



United Nations Global Compact

Meeting of the Global Compact Board

United Nations Headquarters

New York

15-16 December 2011

Prepared by the Global Compact Office

Executive Summary

The Global Compact Board met at United Nations Headquarters in New York on 15-16 December 2011. UN Secretary-General Ban Ki-moon, chairman of the Board, encouraged the Board to reconstitute itself as a Global Compact Partnership Board, with the capacity to provide guidance on the rapidly evolving sustainable development agenda, by June 2012.

The meeting was chaired by Sir Mark Moody-Stuart, Vice-Chair of the Board and Chair of the Foundation for the Global Compact on behalf of the Secretary-General. Discussion focused on strategies for taking the initiative to scale, the role of subsidiary and small and medium enterprise (SME) engagement, preparations for the UN Conference on Sustainable Development – Rio+20 and the Corporate Sustainability Forum, the participation of non-business stakeholders and integrity measures.

Following the meeting, Board members joined Government representatives at lunch to discuss the contribution of business to UN priorities and events, notably at Rio+20. (See Appendix 2 for summary of discussion)

Outcomes and recommendations emerging from the Board meeting include:

- The Board endorsed the proposed subsidiary policy as described in the “Revised Note on Subsidiary Engagement”.
- The Board approved extending the Learner Platform for up to three years, with attention paid to participants’ progress.
- The Board endorsed the GCO’s proposal to develop clear requirements for non-business stakeholder participation in the UN Global Compact. A proposed policy will be presented at the next Board meeting.
- The Board will review a strategy for growing to scale to be proposed at the next Board meeting.
- The Board agreed to comment via email on a proposed strategy for supporting SME engagement in the Global Compact.
- The Secretary-General encouraged the Board to ensure that corporate sustainability has a high profile at Rio+20 by showcasing business solutions and innovations.
- The Board was called upon to mobilize private sector participation in Rio+20, including by reaching out to Local Networks, investors and educators.
- Information about high-level engagement opportunities for CEOs at Rio+20 was requested by the Board.
- Key topics that must be incorporated in the agenda at Rio+20 include energy, integrated reporting, labour involvement and sustainable stock exchanges.
- The Board welcomed the GCO’s current activities and expressed appreciation to the GCO staff for their work.
- The Board welcomed the “Progress Report on Integrity Measures” and the GCO’s efforts in dialogue facilitation.

The next Board meeting will be held around 20 June 2012 at the Windsor Barra Hotel in Rio de Janeiro, prior to the high-level meetings of Rio+20.

Opening of the Meeting

The Board Meeting was opened by the Vice Chairman, **Sir Mark Moody-Stuart**.

Agenda Item 1: Global Compact Office Report to the Board

Georg Kell updated the Board on the latest developments and priorities of the Global Compact Office (GCO). Mr. Kell shared that the UN General Assembly recently adopted a resolution, sponsored by 67 Member States, renewing the UN Global Compact's mandate to advance UN values and responsible business practices within the UN and among the global business community and to strengthen the capacity of the UN to engage the private sector. The GCO is becoming increasingly active on UN priorities, including the UN Secretary-General's initiatives on Sustainable Energy for All and Every Woman, Every Child.

Global Compact Local Networks are growing in number and quality, while overall business participation is steady around 6,800. While growth was up 30 percent overall in 2011, over 1,000 companies were delisted, leading to slightly increased net growth. Mr. Kell emphasized that the GCO is mobilizing resources toward Rio+20 and the Rio+20 Corporate Sustainability Forum with the goals of establishing corporate sustainability as the business contribution to sustainable development and helping to grow the Global Compact to greater scale.

GCO staff members summarized recent activities and planned work related to: Local Networks, Human Rights, Labour, Environment, Anti-Corruption, Business and Peace, UN-Business Partnerships, Global Compact LEAD, Financial Markets and the Principles for Responsible Investment (PRI), and the Principles for Responsible Management Education (PRME).

Growing to Scale

Philip Jennings raised questions about the growth strategy of the Global Compact. Mr. Jennings also encouraged the GCO to better understand why companies are leaving the Global Compact. He expressed his appreciation of the European Union's 2011-2014 renewed strategy for corporate social responsibility, which promotes the Global Compact and encourages companies to join. He challenged the GCO to leverage this document in its recruitment efforts.

Georg Kell responded that though the GCO does not focus many resources on participant recruitment, it is working to strengthen the initiative's brand, which may not be enough to reach the target of 20,000 participants. The GCO is also strengthening Local Networks to support current participants as well as to recruit new ones. Rio+20 will also be a major opportunity for growth. Mr. Kell asked the Board for guidance on which types of companies and regions should be targeted.

Sir Mark Moody-Stuart added that investors have also been making a push for companies to join the initiative. He continued that another reason for slower growth is that the GCO has been more diligent in communicating the Global Compact's disclosure requirements to companies before they sign on.

Monica De Greiff, Habiba Al Marashi and **Toshio Arima** reiterated the important role of Local Networks working with companies to further prepare before they join and providing support with reporting after they become signatories. Ms. Al Marashi and Mr. Arima also emphasized the importance of raising the profiles of the Local Networks in order to attract additional companies.

Pierre Sane suggested that in addition to the 20,000 participant target, the Global Compact should define a set of criteria for companies to target for membership – e.g., companies with a large number of employees; companies operating in high-risk environments; or in certain industries, such as the extractives. Businesses meeting the criteria could be approached directly by Local Networks, other companies or even with a letter from the Secretary-General. He added that it is important to engage in dialogue with companies that are reluctant to join. **Ntombifuthi Mtoba** agreed that selecting companies to target based upon their impact is important, and added that a company's supply chain should be considered when determining the size of its potential impact.

Small and Medium Enterprise (SME) Participation

Acknowledging that SMEs face challenges in meeting the Global Compact's disclosure requirements (i.e., the COP), **Juan de la Mota** highlighted that the Local Networks in Spain and throughout Europe are developing tools, guidance material and holding training sessions to build the capacity of SMEs to report. He explained that SMEs are the majority of signatories in Europe and many are working with large companies as part of their supply chains. **Cheng Duosheng** supported strengthening Local Networks to work with SMEs.

