The Contribution of the UN Global Compact towards the Compliance of International Regimes

A Comparative Study of Businesses from the USA, Mozambique, United Arab Emirates and Germany*

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The article summarises the findings of a broader research on the voluntary Global Compact, proposed by then United Nations Secretary-General Kofi Annan. The Global Compact defines four different areas of international standards—human rights, labour standards, environment, and anticorruption—that businesses should apply in their operations. The research includes case studies of two OECD countries and two non-OECD countries in which Global Compact networks have been established. It shows that the Global Compact plays an important role in setting standards for appropriate behaviour of businesses, especially in non-OECD countries. In particular, multinational companies with direct consumer contact use the resources offered by the Global Compact to avoid violations of international standards in their outsourced operations in developing countries. However, the Global Compact cannot fill the governance gap resulting from problems linked to the resource curse and/or to failed states. Although the Global Compact is a learning network, over the years all necessary elements to promote compliance were added. Nevertheless, the results of this study indicate that there is a lack of consistency regarding the application of some of these elements.

- United Nations Global Compact
- Corporate social responsibility
- USA
- Germany
- United Arab Emirates
- Mozambique

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The United Nations Global Compact

AT THE WORLD ECONOMIC FORUM in Davos (1999), then UN Secretary-General Kofi Annan called on the CEOs of some of the biggest multinational corporations to gain consensus in the global community on the shared values and norms that will guide the global economy and unite corporations with their subsidiaries worldwide:

> I will propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market... Many of you are big investors, employers and producers in dozens of different countries across the world. That power brings with it great opportunities—and great responsibilities. You can uphold human rights and decent labour and environmental standards directly, by your own conduct of your own business. Indeed, you can use these universal values as the cement binding together your global corporations, since they are values people all over the world will recognize as their own. You can make sure that in your own corporate practices you uphold and respect human rights; and that you are not yourselves complicit in human rights abuses. Don't wait for every country to introduce laws protecting freedom of association and the right to collective bargaining (Annan 1999).

Kofi Annan further urged the CEOs to commit to a global compact, therefore mitigating negative consequences of the globalisation process:

> ...Let us remember that the global markets and multilateral trading system we have today did not come about by accident. They are the result of enlightened policy choices made by governments since 1945. If we want to maintain them in the new century, all of us—governments, corporations, non-governmental organizations, international organizations—have to make the right choices now. We have to choose between a global market driven only by calculations of short-term profit, and one which has a human face... Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership... I am sure you will make the right choice (Annan 1999).

This call indicates a paradigm shift within the United Nations that started with Mr Annan's predecessor Boutros Boutros-Ghali: Businesses are no longer regarded as part of the world's problems—contributing to poverty, environmental degradation, conflicts, and human rights abuses—but as part of the solution to overcome these challenges. One and a half years later, the Global Compact was launched. Today, approximately 8,000 companies and small- and medium-sized enterprises (SMEs)[1] are committed to the ten Global Compact principles (see Appendix 2) that are based on different regimes, such as international treaties and declarations, in the area of human rights, environment, labour standards, and anticorruption.

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1 The Global Compact distinguishes between companies (more than 250 employees) and small- and medium-sized enterprises (less than 250 employees) (UNGC 2010c).

Besides business participants, also business associations, labour unions, nongovernmental organisations, academic institutions, and cities can commit to promote or implement these standards. The Global Compact defines itself as a **learning network** that offers the participating businesses possibilities of exchanging experiences and learning from each other. As part of their commitment to the Global Compact, the business participants submit an annual Communication on Progress (COP) to report on the implementation of the principles, which is published on the Global Compact website. Failing to provide the COP or systematic and egregious abuse of one of the ten principles can lead to the delisting of a business participant. Local Global Compact networks exist in more than 70 countries, with the aims of implementing the ten principles and the integrity measures within the national context, discussing specific local challenges, and developing initiatives to promote the dissemination of social and ecological standards.

Theoretical approach: compliance theory and the output and outcome of the Global Compact

After different, more or less unsuccessful, attempts of the United Nations to establish binding regulations for businesses within different regimes, the Global Compact tries to fill the governance gap that still exists, especially in some areas of low politics. Compliance theory describes which circumstances lead to the fulfilment of a treaty's explicit rules within a regime (Mitchell 1996: 5). Kofi Annan's call (UN 1999) refers explicitly to different regimes and requests the business leaders within their sphere of influence not to wait for government regulations but to implement certain rules prescribed in international treaties. Therefore, this article focuses on the question of how the Global Compact contributes to the compliance of international regimes.

There are different arguments about which particular provisions produce compliance. The enforcement approach focuses on sanction mechanisms. In contrast, the managerial approach sees compliance as a result of the internalisation of norms within an international process of socialisation and therefore suggests sunshine methods, such as reporting, peer review, and persuasion. Within the management approach, noncompliance is a result of the lack of knowledge or capacity to implement a norm. That means a successful regime design consists not only of a mechanism for *capacity building* but also of learning forums that offer the possibilities to discuss and specify the content of a norm and its implementation. The long-term effect of this process can lead to a change in the logic of appropriateness and therefore to a behavioural change (List and Zangl 2003: 382; Raustiala and Slaughter 2002: 543, 552; Chayes and Chayes 1995; Mitchell 2002: 510). Checkel (2005: 813) suggests that successful persuasion occurs mainly in a novel and uncertain, nonpublic environment; the socialising agency uses dialogues instead of lectures, is regarded as competent, and represents an in-group to which the target of the socialisation wants

to belong. States are the main actors within both approaches, but especially within the management approach; the inclusion of non-state actors, such as nongovernmental organisations (NGOs) or business, is relevant, too (Raustiala and Slaughter 2002: 551; Chayes and Chayes 1995: 251; Mitchell 1998: 125). A successful Compliance System Design includes, in the first instance, fair and inclusive participation and learning processes and, subsequently, transparency and accountability, to guarantee its legitimacy (Beisheim and Dingwerth 2008). Mitchell (2002: 511) identifies different subsystems that are relevant for a Compliance System Design (see also Chayes and Chayes 1995):

1. A primary rule system with specified rules that were generated through a reasonable and equitable process

2. A compliance information system that collects, analyses, interprets, and disseminates the data and offers incentive and capacity building for reporting

3. A noncompliance response system that facilities compliance, and prevents and sanctions violations

Measuring the effects of regimes and norms is challenging: Some authors (Campe and Rieth 2007; Börzel and Risse 2002; Huckel *et al.* 2007) use David Easton's (1979: 351) classical model of system analysis and distinguish the effects of a regime in terms of **output** (creation and introduction of rules) and **outcome** (measurable changes). Although it is difficult to evaluate, some authors further distinguish the impact—the contribution to the solution of a problem. Applied to and modified for the Global Compact's possible effects on regime compliance, the output, outcome, and impact can be described as shown in Table 1.

Table 1 The effects of the Global Compact in relation to participating businesses
Source: Own compilation after Campe and Rieth 2007; Börzel and Risse 2002; Huckel *et al.* 2007

Output	CEO commitment to the principles of the Global Compact, creation and introduction of rules within a business since participation in the Global Compact
Outcome	Measurable changes in business practices since participation in the Global Compact
Impact	Contribution of a business to the solution of a problem since participation in the Global Compact

Research design and questions

The research includes the business participants of four different countries where Global Compact networks exist: two OECD (Organisation for Economic Co-operation and Development) countries (USA and Germany) and two non-OECD countries (Mozambique and United Arab Emirates).

