

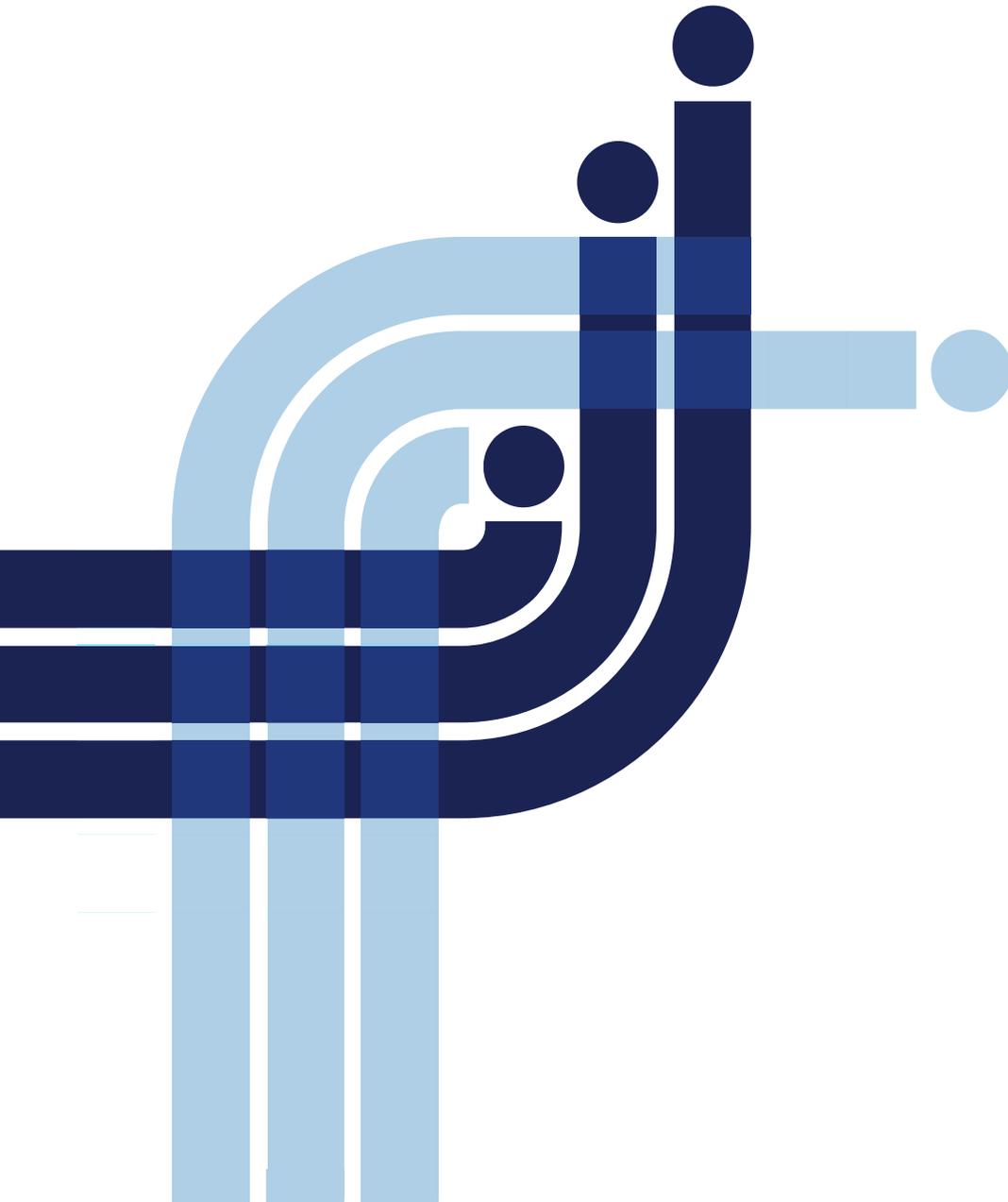


United Nations
Global Compact

WHITE PAPER

The UN Global Compact Ten Principles and the
Sustainable Development Goals:

Connecting, Crucially



1. Overview: The Power of Principles

Within human endeavors as disparate as mathematics, economics, physics, philosophy and ethics, the establishment of essential *principles* has proven an enduring and successful construct to guide thought and inquiry while also contributing to the development of formal and informal systems of governance, law and standards of behavior. Indeed, *principles* are as old as Aristotle and as current as the freshly minted constitution of a newly created country.