The GCO agreed that it is particularly important to support SMEs. Many are reporting for the first time because they are signatories, in contrast to large companies who have been reporting on Environment, Social and Governance (ESG) issues.

Cheng Duosheng emphasized the value of getting in contact with SMEs to understand why they are non-communicating. For instance, many SMEs have high turnover and the reason for failure to submit a COP could be that the employee with knowledge of the responsibility has left. **Louise Kantrow** agreed that though it is assumed that reporting is the biggest challenge for SMEs, it may be helpful to consider other reasons that SMEs are being delisted. Mr. Cheng also suggested an SME LEAD programme.

Huguette Labelle suggested partnering with local chambers of commerce to work with SMEs in countries where there are no Local Networks.

Georg Kell agreed that GCO will propose a strategy for growth for the next meeting. An SME engagement strategy will also be circulated to Board members for comment via email.

Other Issues

Chad Holliday congratulated the GCO on its presentations on the status of work. Mr. Holliday made the observation that looking at sustainability challenges more holistically would be beneficial. He suggested that the GCO consider holding half-day corporate sustainability trainings for CEOs of companies who are not sustainability leaders.

Huguette Labelle asked how LEAD companies are responding to their many requirements. **Georg Kell** and the GCO responded that companies must balance the demands and that every company does not work on every initiative.

Philip Jennings offered his support to GCO activities during the upcoming World Economic Forum in Davos and also inquired about how the GCO and Human Rights Working Group are engaging with Special Representative John Ruggie and his team on the Guiding Principles on Business and Human Rights. **Sir Mark Moody-Stuart** agreed to address the issue under Agenda Item 5.

Revised Note on Subsidiary Engagement

A revised "Note on Subsidiary Engagement in the UN Global Compact" was introduced to clarify how subsidiaries will report and increase their engagement at the local level.

Chad Holliday asked how joint ventures are considered. **Sir Mark Moody-Stuart** responded that all controlled entities must report, and noted that though some companies have one global report, they may choose to release additional, more detailed reports for specific country or regional operations.

Habiba Al Marashi expressed concern that some large companies do not require their local subsidiaries to engage in Local Networks. The GCO responded that all participants are encouraged to actively participate in Local Networks, though the GCO cannot force them. However, it is promising that local subsidiary engagement is a requirement for GC LEAD companies.

Sir Mark Moody-Stuart emphasized that the objective of the policy is to increase local engagement, not just require additional reporting. The proposal's option for a subsidiary to be listed as "active", even if it is not an independent signatory, provides an important incentive for this engagement.

Juan de la Mota and **Ntombifuthi Mtoba** expressed support for the proposed policy. Mr. De la Mota remarked that it is sensitive to individual business needs as it gives companies a choice of how their subsidiaries will engage. Ms. Mtoba noted that asking headquarters to report on each subsidiary spurs them to consider what corporate sustainability measures are or are not in place locally.

Toshio Arima questioned the necessity of an explicit subsidiary policy given the diversity of corporate structures globally. The GCO responded that companies are requesting clarification on the rules.

The Board then agreed to accept the proposed subsidiary policy.

Outcomes and Recommendations: Global Compact Office Report to the Board

The Board endorsed the proposed subsidiary policy as described in the “Revised Note on Subsidiary Engagement”.

The Board will review a strategy for growing to scale to be proposed at the next Board meeting.

The Board agreed to comment via email on a proposed strategy for supporting SME engagement in the Global Compact.

The Board welcomed the GCO’s current activities and expressed appreciation to the GCO staff for their work.

Agenda Item 2: Welcome by the Secretary-General & Tour de Table for Board Members

Upon **UN Secretary-General Ban Ki-moon** joining the meeting, **Sir Mark Moody-Stuart** provided an update on the previous day’s proceedings. The Secretary-General thanked exiting Board members **Habiba Al-Marashi, Anne Lauvergeon** and **Ntombifuthi Mtoba** for their contributions in support of the Global Compact and the UN. (Due to term limitations, the following Board Members’ terms expired on 31 December 2011: **Habiba Al-Marashi, Anne Lauvergeon, Ntombifuthi Mtoba** and **Chey Tae-won**).

In his remarks, the Secretary-General stressed the need to take the Global Compact beyond having companies build the ten principles into their strategies and operations, to becoming active partners in the UN’s broader mission. He encouraged Board members to intensify their efforts in helping to forge public-private partnerships, particularly in the lead-up to Rio+20, in order to deliver transformational, systemic change. He encouraged the Board to reconstitute itself as a Global Compact Partnership Board by June 2012, with the capacity to provide guidance on the rapidly evolving sustainable development agenda.

Noting that sustainable development is a key priority for his second term, the Secretary-General highlighted a number of global challenges where the private sector can play an integral role, including climate change, sustainable energy, women’s empowerment, children’s rights and helping countries transition to democracy. He called upon Board members to fully utilize the historic opportunity presented by Rio+20 to bring the initiative to full scale, and to showcase business solutions and innovations that already exist. (See Appendix 3 for full remarks.)

Following the Secretary-General’s remarks, Board members presented their involvement in the initiative throughout 2011 and forecast emerging work streams for 2012.

Juan de la Mota presented the goals of the Local Network Spain, which will focus on supporting SMEs in the Global Compact (they are approximately 75 percent of participants in Spain), in addition to focusing on supply chains to help grow the initiative to 20,000 participants by 2020. Mr. De la Mota commented that the Rio+20 agenda is having a growing impact on Spanish businesses, particularly in

the energy, infrastructure and financial sectors. He also highlighted the EU's recognition of the Global Compact model of corporate sustainability through its 10 principles and the PRI and PRME initiatives.

Manfred Warda highlighted his role on behalf of the Global Union Federation that represents many energy companies, and noted that the organization will push the Secretary-General's agenda to provide sustainable energy for all the world's people at Rio+20 and beyond. He expressed that a globally fair and binding agreement on climate change should be developed, and stated that he is pleased that the conferences in Copenhagen, Cancun and Durban have recognized the need for a just transition to renewable energy sources.

