



Preliminary Report on the Global Compact Leaders Summit
Prepared by the Global Compact Office
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Overview

On 24 June 2004, Secretary-General Kofi Annan convened the Global Compact Leaders Summit at UN Headquarters in New York. With nearly 500 leaders in attendance, it was the largest gathering ever of chief executive officers, government officials and heads of labour and civil society on the topic of global corporate citizenship.

The design of the Summit was unique in that it employed a methodology known as Appreciative Inquiry. The methodology, created by Case Western Reserve University, is intended to spur innovative and creative thinking by establishing one-on-one dialogues among meeting participants and through the utilization of worksheets covering key issue areas. This approach effectively turned the Summit into a working conference.

This document constitutes a preliminary report of the Summit. A full report, including the outcomes of the Appreciative Inquiry process, will be published by early September 2004.

Key Outcomes of Summit

The following summarizes the key outcomes of the Summit:

- The Secretary-General and President Luis Inacio Lula da Silva of Brazil elevated and expanded the meaning of responsible corporate citizenship by stating that business leaders must become stronger advocates for the poor, with President Lula urging businesses, labour and civil society to lobby against agricultural subsidies. The Secretary-General complemented President Lula's statement, saying: "Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy".
- The Secretary-General also emphasized that with respect to responsible corporate citizenship, normative and operational efforts can and must complement one another: "Principles and projects are two sides of the same coin", he stated.
- It was recognized that voluntary initiatives such as the Global Compact "can and do work", in the words of the Secretary-General. This conclusion was reinforced by the recently released McKinsey & Company report on the Global Compact. However, the Secretary-General emphasized that voluntary initiatives have their limits and must seek to contribute to improved public governance.
- The Global Compact officially adopted a 10th principle on anti-corruption.

- 20 major financial companies pledged to begin integrating social, environmental and governance issues into investment analysis and decision-making. This represents the first time that major investment companies (representing \$6 trillion in assets) have collectively made such a commitment.
- 10 stock exchanges announced that they have embarked on a Global Compact awareness-raising campaign with their listed companies. Bovespa, the Brazilian stock exchange, announced its decision to join the Global Compact. (The Jakarta Stock Exchange and the Istanbul Stock Exchange also joined the Global Compact.)
- The United Nations Administration announced that the Global Compact's principles will be adopted in key areas such as procurement, investment management (pension fund), and facilities management and human resources.
- Leaders of non-governmental organizations, such as Jeremy Hobbs of Oxfam International, demanded that the Global Compact adopt policies to significantly improve the accountability and integrity of the initiative.
- The Secretary-General announced that the Global Compact Office will begin a 12-month process to improve the governance of the initiative, with an eye to improving the Global Compact's "brand management and quality assurance".
- The Growing Sustainable Business initiative received the support of more business leaders who agreed to actively work with UNDP to address poverty in the Least Developed Countries.
- Mr. Zhang Yanning, Executive President of the China Enterprise Confederation, announced that the CEC will actively work with the Global Compact to advance human rights, labour standards, environmental stewardship, and anti-corruption in China.
- The European Foundation for Quality Management made available copies of its Excellence One tool, thus promoting principled-based process change.
- An initiative linking the principles of the Global Compact with the Millennium Development Goals was introduced by Oded Grajew, President of the Instituto Ethos de Empresas e Responsabilidade Social.
- A number of publications, reports and other materials were released that experts agreed will shape the future debate on corporate citizenship:
 - McKinsey & Company Assessment
 - "Raising the Bar -- Creating Value with the United Nations Global Compact"
 - Who Cares Wins
 - Gearing Up
 - Learning to Talk
 - The Global Compact: A Network of Networks
 - HIV/AIDS: Everybody's Business
 - From Principles to Practice
 - The Materiality of Social, Environmental and Corporate Governance Issues in Equity Pricing

Special Announcements

During the lunchtime and afternoon segment of the Summit, a number of special announcements were made from the following leaders:

The Deputy Secretary-General: Louise Frechette recognized the following individuals and their organizations for their support of the Global Compact: Bjorn Stigson and Claude Fussler of the World Business Council for Sustainable Development; Maria Cattai of the International Chamber of Commerce; and Francois Perigot of the International Organization of Employers.

