—the Universal Declaration of Human Rights, adopted in December 1948 by the UN General Assembly in Paris. The Declaration was inspired by experiences from World War 2, aimed at avoiding similar catastrophes in the future. Therefore, the goal of these principles is to make businesses and organisations compatible with the UN Global Compact and Corporate Social Responsibility values (more in UNGC, 2020d; Gonzales-Perez & Leonard, 2017).

In the past, human rights were only concerned with states and were only addressed by international human rights instruments. However, during last decade, still more companies (no matter the size, location or industry) were confronted with the idea that they should address and adopt human rights frameworks in their activities (Gonzales-Perez & Leonard, 2017, p. 127).

It can be said that these principles define the general expectations of the UNGC in the field of human rights, mainly, as already stated, in the field of respect for and the promotion of human rights. Respect for human rights means that a company should try to avoid human rights violations. Business are also encouraged to support and protect human rights, for example, through core business, strategic social investment, philanthropy, public policy engagement, advocacy and/or partnerships, as well as other collective action, actively and positively. Special attention shall be paid to the rights of vulnerable groups, including women, children, individuals with disabilities, indigenous people, migrant workers, seniors, etc. (UNGC, 2000a). Business shall also avoid the complicity (participation in human rights violation) beyond their core business activities. Ways for business to contribute to human rights then also include job creation, development of goods and services that help people meet their basic needs, the promotion of public policies that encourage

social sustainability, partnerships with other business having greater impact, and strategic social investments (Kenton, 2020).

Labour standards

Principle 3: *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.*

Principle 4: *Businesses should eliminate all forms of forced and compulsory labour.*

Principle 5: *Businesses should effectively abolish child labour.*

Principle 6: *Businesses should eliminate discrimination in respect of employment and occupation.*

These 4 principles are derived from the ILO Declaration on Fundamental Principles and Rights at Work, which was adopted in 1988. According to it, all Member states have an obligation arising from their membership in the Organisation to respect, promote and realise the principles concerning fundamental rights. The Declaration mentions 8 conventions, which involve freedom of association and bargaining, abolition of forced labour, effective abolition of labour by children before the completion of compulsory education, and no workplace discrimination. These rights are universal for everyone, no matter what the economic and social development level of the country (more in, UNGC, 2000a; Gonzales-Perez & Leonard, 2017).

The 3rd principle concretely means that both workers and employers have the right to form, associate and manage their own organisations in promoting their interests, without the intervention of the state or any other entity freely and voluntarily. Workers have the right to an environment free of violence, pressure, fear and threats. This freedom, as well as these rights, also allow workers and organisations to defend their economic and social interests. This principle also allows to point out that collective bargaining is a voluntary process through which employers and workers can constructively discuss and negotiate their relationships and working conditions (UNGC, 2000a).

The 4th principle is focused on avoiding any work or services that is required from any person under the threat of punishment or for which that person has not voluntarily offered (UNGC, 2000a). The next principle relates to the previous one and it is focused on prohibition of *child labour*. However, this term should not be used interchangeable with the terms—*youth employment* or *student work*. Under the term ‘child labour’, we understand a form of exploitation that is a violation of human rights, it is recognised and defined by international instruments. The basic international standards distinguish what is acceptable and what is unacceptable work for children (more in, UNGC, 2000a).

The 6th principle is aimed at avoiding discrimination in employment and occupation, which means treating people differently or less favourably because of

the various characteristics, mostly: race, sex, culture, religion, political opinion, nationality, social origin, age, disability, trade union membership, sexual orientation, etc. Discrimination can be direct or indirect, and it can arise in various areas and issues, for example, in terms of access to employment as well as in the treatment of employees at work. Its avoidance is mainly the task of organisations. Simply said, no discrimination means that workers are selected based on their ability to do a job and that there is no distinction, exclusion or preferences made in other areas (more in, UNGC, 2000e).