Huguette Labelle noted the golden opportunity presented by Rio+20. Given her focus on anti-corruption, she expressed that building integrity will be important for inspiring confidence that resources aimed at sustainable development will not be lost to money laundering. She highlighted areas where the Global Compact is active in implementing anti-corruption efforts, such as providing tools for specific industries, training of staff, working with schools of management and universities, and establishing partnerships.

Chad Holliday emphasized his role within the Secretary-General's Sustainable Energy for All initiative. He supported the Secretary-General's comments about a "golden thread" that ties sustainable energy to the sustainable development agenda and committed to advancing that agenda.

Monica De Greiff noted the Colombian Local Network's focus on energy issues, for example through public-private partnerships between the Governments of Chile and Colombia on hydro and natural gas, and through a separate steering committee. She noted that the Colombian police force has joined the Global Compact and is training its officers on human rights principles in conjunction with the network.

Toshio Arima informed the Secretary-General that the Japan Local Network of 149 participants is active and growing. There are now 13 working groups and they are working with business leaders to help them continually think about corporate responsibility and the Global Compact. As an example, the China-Japan-Korea Roundtable began two years ago and continued this year in Tokyo.

Habiba Al Marashi expressed that it has been a privilege to represent her region during her tenure on the Board, stating that participation by companies from the Gulf States has grown to 77 participants since she joined the Board in 2006. She highlighted her efforts to support the Global Compact, including the launch of the United Arab Emirates (UAE) Network in 2008 and the Iraq Network in 2011. Ms. Al Marashi stated that the UAE Network is the only certified trainer for the Global Reporting Initiative in the region and noted the launch of the Arabia CSR Awards, which encourages companies to join the Global Compact.

Ntombifuthi Mtoba highlighted her work in anti-corruption by helping to drive implementation in companies, and expressed her gratitude for being able to take part in the Global Compact, stating that its work on the ground is important.

Phillip Jennings expressed that he would like the Secretary-General to reach out to the President of the European Commission to work together to recruit companies to join the Global Compact following the EU's recognition of the Global Compact related to corporate sustainability. He also encouraged the Secretary-General to contact the President of Mexico, as the G20 and Labour 20 meetings will both take place there in 2012. Mr. Jennings also placed specific importance on jobs as a critical issue for Rio+20.

Wolfgang Engshuber thanked the Secretary-General for his efforts to promote the PRI and noted the PRI's close work with the Global Compact in various areas. PRI's next five-year plan will focus on long-term sustainability in order to provide a public voice for investors and to engage with policy makers. He also reiterated the full commitment of PRI's investors to sustainability.

Additionally, several Board Members sent representatives to attend the meeting in their absence.

On behalf of **Fu Chengyu**, Huang Wensheng highlighted efforts to promote the Global Compact within China, including the relaunch of the Global Compact China Network in November. He stated the Network's goals to increase awareness among Chinese companies, to reach 2,000 Global Compact participants from China by 2020, and to encourage Chinese LEAD companies to share best practices in order to motivate smaller companies within China.

On behalf of **Chey Tae-won**, Kim Shin-bae, indicated that 2011 was a meaningful year for the Global Compact Local Network Korea. He thanked the Secretary-General for attending the regional network meeting during the summer and the High Level Forum on Aid Effectiveness held in November 2011, leading to the adoption of the Seoul Declaration by 600 people. He stated that a social enterprise model can be a solution for sustainable development, and reiterated that the Global Compact can help companies to sustain growth while enhancing their brand image.

On behalf of **Li Decheng**, Cheng Duosheng emphasized the commitment to recruit new participants and to reactivate participants that have been delisted. He stated that many Chinese CEOs are preparing for Rio+20 and will bring delegations to the conference.

Two observers also shared updates relevant to the Global Compact. **Diana Chavez**, Director, Regional Center for the Support of the Global Compact in Latin America and the Caribbean, shared highlights of the Local Network Regional Meeting held in Mexico City in November 2011. The meeting aimed to facilitate implementation of the Global Compact in the region through dialogue and sharing of best practices by Global Compact participants. The Forum also sought to enhance integration of the Global Compact's ten principles into the business strategies and operations of companies, through topics such as sustainable development, Rio+20 and labour practices.

Mads Oevlison expressed the importance of supply chain sustainability beyond environmental considerations, as reflected in the new work plan of the Advisory Group on Supply Chain Sustainability. The revised plan outlines the meaning of developing local communities, and focuses on guidance for topics such as diversity in the supply chain, conflict minerals and how to deal with migrant workers.

The **Secretary-General** praised the Board members for their efforts, remarking that they are the "agents of change" who will bring the initiative to 20,000 participants. He encouraged the Board to continue to demonstrate its commitment to the ten principles globally and to utilize the Local Networks to bring the Global Compact to scale. The Secretary-General expressed that the world's growing population presents the need to adapt and be responsible for future generations, and encouraged the Global Compact to specifically address the issues of energy and anti-corruption. Further, he noted that the Global Compact is critical for strengthening public-private partnerships and for making sustainable development a reality.

Outcomes and Recommendations: Welcome by the Secretary General and Tour de Table for Board Members

The Secretary-General called for the Board to reconstitute itself as a Global Compact Partnership Board to provide guidance on the rapidly evolving sustainable development agenda.

The Secretary-General encouraged the Board to ensure that corporate sustainability has a high profile at Rio+20 by showcasing business solutions and innovations.

The Board was asked to make a special effort to incorporate sustainable energy as a key issue area within the Global Compact.

Agenda Item 3: Discussion on Preparation for the Rio+20 Corporate Sustainability Forum

The GCO provided an update on Rio+20 preparation: the office is organizing a Corporate Sustainability Forum on 15-18 June 2012 and is a co-organizer of the BASD Business Day on 19 June 2012, immediately prior to the 20-22 June conference. The purpose of the Forum is to bring greater scale and quality to the practice of corporate sustainability, in cooperation with the Rio+20 Secretariat, the Brazil Local Network and the UN system. The Forum will take place at the Windsor Barra Hotel, located close to the main UN forum of Rio Centro, and workshops will focus on several thematic areas informed by the priorities of the Government of Brazil. Many Local Networks are already active in bringing delegations to Rio, where the GCO expects 2,000 total participants, including 1,000 companies and 1,000 representatives from cities, Local Networks, the UN, Governments and investors. PRME will hold its annual forum on 14-15 June.