The research focuses on the following questions:

▶ To what extent is the organisational design of the Global Compact congruent with the Compliance System Design of the management approach that enables learning processes and behaviour change for companies?

▶ What is the output (the creation and introduction of rules and regulations) within a business after joining the Global Compact?

▶ What is the outcome (the measurable changes in the business practices) within a business after joining the Global Compact?

▶ Is there a difference between Global Compact participants and nonparticipants?

Although interesting, the following questions are not part of the research:

▶ What is the impact of the introduced changes?

▶ Would the business have introduced the changes without participating in the Global Compact?

Hypotheses

The Global Compact facilitates learning processes and behaviour change within companies if:

▶ The learning takes place in a 'safe' environment with acknowledged experts, and the content of the learning is based on internationally accepted norms

▶ The legitimacy is guaranteed through inclusion, participation, a deliberative learning process, transparency, and accountability

▶ There are clear rules and regulations regarding information, as well as an adequate response system in case of noncompliance

The most output or outcome is expected of those companies that:

▶ Have the least know-how in the area of international standards

▶ Have implemented none or only a few standards

▶ Achieve, with few means, more progress

▶ Are operating in countries where international standards are not sufficiently implemented

This means that the most output and outcome are expected from SMEs that operate in countries where international standards are implemented insufficiently. The least output and outcome are expected from multinational companies that already have a corporate social responsibility strategy, as well as monitoring procedures, in place.

Methods

To answer the research questions, a methodological and data triangulation was applied.

> *Quantitative assessment and comparison of the ratings of multinational companies—Global Compact participants versus nonparticipants*

For this assessment the rating of Covalence (2010),[2] a Swiss-based social rating agency, was used to get an overview of the reputations of the Global Compact participants in comparison with those of the nonparticipants.

> *Qualitative assessments, content analysis of the organisational design of the Global Compact, sustainability reports, network meeting reports and interviews*

The content analysis of the sustainability reports and the COPs includes all businesses that have been participants of the Global Compact for more than two and three years, respectively.[3] The target date was 31 May 2010. The analysis focuses on the description of the introduced changes (output and outcome) in the daily business practice. The central questions are: Which activities are described under which principle? What are the problems and objectives involved in the implementation of the principles?

Global Compact participants and nonparticipants, NGOs, researchers, Global Compact staff, and business associations were interviewed to understand their motivation and expectations, and the learning process within the Global Compact. Interviews were conducted with 39 people from different countries.[4] The interviews were interpreted through qualitative content analysis. Data banks regarding business and social or environmental issues provided information for validating the reports and interviews (see Business and Human Rights Resource Center 2011; Multinational Monitor 2011).

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2 Covalence analyses different resources, such as internet search engines, company websites and news items, after 45 criteria that refer to international standards (UN Human Rights Declarations, ILO Conventions, UN Rio-Declaration, OECD Guidelines and the Global Compact). A code system organises and assesses this information: positive news receives a plus, negative news a minus. The rating of Covalence includes up to 230 US companies (*Dow Jones Country Titans Indexes*)—of that, 28 are Global Compact participants—and up to 24 German companies (*Deutscher Aktienindex DAX*)—of that, 18 are Global Compact participants. No ratings are available for businesses of the UAE and Mozambique. More information on the methodology can be found at www.ethicalquote .com/index.php/services/methodology (accessed 22 October 2010). The data is available at info@ethicalquote.ch.

3 Participants from OECD countries had to make their first report to the Global Compact after two years; however since 2011 this has changed to one year. Participants from non-OECD countries have to present their first report after three years (UNGC 2010a, 2012e).

4 Although all Mozambican participants as well as UNDP-Mozambique were contacted, no interview partner was available.

Comparison between the Compliance System Design and the Global Compact organisation design

The Global Compact is a learning network and not designed as a compliance-based organisation. Its purpose is to provide information on the implementation of the ten principles and disseminate best practices from its participants. For good reasons, the Global Compact never intended to verify the performance of each of the approximately 8,000 companies with their thousands of suppliers. However, over the years of its existence, the Global Compact established several procedures for businesses to demonstrate their commitment and initiatives and to facilitate learning processes concerning the ten principles. Without being a compliance-based organisation, these procedures that assist in tracking the learning process of a company coincide with all necessary subsystems of the above-described Compliance System Design, although not all of them are functioning well.

Table 2 Compliance system design and the Global Compact organisation design
Source: own compilation after UNGC 2012c, d

Legitimacy (see Beisheim and Dingwerth 2008; Levy *et al*. 1993; Chayes and Chayes 1995)	Subsystems of the Compliance System Design (see Mitchell 1996: 16, 2002: 510)	Global Compact organisation design	Congruence between Compliance System Design and Global Compact organisation design
Participation	*Primary rule system*		
	General accepted specified norms and mechanisms	UN conventions and declarations and specific instructions for their implementation	High
Inclusive, fair, and representative participation		Businesses, NGOs, academic institutes, business associations; limited participation of labour unions, no participation of governments	Middle
Deliberative learning processes		New unknown issues, broad spectrum of themes, different formats (publications, forums, conferences, on-line tools). But avoidance of some important issues	Middle

Continued

Legitimacy (see Beisheim and Dingwerth 2008; Levy *et al.* 1993; Chayes and Chayes 1995)	Subsystems of the Compliance System Design (see Mitchell 1996: 16, 2002: 510)	Global Compact organisation design	Congruence between Compliance System Design and Global Compact organisation design
Adequate environment		Nonpublic dialogue learning forums with competent and recognised resource persons in an unknown environment	High
Transparency & accountability	*Compliance information system*		
	Capacity building for reporting	Guidance, templates, workshops for those who are actively participating	Middle
	Collection, analysis, interpretation of data	*UN Global Compact Differentiation Program*	High
	Dissemination of the data	Publication on the Global Compact website	High
Transparency & accountability	*Non-compliance response system*		
	Facilitating compliance	Some, but not all companies get reminders through the Global Compact office and networks	Middle
	Preventing violations Sanctioning violations	Integrity measures regarding failed communication of progress, delisting of participants	High
		Integrity measures regarding egregious and systematic abuse, Discussion of complaints and decision regarding the delisting of participants in few cases although of egregious abuse	Low

Background, legislation regarding the ten principles, and CSR policies in the four countries

The legislation regarding the implementation of the ten principles differs in the four countries; among the case studies, Germany is the only country in which all ten principles are binding by law and implemented. However, only recently in 2002, bribery in foreign operations was declared as no longer tax-deductible and forbidden by law. In Mozambique, all ten principles are embodied in different laws; nevertheless, the implementation in some areas (especially principle 5, the ban on child labour) is deficient. Binding regulations regarding the third principle (collective bargaining) does not meet international standards in the USA and the United Arab Emirates (UAE). In some states in the USA, the employer can, under certain circumstances, deny collective bargaining rights, and in the UAE, collective bargaining is forbidden. A challenge is also presented by principle 6 (anti-discrimination). The Emiratisation legislation in the UAE requires favouring the employment of Emiratis. In addition, because of the ban on homosexual practices in Mozambique and the UAE, discrimination against homosexuals in the workplace is a taboo subject.