Environment

Principle 7: *Businesses should support a precautionary approach to environmental challenges.*

Principle 8: *Businesses should undertake initiatives to promote greater environmental responsibility.*

Principle 9: *Businesses should encourage the development and diffusion of environmentally-friendly technologies.*

Three UNGC environment principles reflect the foundation of corporate environmental responsibility. They are derived from the Rio Declaration on Environment and Development adopted in 1992, which consists of many principles to guide future international sustainable development and to address environmental challenges such as climate change, drinking water availability, pollution, ecosystems damages, waste production, deforestation, land degradation, etc. (Gonzales-Perez & Leonard, 2017). These principles pay importance to the precautionary approach towards the environment, thus, when there is reasonable suspicion of harm, decision-makers need to apply precaution and consider the degree of insecurity that appears from scientific evaluation. This is connected to the Rio Declaration in which it is stated that businesses have the responsibility to ensure that their activities do not endanger the environment. There is also a call to support environmentally-friendly technologies, which protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their waste/products and handle residual wastes in a more acceptable manner (more in, UNGC, 2000a). In other words, the UNGC member organisations are expected to act in an environmentally-friendly way and to take environmental challenges into account. Moreover, they also need to recognise the link between environmental issues and social as well as development priorities to contribute to the better and sustainable future of the world.

Anti-corruption

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

The last principle is focused on another big, world-wide challenge—corruption. It was additionally added to the UNGC in 2004 and it derived from the UN Convention Against Corruption as the first legally binding international anti-corruption tool. This Convention requires the implementation of measures for preventing and criminalising corruption from all its members. Limiting corruption, setting and enforcing sanctions were, in the past, a task for public authorities, however, in previous years, the civil society and private sector have started to assume a proactive approach towards fighting corruption. It is very important for every area to better world development, as “corruption interferes with sustainable development, skews competition, obstructs economic growth, incurs severe legal penalties, affects reputations and undercuts liberal economic mechanisms” (Gonzales-Perez & Leonard, 2017, p. 129). Therefore, this principle requires UNGC participants to avoid bribery, extortion and other forms of corruption, while developing policies and programmes to address corruption internally and within their supply chains. “Corruption can take on various forms and companies should work collectively and participate in creating a more transparent global economy” (UNGC, 2000a).

4.3. UN Global Compact and Sustainable Development Goals

Although we can see a different nature and aim of these 2 initiatives, both the UNGC and the SDGs operate under the UN and therefore, share some common features in terms of how they approach responsible management (Rasche, 2020, p. 1). While, as earlier mentioned, the UNGC reflects a voluntary initiative for which the organisations can sign up, the SDGs do not represent any standard or initiative which organisations, corporations or states can join. SDGs reflect the UN agenda for sustainable development that shall be fulfilled by the year 2030 and states can just support and promote them, behaving accordingly, to reach them as closely as possible. However, as also mentioned, the UNGC and its 10 principles are strongly connected with the sustainable development and reaching SDGs. Involved corporations, as well as other organisations, are expected to behave and act sustainably in line with these sustainable goals.

Consequently, it may be said that the long-term strategy of the UNGC is to enhance business awareness and action to support achieving the SDGs by 2030 (UNGC, 2020b). The UNGC tries to achieve its goal of spreading the UN mission, including achieving Sustainable Development Goals and the implementation of the 10 principles by encouraging growth of signatory organisations, and through establishing local networks and by encouraging dialogue on specific policy areas (Voegtlin & Pless, 2014, p. 7–8). In Figure 2, the interconnection among the 10

principles of the UN Global Compact and the Sustainable Development Goals is demonstrated.