Official side events will also be held from 20-22 June at Rio Centro, with the possibility of high-level interaction. A sponsorship package has been developed to secure extra funding and Board members were called upon to help mobilize businesses in support of the overall effort.

Huguette Labelle and **Ntombifuthi Mtoba** expressed support for the GCO's focus on Rio+20, noting the prominence of the conference and its connection to the Global Compact's ten principles. Ms. Mtoba emphasized that the sustainability agenda cannot move forward without the support of large companies.

Louise Kantrow noted the role of the International Chamber of Commerce in working closely with the Global Compact on Rio+20, particularly within BASD as the Major Group coordinator of business and industry for the UN conference. BASD made a contribution to the zero draft of the Rio+20 compilation document. She also expressed the need for greater uniformity in the approach taken by the UN to incorporate the private sector in its conferences.

Huguette Labelle requested a one-page document outlining the various events associated with the Corporate Sustainability Forum and Rio+20.

Georg Kell remarked that the Global Compact is seeking global uptake for the Corporate Sustainability Forum, with equal regional representation and participation by businesses, civil society, investors, workers, educators and Governments – especially those that have established public-private partnerships, such as 3GF. He also recognized the Brazil Network for its support in logistics, content and operations.

Chad Holliday emphasized the critical importance of the Sustainable Energy for All initiative as the “golden thread” that ties Rio+20 together. He assured the Board that the initiative will have a presence at Rio+20, with plans to be announced at the end of January. **Georg Kell** and **Sir Mark Moody-Stuart** recommended incorporating the Sustainable Energy for All initiative into the Corporate Sustainability Forum because of the overlap with water and related issues, as well as the Global Compact's work in the energy arena.

Wolfgang Engshuber stated that PRI will bring a number of investors to Rio, and will showcase pilot programs related to energy which emphasize how public and private investment come together. **Manfred Warda** emphasized the importance of technology, such as carbon capture and storage, within these initiatives given China's investment in coal and U.S. coal reserves. **Chad Holliday** expressed the importance of including technology within the Sustainable Energy for All initiative and **Sir Mark Moody-Stuart** stated that there is tremendous opportunity if it can be made economically viable.

Habiba Al Marashi expressed the need to mainstream the concept of the green economy, especially from the perspective of educational institutions. She stated that Government policies are needed to create green jobs, and **Georg Kell** presented the Global Compact's position of focusing on solutions and voluntary initiatives by business rather than engaging in the intergovernmental debates.

Juan de la Mota raised the issue of how best to attract Local Networks and corporate attention from a thematic perspective, particularly the best opportunity for CEOs to engage at the highest level.

Georg Kell indicated that more details will be clear for high-level engagement in early 2012, but at this time the 19 June BASD Business Day will be the best avenue for engaging CEOs, and the Windsor Barra will be the hub of activity for the private sector in Rio. **Louise Kantrow** noted an additional opportunity for CEOs at the World Business Development Awards at the close of the BASD Business Day.

Phillip Jennings stated that he expects great interest by labour and involvement to be in the hundreds in Rio. However, there is overlap with international union events, for example a manufacturing and energy event in Copenhagen on 18-20 June. He also requested to add content in the social dimension of the Global Compact's submission to the zero draft of the Rio+20 compilation document, specifically related to labour and decent jobs. **Georg Kell** requested Mr. Jennings' help to revise the submission, which was based on the scope of Global Compact working groups.

Louise Kantrow provided an overview of the Rio+20 compilation document submission process, which began with the first round of zero draft submissions on 1 November. In January the zero draft outcome document will be made available for negotiation and content changes by Governments. As this is the first time the private sector has made a formal submission, BASD is determining how business can interact with the official process. **Georg Kell** reiterated the opportunity for making revisions to the Global Compact's submission, and **Sir Mark Moody-Stuart** emphasized that it will be key to provide inputs toward expanding the official outcome document moving forward.

Kim Shin-bae stressed that Local Networks must start immediately to mobilize companies. The GCO noted that a Corporate Sustainability Forum website will be launched in mid-January when invitations are distributed, and that the Forum will be open to all companies, not just Global Compact participants.

Georg Kell highlighted the importance of success at Rio+20, as the Global Compact views it as a key opportunity to go to scale. He recognized Board members as champions and bridge builders to help position Local Networks as sustainability hubs and to mobilize investors and educators. With the Brazil Network recently reconstituted, work is underway on the ground in Rio.

Sir Mark Moody-Stuart requested clarification on corporate reporting and how COPs, IIRC, PRI and links to governance and stock exchanges will be featured at the Forum in Rio. **Wolfgang Engshuber** also remarked that the Principles for Responsible Insurance will be launched by UNEP-FI in Rio.

Georg Kell also expressed the relevance of sustainable stock exchanges, for example in Mexico, Shanghai, Colombia and South Africa. Strong action is expected by CEOs of stock exchanges in Rio, and the Global Compact will press for sustainability to be mainstreamed in stock exchanges. He concluded by noting that stock exchanges in emerging markets have pushed ahead of more established exchanges in terms of innovation and sustainability.

Outcomes and Recommendations: Rio+20 Preparation

The Board was called upon to mobilize private sector participation in Rio+20, including by reaching out to Local Networks, investors and educators.

Information about high-level engagement opportunities for CEOs at Rio+20 was requested by the Board.

Key topics that must be incorporated in the Forum agenda at Rio+20 include energy, integrated reporting, labour involvement and sustainable stock exchanges.

Agenda Item 4: Review of the Proposal on Non-Business Stakeholder Participation in the UN Global Compact

Georg Kell and the GCO introduced a proposal to evaluate the requirements for non-business stakeholders – primarily NGOs, academia and foundations – to participate in the Global Compact. The discussion excludes those stakeholders with clear engagement platforms, such as labour, investors through the PRI. Currently there is no explicit follow-up, reporting requirement or criteria for delisting non-business stakeholders.

