MEMORANDUM OF UNDERSTANDING  
among  
FOUNDATION FOR THE GLOBAL COMPACT,  
GLOBAL COMPACT OFFICE,  
and  
GLOBAL COMPACT NETWORK GERMANY

This Memorandum of Understanding (the “MoU”) is made and entered into as of 21 August 2018 by and among the Foundation for the Global Compact (the “Foundation”), the Global Compact Office (the “GCO”), each having its headquarters in New York, New York, U.S.A., and the Global Compact Network Germany (the “GCNG”) and the Foundation of the Global Compact Germany (the “GCNG-Foundation”), both located in Berlin, Germany. Each of the Foundation, the GCO, the GCNG and the GCNG-Foundation are referred to herein individually as a “Party” and together as the “Parties.” Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Quality Standards (as defined herein).

Recitals

WHEREAS, the United Nations Global Compact (the “UN Global Compact” or “UNGC”) is a United Nations initiative that encourages, among other things, businesses worldwide to adopt sustainable and socially responsible policies in accordance with the UNGC’s Ten Principles (the “Ten Principles”) and Sustainable Development Goals (the “SDGs”).

WHEREAS, the GCO receives its mandate, in part, from the United Nations General Assembly, which in numerous resolutions has recognized the important role of Local Networks (as defined herein) in supporting the UNGC, including, without limitation, providing an avenue for diffusing United Nations values and principles and facilitating partnerships with business on a broad scale.

WHEREAS, the GCO’s primary responsibility is the day-to-day coordination of the UNGC initiative.

WHEREAS, governance of the UNGC at the national level is delegated to local networks (the “Local Networks” and each a “Local Network”), and the GCNG having been established as the Local Network in Germany. The GCNG works closely with the GCO to advance the mission and principles of the UN Global Compact at the Germany level, helping to establish the initiative within the national, cultural and language context, and managing groups of Participants and Signatories from the GCNG that join through the official application process.

WHEREAS, the GCO and the GCNG have agreed that the GCNG will promote the Ten Principles, the SDGs, and the broader goals of the UNGC in Germany, as set forth in greater detail in this MoU.

WHEREAS, the GCO will support the GCNG in its effort to advance the Ten Principles, the SDGs, and the broader goals of the UNGC in Germany, as set forth in greater detail in this MoU.
WHEREAS, the GCNG is not part of the United Nations and does not have the privileges and immunities that apply to the United Nations.

NOW, THEREFORE, the Parties have come to the following understanding:

Article I.
Purpose

The purpose of this MoU is to set forth the terms and conditions of the collaboration among the Parties.

Article II.
Term

This MoU shall become effective as of the date first written above, and shall remain in force until such time as the MoU is terminated in accordance with Article IX.

Article III.
Quality Standards

Section 3.01. Governance and Management. The Local Network Quality Standards (the "Quality Standards"), attached hereto as Annex I, are incorporated by reference into this MoU and the following shall apply with respect to these Quality Standards: The GCNG intends to comply with the requirements set forth under the caption "Requirements" in Section 1 (Governance) and Section 2 (Management) of the Quality Standards (each a "Requirement" and collectively, the "Requirements"). The GCNG is encouraged to comply with the provisions set forth under the caption "Recommendations" in Section 1 (Governance) and Section 2 (Management) of the Quality Standards. Pursuant to Section 9.03 of this MoU, the failure of the GCNG to comply with the Requirements may result in termination of this MoU by the GCO.

Section 3.02. Quality Standards - Deviations. Notwithstanding anything to the contrary herein, the Foundation and the GCO agree that the GCNG shall be permitted to deviate from the following Requirements in the following ways:

- I.A.1: All parties of this MoU understand and agree that the GCNG Board (called Steering Committee) is responsible for adopting and amending the statutes of the organization on behalf of the General Assembly of the GCNG.
- I.B.4. All parties of this MoU understand and agree that members on the GCNG Board (called Steering Committee) do not need to be elected or approved by the GCNG General Assembly since they are elected in separate ballots by all members of their respective constituencies (i.e. business and civil society).
- I.B.7: All parties of this MoU understand and agree that the elected members on the GCNG Board (called Steering Committee) can invite individuals representing relevant constituencies (such as the GCNG-Foundation, the hosting organization, business organizations and academia) to join the GCNG in an advisory capacity without voting.
rights, without the need for these individuals to be elected or confirmed by the General Assembly.
• I.B.13 and 14: All parties to this MoU understand and agree that the GCNG Board (called the Steering Committee) currently does not have a Chair of the Board, however the GCNG will before the end of the year 2018 explore with the GCNG Board, if changes to the statutes can be made to this effect.
• I.C.3: All parties to this MoU understand and agree that the GCNG’s hosting organization also hosts Secretariats of other business initiatives that address sustainability issues, but that these are not in ‘competition’ or conflict with the GCNG in any way, hence not conflict with the Quality Standards.
• I.C.9: All parties to this MoU understand and agree that the GCNG for confidentiality reasons cannot share CVs of potential new Executive Directors (EDs) with the GCO, however the GCNG will inform GCO as soon as possible when there are plans to hire a new ED.

Article IV.
Other responsibilities of GCNG

Section 4.01. Existence; Conduct of Business. The GCNG intends to do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses, permits, privileges and franchises material to the conduct of its activities.

