

ANNUAL REVIEW OF BUSINESS POLICIES & ACTIONS TO ADVANCE SUSTAINABILITY

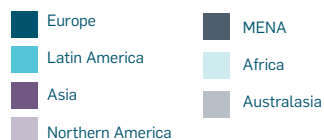
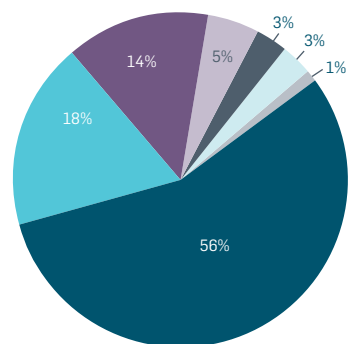
2011 Global Compact Implementation Survey



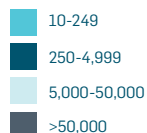
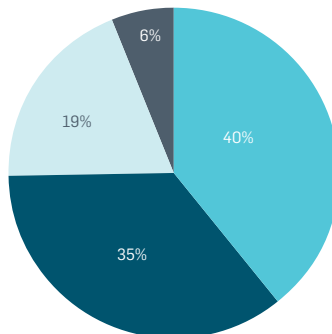
United Nations Global Compact

ABOUT THE 2011 IMPLEMENTATION SURVEY

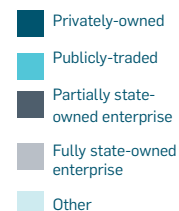
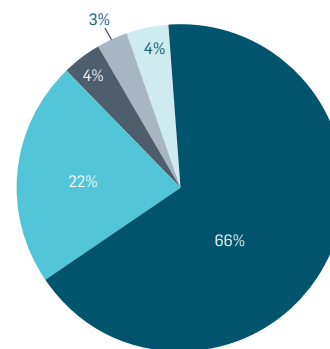
By Region 2011



By Company Size (employee #)



By Ownership Type



TERMINOLOGY

Corporate Sustainability: A company's delivery of long-term value in financial, social, environmental and ethical terms. It covers all principles and issue areas of the Global Compact. The terms "corporate sustainability", "corporate responsibility" and "sustainability" are used interchangeably.

Early Joiners: Companies that joined the Global Compact in 2000, 2001 or 2002

Recent Joiners: Companies that joined the Global Compact in 2009, 2010 or 2011

Small and Medium-Sized Enterprises (SMEs): Companies with less than 250 employees

Large Companies: Companies with more than 5,000 employees

Largest Companies: Companies with more than 50,000 employees

■ 1,325 companies from over 100 countries responded to the 2011 Global Compact Implementation Survey – making it the among the largest annual studies conducted on implementation of corporate responsibility policies and practices by business globally

■ In November 2011, all companies participating in the Global Compact were invited to take the anonymous, online survey – available in English, Chinese, French and Spanish – which was conducted in collaboration with The Wharton School of the University of Pennsylvania

■ With a response rate of over 20%, the 2011 survey is generally representative of the Global Compact participant base, especially in terms of region and year that the company joined the initiative

■ The composition of survey respondents on key demographic variables – including company size, region and join year – has been consistent since launching the survey in 2007

■ While SMEs represent the largest subset of survey respondents by company size (40%), they are underrepresented in comparison to their overall share in the Global Compact participant base (54%)

■ Roughly 20% of individuals who completed the survey identified their role as chief executive or member of the Board and 35% from the sustainability/corporate responsibility department

CONTENTS



June 2012

About the United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to voluntarily 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. The UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate sustainability initiative in the world, with more than 10,000 signatories based in 145 countries, and Local Networks in over 100 countries. More information: www.unglobalcompact.org

Disclaimer

This document is intended strictly for learning purposes. The material in this document may be quoted and used provided there is proper attribution.

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Leadership: Chief executives and Boards

Disclosure: Communication on Progress (COP)

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3. Implementing the Ten Principles in Strategies and Operations

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4. Taking Action in Support of Broad UN Goals and Issues

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KEY FINDINGS



KEY FINDINGS

DRIVING SUSTAINABILITY PERFORMANCE & LEADERSHIP

- 1,861 CEOs committed their companies to the Global Compact in 2011, with new companies joining up 54% from 2010. 70% of chief executives and 49% of Boards are engaged in corporate sustainability strategy.
- Communication on Progress (COP) submissions saw a dramatic increase in 2011 with 4,150 COPs submitted, up 46% from 2010.
- 77% of companies in the Global Compact are in compliance with the COP policy, consistent with 2010 levels.
- Nearly half of companies (44%) indicate having a public policy strategy that is aligned with their commitment to the Global Compact, yet among those only 20% report alignment of government lobbying activities with sustainability principles.
- Approximately one-quarter of companies (28%) consider their sustainability work to be at a more advanced stage, with nearly three-quarters ranking their practices at a beginner to intermediate level.
- For the second year, a significantly higher percentage of companies reported positive impact of Global Compact participation on their company's overall corporate responsibility behaviour.
- 38% of companies state that participation in the Global Compact has either significantly helped or is essential to advancing corporate responsibility policies and practices – up 12% since 2009.