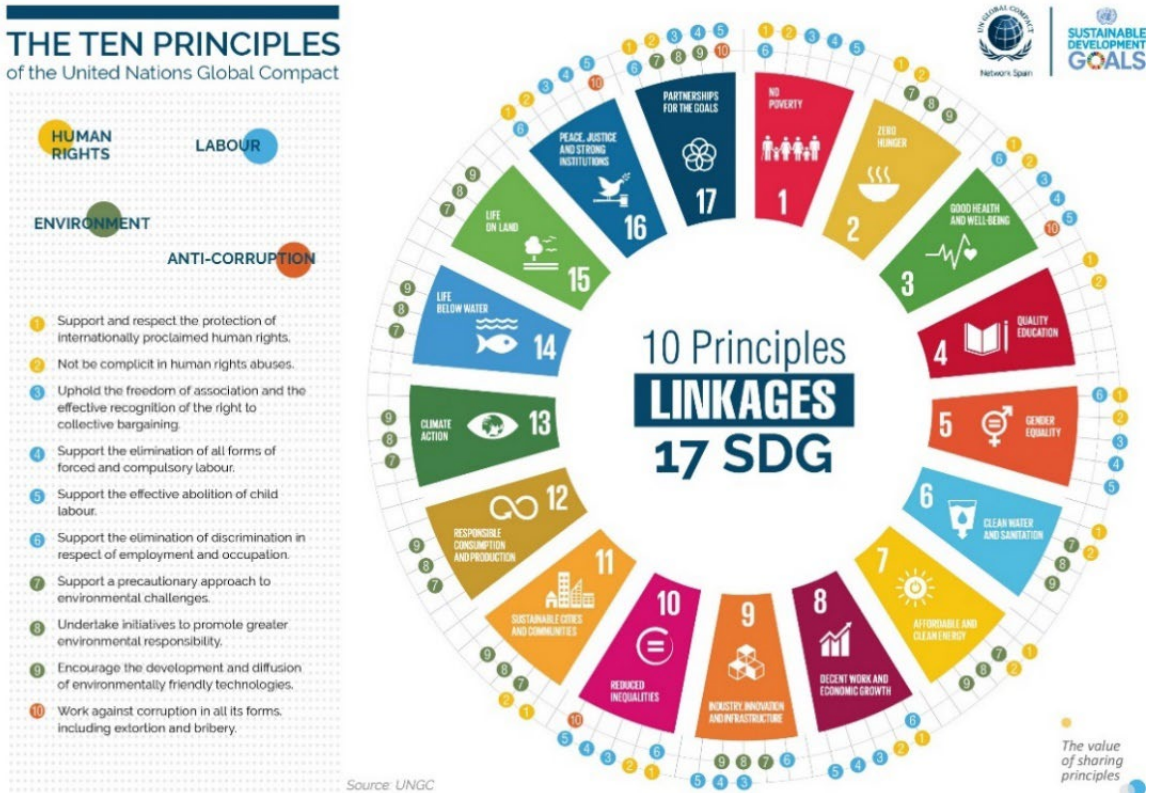


Figure 2: The UNGC Principles and SDGs

Source: (FCCO Construction).

The sustainability of a company begins with its value system and a principle-based approach to doing business. This means operating in a way meeting basic responsibilities in the area of human rights, labour, the environment and anti-corruption. Responsible businesses apply the same values and principles wherever they operate and know that good practices in one area do not balance out problems in another. Therefore, it can be stated that through implementing the above mentioned UN Global Compact principles into business strategies, policies and practices, companies maintain their basic responsibilities and they are also creating a direction for long-term success (see more in: UNGC, 2000a). The participants are required to engage in specific business practices that benefit the people and the planet while pursuing profitability with integrity. For creating a better world, all

member organisations are required to implement the established principles. They also should promote and support these principles in public and try to meet them as closely as possible (more also in, Kenton, 2020).

Questions / tasks

1. What potential do you see in the UN Global impact initiative for achieving sustainable development?
2. In your opinion, which key area of Global Impact is the most important and why?
3. According to the knowledge and information from the text, create your own list of the 10 UNGC principles corresponding to your subjective view and preferences, and explain it.
4. Explain, why is UN Global Impact necessarily connected with achieving sustainability?
5. Study the following links. Then, find, write and describe the interconnections among the UN Global Compact principles and Sustainable Development Goals:
 - a) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
 - b) <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

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