Section 4.02. Compliance with Laws. The GCNG intends to comply with all laws, rules, regulations and orders of any governmental authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a material adverse effect. The GCNG intends to maintain in effect and enforce policies and procedures designed to ensure compliance by the GCNG and its respective directors, officers, employees and agents with such laws, rules, regulations and orders of any governmental authority.

Section 4.03. Use of Funds Raised by the Local Network. Any funds raised by the GCNG-Foundation through or from Participants or Signatories from the GCNG or through other fundraising activities are intended only to be used for the purpose of the GCNG’s activities. No part of such funds will be used, whether directly or indirectly, for any purpose that entails a violation of any laws or regulations.

Section 4.04. Providing Funds to Foundation. Prior to disbursing funds to the Foundation, the GCNG-Foundation with the support from GCNG and GCO must verify that no funds are raised from a party who is (i) identified on a list of prohibited parties such as the U.S. Treasury Department’s List of Specially Designated Nationals and Blocked Persons (available at http://sdnsearch.ofac.treas.gov/) or equivalent prohibited parties list maintained or enforced by the government of Germany (e., or (ii) organized under the laws of or otherwise resident in Cuba, Iran, Syria, North Korea, or the Crimea region of Ukraine (together, a “Foreign Restricted Party”). The GCNG intends to deliver to the Foundation a full list of
contributors and amounts and include the GCNG’s determination whether any donor is a Foreign Restricted Party.

Section 4.05. Accuracy of Information. The GCNG-Foundation and GCNG will use best efforts to ensure that all information, including the information contained in the Annual Audited Financial Statements, the Annual Work Plan and other documents, furnished to the GCO in connection with this MoU does not contain any material misstatement of fact and does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Article V.
Responsibilities of the GCO and the Foundation

Section 5.01. The GCO shall organize quarterly check-ins with the GCNG to review experiences from GCO-GCNG collaboration and discuss future adjustments and priorities.

Section 5.02. The GCO shall provide capacity building opportunities for Local Networks, including on GCO integrity measures and different aspects of Local Network governance and management. Channels of delivery include access to guidance and resources on the Local Network Hub, Local Network Exchange Programs as well as webinars and in-person trainings during the Annual Local Network Forum (the “ALNF”) and Meetings of the Regional Global Compact Councils.

Section 5.03. Through the Local Network Playbooks, the GCO shall provide the GCNG guidance and resources relevant to planning and executing programmatic initiatives, provide access to its issue experts for guidance and collaboration, and maintain a list of experts that the GCNG may call on for its initiatives.

Section 5.04. The GCO shall maintain the Local Network Hub (or any other knowledge-sharing system that may replace it), which shall serve as a global repository of information about Local Network activities and experiences with a view to promote learning and sharing of information among Local Networks.

Section 5.05. The GCO shall plan and host the ALNF, inviting the GCNG ED and Chair.

Section 5.06. The GCO shall facilitate quarterly meetings of the Global Council as well as the Regional Councils, including the annual in-person meeting of the Regional Councils.

Section 5.07. The GCO shall, as soon as practicable, inform the GCNG of key developments and key issues related to the overall governance of the UNGC, including developments from UN Global Compact Board meetings.

Section 5.08. The GCO shall provide regular (and, in any event, on a monthly basis) updates on GCNG related matters through the Local Network Hub.
Section 5.09. The GCO shall provide the GCNG access to information regarding Signatories and Participants from Germany.

Section 5.10. The GCO shall respond to questions and provide input to the GCNG on due diligence of nominated Board members and the suitability of the GCNG ED.

Section 5.11. The GCO shall respond to questions and provide recommendations to the GCNG on hosting arrangements.

Section 5.12. The GCO shall respond to questions and provide input to the GCNG in developing its Annual Work Plan.

Section 5.13. The GCO shall provide the GCNG with templates for detailing the Local Network value proposition, work plans, financial statements and activity reporting.

Section 5.14. The GCO shall collaborate with, and offer assistance to, the GCNG with respect to recruitment and retention of Participants.

Section 5.15. The GCO shall share with the GCNG the annual UN Global Compact Progress Report, which takes stock of the contribution of UN Global Compact business participants towards sustainable development, and provide access to the data on which the report is based.

Section 5.16. The Foundation shall administrate the Local Network Development Fund (“LNDF”), a financial assistance platform intended to support individual Local Networks in accordance with the Terms of Reference outlined for the LNDF.

Section 5.17. The Foundation shall adopt policies and procedures to foster collaboration with Local Networks on collecting and sharing financial contributions from Signatories and Participants.

Article VI.
Hosting Arrangement

The GCNG is intended to be hosted by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (the “Hosting Organization”), which is a Development Agency under the Government of Germany. GIZ hosts Secretariats of other business initiatives that address sustainability issues, but these are not in ‘competition’ or conflict with the GCNG in any way and this does pursuant to Section 3.02 above hence not conflict with the Quality Standards.

Article VII.
Business Model

(a) The GCNG has elected to adopt the Revenue Sharing Model.
(b) Subject to subsection (d) hereof, the Foundation shall collect and manage all financial contributions from Participants and Signatories from the GCNG.