As outlined in the “Note to the Global Compact Board on Civil Society Participation in the UNGC”, the GCO sought Board support for creating a policy to collect information from these stakeholders regarding how they are contributing to the Global Compact and to require minimal reporting similar to the COP. Non-business stakeholders could then be expelled for not meeting basic requirements. Local Networks will be consulted in developing the new policy.

Huguette Labelle, **Habiba Al Marashi** and **Louise Kantrow** expressed their support for developing such a policy. Ms. Labelle remarked that it is fair, contributes to improving the quality of participants, and also prevents individuals from joining the initiative under the guise of an organization.

Habiba Al Marashi inquired whether there would be guidelines for NGO reporting and how the GCO would allow for flexibility given the diversity of NGOs.

Louise Kantrow asked if the GCO has considered a maximum number or ratio of NGOs, expressing concern that the Global Compact remain a business initiative. She also inquired if any NGOs have already been turned away. The GCO answered that while there is no set number or ratio, the Global Compact aims to be a business-led initiative. The number of NGOs may decrease once quality measures are implemented, and some NGOs have already been declined after a basic integrity check to avoid criminal activity. Ms. Kantrow also asked how the GCO would balance the NGOs seeking to hold business accountable with those providing feedback to COPs. Comments received from **Brent Wilton** support this point.

Sir Mark Moody-Stuart noted that as some NGOs are national, it should be required that they be involved in the Local Networks. **Huguette Labelle** agreed emphasizing that the policy on NGO participation in Local Networks should be similar to that of corporations.

Sir Mark Moody-Stuart raised the question of a process to transition to the new policy that could include contacting all existing NGOs. **Georg Kell** said that an operations plan with an implementation timeline of one to two years would be presented at the next Board meeting.

José Sergio Gabrielli de Azevedo asked about the involvement of NGOs that are not Global Compact signatories, and **Georg Kell** responded that major NGOs will be consulted.

Cheng Duosheng raised issue with the last sentence in section C on page 3 of the “Note to the Global Compact Board on Civil Society Participation in the UN Global Compact” that states, “This may include a recommendation from the relevant Local Network or a Member State.” He expressed concern that in some countries, Member States are in opposition to NGOs and thus should not have a final say in whether to accept an NGO.

Finally, **Sir Mark Moody-Stuart** noted that there will not be a Board-level working group on the subject.

Outcomes and Recommendations: Review of the Proposal on Non-Business Stakeholder Participation in the UN Global Compact

The Board endorsed the GCO’s proposal to develop clear requirements for non-business stakeholder participation in the UN Global Compact. A proposed policy will be presented at the next Board meeting.

Agenda Item 5: Review of Progress on Integrity Measures

Discussion focused on the “Progress Report on Integrity Measures” in which the GCO asked for guidance on: extending the Learner Platform to prevent well-intentioned companies from being delisted before the GCO has a chance to work with them and addressing the challenges and opportunities related to SMEs.

Length of Learner Platform

Sir Mark Moody-Stuart agreed if a Learner is improving from its first to its second COP, but the second COP does not meet the GC Active requirement, it would be a pity to not give it more time. The GCO proposed extending the Learner Platform from one year to up to three year assuming a company is making a serious effort toward improvement.

Huguette Labelle and **Sir Mark Moody-Stuart** supported lengthening the Learner period. Ms. Labelle suggested a two-step Learner Platform. If after one year if there is progress, then a company can extend its time as a Learner. However, if there is no improvement, the company would be delisted.

Juan de la Mota noted there should be criteria to show progress. **Habiba Al Marashi** asked if the GCO has the capacity to monitor the progress of all companies.

Louise Kantrow inquired about capacity-building measures for those in the Learner category. The GCO noted that because many companies are in the Learner Platform for not addressing anti-corruption, trainings can then be targeted accordingly.

Sir Mark Moody-Stuart summarized there is approval for up to three years in the Learner Platform, with attention paid to progress. Action could be taken against a company if there is not progress.

Addressing SME Challenges

The GCO would like to do an in-depth analysis of SME participation to better understand their challenges and develop a proposal for the next Board meeting.

Sir Mark Moody-Stuart suggested creating a new category of participation for SMEs, which connects to previously discussed development of criteria and a strategy for targeting companies in order to meet the Global Compact’s goals for growth. He noted that if the Global Compact meets its 20,000 participant target through adding only small organizations, it may not have the same impact.

Juan de la Mota suggested that Government procurement requirements could potentially have leverage to encourage companies and SMEs to join the Global Compact. **Wolfgang Engshuber** added that another incentive for SMEs is the opportunity to learn from others in the initiative, particularly through the Local Networks.

Huguette Labelle asked to what extent microenterprises would need to report if a new category was created. The GCO responded that new requirements are yet to be developed but may depend on a company’s number of employees or assets.

Wolfgang Engshuber raised the issue of determining the value proposition for small companies to join the Global Compact. The GCO responded that it is straightforward if they supply to a company that requires it, and emphasized the importance of making this link more prominent. **Juan de la Mota** gave the example of Microsoft requesting COPs from each of its suppliers as a result of pressure from a pension fund investor.

Sir Mark Moody-Stuart noted that it is otherwise challenging as small businesses usually do not have investors. In such cases, local consumers will need to demand that these small businesses become sustainable and join the initiative. He also reiterated the need to set criteria for particular types of companies to join the Global Compact, for example countries listed on stock exchanges or in certain countries, and that a new category for SME participation could be considered. As discussed earlier, the GCO will develop the criteria, in consultation with Local Networks and other stakeholders,

to be proposed at the next Board meeting. **Ntombifuthi Mtoba** and **Toshio Arima** agreed on the importance of setting growth criteria.