Corporate social responsibility (CSR) is in different stages in the four countries. In the USA, which is considered the birthplace of CSR, some businesses, especially those that sell brands and have direct consumer contact, have a consistent CSR strategy, including stocktaking, formulation of objectives, and transparent, independent monitoring with disclosure of problems. In Germany, CSR is regarded more as an expression of the social market economy; nevertheless, there are noticeable changes toward the implementation of CSR practices. Some German businesses—again, those with brands and direct consumer contact but also some family-owned businesses—have elaborated their own CSR strategy; however, in most cases, transparent and independent monitoring and the disclosure of problems are still missing. In the UAE, CSR is emerging, with a focus on the environment and anticorruption. In Mozambique, CSR is in the beginning phase and includes primarily philanthropic activities.

Table 3 Comparison of legislation regarding the ten principles and of CSR

Sources: Gesellschaft für Technische Zusammenarbeit (GTZ) 2007; Meier-Burkert 2011; Human Rights Watch 2006, 2010; Dubai Chamber of Commerce 2011

	USA	Mozambique	UAE	Germany
National legislation in regard to the ten Global Compact principles	Ratified and implemented (Exception allowed regarding principle 3=collective bargaining)	Ratified and partly implemented	Ratified and partly implemented (Principle 3 is forbidden)	Ratified and implemented Principle 10 (bribery) in foreign states is forbidden since 2002

Continued

|	USA	Mozambique	UAE	Germany
Main focus of CSR in each country	CSR strategy with monitoring and publication of these results especially in companies with direct consumer contact	Initial phase of CSR, main topic philanthropy	Initial phase of CSR, main topic environment, anticorruption	Only large companies have a consistent CSR strategy

Similarities and differences of the Global Compact participants in the four countries

Many of the first businesses to join the Global Compact were model companies

The ratings from the reputation-rating agency Covalence show that those companies in the USA and Germany that are participating in the Global Compact started out with a better rating than the nonparticipating companies. After joining the Global Compact, their reputation ratings increased more than those of the nonparticipating companies.

Figure 1 Comparison of the reputations of participating and nonparticipating companies (USA) (after Covalence) (2002–10/2010)
Source: data from Covalence 2010
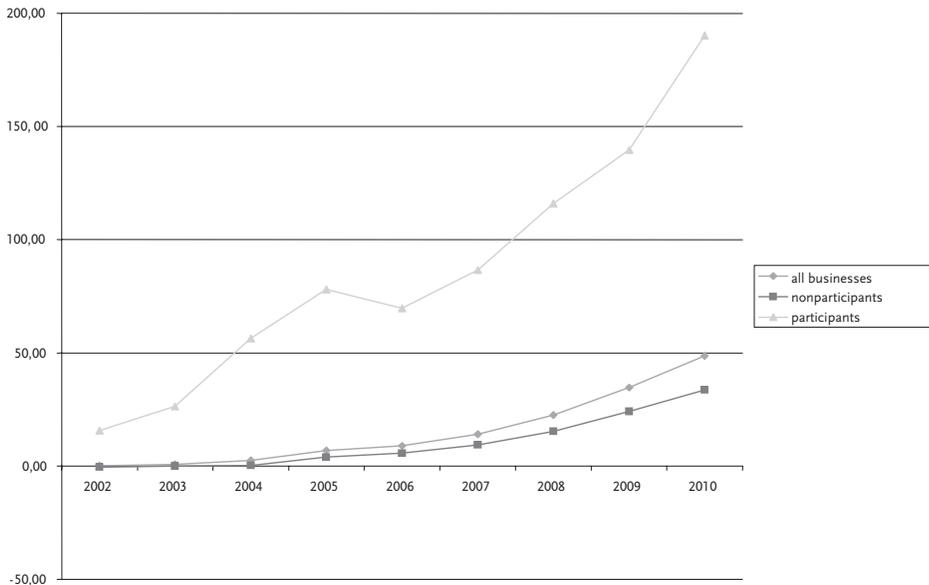
Unlike in the USA, most of the largest companies in Germany are participants in the Global Compact. Therefore, the difference in reputation between all companies and the Global Compact companies in Germany is not as big as that in the USA.

Figure 2 Comparison of the reputations of participating and nonparticipating companies (Germany) (after Covalence) (2002–10/2010)

Source: data from Covalence 2010
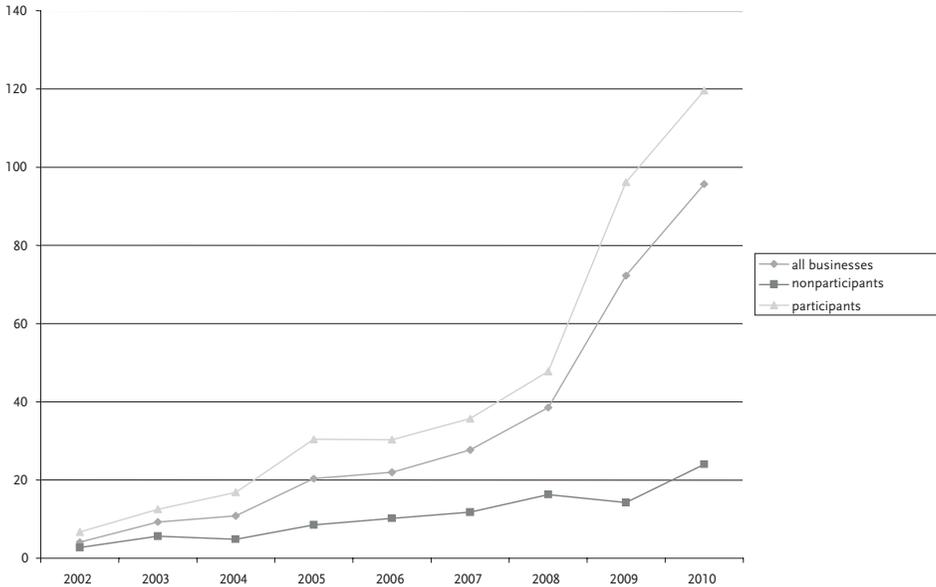
One might argue that the graphs do not show the real CSR performance, only the reputation that could easily be promoted by companies due to smart PR strategies. However, Figure 3 shows that even the best PR fails in cases of scandals, such as the bribery case of Siemens and the tax fraud case of the chairperson of the Deutsche Post, Klaus Zumwinkel.

Figure 3 Changes in the reputation of German companies before and after their participation in the Global Compact