(c) Within 15 days of the end of each fiscal quarter, the Foundation shall transfer fees to the GCNG-Foundation to cover operational costs associated with furthering the UNGC’s mission as follows: (i) during the 2018 calendar year, 35% of all fees collected pursuant to clause (b) above; (ii) during the 2019 calendar year, 40% of all fees collected pursuant to clause (b) above; and (iii) during the 2020 calendar year and every calendar year thereafter, 45% of all fees collected pursuant to clause (b) above.

(d) It is intended that the GCNG-Foundation will collect, manage and retain all contributions from Signatories from the GCNG with annual revenues less than US $50 million as well as non-business organizations, and subsidiaries of UN Global Compact companies.

Article VIII.
Name and Logo Use

Upon signature of this MoU by the authorized representatives of the Parties hereto, and subject to Section 2.C of the Quality Standards (Integrity and Branding), the GCNG is authorized to use the Global Compact Network Germany name and logo for the duration of this MoU.

Article IX.
Termination

Section 9.01. This MoU may be terminated by any Party at any time by providing the other Parties with thirty (30) days written notice.

Section 9.02. The Parties may at any time jointly agree to terminate the MoU in writing.

Section 9.03. This MoU may be terminated upon an Event of Default, as set forth in Article X of this MoU.

Notwithstanding anything to contrary herein, the provision of Article XI shall survive and remain in full force and effect regardless of the termination of this MoU or any provision thereof.

Article X.
Events of Default

Section 10.01. If any of the following events ("Events of Default") shall occur:

(a) Dissolution, termination of existence, insolvency, or business failure of the GCNG;

(b) Cessation by the GCNG of business operations;

(c) Failure of the GCNG to comply with any law or regulation in Germany applicable to the operation of the GCNG;
(d) Failure of the GCNG to comply with the stipulations of this MoU (including, without limitation, the misuse of the name and logo set forth in Section 2.C of the Quality Standards); or

(e) The GCO makes a reasonable determination that continued operation of the GCNG will result in harm to the reputation of the GCO, the United Nations or any affiliated body;

then, and in every such event, and at any time thereafter during the continuance of such event, the GCO may, by written notice to the GCNG, terminate this MoU

Privileges and Immunities

Nothing in or relating to this MoU shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations.

Section Headings

The section headings used in this MoU and the Annex hereto are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Article XI.
Entire Understanding; Counterparts

This MoU constitutes the entire understanding between the Parties concerning the subject matter of this MoU, and supersedes any prior proposals, agreements, commitments or representations of any kind, whether oral or written, with respect to such matters. This MoU may be executed and delivered (including by facsimile transmission or electronic mail in PDF or other electronic format) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same understanding. Each Party hereto waives the application of any law, regulation, holding or rule of construction providing that ambiguities in an understanding or other document will be construed against the party drafting such understanding or document.

Article XII.
Amendments

Section 12.01. No Waiver, Etc. No failure or delay by the GCO in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the GCO hereunder are cumulative and are not exclusive of any rights or remedies that the GCO would otherwise have. No waiver of any provision of this MoU or consent to any departure by the GCNG therefrom shall in any event be effective unless
such waiver is effected under Section 12.02 herein, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 12.02. Amendments. This MoU and the provisions hereof may be waived, modified or amended only by a written understanding signed by persons duly authorized to sign such understandings on behalf of the respective Parties.

Article XIII.
Non-binding nature

Nothing in this MoU shall be understood or construed as a binding right or obligation of the Parties or as obligating the undersigning Parties hereto to finally conclude any agreement. In particular, this MoU does not create any rights in any person, and does not create any obligations for any third party.

The undersigned duly authorized representative of the Parties have signed this MoU on the dates indicated below.

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FOR THE GLOBAL COMPACT OFFICE

Lise Kingo  
*Executive Director and CEO*  
UN Global Compact  
Date: 20 August 2018

Ole Lund Hansen  
*Chief, Local Networks*  
UN Global Compact  
Date: 21 August 2018

FOR THE FOUNDATION FOR THE GLOBAL COMPACT

Alex Stein  
*Managing Director*  
Foundation for the Global Compact  
Date: 20 August 2018

FOR THE GLOBAL COMPACT NETWORK GERMANY

Marcel Engel  
*Executive Director*  
Global Compact Network Germany  
Date: 22 August 2018

Angelika Pohlenz  
*Head of the Board*  
Foundation of the Global Compact Network Germany  
Date: 22 August 2018
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Objectives
The purpose of developing and implementing a uniform set of Quality Standards (QS) across all Global Compact Local Networks (GCLNs) is to provide more clarity around the expectations that exist for all GCLNs and to further align around a common minimum set of standards for governance, management, integrity and reporting in the spirit of a ‘One Global Compact’ outlined in the 2020 Global Compact strategy.

Specifically, the objectives are:

1. To help all GCLNs make sure they are managed according to globally accepted principles of good governance and in alignment with the integrity standards of the UN Global Compact (UNGC). Besides the benefits this will bring to GCLNs in terms of legitimacy, reputation and efficiency, the Quality Standards are also designed to safeguard the UN Global Compact name and brand and to protect the reputation of the initiative both globally and locally.

2. To help root all GCLNs on the UN Global Compact Way Values and Behaviour Model emphasizing a commitment to the core organizational values of Integrity, Professionalism and Respect for Diversity. These values are the binding force across the UN Global Compact initiative and its Local Networks underpinning the common pursuit to creating a better world for future generations.

