



## United Nations Global Compact

9 February, 2009

Dear Mr. Cohen and Mr. Slob,

I refer to your email to Georg Kell sent on 1 February 2009, which he shared with me in my capacity as Vice Chair of the Global Compact Board. As Mr. Kell has already conveyed to you, he consulted with a number of Board Members, including myself and civil society representatives prior to sending his last reply to you.

We are all very concerned about the tragic humanitarian situation in Sudan and in other conflict affected countries around the world. For this reason, consistent with its mandate as a learning and dialogue initiative, the United Nations Global Compact has, for the past several years, conducted extensive work on business and peace. This workstream has focused on developing and disseminating practical advice on what business can do to avoid contributing to conflict and to make a positive contribution to peace and development. Further information about the assumptions underpinning this work and the UN Global Compact's approach can be found at:  
[www.unglobalcompact.org/NewsAndEvents/news\\_archives/2009\\_02\\_04.html](http://www.unglobalcompact.org/NewsAndEvents/news_archives/2009_02_04.html).

In the case of Sudan, as you acknowledge, a very important first step has been taken with the launch of a Global Compact Local Network in December 2008. Reports on this meeting are available at the web reference above. It is my intention to visit Sudan this year at a time hopefully coinciding with a Local Network meeting and to see what progress is being made by the Network. I think it is in everybody's interest to support these efforts in promoting constructive dialogue and I do not think that you or your colleagues take issue with this or any of the above.

Eric Cohen  
Chairperson  
Investors Against Genocide  
Boston

Bart Slob  
Senior Researcher  
SOMO  
Amsterdam

As I see it, your letter raises two main concerns. The first is the reluctance of the Global Compact Office to address the issue of PetroChina's alleged egregious human rights abuses in Sudan through the Global Compact Integrity Measures. The second is that because oil revenues provide the main income to the Government of Sudan, any activity in the extraction of hydrocarbons in Sudan constitutes complicity with the Government of Sudan. I believe that you consider that this would be the case even if a company applied due diligence to its operations and conducted itself otherwise fully in line with the principles of the Global Compact to which it had committed itself.

Let me address your first issue first. I agree with the point that you make that no company should be immune from criticism simply because it subscribes to the Global Compact. Indeed, part of the commitment of signatories is to openness through Communications on Progress. However, PetroChina, the company which is a signatory to the Global Compact and to which you request that the Integrity Measures should be applied, does not operate in Sudan. It is a matter of common knowledge that PetroChina's dominant majority shareholder CNPC does indeed operate in Sudan. However, although CNPC has expressed an interest in applying the principles of the Global Compact to the operations of its subsidiaries or affiliates in Sudan and has taken a very constructive interest in the Sudan Local Network and shown an interest in engaging with other members of the Sudan Network, including NGOs, CNPC itself is not yet a signatory of the Global Compact and it would therefore appear premature to approach this issue through application of the Global Compact Integrity Measures.

This may seem a somewhat legalistic point, but it is difficult for a subsidiary to be held responsible for the activities of a non-signatory shareholder, even if that shareholder holds a significant majority of the shares. Indeed I note that part of your complaint is really addressed to CNPC's ultimate shareholder, the Government of China. I believe that such issues are best left to discussions between governments, including negotiations conducted within the organs of the United Nations itself.

It is important to understand that the United Nations Global Compact is focused on practical engagement on the ground through learning, dialogue and partnerships. It is not set up to be a compliance-based initiative or a performance or assessment tool. Importantly, it is intended to complement other approaches taken by other actors. Different organizations may have different approaches to achieving what are common goals. Ensuring that there is room for a diversity of approaches is important as it is more likely to develop practical solutions to situations with complex causes.

It would be my hope that through engagement in the Sudan Local Network all the companies engaged, including CNPC, CNPC International (Nile) Ltd and other international companies operating in Sudan in whatever field, working in conjunction with civil society organizations and labour in Sudan, will exchange views and keep each other informed on issues relating to security, human rights, labour practices etc in Sudan – indeed all matters relating to the principles of the Global Compact. It would also be my hope that companies engaging in the work of the Sudan Local Network would subscribe to the Global Compact and thus in due course be committed to report on the application

of the ten principles through a Communication on Progress. This may take some time to achieve fully, but is I believe a very worthy objective. I find it very encouraging that a number of civil society organisations with extensive practical experience on the ground continue to support our approach and to encourage and engage in the Local Network.

The second issue you raise is much more complex and problematical. You argue that any company taking part in an activity which is a source of major government revenue is by definition complicit with any human rights abuses of the host government whether or not there is a direct connection with the company's activities. The company should then either engage with the government in order to persuade it to desist, or presumably withdraw from the country.

There are many different views on withdrawal and on whether the withdrawal of companies operating in line with the principles of the Global Compact and engaging with local civil society organisations and other companies to implement these principles in its relation to its operations is in fact beneficial to humanitarian outcomes. Clearly companies have to make their own decisions based on whether they feel able to operate in line with the principles they subscribe to as well as on any advice or sanction from their home government and of course on whether there are United Nations sanctions involved. I confess that I personally am not in general in favour of withdrawal, but I respect the views of those who are. However I think that it is unlikely that given its United Nations parentage that the Global Compact will advocate withdrawal unless the United Nations itself has imposed sanctions or given advice of some sort. I do believe that the Local Networks provide a mechanism for companies to ensure that their presence is constructive.

On the assumption that a company remains in a country and does not engage in any specific abuses, but rather endeavours to act as a constructive force, a secondary concern expressed in your letter is that there should be clear evidence of a company using its influence to affect the policies of a government. The United Nations Global Compact does not currently have any guidance for business on the issue of whether and, if so, how to engage in human rights advocacy with a host government. Views differ on the desirability, propriety and impact of such an advocacy role for any individual business, and in any case such advocacy often best takes place in private. Once again, one way of determining the best approach is through work with the Local Network. I believe that the United Nations Global Compact is indeed contributing with other stakeholders to a collective approach to business engagement on conflict and peace in Sudan through the newly established Local Network

The Global Compact Office position on this matter was not adopted lightly, but rather is based on long experience in working on the topic of business and peace. It follows a great deal of consideration and consultation with Network colleagues in Sudan and United Nations Global Compact Board Members to determine the best ways in which the United Nations Global Compact can make a positive contribution in the country. We are very keen on giving the Local Network time and space to achieve its full potential.

I have followed this issue with great interest and been involved in many discussions on the subject. I can assure you that this matter, including your letters, the communications of the Global Compact Office and this letter, will be fully discussed at the next board meeting of the Global Compact. We will also review the processes described in the integrity measures to see whether greater clarity is needed. In recognition of what we can and cannot achieve, we have placed much emphasis on our Communication on Progress policy, which is our most robust integrity measure. It affords a way to increase transparency around participants' efforts to implement the United Nations Global Compact principles and it also provides a basis on which dialogue with other stakeholders can take place, taking into account all of a company's activities. In line with the Communication on Progress policy we have delisted over 900 companies to date out of some 6,000 originally registered worldwide, so there are now some 5,000 business participants.

*Yours sincerely,  
Mark Moody Stuart*

Mark Moody Stuart  
Vice Chair  
Global Compact Board