The United Nations has been the seat – and even birthplace – of *principles* since its founding in 1945. For example, Chapter I of the Charter of the United Nations, entitled “Purposes and Principles”, sets forth a number of overarching *principles* for the UN Organization, including those related to notions of sovereign equality; the settlement of disputes by peaceful means; and the fulfillment of the inherent obligations by Member States.¹ As well, the Universal Declaration of Human Rights, adopted in 1948, has indeed become “...a common standard of achievement for all peoples and nations”.²

Human beings have, in other words, turned time and time again to the *power of principles* in organizing their affairs and conduct.³ In this regard, *principles* have served a number of distinct purposes, including in the social and political realm:

- i. Providing a common ethical and practical framework to guide individual and collective efforts;
- ii. Helping to safeguard a basic level of fairness and equity;
- iii. Ensuring that governance and systems of laws and norms are grounded in accepted ideals;
- iv. Preventing actions that cause harm; and
- v. Setting the basic conditions and baseline for individuals and organizations to “do good”.

One of the most striking socio-economic developments in recent decades has been the emergence of core *principles* with respect to the governance, management and operations of business organizations, and other entities operating in the private sector.

The United Nations has been at the forefront of this development with two initiatives in particular: the UN Global Compact (and its Ten Principles)⁴, and the UN Guiding Principles on Business and Human Rights.⁵

Both the UN Global Compact and the Guiding Principles offer sets of normative principles to guide business policy and conduct, especially pertaining to the notion of “do-no-harm”. With respect to the UN Global Compact, companies commit to a set of Ten Principles, all drawn from key UN Conventions and Declarations, in four areas: i) human rights; ii) labour; iii) environment; iv) anti-corruption.

¹ Charter of the United Nations

² See: www.ohchr.org

³ “Principle”, as defined by the Oxford Dictionary: “A fundamental truth or proposition that serves as the foundation for a system of belief or behavior or for a chain of reasoning”

⁴ See www.unglobalcompact.org

⁵ See www.ohchr.org

The Guiding Principles, meanwhile, provide further conceptual and operational clarity for the two human rights principles championed by the UN Global Compact and set a minimum standard of conduct for companies to prevent and address the risk of adverse human rights impacts linked to their business activities.

Both the UN Global Compact Ten Principles and the Guiding Principles have been embraced widely by business organizations around the world. However, with the adoption of UN Agenda 2030 for Sustainable Development and the related Sustainable Development Goals (SDGs), there is some confusion and misunderstanding with respect to the linkage between a *principles-based* approach to business and the realization of broader sustainable development objectives, i.e., the SDGs.

Moreover, there is emerging concern that unless business action in relation to the SDGs is underpinned with *principles*, companies will be “...quick to jump to promotional initiatives, skipping the essential starting point of reducing negative impacts on people associated with their own business activities and value chains”, in the words of John Ruggie, author of the Guiding Principles.⁶

These concerns could benefit from a more thorough exploration of the link between a principles-based approach to business and the SDGs. The remainder of this paper focuses on just this topic, with a special emphasis on making the connection between the UN Global Compact Ten Principles and achievement of the SDGs.

⁶ “John Ruggie on Sustainable Development Goals and UN Guiding Principles”; 18 February 2016

2. Principles: The Baseline for Business

It is today widely recognized that the responsibility of all companies – regardless of their size, sector or where they operate – is to comply with all relevant legislation, to uphold internationally recognized minimum standards and to respect universal rights.

As embedded in the human rights principles of the UN Global Compact and reaffirmed and elaborated by the Guiding Principles on Business and Human Rights, respecting human rights is distinct from a company's effort to support or promote human rights. It is a baseline expectation of all companies that they avoid infringing on human rights, and that they address any harms with which they are involved either through their own activities or as a result of their business relationships.⁷ (It is worth noting that the UN Global Compact's two human rights principles cover both the "respect" and "support" notions.)