3. To support all GCLNs in operating in line with the core attributes of the UN Global Compact, reflecting that it is rooted in the United Nations, engages companies whose CEO have made a commitment to the UN Global Compact Ten Principles, and that it is a ‘business-led, multi-stakeholder’ initiative.

4. To help create further clarity among companies and stakeholders in terms of the nature of GCLNs and their roles within the UN Global Compact, and to further clarify the mandate and responsibilities associated with various titles used by individuals across GCLNs.

5. To help make sure that all GCLNs provide adequate financial reporting to their members and other key stakeholders and to facilitate monitoring and aggregate reporting of the impact of the initiative on a global level.

Each section of the Quality Standards sets out a number of requirements (minimum standards that all GCLNs shall meet) as well as a number of additional recommendations that all GCLNs are encouraged to follow in order to further strengthen governance, management and alignment across the initiative. Within the broad parameters defined by the requirements, GCLNs can freely decide their specific structures, policies and practices and GCLNs remain fully independent from the UN Global Compact Office (GCO) with respect to all aspects of their local strategy, priority-setting and decision-making.
Terminology
The terminology below will going forward be used in all communications and interactions within the UN Global Compact to define the different bodies and roles within a GCLN. GCLNs are strongly encouraged to align with the terminology below within their own organization and in communications with members and stakeholders, including most importantly with respect to the titles for the GCLN Executive Director and Chair, as this will make it easier for members and stakeholders across the UN Global Compact to understand what a particular body or title means in terms of mandate and responsibilities. Nevertheless, it is understood that individual GCLNs may use translated or modified titles when these make more sense in the specific national context.

Annual Local Network Forum (ALNF): annual forum bringing Local Networks together to share experiences, learn from each other and network. This annual meeting also provides the opportunity to seek the input of Local Networks on key governance issues relating to Local Networks and, more broadly, to the initiative as a whole.

Chair of Global Compact Local Network Board (GCLN Board Chair, Chair): the highest officer of the Global Compact Local Network Board of Directors, presiding over meetings of the GCLN Board. An alternative title could be ‘Local Network President’ if this is preferred by the GCLN.

Foundation for the Global Compact (Foundation): headquartered in New York, it provides vital financial, operational and programmatic support to the United Nations Global Compact and other UN Global Compact activities around the world. Established in 2006, it is incorporated under the laws of New York State as a not-for-profit corporation.

Global Council: a joint committee consisting of regionally elected representatives of Local Networks as well as chiefs from the Global Compact Office providing recommendations to the Executive Director.

Global Compact Local Network (GCLN): entity that works closely with the Global Compact Office (GCO) through a signed agreement to advance the UN Global Compact and its principles at the national level, helping to root the initiative within different national, cultural and language contexts and managing groups of UN Global Compact Participants and Signatories in the country.

Global Compact Local Network Board of Directors (GCLN Board): a recognized group of people (Directors) who jointly oversee the GCLN.

Global Compact Local Network Business Model: outlines two models for distribution between GCO and GCLN of mandatory financial contributions collected from Global Compact Participants and Signatories. Under the Revenue Sharing Model companies will make a payment to GCO or GCLN, which would be re-distributed between GCO and GCLN based on an agreed ratio. Under the Global-Local Model, Companies pay either to GCO or their GCLN based on annual revenues (companies over 1 billion USD pay to GCO while companies under 1 billion USD pay to the GCLN).

Global Compact Local Network Executive Director (GCLN ED): the most senior person of the GCLN Secretariat. An alternative title could be “Head of Secretariat”, in cases where the ED title seems too senior for the person currently occupying the role.

Global Compact Local Network General Assembly (GCLN General Assembly): a platform through which all members of a GCLN have the opportunity to voice their opinions, elect or approve members of the GCLN Board, and vote on any other matter brought forward by the GCLN Board as well as on suggestions from individual GCLN members. Also, often known as an Annual General Meeting.

Global Compact Local Network Secretariat (GCLN Secretariat): the GCLN team (or individual) responsible on an on-going basis and paid for implementing GCLN strategies and activities, including recruitment, participant engagement, coordination and collaboration with the GCO.

Global Compact Local Network Statutes (GCLN Statutes): define the terms of membership and lay out the
governance structure of the GCLN, including by specifying the roles and responsibilities of the different bodies and individuals. Other terms including ‘constitution’ and ‘bylaws’ may also apply.

Global Compact Office (GCO): headquartered in New York, it is the principal office through which UN Global Compact policies, strategies and activities are developed. The Executive Director (ED) is the most senior employee of GCO and reports directly to the Secretary General and Deputy Secretary General of the United Nations. The ED may at his or her discretion delegate any and all duties related to GCLN collaboration to relevant staff members, keeping all GCLNs fully updated on division of responsibilities.

Hosting Organization: an existing organization (e.g. UN agency, university, business association) that on an ongoing basis provides legal, administrative and/or logistical services for the GCLN, for example by arranging for the GCLN Secretariat (or part of it) to be hired and employed by the hosting organization staffing or consultancy processes, by managing financial accounts and reporting, and by providing office space and meeting rooms. In many cases, hosting organizations also provide other forms of financial or in-kind support for the GCLN.

Independent Entity: refers to a charity, foundation or association or other type of legal entity that has been established with the sole purpose of hosting the GCLN Secretariat.