Peter Woicke, Executive Director, IFC: Mr. Woicke said that through its lending, investment and technical assistance, the World Bank Group endeavors to make the Global Compact principles part of its clients' operations because this can improve profitability over the long-term. He praised initiatives such as the Equator Principles and the Global Compact's Who Cares Wins project for encouraging the investment community to recognize progressive companies.

Ambassador Richard Holbrooke, Global Business Coalition Against HIV/AIDS: Mr. Holbrooke noted that the Global Business Coalition and the Global Compact work closely together. He called on more companies to join the Global Business Coalition, which now numbers 150 members, up from 15 three years ago.

Raymundo Filho, CEO of Bovespa: Mr. Filho announced that Bovespa was honored to become the first stock exchange to join the Global Compact. He also issued a statement by 10 stock exchanges that have initiated an awareness-raising campaign on the Compact with their listed companies. They are: Bovespa, Deutsche Borse, Euronext, Italian Exchange, Luxembourg Stock Exchange, the Irish Stock Exchange, Istanbul Stock Exchange, Jakarta Stock Exchange, Johannesburg Stock Exchange, Toronto Stock Exchange.

Eddie Smith, CEO of Multichoice, Malawi: Mr. Smith said that an innovative partnership between the office of the President of Malawi, a business council and Global Compact participants is developing a high-tech distribution process to deliver anti-retroviral drugs to victims of HIV/AIDS.

George Heller, CEO of The Hudson Bay: Mr. Heller announced that Hudson Bay, in partnership with other retailers and key retail associations, has initiated a global program to improve and simplify human rights/labour code compliance in the retail supply chain. In addition, the International Apparel Federation, through its "Barcelona Declaration", will promote the Global Compact by establishing a register tracking initiative.

Dan Smith, Secretary-General of International Alert: Mr. Smith said that International Alert and its partners will soon be publishing a conflict risk and assessment tool for companies, as well as a resource manual for businesses to address the legal and operational challenges of operating in conflict zones.

Gerard van Schaik, President of the European Foundation for Management Development: Mr. Schaik announced that EFMD is working with leading business schools as well as companies from six continents to upgrade management teaching in terms of corporate citizenship studies and training.

Catherine Bertini, Under Secretary-General, UN Department of Management: Ms. Bertini announced that the UN will adopt the Global Compact principles in key areas such as procurement, investment management, facilities management, and human resources.

Janina Otto, a representative of the Otto Group: Ms. Otto, describing a new initiative called “Cotton Made in Africa”, said the goal of that initiative was to establish cotton made in Africa as a quality label for cotton produced in the developing world. Cotton represented Africa’s largest export commodity. A sustainable method for producing cotton was important due to the depletion of water and soil resources in numerous countries. In cooperation with cotton specialists, the idea was to define criteria for the sustainable growth of high-quality cotton. What made the project special was the fact that it was demand-market driven. The involvement of representatives from African markets would be crucial to the project.

Henry McKinnell, CEO of Pfizer: Mr. McKinnell, addressing the Global Compact’s new anti-corruption principle, noted that an estimated \$3 trillion in bribes were paid each year, constituting a devastating hidden tax. Noting that the new anti-corruption principle aimed to combat corruption in all its forms, he said that some 150 companies taking part in the Business Roundtable had put anti-corruption high on their agendas. The Roundtable had called for governments to better monitor and comply with existing conventions against corruption and bribery; for international organizations to encourage governments to promote greater transparency and work against bribery; for businesses to adopt best practices in combating corruption; and for governments to promote transparency.

Anthony Ling, Managing Director at Goldman Sachs: Mr. Ling, presenting the report “Who Cares Wins”, said the initiative had been endorsed by Chief Executive Officers of 20 major financial institutions. It represented a serious statement of intent by the finance industry that environment, social and corporate governance issues were vital in contributing to healthy financial markets. Such issues were a vital aspect of overall management in the new global world, and the prize for getting them right was increasing, he said.