Source: data from Covalence 2010
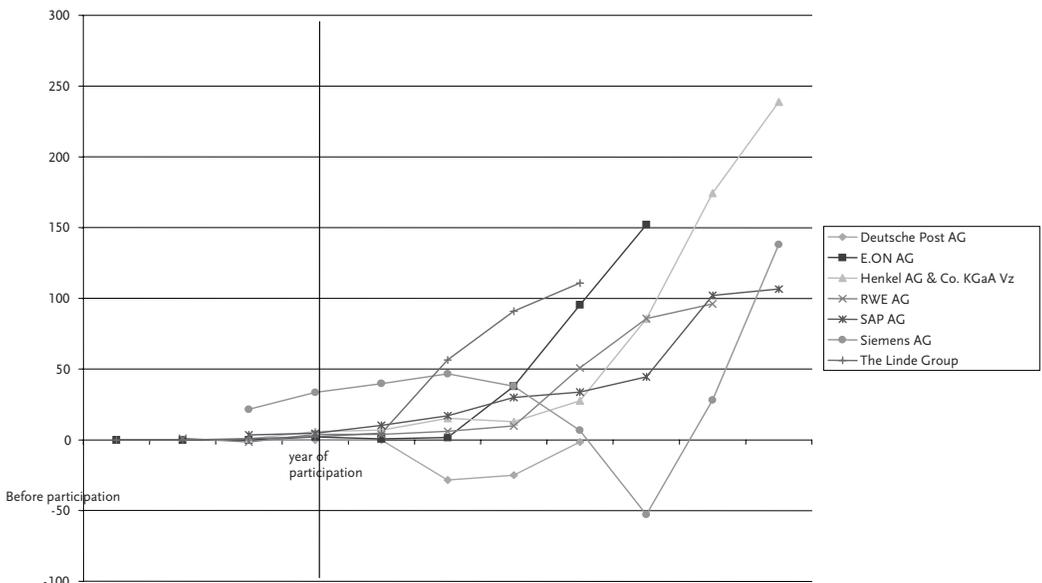
Many of the first businesses to join the Global Compact were model companies and had already implemented a CSR strategy; in recent years, however, more businesses have joined the Global Compact without having CSR policies in place. In all countries, most of the participants come from those sectors, i.e. support services and finance, which require highly qualified employees and/or have direct consumer contact. Among the participants in the USA and Germany are companies that have already been targeted by civil society organisations due to their business practices or their area of business. With the commitment to CSR and the implementation of sound policies, not only the reputation changes but, over the long-term, these *High Sustainability* companies also significantly outperform their competitors in terms of stock market and accounting (Eccles *et al.* 2013).

In Germany, the majority of the businesses enlisted in the German stock index Deutscher Aktienindex (DAX) are participants in the Global Compact, whereas in the USA, only a few companies enlisted in the Dow Jones Indexes have joined the initiative. More SMEs participate in the Global Compact in the USA than in Germany. The Global Compact has gained more interest in Germany than in the USA, presumably due to the ambivalent image of the United Nations in the USA, as well as the possibilities of lawsuits in the USA regarding the laws on unfair competition law and false advertising.[5]

Some of the business participants in Mozambique and the United Arab Emirates had already integrated social or ecological aspects into their business practices. Most of these business participants depend on a highly qualified workforce and want to offer them a suitable workplace. In all four countries, NGOs, business associations, and academic institutes participate in the Global Compact; however, no labour unions from those countries do.

Table 4 Global Compact participants in the four countries (as of 31 May 2010)
Source: Own compilation after UNGC 2010b

	USA	Mozambique	UAE	Germany
All participants	393	23	38	173
All businesses	256	18	34	134
Fortune 500/Global 500	36			23
Companies (without Fortune 500/Global 500)	58	7	14	49
SMEs	162	11	20	62

Variation between the countries in relation to reporting

Since the early 1990s, when the first companies started to report on their environmental performance, there has been a remarkable increase in publicly presenting nonfinancial information and a paradigm shift towards including

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5 See, for example, the case of *Kasky v. Nike* (Williams 2004: 767).

a broad range of social, environmental, and human rights issues. The Global Compact and the Global Reporting Initiative (GRI) provided a practical, internationally accepted method and framework for companies to disclose this vast amount of information (see van der Lugt 2005).

To comply with the requirements of the Global Compact, businesses from OECD countries have to submit a COP after one year of participation in the initiative; businesses from non-OECD countries are required to submit their first COPs after three years. In Germany, most businesses (approximately 80%) fulfil these requirements, and 11 of the large companies use the GRI framework, whereas in the USA, generally fewer businesses (approximately 52%) submit their COPs on time. Compliance with the formal requirements of the Global Compact is high for large US companies, especially those in the Fortune 500 group that mainly submit a general sustainability report; 14 of the large companies use the GRI framework. On the other hand, only a few US SMEs are compliant with the formal requirements of the Global Compact. Only about 20% of the US SMEs submit their reports on time, whereas in Germany, about 90% of SMEs are compliant. The prolongation of the COP submission deadline for non-OECD countries results in the UAE having only five participants required to submit a report, of which only one is noncompliant. In Mozambique, despite the prolongation, 6 out of 16 businesses do not submit their COPs.

Table 5 Status of the businesses that are required to report (as of 31 May 2010)
Source: Own compilation after UNGC 2010b

	USA	Mozambique	UAE	Germany
All businesses	256	18	34	134
Active businesses	180 (app. 70%)	12	19	119 (app. 90%)
Businesses required to report	133	16	5	77
Businesses required to report and active	56 (app. 52%)	10	4	62 (app. 80%)
Companies required to report and active (Fortune 500/Global 500)	23 (app. 92 %)			18 (=100%)
Companies required to report (without Fortune 500/Global 500)	17 (app. 53 %)	4	2	18 (app. 70%)
SMEs required to report and active	16 (app. 21%)	6	2	26 (app. 80%)

Different motivations and expectations

The motivations and expectations of the interviewed businesses with regard to their participation in the Global Compact show a large spectrum; however, there

are also some commonalities. The fact that the Global Compact is a global initiative with networks in many countries is especially important for businesses from the USA and Germany that have operations outside their home country. The internationality of the Global Compact is also important for one interviewee from the United Arab Emirates because it does not show a strong European or US dominance, unlike other CSR initiatives. For some of the interviewees, participation in the Global Compact stands for a commitment to shared international ethical values. The fact that the Global Compact is an initiative of the United Nations was important for different reasons: Some businesses hoped for business opportunities with the United Nations; others expected better access to the expertise of the United Nations. For some, the high reputation of the United Nations played a crucial role because the organisation has the credibility to indicate which business practices are internationally acceptable and what the expectations towards businesses are. For one US company, the motivation to participate in the Global Compact was to differ from its competitors. Those businesses whose ideas emerged out of ethical principles are participating in the Global Compact to share their own experiences and best practices with a larger circle of interested businesses.

The implementation of the ten principles as a continuous learning process

The implementation of the ten principles is a long, never-ending process that involves all levels of a business. Although some of the businesses from the USA or Germany that are active exclusively in their home country indicated that they have already implemented the ten principles, others still found room for improvement and enhanced the principles with new content. Those businesses from the USA or Germany—large multinational corporations, companies, and SMEs—that have business operations or suppliers in non-OECD countries are confronted with the same challenges as those from the UAE or Mozambique. Some of those US or German businesses ignore these challenges and focus on the implementation of the ten principles in their home country. Others, especially businesses with direct consumer contact, demand that their subsidiaries and, increasingly, their suppliers include the ten principles in their business operations. For these businesses, the implementation of the ten principles is a never-ending process that has just started. This process is more successful when all the different levels of a business are involved in the elaboration and implementation of a consistent CSR strategy that includes the formulation of objectives and transparent monitoring mechanisms. Three companies, one from the USA and two from Germany, started to elaborate a CSR strategy after they declared their participation in the Global Compact. The assessment of the COPs and the sustainability reports shows that whether the implementation of the ten principles is successful also depends on the area and country in which the business is active. For businesses dealing with natural resources (e.g. minerals and fuels), especially in failed states, voluntary commitment to certain standards is not enough to handle the negative externalities of the so-called resource curse.

In some cases, businesses chose to end their business relations or activities; e.g. Hewlett Packard (2010: 139) stopped buying minerals from the Democratic Republic of Congo, and the Rapaport Group (2010) banned the trading of 'blood diamonds' from conflict-prone countries. Although the voluntary principles of the Global Compact could not close the governance gap that exists in those states and areas, some interesting approaches were found regarding the challenges in factories or in agriculture. Before they joined the Global Compact, some businesses had already demanded from their supplier factories the introduction of social and environmental standards to improve the work situation in the factories. Some of the COPs described positive examples in agriculture, e.g. the marketing of cocoa beans from family-owned small-scale farms in Ghana (The Omanhene Cocoa Bean Company 2009; see also Dean's Beans Organic Coffee 2009) or the promotion of ecologically produced cotton from small-scale family farms in Africa (see Otto Group 2009: 71; Levi Strauss 2009). In these cases, the Global Compact played an important role in disseminating best practices.

