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United Nations Global Compact

Growing into Your Sustainability Commitments: *A Roadmap for Impact and Value Creation*

July 17th, 2013

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Agenda

- ▶ Background
- ▶ Key findings
- ▶ The Sustainability Commitment Growth Curve (**SCGC**)
 - ▶ Adoption
 - ▶ Implementation
 - ▶ Advancement
- ▶ Looking ahead
- ▶ Q & A

Motivation for Research

- ▶ Rapid growth in voluntary sustainability commitments and lack of frameworks to help companies navigate the space
 - ▶ Which ones to join?
 - ▶ How to create the business case and getting buy-in
 - ▶ How to manage for value creation
- ▶ Increasingly compelling business case for companies to engage with corporate sustainability related issues globally
- ▶ Opportunity to promote increased business commitment to United Nations Global Compact (**UNGC**) principles and business action to support broader UN goals

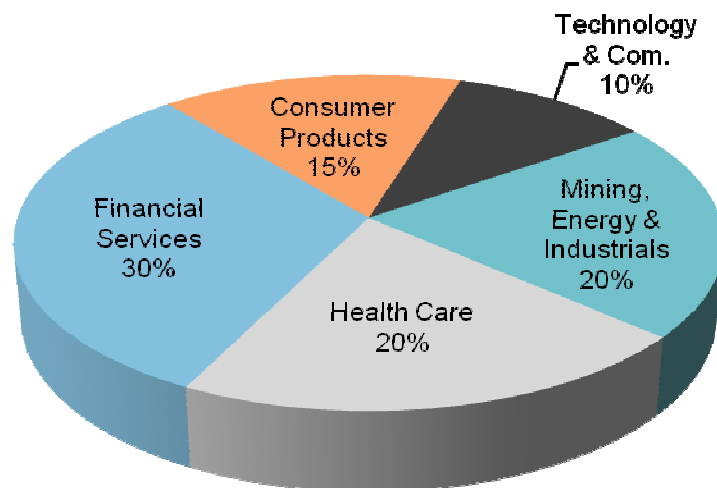
Approach

- ▶ Field test at Rio+20
 - ▶ Interest from diverse companies and institutions

- ▶ Methodology
 - ▶ Desk research
 - ▶ In-depth interviews
 - ▶ Leverage UN Implementation Survey
 - ▶ Survey non UNGC signatories with support from Columbia University's School of International and Public Affairs (SIPA)

Sector and Regional Diversity

- ▶ 6 sponsor & 20 total participating companies from four continents



Consumer Products

- ▶ Tata
- ▶ Nestle
- ▶ Natura

Health Care

- ▶ **Novozymes**
- ▶ **Novo Nordisk**
- ▶ **Pfizer**
- ▶ Merck

Technology & Communications

- ▶ BT
- ▶ Infosys

Financial Services

- ▶ **Abraaj Group**
- ▶ **RBS Group**
- ▶ Aviva Investors
- ▶ Bloomberg
- ▶ BBVA
- ▶ Sampo Japan Insurance
- ▶ Swiss Re