Cheng Siwei, Vice Chairman of the People’s Congress, China: Mr. Cheng said the concept of freedom was relative, as decisions of individual enterprises were constrained by other enterprises and influenced by external environments. There would be no market economy without a free enterprise system. However, that system should keep pace with time. In days past, chief executive officers worked only for the benefits of owners. After the Second World War, however, some began to realize that they had to work for the

benefit of their customers. In recent years, a few chief executive officers began to understand that they had a responsibility to work on behalf of society and people, and that they should pay more attention to human rights, environment and anti-corruption efforts. He hoped the 10 principles would be turned into practice. Governments should encourage enterprises to use the principles both by legal means as hard constraints and moral means as soft constraints. China was in transition from a central planning system to a socialist market system. On the one hand, the market had to play a fundamental role in resource allocation. On the other, it had to develop the socialist system with Chinese characteristics. He trusted that the Compact's implementation in China would impact the country's peaceful development. He also hoped the summit would be a milestone for promoting the Global Compact.

Select Roundtable Presentations

As part of the Appreciative Inquiry process, Summit participants were organized in roundtables. The following presents the highlights of the presentations by the roundtable leaders who addressed the plenary during the afternoon segment in the General Assembly Hall. The report-backs from the many other roundtables will be captured in the full report of the Summit, to be released by early September 2004.

Bertrand Collomb, Chairman of Lafarge, said that participants had shown an impressive level of commitment to the Compact. Specific sector initiatives had been proposed, such as those from the distribution industry and the stock exchanges, and it was now important to carry out concrete actions.

The Compact's aim was not to select a few companies and highlight their merits, he continued, but to engage as many as possible in the global struggle for corporate responsibility. In realizing that objective, it was also important for business to work with other partners, and for governments and international institutions to recognize the Compact and assist in furthering its principles. The Compact could expect commitment from a growing number of companies, but must remain a light, informal organization that was free of political interference and the weight of bureaucracy.

Talal Abu-Ghazaleh, Chairman and Chief Executive Officer of Talal Abu-Ghazaleh Organization, offered some suggestions for the Compact. These included the need to design and implement as a priority a governance structure, including a business-like organizational structure; to put in place working groups to implement the call for resources, advocacy and leadership; to create an anti-corruption culture condemning the double crime of being corrupt and of corrupting others; to launch a public awareness plan to make "Global Corporate Citizenship" a business brand; and to develop social benefit indicators to reflect the real impact of economic indicators.

Achim Steiner, Director General of the World Conservation Union, said three things stood out during the Summit, including the idea of leadership. The Secretary-General had shown leadership in Davos by calling for the Global Compact, he said.

Another issue was the concept of measurement or accountability. If companies wanted to differentiate themselves, a stronger form of accountability was essential, and the Global Compact must not shy away from it. He also stressed the need to turn words into action. There is a great deal of skepticism regarding the Compact, and it remained to be seen if real teeth could be given to the 10 principles, he said, adding that without these next steps, the Global Compact would not move beyond its leadership role.

The Secretary-General's Closing Speech

In a closing speech entitled, “The Way Forward: Commitment and Action”, Secretary-General Kofi Annan said it was fitting that the Summit ended in the General Assembly Hall, where all the world’s peoples, governments and other stakeholders come together to address common challenges and find common solutions. While symbolism was good, substance was even better. Important substantive progress had been made during the day.

The day was ending with reinvigorated commitments to the Global Compact and to responsible corporate citizenship, he said. The Summit had addressed the challenges facing the Global Compact as partners, transforming differences and tensions into constructive strategies for action. The leaders had demonstrated that even in an era of uncertainty and fear, business, labour, civil society and governments could overcome their divisions, and build on what they had in common.

The global village could not prosper unless stronger common bonds and values were established. The future was tied together through webs of trade, investment and technology. “Let us not rest until we have truly succeeded in bringing positive change into the lives of people, and laid the foundations for peaceful, well-functioning, sustainable societies throughout the world”, he said.

Concluding Note From the Global Compact Office

While the Global Compact Leaders Summit has mobilized a great deal of energy and concrete action in critical areas, participants and the Global Compact Office alike are now challenged with carrying this momentum forward. Scaling up efforts to achieve greater impact; promoting convergence around the Global Compact’s ten principles; and building an effective organizational framework with a premium on quality assurance and brand management – these are all key priorities. To succeed, we will need to double our efforts.

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