Logo Policy

The GCO stated that requests to use the “We Support” logo remain steady and are processed continuously. There were 25 instances of misuse this year, of which all but one were not serious and were addressed by contacting the party. Notably, the GCO Communications and Outreach team is doing a comprehensive brand review with the outside service provider that originally created the Global Compact’s branding. The project will focus on managing the overarching Global Compact brand in the context of various special initiatives and platforms.

Chad Holliday asked whether companies are encouraged to use the logo and for more detail about the one serious logo violation. The GCO responded that companies are encouraged to use the “We Support” logo. Use is approved in about 90% of cases and the GCO works with companies when requests are not approved to address issues. The one logo issue mentioned was with an individual who falsely reported to be a Local Network representative and used the logo on personal materials.

Dialogue Facilitation

Referring to the Special Supplement on Integrity Measures, the GCO described the dialogue facilitation process that has been implemented and tracked since 2009. The GCO is working to more deeply engage Local Networks in the process, though most are reluctant at this time, and dialogue facilitation policies are translated in all UN languages so that the networks have access. In addition, the GCO highlighted that the FAQs previously adopted by Board are helpful. The importance of managing expectations of the process was also emphasized.

The graph on page 17 of the “Supplement on Dialogue Facilitation” shows that most matters raised involve labour. With regard to some of these, the GCO is in a difficult position as the Board labour and employer representatives sometimes have different perspectives. The GCO does not feel it has the expertise to take a stance on complaints or immediately delist a company. **Georg Kell** affirmed that overall dialogue facilitation is welcomed, and the GCO noted that even when a complaint does not fall within the criteria for the process, it is still forwarded to the company to encourage dialogue.

Philip Jennings welcomed the GCO’s considerable efforts on integrity, noting that there are still challenges of contesting inaccurate information. Mr. Jennings described his positive experience with dialogue facilitation with two international companies which had constructive results. He emphasized the GCO’s excellent skills in this area. Mr. Jennings also expressed the desire for increased dialogue and finding common ground with the International Organisation of Employers (IOE) as they are co-chairs of the Global Compact Labour Working Group. He also noted that the dialogue facilitation process has the potential to enhance the work of OECD National Contact Points and suggested that Local Networks work together with them.

Discussion of UN Guiding Principles on Business and Human Rights

Philip Jennings connected the dialogue facilitation process to the “Protect, Respect, Remedy” framework developed by the Special Representative of the UN Secretary-General on Human Rights and Transnational Corporations and Other Business Enterprises. As one of the few places where remedies can be sought, complaints will continue to be brought to the Global Compact dialogue facilitation process.

Sir Mark Moody-Stuart shared that much is happening related to Human Rights broadly, beyond the labour issues addressed through dialogue facilitation. The GCO has been working closely with John Ruggie and his team throughout the adoption of the framework and the Guiding Principles on Business and Human Rights last June.

The GCO regards the Guiding Principles as elaborating on the first principle of the Global Compact. The initiative’s work on human rights due diligence, human rights policies, risk assessments and mechanisms for grievances as well as the Global Compact Management Model and recently revised Terms of Reference of the Human Rights Working Group (HRWG) are aligned with the Guiding

Principles. In addition, under the guidance of **Pierre Sane** and **Sir Mark Moody-Stuart**, the HRWG is also working with the Global Compact Office COP team to develop reporting criteria based on the Guiding Principles.

Sir Mark Moody-Stuart highlighted a good meeting of the HRWG in Geneva with participation from the UN Human Rights Commission. A subgroup on human rights reporting plans to circulate draft guidance shortly.

Philip Jennings suggested there be some union representation in the group, and he recommended that the Global Compact encourage companies to report on human rights due diligence and related activities in their COPs.

Additional Discussion

Philip Jennings welcomed the Progress Report on Integrity Measures, noting that an enormous effort is going into improving the statistical analysis. Letter F on page 10 of the document was particularly interesting and demonstrates an increased demand for COP vetting.

Georg Kell highlighted the ongoing experiment of LEAD companies' requirement to report based on the *Blueprint for Corporate Sustainable Leadership* by 2012. The GCO described it as having four dimensions – two are also required of GC Advanced companies while two go beyond. In 2013, the Global Compact will decide whether there will be a leadership category in the differentiation programme above GC Advanced. Consultation on this matter will be held during the Corporate Sustainability Forum.

Toshio Arima raised the issue that though the Local Network Japan is primarily large companies who advance the ten principles, there are some small companies that are not performing or that join the Global Compact without going through the network.

Outcomes and Recommendations: Review of Progress on Integrity Measures

The Board approved extending the Learner Platform for up to three years, with attention paid to participants' progress.

The Board reiterated its earlier request for a proposal on SME participation based on more in-depth analysis by the GCO, to be circulated via email.

The Board welcomed the "Progress Report on Integrity Measures" and the GCO's efforts in dialogue facilitation.

Agenda Item 6: Report from the Foundation for the Global Compact

Sir Mark Moody-Stuart provided a brief status update on the Foundation for the Global Compact, including its new Executive Director, Alex Stein. In 2011, the Foundation raised \$2.86 million from individual businesses and \$2.8 million from GC LEAD companies. He noted that new participants are more inclined to donate than more established companies within the Global Compact. PRI made contributions mandatory in 2011 and is well-funded as a result, albeit through lower individual contributions. He noted this is an issue under constant review.

Sir Mark Moody-Stuart clarified an aspect of the budget report, which states that \$6.64 million in the UN Trust Fund comes from Governments; however, \$2.5 million of this total is actually derived from the Foundation. While existing Trust Fund members have steadily contributed, a relatively small proportion of Governments contribute. **Georg Kell** noted that Italy has maintained its contribution and Turkey has recently joined as a member of the Trust Fund, and the political support indicated by these contributions is helpful to advancing the Global Compact and extending its programs. **Sir Mark Moody-Stuart** also noted that, while the trust fund was initially supported mainly by European

countries, it is now much more diverse with contributions from Brazil, Chile, China, Colombia, Korea and Turkey.

Other Business and Closing

The next Board meeting is scheduled to take place around 20 June 2012 at the Windsor Barra Hotel in Rio de Janeiro, prior to the high-level meetings of Rio+20. **Sir Mark Moody Stuart** noted that the Board would address reconstituting at the request of the Secretary-General.