- Companies that have been in the Global Compact the longest (2000-2002 join year) tend to perform at significantly higher levels than recent joiners (2009-2011 join year), particularly in more challenging areas such as responsible lobbying, public disclosure and human rights.

IMPLEMENTING THE TEN PRINCIPLES IN STRATEGIES AND OPERATIONS

- While the majority of companies are putting policies in place, related actions to support implementation is conducted at significantly lower levels – showing a gap in moving from policy to action for all issue areas, as well as with subsidiaries and the supply chain.
- Companies are taking action on environment and labour standards at the highest rates, though anti-corruption efforts have increased steadily for two consecutive years. Human rights is the lowest implemented of the principle areas.
- While environmental risk assessments are becoming a standard feature of sustainability management, less than a quarter of all companies on average report conducting risk assessments on human rights, labour issues or anti-corruption.
- 63% of respondents indicate consideration of supplier adherence to sustainability principles, yet most are only taking limited action to support and incentivize such adherence.
- In the 2010-2011 period, smaller companies showed gains in key areas: human rights, anti-corruption, subsidiaries and supplier engagement.

TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES

- 75% of companies indicate that they are taking action to advance broader UN goals and issues – consistent with 2010 findings.
- A majority indicates partnership projects, aligning core business strategies with UN goals and issues, developing products and services, tying social investment to core competencies, and advocating for action.
- Environmental sustainability and education are the most common areas targeted by companies of all sizes.
- Companies partner most frequently with NGOs (78%), other companies (65%) and academia (58%), and far less often with the UN (34%) and other multilateral organizations (33%).

ENGAGING WITH THE GLOBAL COMPACT

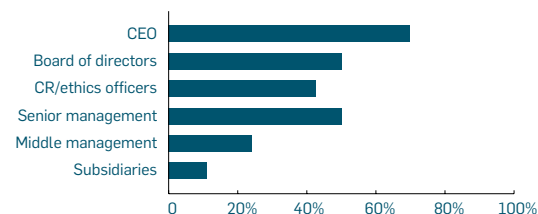
- Over half of companies (54%) indicate engagement in the Global Compact's 101 Local Networks – consistent with previous years.
- The majority of companies indicate that they engage locally to network with other companies (70%), as well as to receive support on implementation (64%) and disclosure (56%) of the Global Compact principles.

DRIVING CORPORATE SUSTAINABILITY PERFORMANCE AND LEADERSHIP



LEADERSHIP: CHIEF EXECUTIVES & BOARDS

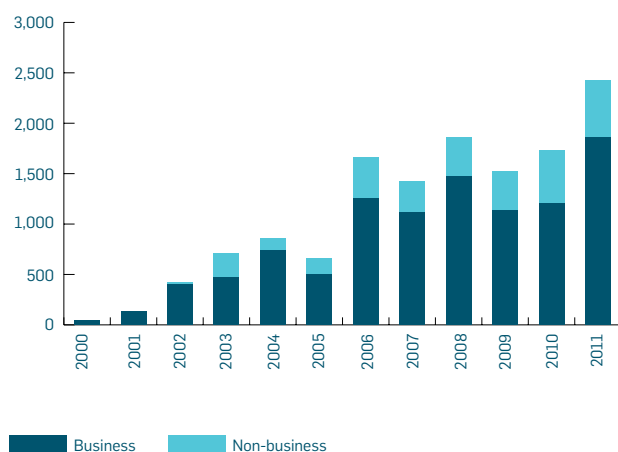
Levels at which companies develop and/or evaluate corporate responsibility policies and strategies



Board actions on corporate responsibility by ownership type



New signatories per year



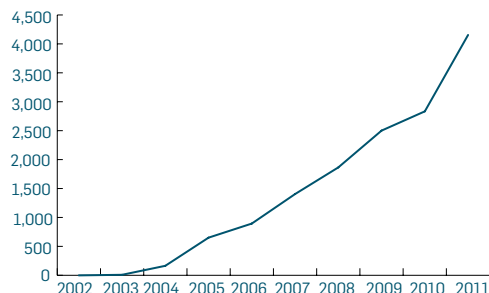
Top reasons for engagement in the Global Compact