Participant: refers to an organization that has joined the UN Global Compact through the “Participant tier” providing it full access to the range of events and activities organized by the UN Global Compact.

Regional Councils: regional councils representing the five regions (Africa, Americas, Asia and Oceania, Europe and MENA) composed of all GCLN EDs and supported by regional liaisons from the GCO with a view to allow GCLNs to come together online or in person once every quarter to discuss UN Global Compact matters.

Signatory: refers to an organization that has joined the UN Global Compact through the “Signatory tier” providing it basic access to the range of events and activities organized by the UN Global Compact.

UN Team: the UN’s highest level inter-agency coordination and decision-making body in a specific country. It is led by the United Nations Resident Coordinator, the designated representative of the UN Secretary General in a specific country.

I. Governance

A. Statutes and Membership

Requirements:

Statutes

1. GCLNs shall have a set of formal statutes that lay out the governance structure of the GCLN and define the roles and responsibilities of all relevant actors representing the GCLN. The statutes shall be adopted by the GCLN General Assembly and may only be amended by the GCLN General Assembly. For new and re-launching GCLNs, the statutes must be approved by the GCO prior to the launch.

Membership

2. GCLNs shall only have member organizations that are formally Signatories or Participants of the UN Global Compact signed up through the official application process or subsidiaries of organizations that are Signatories or Participants. This applies to both business and non-business members.

3. All business Signatories with annual revenues ≥50 million USD as well as all business Participants shall be able to join their respective Local Network in which they are headquartered without making an additional financial
contribution. However, additional fees for special services and activities as well as opportunities for sponsorship may be applied, as determined by the GCLN Board. Fees associated with specific projects shall be time-bound with clear deliverables and not constitute an on-going commitment.

4. Each Local Network can decide whether a) Signatories with annual revenues <50 million USD b) non-business Signatories, and c) subsidiaries of UN Global Compact Signatories and Participants will need to pay a fee for GCLN membership or for having access to the activities of the GCLN. Upon fulfilling any such requirement for a financial contribution, all these types of organizations should be able to join as members. To support recruitment efforts, other companies and organizations can be invited to join individual GCLN events and activities, but they cannot be members of the GCLN and enjoy the full range of membership benefits until and unless they become UN Global Compact Signatories or Participants. Activities open to non UN Global Compact Signatories or Participants should be time-bound with the specific objective of recruitment and not constitute an ongoing commitment.

**Business Model**

5. GCLNs must fully align with the Local Network Business Models that they have chosen (Global-Local Model or Revenue Sharing Model) and adopt the necessary policies and procedures to be able to collaborate with the Foundation on collecting and sharing financial contributions from Signatories and Participants. Details regarding the chosen Local Network Business Model are laid out in the MOU, the written agreement between GCO, the Foundation and individual GCLNs.

**Recommendations:**

1. GCLNs are encouraged to follow the template provided by GCO for its statutes.

**B. Global Compact Local Network General Assembly and Board of Directors**

**Requirements:**

**General Assembly**

1. The GCLN General Assembly must be recognized as the highest authority of the GCLN, allowing members to raise and discuss issues of relevance to the GCLN and its members, thus providing direction and feedback to the GCLN Secretariat and GCLN Board.

2. A meeting of the GCLN General Assembly must be convened at least once every year. It can be convened as an in-person meeting, by phone or online, whichever is outlined in the GCLN statutes or decided by the GCLN Board. All members of the GCLN shall be invited and encouraged to attend meetings of the GCLN General Assembly and have full voting rights.

**Board Composition**

3. A GCLN shall have a dedicated Global Compact Local Network Board of Directors that provides oversight of the GCLN Secretariat with respect to the strategy, activities, and finances of the GCLN.

4. All Directors on the GCLN Board shall be elected or approved by the GCLN General Assembly.

5. At least 50% of Directors shall at any time represent businesses or business associations or in other ways represent the business community (e.g. Independent Directors with significant experience in the private sector).

6. An employee of a company that is (a) not a Global Compact Signatory or Participant or (b) a Global Compact Signatory or Participant not in good standing (i.e. not holding an Active status due to failure to submit an annual Communication on Progress or make the required financial contribution on time) shall not be on the GCLN
7. One or more seats on the GCLN Board may be reserved for specific types of organizations (e.g. Hosting Organization, the national government, the UN Team or the GCO), but the individuals representing such organizations shall also be subject to election or approval by the GCLN General Assembly.

8. The GCLN ED may join the GCLN Board as an ex-officio member. If the GCLN ED is a (ex-officio) member of the GCLN Board, he or she shall recuse himself or herself from discussions and decisions that may create a conflict of interest, including with respect to ED performance and remuneration.

9. The GCLN Board shall at any time have representation from at least one non-business organization. In situations where this is not legally permitted or for any other reason not possible, the GCLN shall formalize other opportunities for non-business organizations to provide input to GCLN decision-making.

10. In countries with a United Nations Resident Coordinator (RC), the GCLN shall reserve a seat on the GCLN Board for the RC or someone recommended by the RC. The RC or the recommended individual shall be subject to approval by the GCLN General Assembly. In situations where it is not legally permitted or for any other reason is not possible, the GCLN shall with support from GCO seek other ways to formalize a close collaboration with the RC and UN organizations in the country (e.g. through a partnership agreement or by engaging the RC in an advisory or honorary role).