Georg Kell made final comments about the importance of supporting Local Network activity, which was also noted by the Secretary-General. **Phillip Jennings** expressed the need to connect the labour movement with the Local Networks and congratulated **Monica De Greiff** on her work with labour unions under dangerous conditions in Colombia.

Chad Holliday recognized the Global Compact team for its efforts throughout the year.

Appendix 1: Members of the Global Compact Board

Business

Toshio ARIMA	Director and Executive Advisor to the Board, Fuji Xerox, Japan
CHEY Tae-Won*†	President & Chairman, SK Group, Republic of Korea
Fernando CHICO PARDO*	President of Grupo Aeroportuario del Sureste (ASUR), Mexico
Monica DE GREIFF	Chief Executive Officer, Grupo Energia de Bogota, Colombia
FU Chengyu*	Chairman of Board, China Petrochemical Corporation
Juan DE LA MOTA	President, Global Compact Spanish Network
José Sergio GABRIELLI DE AZEVEDO	President and CEO, Petrobras, Brazil
Björn HÄGGLUND*	Member of the Board, Alfa Laval AB, Sweden
Chad HOLLIDAY	Chairman of the Board, DuPont, US
Jamshed IRANI*	Director of the Board, Tata Steel, India
Anne LAUVERGEON*†	Chair of the Executive Board, Areva, France
LI Decheng*	Standing Vice President and Director General, China Enterprise Confederation/China Enterprise Directors Association
Ntombifuthi MTOBA†	Chair of the Board, Deloitte, South Africa

International Labour and Business Organizations

Jean-Guy CARRIER*	Acting Secretary General, International Chamber of Commerce
Philip JENNINGS	General Secretary, UNI Global Union
Antonio PEÑALOSA*	Secretary-General, International Organisation of Employers
Manfred WARDA	General Secretary, International Federation of Chemical, Energy, Mine and General Workers' Unions

Civil Society

Habiba AL MARASHI†	Chair, Emirates Environmental Group
Oded GRAJEW*	Chair, Instituto Ethos de Empresas e Responsabilidade Social
Julia MARTON-LEFEVRE*	Director-General, International Union for Conservation of Nature (IUCN)
Huguette LABELLE	Chair, Transparency International
Pierre SANE	President, Imagine Africa International

Ex-Officio

Wolfgang ENGSHUBER	Chairman, Principles for Responsible Investment
Sir Mark MOODY-STUART	Chairman, Foundation for the Global Compact
Georg KELL	Executive Director, UN Global Compact Office

Substitute Board Members

CHENG Duosheng	Representative from China Enterprise Confederation for LI Decheng
HUANG Wensheng	Representative from China Petrochemical Corporation for FU Chengyu
Louise KANTROW	Representative from International Chamber of Commerce for Jean-Guy CARRIER
KIM Shin-bae	Representative from SK Group for CHEY Tae-Won

Observers

Diana CHAVEZ	Representative from Regional Center for the Support of the Global Compact in Latin America
Mads OVLISEN	Special Advisor, Advisory Group on Sustainable Supply Chain

* Not present at 15-16 December 2011 Board meeting.

† Board term expired on 31 December 2011.

Appendix 2: Discussion over Lunch with Government Representatives and UN Global Compact Board Members

Georg Kell welcomed participants to the luncheon and introduced **UN Secretary-General Ban Ki-moon**.

The **Secretary-General** thanked the Global Compact Board members for their commitment to the initiative. He recognized the critical role of business – and corporate sustainability, as advanced by the UN Global Compact – in ensuring sustainable development and encouraged business leaders to play an active and central role at Rio+20. Acknowledging recent progress at COP17 in Durban, the Secretary-General highlighted the challenge of climate change and stressed that there is much more to be done, including by the private sector. Finally, the Secretary-General reiterated his call for the Board to reconstitute as a Global Compact Partnership Board and asked Member States to support the large-scale growth of public-private partnerships.

Sir Mark Moody-Stuart briefly recapped key elements of the morning's meeting including: the goal of growing the Global Compact's membership; the engagement of SMEs; preparations for Rio+20; and the role of non-business stakeholders. He congratulated all members of the Board for their achievements, especially with regard to the engagement of Local Networks.

Chad Holliday expressed his enthusiasm about the work of the Global Compact. He thanked the Secretary-General for leading the Sustainable Energy for All initiative, noting that its three targets on access, efficiency and renewables resonate strongly with business, and promised to help mobilize a number of commitments by Rio+20.

José Sergio Gabrielli de Azevedo reiterated the Secretary-General's remarks on sustainability and emphasized that the Global Compact provides the platform to develop meaningful partnerships that address sustainable development goals. He emphasized the commitment of the Global Compact Local Network Brazil to the sustainable development agenda, including energy and climate change, as well as to mobilizing collaboration between business, civil society and labour unions ahead of Rio+20.

Huguette Labelle highlighted the importance of integrity measures, anti-corruption and good governance. Noting that Rio+20 was an important element of the morning meeting, Ms. Labelle emphasized the potential of advancing the Global Compact's ten principles through gathering business, civil society, Governments, academics, labour unions and Local Networks at the Corporate Sustainability Forum.

Toshio Arima emphasized the potential of Local Networks to mobilize the private sector to be a major player at Rio+20. He also noted that the Local Network Japan and China-Korea-Japan Roundtable have been active.

Monica De Greiff shared the progress of the Global Compact Local Network Colombia highlighting its work on biodiversity and sustainable energy in collaboration with the Governments of Peru, Chile and Ecuador. The network has also worked closely with labour unions to build a stronger relationship with regard to human rights.

Sha Zukang, Under Secretary-General for the Department of Economic and Social Affairs at the UN welcomed the progress business has made addressing sustainable development – through innovation and committing to UN principles – since the first Rio Summit in 1992, noting that more can be done. Mr. Sha encouraged the private sector to use Rio+20 as a global platform for new goals, targets, initiatives and partnerships, and urged business to do more and share best practices related to the priority themes of Rio+20.