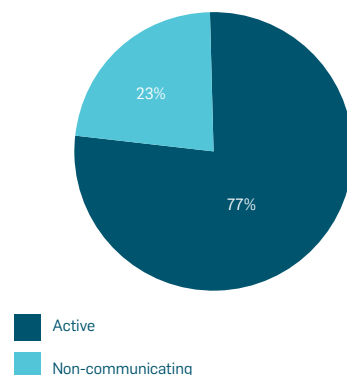
- 70% of chief executives are engaged in corporate sustainability strategy – with companies of all sizes reporting similar figures
- 1,861 CEOs committed their companies to the Global Compact in 2011, with new companies joining up 54% from 2010
- 49% of companies report that their Board develops or evaluates corporate responsibility strategies or practices – with a similar number indicating actions such as appointing responsibility to a sustainability sub-committee and approving public reports
- Corporate Boards – regardless of company size or ownership type – are taking actions at similar rates, with the exception of Board approval of sustainability reporting by the largest companies (71% versus 45% average)

DISCLOSURE: COMMUNICATION ON PROGRESS (COP)

COPs submitted per year

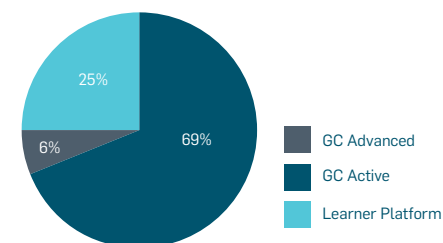


Status of Global Compact participants



Differentiation of COPs

(# of employees)



COP STATUS

GC Advanced: A company that submits a COP meeting the advanced criteria (based on self-assessment)

GC Active: A company that submits a COP meeting all requirements

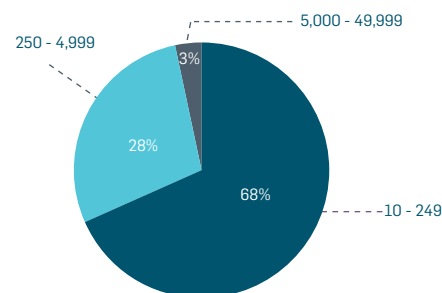
Learner Platform: A company that submits a COP within the deadline but does not meet minimum requirements (1 year limit)

Non-communicating: A company that has failed to submit a COP within the deadline

Expelled: A company that is removed from the Global Compact for failing to submit a COP meeting the requirements within 1 year of becoming non-communicating

Expelled by company size*

(# of employees)



* 8 companies with over 50,000 employees have been expelled

Submissions

- COP submissions saw a dramatic increase in 2011 with 4,150 COPs submitted, up 46% from 2010
- A total of 13,872 COPs have been submitted to the Global Compact database

Status

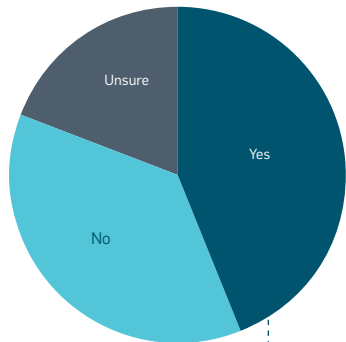
- 77% of companies in the Global Compact are in compliance with the COP policy, consistent with 2010 levels
- While the vast majority of COPs meet minimum requirements, 25% are designated "learner" and 6% "advanced"

Expelled

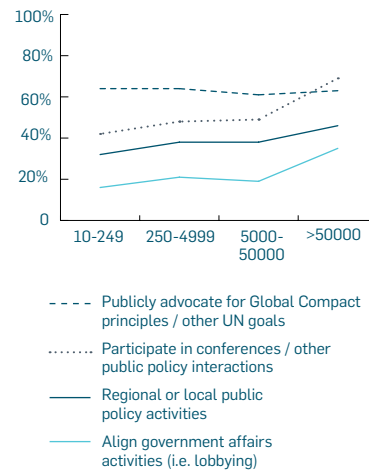
- 963 companies were expelled in 2011 for failure to disclose progress – bringing the total to 3,011
- SMEs represent 68% of all expelled companies

PUBLIC POLICY STRATEGY

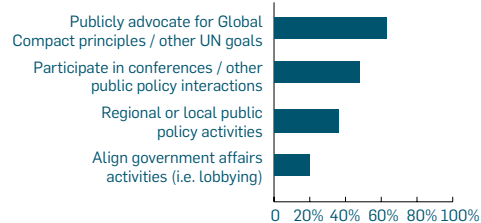
Companies linking public policy strategy with their commitment to the Global Compact



Actions by company size
(# of employees)