Similarities and differences of the Global Compact networks in the four countries

The increase in participating companies is linked with the network activities

In all four countries, the networks play a decisive role in establishing the Global Compact; this is especially obvious in the case of Mozambique, where the network was active only for a certain period of time (2006–2007). During the active phase, the number of Mozambican participants increased significantly, and the businesses submitted informative, well-structured reports. With the end of the network activities, no more businesses declared their participation in the Global Compact, and only a few submitted their reports (UNGC 2011). In the USA, the participation rates increased after the restructuring of the network and the regularly organised symposiums. In the United Arab Emirates, the number of the participants has also increased continuously since the launch of the network in 2007. In Germany, the rapid foundation of the network after the launch of the Global Compact, the involvement of the state-owned Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the regular network meetings contributed to the high acceptance of the Global Compact and the increase in German participation.

The different network structures in the four countries

Although the Bonn Annual Local Networks Forum (2008) elaborated the requirements regarding the structure of a Global Compact local network, some of the examined networks have not implemented these guidelines. For example,

none of the networks submitted the required complete report of its activities to the Global Compact.

In Germany, UAE, and Mozambique, businesses, business associations, academic institutions, and some NGOs are represented. In the US network, however, those that take part in the activities are mainly businesses; NGOs rarely participate. Although at the global level, labour unions played an important role during the foundation of the Global Compact (see ICFTU 2000), and some are part of the global board of directors today, there is no reference indicating that labour unions are involved in any of the networks of the four countries. The composition of the steering committees and the selection of their members varied among the four countries. In the USA, the steering committee is a business forum in which only representatives of large companies (PepsiCo, Symantec, Monsanto, and Levi Strauss) take part. In addition, due to the initial difficulties in attracting US companies, the Deputy Director of the Global Compact office initially attended the meetings of the steering committees. The steering committee nominates its members and is responsible for the coordination of the network; the other participants of the US network are not included in the decision-making process. Until the end of 2011, the Fowler Center for Sustainable Value of the Case Western Reserve University in Cleveland, Ohio, administered the network pro bono; at the moment, the US network is being transformed into a 501(c)3 nonprofit (UNGC 2012a). In Germany, the steering committee is a multi-stakeholder forum (however, without labour unions) whose members are elected by all the participants. The decisions need the approval of all the members of the steering committee. The GIZ coordinates the activities and supports the participants in meeting the formal requirements of the Global Compact, such as writing the COPs, which explains, in part, the high compliance of German businesses (Deutsches Global Compact Netzwerk 2010). In the UAE, the network activities are coordinated by one of the nationally best-known NGOs, the Emirates Environmental Group (EEG). No information was available regarding the composition of the steering committee. In Mozambique, the steering committee is a multi-stakeholder forum composed of businesses, business associations, government organisations, NGOs, and the UNDP; however, no labour unions participate. The reason for the inactivity of the Mozambican network in the last few years is probably the absence of coordination (Desenvolvimento 2010). The networks have different access to international contacts. The German network regularly takes part in European network meetings, whereas the US network does not coordinate with Latin American networks but has direct contact with the Global Compact office. In the UAE, the network representative regularly took part in the board meeting of the Global Compact as a board member. A representative of the Mozambican network participated in the Ghana Learning Forum.

Learning through the Global Compact

Publications

The numerous Global Compact publications offer a good overview of the international discussions concerning different themes relevant to businesses. Some of the interviewees, especially from SMEs, use these publications to get current information and ideas for the implementation of the ten principles. For the interviewed businesses, the fact that these publications are provided by the United Nations is a guarantee of the relevance and credibility of the information they contain.

Network activities

Workshops at the local level contribute not only to the increase in participation numbers but also, as some of the interviewees confirmed, to some changes in business practices.[6] These workshops, conducted in a nonpublic environment, enable the participants to discuss, sometimes with other stakeholders, issues adapted to the national context. Interviewees from the USA and Germany said they received some concrete ideas for the implementation of the ten principles through the workshops, and they assessed very positively the access to international discussions and the personal exchange between the workshop participants. In the USA, during the symposium 'Sustainable Cities', the sustainability of the US consumption model, e.g. the strong reliance on individual transportation was questioned by one of the leading car manufacturers, and alternative collective forms of transportation were discussed. In Germany, the network promoted the discussion of the up-to-now neglected issues of human rights and the responsibility of businesses. Specifically, in Germany, where the network is a multi-stakeholder forum with NGOs participating (Amnesty International and Germanwatch), it appears that besides the discussions of certain themes, the personal conversations during the events were also very important. They served to dismantle the cultural barriers between the participants, e.g. between businesses and NGOs, and helped them to perceive the 'other' as a partner without denying the differences that might exist between them. The participants from Germany emphasised the fact that the network activities give them access to different stakeholders, whereas one US business participant criticised the absence of nonbusiness stakeholders during the meetings. In the UAE, the network offered, beside the usual CSR issues, such as environment

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6 None of networks conducts systematic evaluation of its activities to find out how the obtained information led to changes in business practices. For this research, interviews, protocols of meetings, and COPs and other sustainability reports were analysed to understand the learning processes that the Global Compact initiates; therefore, the description of the learning process is not representative, however it shows a spectrum of opinions and information.

and anticorruption, a unique forum for the discussion of collective bargaining and human rights. For businesses from the UAE and probably also for those from Mozambique, the instructions on the COP were similarly very helpful. In the case of Mozambique, in particular, after the workshops, the businesses became compliant with the formal requirement of the Global Compact by submitting their COPs.

Due to personal and financial constraints, the majority of Global Compact participants, especially SMEs, are unable to take part in the network activities because the meetings are usually held in the capital. The exception is the USA, where the meetings take place in different large cities, such as Chicago, New York, or San Francisco.

Working Groups of the Global Compact[7]

Of the interviewed companies, only some large ones have participated in the Working Groups. These participants emphasised the importance of the discussions with internationally acknowledged specialists, such as Mary Robinson, the former UN Human Rights Commissioner.

Output: Introduction of rules and training

The fact that the Global Compact requires a commitment at the highest level made directly to the Secretary-General of the United Nations is an important milestone for a company that starts its journey towards becoming a sustainable business. In general, the commitment is communicated throughout the company followed by the introduction of new rules and regulations, such as codes of conduct.

In general, these codes of conduct deal with the question of how to avoid corruption or discriminating behaviour. In Germany, 22 businesses explicitly refer to the ten principles of the Global Compact; therefore, these codes also include regulations with regard to human rights and the environment. Some German businesses joined sector-specific initiatives at the national or the European level with codes of conduct that regulate all the four areas covered by the Global Compact.[8]

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7 At the international level, the Global Compact offers Working Groups in four areas: human rights, labour standards, anticorruption, and environment (UNGC 2008).