Kim Shin-bae discussed the importance of multi-stakeholder involvement and in achieving sustainable development goals. Mr. Kim highlighted the potential of social enterprises to contribute to these goals by creating viable business opportunities and fostering best practices.

H.E. André Corrêa do Lago, Chief of Negotiations for the Brazilian Ministério das Relações Exteriores, enthusiastically welcomed private sector participation at Rio+20 because of its ability to push the sustainability agenda further.

Government Representatives attending lunch with Board members:

H.E. André Corrêa do Lago	Chief of Negotiations for the Brazilian Ministério das Relações Exteriores
H.E. Mr. Guillermo Rishchynski	Permanent Representative of Canada
H.E. Mr. Eduardo Ulibarri	Permanent Representative of Costa Rica
H.E. Mr. Thomas Mayr-Harting	Permanent Observer of the European Union
H.E. Mr. Morten Wetland	Permanent Representative of Norway
H.E. Mr. Abdullah Hussain Haroon	Permanent Representative of Pakistan
H.E. Mr. Kim Sook	Permanent Representative of the Republic of Korea
H.E. Mr. Mårten Grunditz	Permanent Representative of Sweden
H.E. Mr. Paul Seger	Permanent Representative of Switzerland
H.E. Mr. Erik Laursen	Deputy Permanent Representative of Denmark
H.E. Mr. Manjeev Singh Puri	Deputy Permanent Representative of India
Mr. Hatem Tag-Eldin	Deputy Permanent Representative of Egypt
Mr. Christopher Cannan	Assistant Secretary, Environment Branch, Department of Foreign Affairs & Trade
Ms. Jane Stratford	Head of the Rio team in the Department for Environment, United Kingdom
Mr. Eduardo de Vega	Minister, Permanent Mission of the Philippines
Ms. Dong Zhihua	Counsellor, Permanent Mission of China
Mr. Jean-Pierre Thebalut	Counsellor, Permanent Mission of France
Mr. Stefano Stefanelli	Counsellor, Permanent Mission of Italy
Mr. Francisco Barrios	Counsellor, Permanent Mission of Spain
Mr. Eduardo Orteu	Counsellor, Permanent Mission of Spain
Mr. Wang Qun	First Secretary, Permanent Mission of China
Mr. Jorge Laguna	Second Secretary, Permanent Mission of Mexico

Appendix 3: Secretary-General's opening remarks to United Nations Global Compact Board [as prepared]

Distinguished Global Compact Board Members,

Good morning and welcome to this last meeting of the Global Compact Board in 2011.

Let me begin by thanking those whose terms are coming to an end.

Habiba Al-Marashi, Anne Lauvergeon, Futhi Mtoba – thank you for your service to the Global Compact and your commitment to the United Nations.

You have been true champions of our shared cause. We look forward to staying in close contact with you. I know we can count on your continued support.

As we enter 2012, I am very encouraged by the Global Compact's growth and evolution.

Your influence and engagement has spread far and wide, including through the Compact's local networks.

But today, I want to stress the need for your help to take the Global Compact to the next level.

The initiative has matured. Today the challenge goes beyond having companies build the ten principles into their strategies and operations. We also want them to focus on the Compact's second objective and become an active partner in the UN's broader mission.

Much of the Compact's work focuses on forging public-private partnerships to address critical issues – from women's empowerment to children's rights to sustainable energy.

The Rio+20 Conference next June is a major opportunity for the Compact to bring such a partnership agenda to full scale.

For you as board members, this means intensifying efforts in the coming months. By the time we meet in Rio, I hope that this Board will reconstitute itself as a Global Compact Partnership Board, with the capacity to provide guidance on the rapidly evolving sustainable development agenda.

We all know that corporate sustainability, as advanced by the Global Compact, is a critical building block to a more sustainable future.

Public-private partnerships have the potential to deliver truly transformational, systemic change. Many of the solutions and innovations already exist. At Rio, let us fully utilize this historic opportunity.

Dear friends,

As I enter my second term, sustainable development is our leading priority. The private sector is an integral partner. I count on all of you to help lead the way.

Now I look forward to hearing an update about your work.

[Board Member interventions]

I will join you again at lunch with UN ambassadors. I look forward to hearing about the outcomes of this meeting and continuing our discussion, specifically on the business contribution to Rio+20.

Thank you.

Appendix 4: Secretary-General's Message at lunch with Ambassadors and the United Nations Global Compact Board [as prepared]

Excellencies,

Distinguished Board Members,

Ladies and Gentlemen,

It is a great pleasure to see you again. I would like to thank the members of the Board for their hard work and commitment.

The Global Compact is taking a great role and expanding its membership, and as you know the target is to expand membership to 20,000 by 2020.

More than ever before, we need to develop a long-term vision for our planet.

A vision that not only relies on political will, but one that recognizes the critical role that business can and must play in advancing and ensuring sustainable development around the world.

Six months from now, many of us will gather in Rio to chart a course towards a more sustainable and equitable world.

In Rio, business cannot and must not be sidelined. You are a central partner, alongside Governments, civil society and others.

The well-being and prosperity of societies and markets depend on business driving innovation and making the right investments.

And it also rests on corporate sustainability, as advocated and advanced by the Global Compact.

With your help, business leaders can play a pivotal role in Rio by sharing their ideas and innovations and demonstrating that sustainable solutions are not only possible, but competitive in global markets.

Tackling climate change is critical to achieving our goal. We have made meaningful progress on a number of fronts, including most recently in Durban. But of course much more needs to be done, including by the private sector.

As we look ahead, one key is to strengthen our engagement with those business leaders who are committed to sustainable development and who are matching their rhetoric with tangible action.

That is why I asked the Global Compact Board this morning to reconstitute itself as a Global Compact Partnership Board by the time we meet again in Rio.

If sustainable development is to become a reality, we need to unleash a wave of public-private partnership on a much bigger scale.

This is not only in the best interest of business, it is in the best interest of our organization and all Member States.

I will count on you to support us in this endeavour.

The Global Compact has come a long way. Together, let us take this initiative to the next level.

Thank you.