Mining, Energy & Industrials

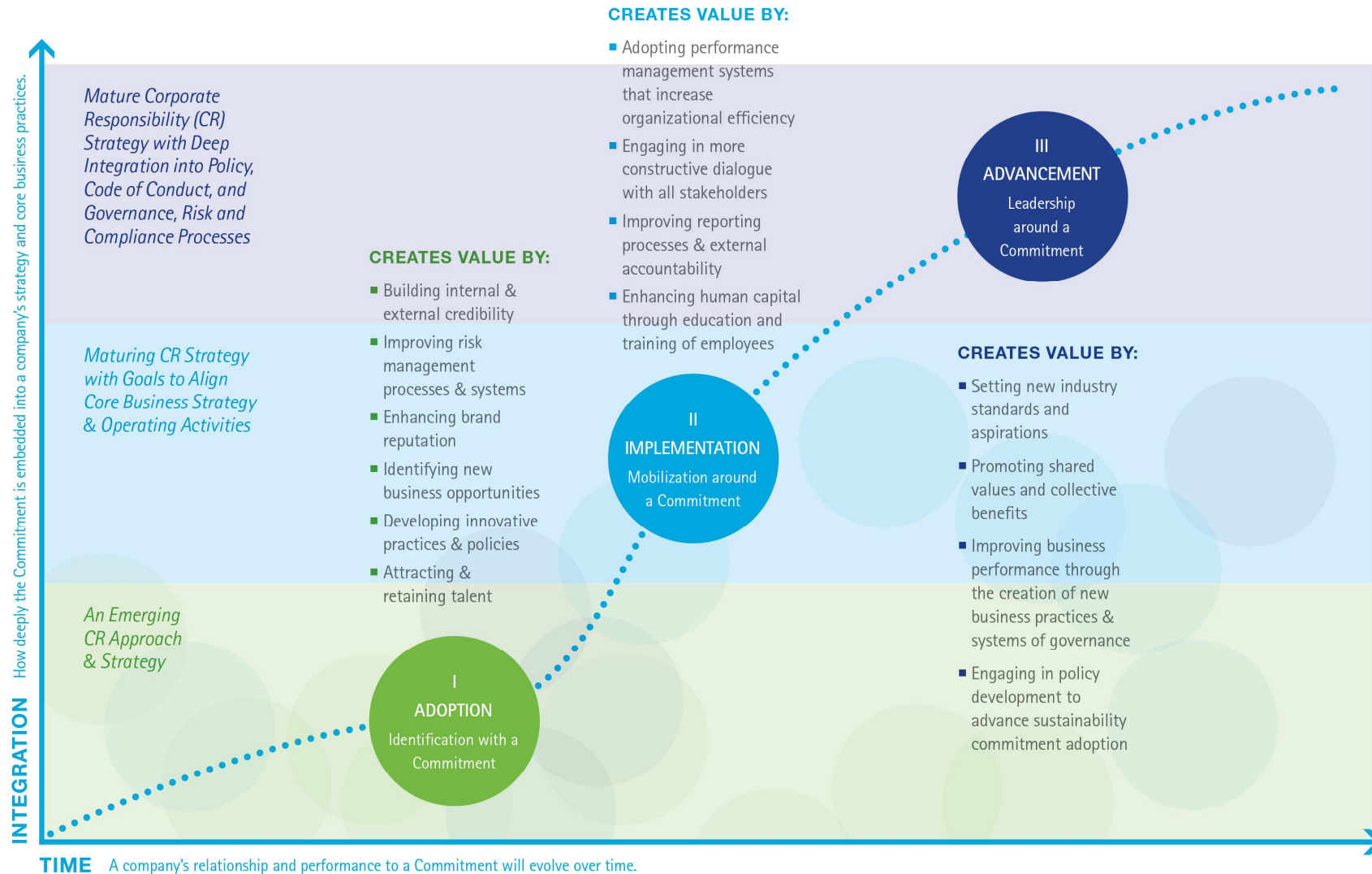
- ▶ BP
- ▶ Anglo American
- ▶ Dow Chemicals
- ▶ Petrobras

Sponsoring companies in **bold**.

Key findings

- ▶ Effective management of voluntary commitments can add value to corporate performance.
- ▶ The UNGC has a unique value added role to play given its position as the only comprehensive global standard
- ▶ Disciplined determination of materiality is key
- ▶ Value creation requires investment and managing up the “Sustainability Commitment Growth Curve” (**SCGC**)

The Sustainability Commitment Growth Curve (SCGC)



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How does the SCGC create value for companies?

- ▶ Mapping the stage companies are at with respect to integrating Commitments
- ▶ Identifying where and how Commitments can create impact and value
- ▶ Clarifying which Commitments will generate increased impact and value
- ▶ Use of Commitments as strategic governance, management and performance tools

SCGC Phase I: Adoption

Characteristics

- ▶ Clarity on Commitment value and goals
- ▶ CEO endorsement of the Commitment
- ▶ Meets reporting requirements
- ▶ Conducts compliance review and closes material gaps
- ▶ Initiates pilot programs to operationally support Commitment
- ▶ Leverage reputational benefits

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- ▶ Board level Governance + clear accountability for operational integration
- ▶ Frame 'Must & Should' Compliance (not just clarity at centre) and use 'Risk' & Opportunity levers
- ▶ What's the gateway to proving value that opens up the rest?