8 The Business Social Compliance Initiative (BSCI) (2009: 2) and the Compliance-Initiative des Bundesverbandes Materialwirtschaft Einkauf und Logistik e.V. (BME) (2008: 8) refer explicitly to the principles of the Global Compact. The European Committee of Domestic Equipment Manufacturers (CECED) (2005) does not mention the Global Compact, however addresses the four above-mentioned areas. In addition, the Bosch und Siemens Hausgeraete (BSH) (2007: 6) reports that the Global Compact influenced the CECED code of conduct. The German umbrella organisation of the electronic industry

In the USA, two businesses (Fairmount Minerals 2010; Symantec 2010: 4) refer to the ten principles of the Global Compact in their codes of conduct. In Mozambique, the container harbour of Maputo elaborated new guidelines based on the Global Compact (MIPS 2008: 9). Many businesses do not refer to the Global Compact in their codes of conduct but have organised trainings or distributed information about the ten principles for the employees at their headquarters and/or their subsidiaries, as well as for their suppliers.

Outcome: reporting, stocktaking, comparing

Most of the large multinational corporations (e.g. the Fortune 500 or the Global 500) had already reported on their sustainability practices before committing to the Global Compact. Nevertheless, for the other companies and SMEs, the most obvious change in their business practices consists in the writing of the COPs. In their COPs, most of the companies describe activities that they had already started before committing to the Global Compact and relate these to the ten principles. Therefore, the COPs allow those businesses to publish their nonfinancial activities for the first time and to consider their own business practices in comparison to international standards. For those businesses in all four countries that had already made reports, before they participated in the Global Compact, the comparison with international standards helped to uncover deficits and systematise their own CSR strategy. For those operating exclusively in Germany or the USA, in which the law prescribes compliance with the ten principles, some of the described activities go far beyond what the principles require and, therefore, not only shared their best business practices but also contributed to setting higher standards. Some portions of subsequent COPs have identical texts with previous reports. In general, the style of the reports is more narrative and less analytical. The description of problems regarding the implementation of the principles is rare and, when provided, is limited to only a short paragraph. The exceptions include the US company Golden Star Resources (2007: 19), which described the problems at their mining sites in Ghana, and the German SME Helog (2009: 3), a helicopter charter company that operates in conflict-prone areas. If the COP is part of the general sustainability report, as is frequently the case for larger companies, the GRI framework or a list in the annex indicates which page of the report contains the specific activities for each principle. In some cases, all principles seem to be covered, but the indicated pages do not

(Zentralverband Elektrotechnik- und Elektronikindustrie e.V., ZVEI) (2012) also does not refer to the Global Compact, nevertheless covers all four areas and mentions all the UN Declarations cited in the Global Compact principles.

show the activities regarding the principles. Only a few COPs describe the objectives and strategies based on the ten principles and/or the monitoring mechanism. German, Mozambican, and Arabic COPs put commitment to the ten principles at the highest level (e.g. CEO) in the foreword of their reports, as required by the Global Compact, and they mention the Global Compact frequently in different contexts. US companies often indicate their commitment in an enclosed letter and mention the Global Compact less frequently in their COPs. German businesses, in particular, mention the Global Compact as a milestone in their CSR history.

As Table 6 shows, the order of priority of the four areas of the Global Compact differs considerably between the countries.

Table 6 Main themes and focal points within different countries (as of 31 May 2010)
Sources: Own data

	USA	Mozambique	UAE	Germany
Human rights	Not relevant within the USA	Economic, social and cultural rights, good working conditions and salary	Economic, social and cultural rights, respecting employees' rights	Not relevant within Germany
Labour rights	Diversity, health and safety, work–life balance, additional health insurance benefits and retirement plans	HIV/AIDS, child labour, diversity	Diversity, informal meetings of employees in reaction to the ban on collective bargaining, control of birth certificates in order to exclude child labour	Work–life balance, diversity, health and safety
Environment	Reduction of the consumption of energy & other resources	Energy savings in the area of water, fuel & environmental projects	Green buildings, leveraging the savings potential	Climate change agenda, renewable energy, public transportation, leveraging the savings potential
Anticorruption	Bribery & corruption; campaign finance, disclosure and/or reform of lobbying activities	Corruptness of employees	Corruptness of employees, payment of taxes	Money laundering, conflict of interests, bribery, corruption

New impulses for business in the neglected human rights area

Although some of the participating businesses operate in countries with human rights violations, the analysis of the COPs shows that the area of human rights seems to be the least relevant for most of the businesses. Participation in the Global Compact and in discussions on John Ruggie's (2008) 'Protect, Respect and Remedy' framework has led businesses to recognise their responsibility in the area of human rights. Although only a few businesses regularly carry out the *Human Rights Impact Assessment* suggested by the framework, there are some forerunners in the USA and Germany whose experiences other businesses can relate to. The COPs from Mozambique and the UAE also added new insights into the area of human rights. Most of these businesses describe, under human rights principles, issues related to economic and social rights, as many of the jobs in these countries do not guarantee a dignified existence.

Many challenges regarding the implementation of labour standards

The issues that are relevant within the labour standards differ considerably and show how different the life situations of the employees are between countries. For example, in Mozambique, one employer offers financial assistance for the purchase of cooking pots, whereas in Germany, to promote physical fitness, some employees can participate in sports and take showers during lunch breaks, and others get organic food from local farmers or receive psychological support in life crises. For Mozambican businesses, it was important to guarantee a dignified livelihood, whereas for German businesses, work–life balance was a central subject. Arabic businesses emphasise that they want to be employers by choice and would issue release papers to any employee who wishes to resign, in contrast to the forbidden practice of withholding workers' papers and forcing them to remain in the company. US businesses distinguish themselves through detailed anti-discriminatory regulations and partly through their complex and transparent monitoring system, which includes all aspects of the labour standards.

The implementation of labour standards is particularly difficult for businesses that are active in non-OECD countries. In those countries in which collective bargaining (principle 3) is forbidden, such as the UAE, alternative meeting opportunities were created for the employees, which, however, do not compensate for the disadvantages employees have experienced because of the ban on collective bargaining. In the USA, individual state laws diminish collective bargaining rights. Some German Global Compact participants use these loopholes to avoid collective bargaining in their US operations (Human Rights Watch 2010). Even Microsoft (2010: 4) declared that its participation in the Global Compact does not expand the collective bargaining rights of its employees.

Only businesses in the UAE mentioned that there are challenges regarding the ban on forced labour (principle 4). Although the use of forced labour is forbidden in the UAE, some suppliers might deny their employees, especially their low-qualified workforce from foreign countries, the right to quit work by withholding their passports or payments. For Arab businesses, it is not difficult

to comply with the labour standard principle in their own operations; however, it is more difficult when it comes to their suppliers.

The child labour ban (principle 5) is embodied by law in all four countries but insufficiently implemented in the two non-OECD countries. Businesses in Mozambique describe how challenging it is to assess the implementation of this principle in the operation of their business partners; in the UAE, businesses try to avoid problems related to this principle by verifying the birth certificates and passports of their employees. The reports of US and German businesses contain few references to child labour. However, the fact that Bayer received a complaint at the OECD National Contact Point because of the use of child labour in India shows that the child labour issue can be relevant for all businesses that are active in non-OECD countries (Germanwatch 2011).