Within the environmental realm, it is instructive to consider the so-called "precautionary principle". This widely adopted principle (a version of which finds expression in the UN Global Compact's seventh principle) essentially means that even in the absence of scientific consensus, a business enterprise should not pursue an action that is suspected of causing harm to the public or the environment. In certain legal systems – within the European Union, for example – the implementation of the precautionary principle has been made a statutory requirement.⁸

In the area of labour standards and principles, the notion of upholding the freedom of association of workers and the effective recognition of the right to collective bargaining have likewise found their way into the normative and legal regimes of numerous – but not all – nation states.⁹

A central point is that neglecting the responsibilities attached to such social and environmental principles cannot be offset by any effort to promote these same principles – as an advocacy or public relations effort – or through philanthropic or related "do-good" programmes that while perhaps advancing some aspect of sustainable development do not respect basic due diligence and do-no-harm principles. In other words, a company could be, knowingly or unknowingly, "giving with one hand and taking with the other".

According to the Guiding Principles, for example, it should always be a priority for a company to address all adverse human rights impacts associated with its operations and value chain. Where companies need to prioritize the order in which they address these issues, the Guiding Principles make clear that they should do so based first and foremost on the severity of the potential adverse impacts – in other words, how grave these impacts would be, how widespread and how hard to remedy. Priority should be given to adverse human rights impacts or risk, regardless of the potential cost or

⁷ Source: SDG Compass by the Global Reporting Initiative, UN Global Compact, and World Business Council for Sustainable Development

⁸ See: https://en.wikipedia.org/wiki/Precautionary_principle

⁹ See: www.ilo.org

benefit to the business. Nevertheless, there is increasing evidence that risks to human rights frequently converge with risks to business and that this convergence is particularly strong where the most severe human rights impacts are concerned.

Over the last several decades, ongoing dialogue among businesses, investors, governments, civil society and thought leaders has shaped international frameworks, principles and guidelines for responsible and ethical business conduct. Key principles that are especially relevant for business (and private finance) include, or are drawn from, the following:

- i) ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- ii) UN Global Compact Ten Principles
- iii) UN Guiding Principles on Business and Human Rights
- iv) Rio Declaration on the Environment
- v) UN Convention Against Corruption
- vi) UN Finance Initiative
- vii) UN-supported Principles for Responsible Investment
- viii) The Women's Empowerment Principles
- ix) The Children's Rights and Business Principles
- x) Principles for Responsible Management Education
- xi) The Global Reporting Initiative

In addition, there are a number of guidelines that companies are advised to take into consideration as the basis for their contribution to the SDGs. These include the ISO 26000 Guidance on Social Responsibility and the OECD Guidelines for Multinational Enterprises.¹⁰

While respecting and implementing essential universal principles must be regarded as Job #1 by business, it is also important to link such efforts with the broader sustainable development challenge, and with the opportunity space around efforts that go beyond "do-no-harm" to support the achievement of the SDGs.

¹⁰ An inventory of existing principles, standards and guidelines as well as other business tools can be found at: www.sdgcompass.org

3. Business and the SDGs: Acting Responsibly and Finding Opportunities

The SDGs provide a powerful aspiration for improving our world – laying out where we collectively need to go and how to get there. Responsible business and investment will be essential to achieving this transformational change. All companies can play a role in meeting the ambitious targets of the SDGs. While the scale and scope of the global goals is unprecedented, the fundamental ways that business can contribute remain unchanged.

The UN Global Compact asks companies to first do business responsibly and then pursue opportunities to solve societal challenges through business innovation and collaboration – both important contributions to the SDGs. In short, companies must not make the world’s problems worse before they try to make them better.

As this paper argues, the UN Global Compact Ten Principles are the foundation for any company seeking to advance the SDGs. Sustainability begins with a company’s values and culture. The Ten Principles provide a universal definition for responsible business, calling on all companies to operate in ways that, at a minimum, respect fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption. In practice, this means making sure that a company identifies, prevents, mitigates and accounts for any negative impacts it may have on society and the environment, and establishes a culture of integrity and compliance. Companies should carefully consider business risks related to each SDG, and adjust their business practices to avoid doing harm and thereby undermining the SDGs. If all companies were to take fundamental steps – like respecting employee rights, not polluting land, sea or air, and refusing bribery and extortion – the world would make enormous progress towards achieving the SDGs.