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- ▶ Governance: from several committees to one board
- ▶ Commitment providing overview of gaps and future direction
- ▶ Understand and communicate the business case

SCGC Phase II: Implementation

Characteristics

- ▶ Establish management practices and procedures to meet Commitment standards
- ▶ Establish education, training and communication initiatives to build awareness and support
- ▶ Inform Senior Executive Team on adherence to Commitment
- ▶ Support reporting through data collection & analysis
- ▶ Leverage Commitment to support stakeholder engagement
- ▶ Set clear accountability for Commitment compliance

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- ▶ Integrating sustainability – commitment driving performance, not only behavior
- ▶ Engage with stakeholders to increase knowledge
- ▶ Establishing procedures: Human Rights Minimum Standard Assessment

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- ▶ KPI accountability & disclosure drives focus over longer term
- ▶ Frameworks & Capability build essential
- ▶ Involvement and ownership vertically and horizontally (functions and BU's) enables global value add

SCGC Phase III: Advancement

Characteristics

- ▶ Establish formal systems to review sustainability activities
- ▶ Define clear Commitment selection process with senior leadership team
- ▶ Use Commitment to establish baseline performance
- ▶ Guide revision of corporate policies, code of conduct, governance, risk, and compliance procedures
- ▶ Demonstrate leadership, collaboration, and advocacy for commitment adoption and implementation
- ▶ Go beyond baseline reporting requirements and elevate transparency and disclosure

Aviva PLC *

- ▶ Stakeholder dialogue increases (valuable anyway)—‘we’ not ‘them & us’
- ▶ Further dispersal of consciousness & ownership (but its always a contextual negotiation)
- ▶ Can demonstrate what we are causing from values & £-value sides of spectrum

* In-depth examples:

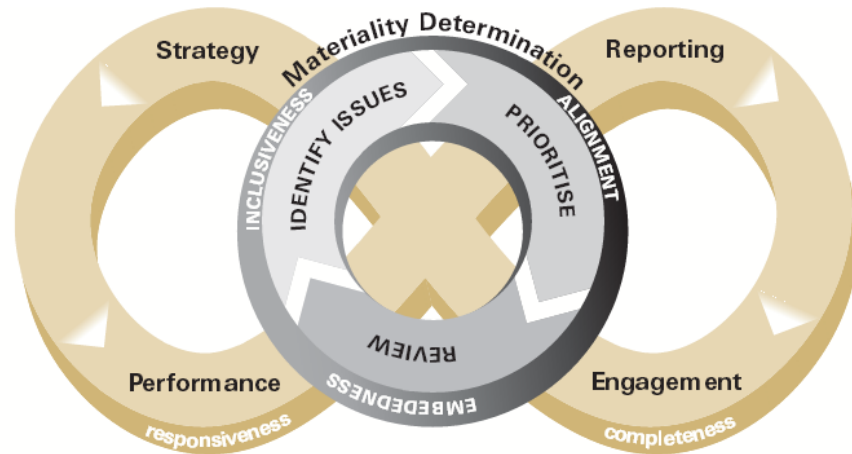
<http://www.aviva.com/reports/2012cr/strategy-governance/strategy/>

Novozymes

- ▶ Setting corporate sustainability targets
- ▶ Selection process to be determined by core business
- ▶ Next step: Making sustainability part of business development

Looking Ahead: How can companies focus on their own Commitments?

1. Take a disciplined approach to “materiality”
2. Develop a sustainability commitment scorecard
 - a) Global level
 - b) Industry level
 - c) Issue level
3. Use UNGC as a filter and guide
4. Develop a plan to assess commitment and opportunities to advance up the SCGC



Questions?

- ▶ Contact information
 - ▶ Accountability: Ted.Grant@accountability.org
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- ▶ Additional information:
 - ▶ Read the report: <http://www.accountability.org/about-us/publications/ungc-roadmap.html>
 - ▶ Aviva Investors sustainability initiatives: <http://www.aviva.com/reports/2012cr/strategy-governance/strategy/>
 - ▶ Novozymes sustainability initiatives: <http://www.novozymes.com/en/sustainability/Pages/default.aspx>