In all four countries, the description of the sixth principle (anti-discrimination) takes a prominent part in the respective national context. In Germany, the focus lies more on the dismantling of disadvantages based on sex or ethnic origin, whereas in the USA, the focus is on diversity, which includes all possible differences (sex, age, religion, race, ethnic group, political alignment, sexual orientation, etc.). The reports of the Mozambican businesses focus on the discrimination against people with HIV or AIDS. In the UAE, the Emiratisation laws require businesses to employ Emiratis over non-Emiratis. In Mozambique and the UAE, some businesses try to avoid discrimination based on sexual orientation, although homosexual acts are forbidden, and homosexuality is not accepted by the society as a whole. Whereas the international standards on which the Global Compact relies do not mention the avoidance of discrimination based on sexual orientation, the Global Compact instructions regarding the sixth principle specifically include sexual orientation. Therewith, the Global Compact has an important role in promoting awareness of this kind of discrimination.

Businesses active in non-OECD countries can respect the principles within their direct sphere of influence as long as these are not forbidden. The implementation of the labour standards is more difficult in the supply chain, where the sphere of influence of a business is restricted and depends on future business relations. A supplier is more willing to implement social and/or environmental standards in an extensive, long-term collaboration than in a minor, short-term business operation.

Vague definitions and few new activities regarding the environment

Some businesses from the USA, UAE, and Germany offer environmentally friendly products and are therefore environmental model companies. Most of the business participants had already started some environmental activities before committing to the Global Compact, and most COPs include stocktaking of the prevailing environmental activities. The interpretation of the environmental data proved to be difficult in many cases because of missing reference points that could help to explain an increase or a decrease in the data. Many COPs report on saving measures concerning energy, water, paper, and fuel. Some businesses from the USA, UAE, and Germany mention the construction

of new sites with green building standards, but it is only in Germany that the increased use of public transport is a main subject. Some businesses started to align their environmental activities after becoming part of the Global Compact. In Germany, for instance, three businesses began to grasp systematically the environmental effects and saving potentials of its business activity, and the Frankfurt Airport Company (Fraport 2009: 30) arranged its environmental policy according to the principles of the Global Compact. Two US software companies confirmed in interviews during this research that they started to evaluate the ecological footprint of their products only after joining the Global Compact.

The definition of the environmental principles was the least specified, allowing different interpretations, for example, concerning the precautionary approach. Although the Global Compact, in cooperation with UNEP, developed a detailed manual package on the environmental principles with case studies, tool kits, and further resources (UNGC/UNEP 2005), none of the participants referred to it or used it.

One dilemma of the Global Compact is the lack of clear guidelines as to which business activities are harmful to the environment and contradict the precautionary approach. Some activities of Global Compact participants are regarded publicly as environmentally damaging, such as those involving nuclear energy, coal energy, oil, mining, arms production, the manufacturing of pesticides and genetically modified organisms, and the marketing of water in plastic bottles. The fact that those businesses participate in the Global Compact evokes the accusation of 'greenwashing' by civil society organisations.

Responsible lobbying as an expansion of the anticorruption principles

The anticorruption principle is covered frequently through the codes of conduct. When the COP is integrated in the general sustainability report, this principle is the least mentioned of the four subjects. In Mozambique and the UAE, the reports focus more on the corruptibility of the employees. Some US businesses describe the challenges that result from their activities in non-OECD countries, such as the US oil company Hess Corporation (2009: 17), which operates in Equatorial Guinea. Under the anticorruption principle, other US companies include a description of the contents and target groups of their lobbying activities. Some of the German businesses started to produce codes of conduct after they came under suspicion of corruption. Although some German businesses are criticised because of their lobbying activities, only a few report on the contents and target groups of these activities.

Monitoring as indispensable for the successful implementation of the ten principles

The way monitoring is conducted varies between the countries and between SMEs and large corporations. Most of the businesses inform their employees and suppliers about the ten principles and expect them to comply. Other businesses generate questionnaires to determine the status of the implementation

of the ten principles. Some businesses undergo external monitoring by accounting firms, which, besides looking at financial issues, check the social and environmental standards, or by agencies or NGOs that specialise in social and environmental standards. Those large corporations from the garment sector that have direct consumer contact and a brand name, e.g. Nike (2005: 8), Gap (2010: 21), Otto Group (2009: 40), and Puma (2009: 39f.), established the most advanced monitoring system, with special teams for the intensive examination of their suppliers; they also publish detailed investigation results and a list of the addresses of all their suppliers.

A comprehensive monitoring system, especially of the supply chain, is time-consuming and cost-intensive. Therefore, although it is necessary for every business operating in non-OECD countries, only large corporations can afford to finance such a system. One interesting cost-saving approach is the Business Social Compliance Initiative (BSCI) (2009), whose code of conduct is based, among others, on the Global Compact and which offers its members a database on the audit results of different suppliers.

Deficiencies in the implementation of integrity measures

The introduction of integrity measures was an important step to assure the Global Compact's legitimacy. Nevertheless, the mechanisms for verification of systematic or egregious abuse are insufficiently developed. The Global Compact board and office in New York, as well as the networks, can be involved in the application of the integrity measures. In this research, the two examined examples of complaints resolved by the board of the Global Compact showed deficiencies in the implementation of the integrity measures. In the case of the Chinese company CNPC and its involvement in Darfur, the Global Compact argued that PetroChina, which is responsible for the Darfur operation, is a company separate from CNPC. This view is highly questionable considering that PetroChina's operations are closely intertwined with CNPC (KLD Research & Analytics 2007; Harvard announces 2005; Segal 2000). The second case examined an accident in a Bayer factory in Institute, West Virginia (USA). Although Bayer reported to the Global Compact that all the necessary security standards were applied, the published results of the hearing of the Committee on Energy and Commerce of the US Congress (2009) showed that Bayer not only neglected crucial security standards but also tried to impede the investigation of the accident.

The networks are supposed to play a crucial role in the application of the integrity measures. However, in the four countries of the study, the networks are rarely involved in the application of the integrity measures despite several cases of business participants violating the principles. Only in the German network were two violations by Global Compact participants directed to the National Contact Point of the OECD, which is based at the German Ministry of Economics. In one of these cases, Bayer accepted its responsibility for the use of child labour in its cottonseed supply chain and took some action to improve the situation, which, according to OECD Watch (2010: 22), might not be enough

to solve the problem. In the case of Volkswagen, the National Contact Point rejected two claims, one regarding Volkswagen's impact on climate change and the other regarding its indirect involvement in human rights violations in Tibet (OECD Watch 2010: 56). Ruggie (2008: 26) noticed that in general, the National Contact Points lack the financial and technical resources to handle the cases, and when they are based at the Ministry of Economics, as is the case in Germany, a conflict of interest may arise.

The attitudes of the business interviewees with regard to the integrity measures are ambivalent. Some argue that businesses involved in certain activities generally criticised by the public should not be allowed to participate; others believe that violation of the principles should lead to the delisting of the business. Some maintain that the Global Compact should give violators the opportunity to learn how to implement better the principles. For NGOs, both participants and nonparticipants in the Global Compact, the consistent application of the integrity measures is an important standard for the credibility and legitimacy of the Global Compact.

Some open topics relevant to business ethics

The Global Compact deals insufficiently with some subjects that are relevant to business ethics, e.g. legal tax avoidance, excessive compensation for CEOs, some forms of lobbyism, and unfair competition practices. In contrast to the businesses in Mozambique and the UAE, the German and US businesses generally did not comment on whether the salaries paid in the supply chain or subsidiary sectors in non-OECD countries guaranteed a dignified livelihood. In addition, the responsibility of the company for the employees in the supply factories after the business contract has expired is barely mentioned. Nevertheless, if the business participants in the Global Compact want to be part of the solution and not the problem regarding global challenges, they have to address adequately these questions in their business operations.