Board Nomination Process

11. During the GCLN Board nomination process, GCLNs shall give consideration to potential conflicts of interest, such as furthering one’s own individual or organization’s agenda and not placing the best interest of the GCLN first, the company/individual’s sustainability reputation among peers and civil society organizations, and whether the organization that the candidate is representing or associated with is upholding its commitment to the Ten Principles.

12. GCLN statutes shall clearly define specific procedures for nominations and elections to the Board as well as the maximum term of service and number of terms to be served. This includes, clear indication of the maximum term of Directors as well as the process for re-appointment (if applicable).

13. At least 14 days before a list of nominations is finalized and presented to the General Assembly, the GCLN Secretariat must inform GCO, allowing GCO to check whether it has engaged with any of the candidates under its Integrity Measures, and thus allowing GCO to make this known to the GCLN in due time. This process shall also apply in cases where an advisory committee or a group of GCLN ambassadors is established (refer to B-1 under Recommendations).

Chair

14. The GCLN Board shall elect one of its Directors to be the GCLN Board Chair who shall preside over meetings of the Board. The GCLN ED shall not be elected as the Chair.

15. GCLN statutes shall clearly define the maximum term of the Chair as well as the process for re-appointment (if applicable).

Due Care

16. Each GCLN shall also have its own appropriate procedures to respond to a situation where a Director on the GCLN Board or the company it represents is involved in an incident that could become a reputational risk to the GCLN or the broader UN Global Compact.

Recommendations:
1. If the GCLN ED is a member on the Board, he or she should not have voting rights.

2. In cases where the GCLN Board is not composed of high-level representatives, GCLNs should explore other ways to engage C-suite level business people in their activities, including for example in an honorary or advisory capacity.

3. GCLN Boards should aim to achieve diversity in their composition with respect to gender (in line with the Women’s Empowerment Principles), skills, expertise, experience, ethnicity, and other factors. GCLNs should also aim for diversity in terms of representation from large vs. small companies and from different types of non-business organizations, including civil society, labor organizations, and academic institutions.

4. In countries where there is no United Nations Resident Coordinator (RC), GCLNs are strongly encouraged to reserve a seat for another UN representative. In such cases, the individual nominated would be subject to approval by the GCLN General Assembly. Alternatively, the GCLN is encouraged to, with support from GCO, seek other ways to formalize a close collaboration with UN organizations in the country such as through a partnership agreement or by engaging a UN representative in an advisory or honorary role.

5. All GCLNs are welcome to reserve a seat for a GCO representative to join the GCLN Board and are encouraged to do so right after the launch or re-launch of the GCLN or in situations where stronger alignment between GCLN and GCO is deemed necessary by the GCLN. The GCO representative would be subject to approval by the GCLN General Assembly.

C. Hosting Arrangement and GCLN Secretariat

Requirements:

Hosting Arrangement

1. The GCLN Board shall decide, if the GCLN will (continue to) benefit from being hosted by one or more Hosting Organizations. The decision to engage a new host for the GCLN requires the approval of both the GCLN Board and the GCO. A new MOU between the GCLN, the Hosting Organization(s) the GCO and the Foundation for the Global Compact shall be entered into in order for any changes to the hosting arrangement to come into effect.

2. GCLNs should not be hosted by a for-profit organization, unless the organization does not have commercial relations, and does not seek to have commercial relations, with members of the GCLN. Regardless of the hosting arrangement, GCLNs can engage in partnerships or contractual relationships with for-profit organizations relating to the provision of specific services. Further, GCLN may also decide to welcome in-kind contributions from both for-profit and non-for-profit organizations, including for example in terms of occasional access to office space or meeting rooms, but proper caution should be exercised in terms of what may constitute a reputational risk for GCLN and the broader UN Global Compact.

3. GCLNs shall not be hosted by organizations that at the same time run other business membership initiatives where the primary focus is promotion of corporate sustainability, similar to the mission of the UN Global Compact.

GCLN Secretariat

4. GCLNs shall have a GCLN ED responsible for leading the GCLN Secretariat.

5. The highest executive of the Hosting Organization shall not also be the GCLN ED.

6. GCLN EDs should not be hired through a for-profit organization, unless the organization does not have commercial relations, and does not seek to have commercial relations, with members of the GCLN.
7. The GCLN ED shall be subject to oversight by the GCLN Board and shall report to the GCLN Board (and not to anyone within the GCLN’s Hosting Organization) on all matters related to the GCLN. The GCLN Secretariat shall, as requested by the Board, provide the Board full access to relevant information about the GCLN, including on financial matters.

8. Any new GCLN ED must be appointed or approved by the GCLN Board. Further, the GCLN Board shall have the authority at any time to determine whether the GCLN ED shall be replaced (subject to the specific employment contract and local employment laws).

9. While the decision is for the GCLN Board alone to take, the GCLN Board shall, when recruiting a new GCLN ED, submit to GCO the CV(s) of top candidate(s) promptly so as to allow GCO to share relevant information or recommendations with the GCLN Board, before its final decision is made.

10. Local Network Secretariat staff positions can be filled by a Global Compact Signatory or Participant (business or non-business) secondment so long as i) the duration of the secondment has been clearly defined in a written agreement, and ii) the secondee exclusively reports to the GCLN ED (or someone he/she assigns to be the supervisor) for the duration of the secondment. A business or non-business organization is not by virtue of providing a secondee considered a Hosting Organization for the GCLN.

