

UNITED NATIONS



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REFERENCE

13 January 2009

Dear Ms. Morgan and Mr. Cohen,

I refer to your latest letter to me of 7 January 2009, which I read in the media. As you know from your coalition's earlier correspondence with my office, we asked for some time to consult with a few Global Compact Board Members on the matter you have raised. We informed you and you acknowledged that we would respond to you by the second week of January. We were surprised that despite this you published the above-mentioned letter.

As we previously explained to you, the reason for this consultation is that we take the issue of business and its role in conflict and peace very seriously and have over the years devoted significant resources to it. As just one example of this work, we would like to mention our publication *Enabling Economies of Peace*, which makes detailed public-policy recommendations on how to maximize the business contribution to peace. We are currently planning to embark on a study into the trade-offs between engagement and divestment in conflict-prone countries, which aims to establish clear principles for responsible investment in such situations. The study would draw on lessons learned from the sanctions regime and engage with the investor community (through the Principles for Responsible Investment), companies with practical experience on the ground, and civil society with expertise in the area.

As the issue of business and peace is a great concern of ours, we are indeed very keen to ensure that whatever actions we take within the initiative reduce human suffering and make a positive contribution to improving the situation in conflict-afflicted countries around the world, and not undermine or make situations worse.

Ms. Susan Morgan
Director of Communications
Massachusetts Coalition to Save Darfur
Boston

Mr. Eric Cohen
Founder and Chairperson
Investors Against Genocide
Boston

After having received the advice and guidance of a number of Board Members, we have decided not to handle this matter as an integrity issue of an individual company, PetroChina. The matters you raised in your correspondence could equally apply to a number of companies operating in conflict prone countries. As you have previously confirmed to us, PetroChina has been singled out largely because it, unlike many of the other companies that your coalition has been focusing on, has recently taken the step of joining the Global Compact. Since we are a learning initiative, this is a step that should be welcomed instead of criticized.

The Global Compact's approach to business and peace emphasizes engagement rather than divestment and the power of collective action rather than focusing on any one individual company. Importantly, the Global Compact is not intended to be a silver bullet, but rather to be a complement to other approaches – regulatory and voluntary - aimed at improving corporate social and environmental performance. The purpose of the integrity measures is to promote continuous quality improvement and assist the participant in aligning its actions with the commitments it has undertaken with regard to the Global Compact principles. In the context of the current lack of clarity for companies on the issue of if and when and how to engage in human rights advocacy, we think it undesirable that the refusal of any one company to engage in one-on-one advocacy with a host Government could lead to consequences such as de-listing from the UN Global Compact. This would deny the company the opportunity to learn, improve performance and engage in collective action.

In summary, handling this matter as an integrity issue of one company would run counter to the Global Compact's approach of looking for practical solutions on the ground. As you know, a Local Network was launched in Sudan in December – a very promising event by all accounts, which has already led to a serious plan of follow-up activities emphasizing learning and dialogue. In your letter of 15 December, you noted this development as a positive step, applauded the UNGC for convening the meeting and expressed the hope that it will encourage coordinated and constructive action on the part of all attendees. Among the constructive ways in which this new platform can be used is the sharing of experiences relating to how tools and initiatives such as the Extractive Industry Transparency Initiative and the Voluntary Principles on Security and Human Rights can help bring about more conflict-sensitive business practices. We believe that the Local Network and those engaged in it should have the opportunity to use this platform to make progress.

Notwithstanding the above, as we have previously indicated, we have shared your letters with PetroChina and with CNPC. The latter is not yet a participant in the UN Global Compact, but has engaged in the establishment of the Local Network in Sudan. CNPC has written to me and I enclose a copy of their letter for your information.

Finally, I want to make clear that we have no intention to interfere in any way with your ongoing advocacy and campaign efforts. Indeed, the Global Compact Office believes that civil society organizations have an extremely important role to play in

persuading companies to respect human rights and be more conflict-sensitive. Rather, our objection is to the use of the UN Global Compact as a vehicle for targeting individual companies because of their willingness to engage in the initiative.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Georg Kell', written over the typed name.

Georg Kell
Executive Director
UN Global Compact Office

Enclosure: CNPC Letter