Conclusion

The Global Compact is symptomatic of the paradigm shift within the United Nations, which sees businesses no longer as part of the world's problems but as part of their solutions. Over the years, the initiative has incorporated all the subsystems proposed by the Compliance System Design, although the practical implementation is not satisfactory for all the different subsystems. The ten principles as voluntary guidelines are soft laws that contribute to keeping issues of low politics, such as human rights, labour standards, environment, and anticorruption, on the international agenda. Through different initiatives, such as Caring for Climate, the Women's Empowerment Principles, and the Human Rights Dilemmas Forum, the Global Compact evokes learning processes and contributes to the specification of norms. Based on voluntary principles, however, the

Global Compact is not a substitute for binding rules. It remains open whether the Global Compact contributes to the transformation from soft laws to hard laws or assigns issues of low politics into the sphere of influence of private actors and therefore prevents the introduction of binding regulations (see the 'privatisation of world politics'; Bruehl *et al.* 2001). However, some businesses, especially those with direct consumer contact and a brand name, have implemented rules on a voluntary basis and are lobbying for binding regulations in different areas.[9] The call is upon NGOs to support these efforts by advocating binding regulations, as well as upon governments to implement and enforce laws to create a fair and balanced framework for the global economy.

The Global Compact follows the axiom of social constructivism, postulating that norms only become effective when they are internationalised during a socialisation process. For businesses, the Global Compact facilitates access to scientific findings and epistemic communities that work on different issues, such as climate change or water supply. The initiative brings different stakeholders together to discuss problems that result from collective action (e.g. the tragedy of common goods or prisoner's dilemma). By means of dialogues and learning forums, the Global Compact gives businesses the opportunity to discuss, in a nonpublic environment and with recognised experts, the challenges that result from their international business activities. Through its networks, the Global Compact facilitates the discussion of international standards and helps to identify country-specific challenges. These discussion processes lead, in some cases, to a change in the logic of appropriateness that defines which social acts are acceptable and which are not. For many businesses today, the Global Compact is the reference point for appropriate behaviour on an international level. By participating in the Global Compact, businesses acknowledge their social, environmental, and ethical responsibilities.

The Global Compact is the largest CSR initiative worldwide and the only one with a global network. For businesses, the Global Compact has a low entry point to CSR questions and does not require a huge financial and/or personnel effort. The general criticism of CSR applies partly to the Global Compact as well; that is, not all relevant stakeholders, especially those from labour unions, participate in the networks. Similar to other CSR initiatives, the Global Compact avoids some business-relevant topics and offers no solutions in certain situations, for example, in failed states in which governmental regulation is missing. However, in contrast to most other CSR initiatives, the Global Compact also considers collective bargaining and freedom of association. Far beyond what other CSR initiatives demand, the Global Compact also recognises the special life situation of working mothers and condemns discrimination based on sexual orientation.

After joining the Global Compact, mainly businesses from Germany, as well as from other countries, revised their internal—in some cases, sector-specific—codes of conduct and included the ten Global Compact principles. Nevertheless,

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9 For example, Hewlett-Packard (2005: 54, 2006: 50) supported the attempt to introduce binding human rights regulations, and Nike (2005: 83, 2010: 158) is lobbying for stricter climate protection regulations.

some businesses not only changed their regulations in the area of human rights, which businesses seem to have ignored so far, but also started to develop new programmes. The Global Compact also facilitated the sharing of best practices in supply factories and in agriculture. Although the challenges differ between countries, the businesses—multinational corporations, companies, and SMEs—face the same problems as most of them have business contacts with non-OECD countries. Regarding the participants, the first businesses to join the Global Compact were mostly model companies that had already started to adopt a CSR strategy. Some of these companies initiated CSR programmes because they have a brand name and direct consumer contact and/or because NGOs had campaigned against them or their competitors. Some of the model businesses are privately owned, and their owners consider it part of their role not only to increase profits for the business but also to act in a socially responsible manner for their employees, consumers, as well as for the society and the environment. Even those businesses that already have a CSR strategy in place could benefit from the Global Compact if they participate in the learning forums.

The Global Compact is a learning network, and not intended as a compliance-based organisation. Nevertheless, to preserve its legitimacy, several elements were added to guarantee transparency and accountability. However, until now some of these elements have not been applied satisfactorily. These include, for example, those dealing with systematic or egregious abuse of the ten principles, the avoidance of relevant themes, and the fact that not all relevant stakeholders are engaged. Therefore, regardless of its above-mentioned positive aspects, the Global Compact is at risk of being abused by some businesses looking to blue- or greenwash their negative image.

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Appendix 1: Case Studies—Pfizer and Daimler

Pfizer implemented the Global Compact principles by creating a global cross-divisional team composed of more than 25 management-level employees from all operating divisions, ranging from development and research to marketing and investor relations. This team set up goals, collected data, and compared Pfizer's practices and policies to the ten principles of the Global Compact. Furthermore, Pfizer created a plan to educate its employees and to improve its performance according to the principles. Pfizer's *Summary of Policies on Business Conduct* includes information on the Global Compact and was translated into 35 languages. On a regular basis, Pfizer evaluates whether every employee knows how to act in accordance with the *Policies on Business Conduct*. In China, Pfizer was the first company that established an anti-discrimination policy toward HIV-positive employees.

Pfizer started a stakeholder dialogue with NGOs, such as Oxfam and the Interfaith Centre on Corporate Responsibility, and conducted a survey among governments and NGOs from USA, China, UK, Japan, Mexico and South Africa on the strengths and weakness of the pharmaceutical industry. This survey resulted in new policies in the area of general access to medication. One of the outcomes was Pfizer's *Investment and Health Platform* that aims to strengthen healthcare delivery for underserved populations around the world. A part of this platform is Pfizer's *Global Health Fellows Program* that places Pfizer employees for several months in short-term assignments in poor communities to witness and learn the challenges and needs of poor populations (Pfizer 2006: 2f, 2013: 8).

Daimler, with its *World Employee Committee*, created as a complement to its internal *Integrity Code*, the *DaimlerChrysler CSR Principles*, based on the ten principles of the Global Compact. To ensure its continuous implementation

(including e.g. a whistle-blowing process), Daimler established a *Business Practice Office*. In every region worldwide, Daimler has a *compliance officer* reporting to the *Group Chief Compliance Officer* who is directly accountable to the board. Stakeholder dialogues are very important for Daimler to identify the most prominent sustainability topics: Since 2008, Daimler organises the *Daimler Sustainability Dialogue* not only in Stuttgart/Germany, but also in the US and China. In response to the discussion on the *UN Guiding Principles for Business and Human Rights*, Daimler and its *Sustainability Board* started a stakeholder dialogue to identify the most salient human rights issues in its business operation worldwide. In 2012, Daimler conducted a survey of more than 700 stakeholders and the results were utilised in its materiality analysis (DaimlerChrysler 2006: 2, Daimler 2009: 3f., 2013: 52f).

Appendix 2: The ten principles of the United Nations Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights; and

2. make sure that they are not complicit in human rights abuses.

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

4. the elimination of all forms of forced and compulsory labour;

5. the effective abolition of child labour; and

6. the elimination of discrimination in respect of employment and occupation.

7. Businesses should support a precautionary approach to environmental challenges;

8. undertake initiatives to promote greater environmental responsibility; and

9. encourage the development and diffusion of environmentally friendly technologies.

10. Businesses should work against all forms of corruption, including Extortion and bribery.

Source: UNGC 2012b