Recommendations:

1. Hosting organizations of GCLNs should, if eligible under the UN Global Compact joining criteria, themselves be Signatories or Participants of the UN Global Compact.

D. Roles and Responsibilities

Requirements:

Terms of Reference

1. The GCLN shall have written Terms of Reference (TOR) for all Directors on the GCLN Board, clarifying duties and responsibilities. The TOR for Directors may also be outlined by the statutes. These shall provide that i) in discharging their duties, Directors must at all times act in good faith and in the best interests of the GCLN (not their individual interests or the interests of their own organization) and that ii) no Director can use his or her position to promote the commercial or political interests of the organization he or she works for.

2. The GCLN shall have a written TOR for the GCLN ED, clarifying duties and responsibilities. The TOR for the GCLN ED may also be outlined by the statutes. These shall provide that the GCLN ED manages other GCLN Secretariat staff and is ultimately responsible for execution of the GCLN strategy, for participant communications, support for GCLN Board and General Assembly, and for maintaining good lines of communication with GCO. The GCLN ED must at all times act in good faith and in the best interest of the GCLN.

3. The GCLN ED and Board Chair can represent the GCLN within the UN Global Compact as well as externally vis-à-vis companies, governments, media and others and speak on behalf of the GCLN. Permission for others to act and speak on behalf of the GCLN must be authorized by the GCLN ED and/or the Board Chair.

Conflicts of Interest

4. The GCLN Board shall maintain a conflict register of any conflicts of interest from Directors and the GCLN ED, and seek guidance from GCO where conflicts of interest risk undermining the interests or brand of the GCLN or the broader UNGC.
Values and Behaviour Model

5. GCLNs shall align with “The UN Global Compact Way Values and Behaviour Model,” for example by reflecting the values and behaviours across relevant human resources policies and procedures including in TORs.

Recommendations:

1. The GCLN ED should be fully dedicated to the GCLN (i.e., not have any other responsibility for the Hosting Organization).

2. The GCLN Board should require that the GCLN ED has the following minimum qualifications:
   - Strong communication and interpersonal skills
   - Experience from the business sector and good ties with the business community
   - Experience in strategic planning and implementation
   - Experience in project management
   - Experience in corporate sustainability

3. The TOR for Board Directors should include language to ensure that Directors commit adequate time to their Board duties.

4. GCLN Boards shall seek to operate on a consensus decision-making model, reserving formal voting only when absolutely necessary.

5. The GCLN is encouraged to use the template provided by GCO for the TOR of the GCLN ED and for the Directors on the GCLN Board.

II. Management

A. Strategic Planning and Reporting

Requirements:

Value Proposition and Work Plans

1. GCLNs shall develop, regularly update and publish a document in English that outlines the value proposition (Value Proposition Flyer) that the GCLN offers its members as an integrated part of the broader UN Global Compact value proposition. For GCLNs that are hosted by other organizations, this document must outline the value proposition specifically and exclusively for members of the GCLN.

2. GCLN shall develop and submit to GCO an annual work plan that at a minimum includes planned activities for the year based on local priorities and taking into consideration the different types of member companies and organizations. The GCLN shall while developing the work plan consult with GCO, allowing GCO in due time to provide input and suggestions based on global priorities and programs. The annual work plan shall be approved by GCLN Board and shared with all members through, for example, the GCLN website. If a full English translation of the annual work plan is not readily available then a high-level summary in English is required.

Audited Financial Statements

3. GCLNs shall keep proper books of record and account in which full, true and correct entries are made of all
financial dealings and transactions. GCLNs shall, within four months from the end of the fiscal year, produce and submit to GCO annual financial statements in English that specify the income and expenses and that are independently audited by a 3rd party with relevant accounting qualifications. For GCLNs that are hosted, audited statements shall clearly indicate income and expenses for the GCLN separate from those of the Hosting Organization. Financial statements shall be approved by the GCLN Board and/or GCLN General Assembly and shared with all members.

Recommendations:
1. GCLNs should annually produce and share with all members through, for example, the website an activity report that provides any information about activities, outcomes and impact that the GCLN deems important to communicate to its members and other stakeholders.
2. GCLNs are encouraged to use the templates provided by GCO for the value proposition, work plans, financial statements and activity reporting.

B. Communication and Engagement

Requirements:

GCLN Updates
1. GCLNs shall provide quarterly updates to GCO on participant engagement and communication with a view to allow the GCO to aggregate and communicate to the UN Global Compact Board, UN, governments and other stakeholders about progress made across the initiative. In addition, GCLNs shall at least on a semi-annual basis, share examples of key events and initiatives on the Local Network Hub. All entries on the Local Network Hub shall be submitted in English.
2. GCLNs shall annually respond to a request from GCO for more comprehensive information about activities, partners and outcomes, with a view to allow the GCO to aggregate and communicate to the UN Global Compact Board, UN, governments and other stakeholders about progress made across the initiative.