As John Ruggie observes: “Where companies focus resources on reducing the risks to people’s human rights along their value chains, they not only reduce harm but also help advance development. Workers and communities are better equipped to claim their rights; living wages support families and enable the education of children; communities that are engaged as partners and provided due process and compensation for impacts on their land and resources are better able to sustain and direct their own livelihoods; women and girls free of sexual harassment and discrimination can reach their economic potential, and so forth”.¹¹

On a related note, there is ample evidence demonstrating that by implementing the “better safe than sorry” precautionary environmental principle, business organizations can positively contribute to a number of sustainable development objectives that relate to the environment, including ecosystem and forest stewardship; ocean and freshwater sustainability; and climate action. Moreover, many of these classically understood environmental areas connect with critical human-centered SDGs, including health; food and agriculture; and gender equality.

¹¹ “John Ruggie on Sustainable Development Goals and UN Guiding Principles”; 18 February 2016

“Freedom of association and collective bargaining” – captured in the UN Global Compact’s third principle – offers perhaps another illustrative example. In Ethiopia, a large international apparel company is partnering with an overseas development agency to ensure wider adoption of collective bargaining in the broader textile sector with the clear objective of improving working conditions and reducing inequality – in other words, advancing SDG #1, #8 and #9 and related targets.

In this light, the following graphic illustrates some of the primary linkages between the UN Global Compact’s Ten Principles and the SDGs. It must be emphasized that the graphic is not intended to capture all connections and relationships; indeed, many principles are profoundly cross-cutting in nature.¹²

The UN Global Compact Ten Principles and the Sustainable Development Goals

This graphic illustrates some of the primary linkages between the UN Global Compact Ten Principles and the contribution that these can make towards the achievement of the SDGs. By respecting and supporting universal principles, UN Global Compact business participants can play an important role in helping to realize the SDGs.



¹² See: www.ilo.org

Source: UN Global Compact

By incorporating the UN Global Compact Ten Principles into strategies, policies and procedures, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. Global challenges – ranging from climate, water and food crises, to poverty, conflict and gender inequality – are in need of solutions that the private sector can deliver, representing a large and growing market for business innovation.

With trillions of dollars in public and private investments expected to redirect towards achieving the SDGs, there is an enormous opportunity for responsible companies in the coming years. However, as this paper has argued, implementing universal principles is the first side of the coin – “Heads”, if one wishes. “Tails” represents the opportunity space, which encompasses efforts to develop products, services and innovative business models that are good for both society and the bottom line, as well as partnerships, social impact, philanthropy and similar “doing-good” initiatives. Both will be required if the world is to attain true sustainable development in economic, environmental, social and ethical terms.

4. UN Global Compact Principles and Issue Workstreams

As previously shown, by implementing the UN Global Compact Ten Principles companies will avoid undermining the achievement of the SDGs and will also be making direct or indirect contributions to realizing them. Moreover, the Ten Principles and the SDGs are both cited in the basic commitment that companies make when endorsing the UN Global Compact: i) making the Ten Principles part of strategy, culture and operations; and ii) taking action in support of UN goals and value embodied in the SDG, with an emphasis on collaboration.

It is important to draw attention to the UN Global Compact's portfolio of specific issue work which includes the following formal "issue platforms" as well as specialized workstreams: Business for Peace; Caring for Climate; CEO Water Mandate; Children's Rights and Business Principles; Food and Agriculture Business Principles; Principles for Responsible Management Education; Poverty Footprint; Business for Rule of Law; and Women's Empowerment Principles. Many of these issue platforms and workstreams were developed to give fuller expression to the core Ten Principles, and are themselves rooted in their own fundamental principles. Recently, work has been undertaken to link the principles and elements of these specialized areas to the SDGs.

For example, the Women's Empowerment Principles (WEPs), which were jointly developed by the UN Global Compact and UN Women, encompass seven principles designed to advance gender equality – in leadership, in the workplace and in the supply chain, to name just three areas. In order to connect the core WEPs to the SDGs, the UN Global Compact recently completed an extensive mapping of the seven principles to virtually all of the 17 SDGs and their related targets. The mapping also includes illustrative case examples.¹³ In relation to SDG #3 (Health), the WEPs mapping indicates the following, by way of example:

¹³ See: www.weprinciples.org

Goal 3. Ensure healthy lives and promote well-being for all at all ages

3.7 by 2030 ensure universal access to sexual and reproductive health care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes

3.8 achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all

3.9 by 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination

Principle 3:

- Taking into account differential impacts on women and men, provide safe working conditions and protection from exposure to hazardous materials and disclose potential risks, including to reproductive health
- Strive to offer health insurance or other needed services – including for survivors of domestic violence – and ensure equal access for all employees
- Respect women and men workers' rights to time off for medical care and counseling for themselves and their dependents

Principle 6:

- Work with community stakeholders, officials and others to eliminate discrimination and exploitation, and open opportunities for women and girls
- Promote and recognize women's leadership in and contributions to, their communities and ensure sufficient representation of women in any community consultation
- Use philanthropy and grant programmes to support company commitments to inclusions, equality and human rights

A global clothing brand with operations around the world enrolled in a workplace training programme intended to demonstrate the business returns of employer provided health information and services. The trainings generally cover reproductive and maternal health, personal hygiene, STIs and family planning. The research found the programmes delivered an ROI of US \$4:\$1 in the same factory, in the form of reduced absenteeism and turnover.

Similarly, the CEO Water Mandate had done much work establishing principles and tenets around the concept of “corporate water stewardship”. Indeed, much of the CEO Water Mandate’s work has flowed from its commitment to water and sanitation as fundamental human rights. In 2015, for example, the CEO Water Mandate published its “Guidance for Companies on Respecting the Human Rights to Water and Sanitation”.¹⁴ The Guide focuses largely on what it means to respect human rights in terms of water stewardship, but also discusses how companies can support these rights – recognizing in both cases the potential contributions to sustainable development.

Related, the CEO Water Mandate, with partners WWF and WaterAid, mapped the core elements and tenets of “corporate water stewardship” to the SDGs – especially in relation to SDG #6 and the Means of Implementation:¹⁵

SDG6 Means of Implementation

		Finance	Technology	Capacity Building	Trade	Policy & Institutional Coherence	Multi-stakeholder Partnerships	Data, Monitoring & Accountability
Elements of Corporate Water Stewardship	Understanding basin, context & impacts							Risk assesment, local context & impacts
	Developing a water strategy			Sustainability strategy, internal awareness				Product claims, sustainability stories
	Addressing operational issues	Capital expenditures, sustainability research & development	Manufacturing, process & product improvements	Technical Training			Conventional Public-Private Partnerships	Financial Statements
	Leverage improvements in the value chain	Venture Financing	Accelerating innovation	Guidance & standards, access to water, sanitation & hygiene in the workplace	Engagement in emerging markets		Empower suppliers & local stakeholders	Sourcing data
	Water stewardship via collective action	Social enterprise, co-financing, water funds, philanthropy		Community engagement			Multi-stakeholder collective action	Community-level data collection, data sharing platforms
	Water stewardship via policy engagement			Contribution to water governance	Cross-functional support for sustainable trade policy	Align & support IWRM; respect & support the human right to water & sanitation	International & national alliances on water policy	
	Communicating with external stakeholders	Valuing ecosystem services, natural & social capital	Open-source technology for sustainability				Transparency, integrity in water-related collective action	Sustainability targets, monitoring & disclosure

As the CEO Water Mandate and its partners observe:

“SDG 6 for water and sanitation is emerging as a promising framework for action, and for measuring progress toward addressing the global water challenges that create water-related business risk. The management of water resources, development of water supplies and services, and management of wastewater and pollution are all inherently linked to economic development. This is a rare and critical opportunity to take an integrated approach to corporate water stewardship and access to water, sanitation, and hygiene (WASH), and align businesses’ water management practices with SDG 6 subsidiary targets, means of implementation, and supporting indicators”.¹⁶

¹⁴ See: www.ceowatermandate.org

¹⁵ See: www.ceowatermandate.org

¹⁶ See: ceowatermandate.org

5. Conclusion

As this paper suggests, the 2030 Agenda and the SDGs present an historic opportunity for the UN Global Compact and the responsible business movement writ large. As the UN political outcome document makes clear, it will be essential to engage the international business community in the pursuit of the 17 declared global goals. From core business activities – rooted in principles – to strategic social investment, business organizations can make essential contributions towards the realization of true global sustainable development – and do so in ways that drive long-term business success and sustainability: in other words, the delivery of shared value.

As the world’s largest corporate sustainability initiative, anchored in the United Nations and encompassing UN principles and values, the UN Global Compact is uniquely poised to become the world’s most relevant business-oriented initiative in relation to the attainment of the SDGs.

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About the United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,000 companies and 4,000 non-business signatories based in over 170 countries, and more than 85 Local Networks.

www.unglobalcompact.org