Ongoing Communication
3. GCLN ED and other relevant staff are required to stay up-to-date on news and information from GCO, and to respond to communications and consultations from GCO, including through the following channels:
   - Regular Updates from GCO provided through “Local Network Hub” and monthly updates sent by email;
   - Participation in the Annual Local Network Forum;
   - Participation in the meetings of the Regional Global Compact Councils; and
   - Quarterly check-ins with GCO contact point with a view to review experiences from GCO-GCLN collaboration and discuss future adjustments and priorities.

Updating Core Information
4. GCLNs shall ensure that their statutes are made available in English and kept up to date via the digital platform designated by the GCO (currently “KSS”).
5. GCLNs shall keep up to date the list of Directors on the GCLN Board and GCLN ED on the digital platform designated by the GCO (currently “KSS”).
6. GCLNs are required to collaborate with GCO on keeping participant data up to date, on participant communications as well as on recruitment of additional Signatories and Participants. Details to be outlined in strategies for collaborative recruitment and participant relations developed in consultation with GCLNs.
Recommendations:

1. GCLN Secretariat is encouraged to update the list of all GCLN staff members on to the digital platform designated by the GCO (currently “KSS”).

C. Integrity and Branding

Requirements:

Integrity Measures

1. GCLNs are required to help uphold the integrity of the UN Global Compact, including through the following responsibilities:

   o Maintain the highest ethical standards at all times for the GCLN itself.
   o Ensure GCLN is up to date and aligned with UNGC integrity policies and practices, including by attending at least one annual integrity training organized by GCO.
   o When requested by GCO, provide input to due diligence screenings of new and current Participants or Signatories according to specific guidelines.
   o Alert GCO of concerns raised by a third party or in multiple mainstream media sources regarding Participants or Signatories from the national GCLN that are allegedly, found guilty of or have admitted to egregiously or systematically abusing the Ten Principles.
   o Provide input to a dialogue facilitation process (for additional information see Integrity Measures) (i.e. any information that the network has or can easily obtain from articles and other resources in the local language about the matter and the parties to the dispute, details about previous/current engagement with the company involved on the issue at hand) when it involves a Participant or Signatory from the respective GCLN or the matter in question has occurred in the GCLN’s country.

GCLN Logo and Branding

2. The GCLN acknowledges that the UN Global Compact name and logo are the exclusive property of the GCO. The UN Global Compact logo and its variants are registered with the World Intellectual Property Organization and are protected worldwide under Article 6ter of the Paris Convention for the Protection of Industrial Property. The GCLN shall only use the name assigned to it in the signed MOU and the words “United Nations” or “UN” shall not appear in front of or be associated with the GCLN name in any material, including but not limited to, business cards or other stationary, or in any social media account or sharing platform.

3. The GCLN name and logo shall not be featured in any communications or at any events so as to suggest or imply that the GCLN is part of the initiative/programme offered by the Hosting Organization. Communications shall use the GCLN name and logo in such a way that the communication shall be understood as coming from the GCLN, and not from the Hosting Organization. Communications to Global Compact Participants and Signatories shall not be sent through Hosting Organization’s email addresses or through ‘generic’ email addresses such as those provided by Gmail or Yahoo. This provision should be upheld and safeguarded by all GCLN Secretariat staff including secondees.

4. The GCLN shall only use the Network logo provided by GCO and may not under any circumstances alter the appearance of the logo, including but not limited to, the text, size, shape, or color. GCLNs shall not modify in any way or use elements of the GCLN logo to create a different logo.

5. The GCLN name and logo shall only be used for official Network purposes and not by GCLN members. Permitted uses of the GCLN logo by the GCLN Secretariat staff include, without limitation:
o At an event, forum or conference organized, sponsored by or involving the GCLN;
o On business cards of GCLN staff members and representatives;
o On the official GCLN website; and
o On the GCLN letterhead and in GCLN emails or other communications with the GCLN’s members.

6. Titles of GCLN’s staff, Directors, and/or other appointees, including members of any GCLN working groups or committees, shall refer solely to the GCLN and refrain from any reference to the UNGC or the UN. If the individual has been hired by a UN entity, his/her title can refer to the appropriate UN entity, but no use of the “UN” name shall be made in front of the GCLN name.

7. As of 1 January 2018, the use of the GCLN Endorser Logo (as defined in the 2017 MOUs signed with Local Networks) will be discontinued. GCLNs are to suggest use of the UN Global Compact Endorser Logo (defined in the UN Global Compact Logo Policy available on the UN Global Compact website) among Participants and Signatories to make publicly visible their commitment to the UN Global Compact and inform the GCO of any instances of logo misuse in accordance with the UN Global Compact Logo Policy available on UN Global Compact’s website.

8. The GCLN shall refer to and be bound by the UN Global Compact Logo Policy on the UN Global Compact website. The GCLN is required to post on its website the most updated version of the UN Global Compact Logo Policy which explains the permitted and prohibited uses of the initiative’s logos.

Written Notice

9. The GCLN shall provide GCO prompt written notice with the inclusion of details of any event, any developments, and any actions taken in the case of any of the below:
o the reasonable belief of the GCLN of the occurrence of any breach of the Quality Standards;
o filing of commencement of any action, suit or proceeding against or affecting the GCLN; or
o any other development that, in the opinion of the GCLN, results in, or could reasonably be expected to result in, a material adverse effect on the GCLN

Recommendations:

1. GCLNs should for all communications, including resources for events and activities, ensure full alignment with UN Global Compact design and branding guidelines.