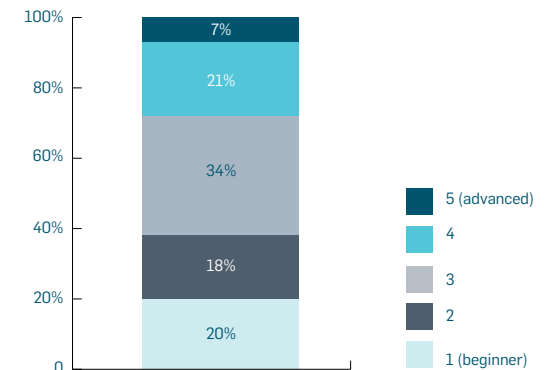
Actions taken



- Nearly half of companies (44%) indicate having a public policy strategy that is aligned with their commitment to the Global Compact
- Of those with policies, the majority are publicly advocating for action related to sustainability principles (63%)
- Only 20% of companies report alignment of government lobbying activities with corporate sustainability principles
- Those most likely to align lobbying with their sustainability commitments are the largest companies (35%) and those that have been in the Global Compact longest (30% of 2000-2002 joiners)
- Publicly-traded and privately-owned companies take actions at similar rates

ADVANCEMENT

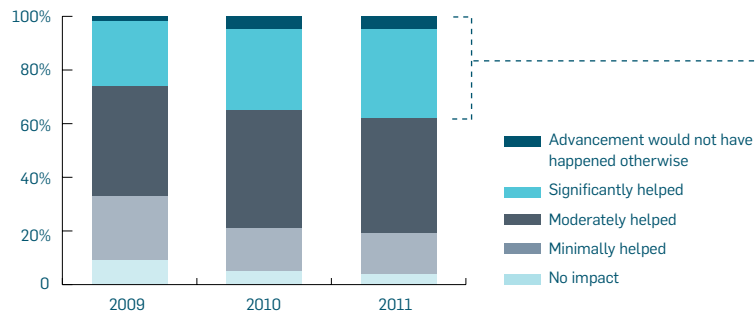
Self-assessment by Global Compact companies of their level of implementation of the Ten Principles (on a scale of 1 to 5)



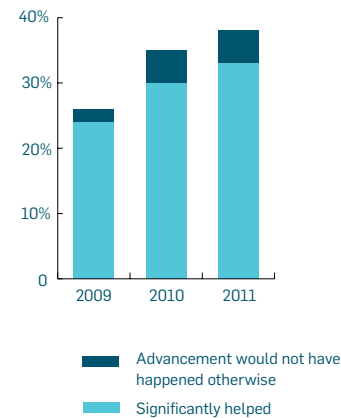
- Approximately one-quarter of companies (28%) consider their sustainability work to be at a more advanced stage, with nearly three-quarters ranking their practices at a beginner to intermediate level
- Companies that joined the Global Compact earliest are the most likely to rate their performance advanced – 69% versus 17% of recent joiners

IMPACT OF GLOBAL COMPACT

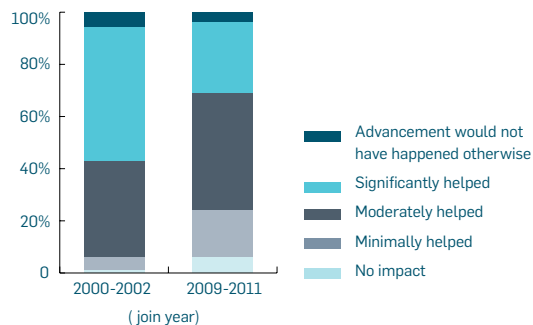
Impact of Global Compact participation on corporate responsibility policies practices



Companies indicating significant or essential impact of Global Compact participation on corporate responsibility policies/practices



(by year company joined the Global Compact)



- For the second year, a significantly higher percentage of companies reported positive impact of Global Compact participation on their company's overall corporate responsibility behaviour
- 38% of companies state that participation in the Global Compact has either significantly helped or is essential to advancing corporate responsibility policies and practices – up 12% since 2009
- 81% of companies indicate at least moderate impact from engaging in the Global Compact – up 14% since 2009
- Early joiners report significantly higher impact (57% significant/essential), particularly compared to recent joiners (31%)

IMPLEMENTING THE TEN PRINCIPLES IN STRATEGIES AND OPERATIONS

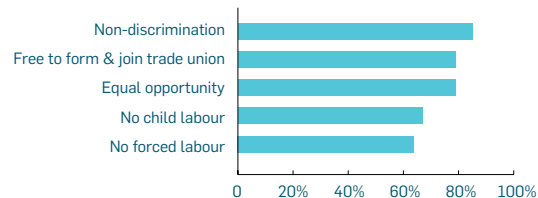


POLICY IMPLEMENTATION

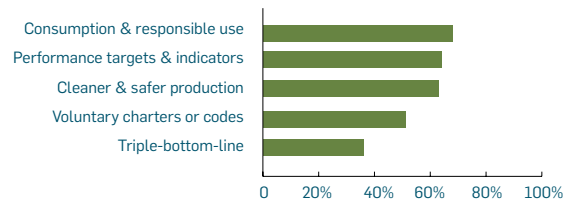
Human rights policies



Labour policies



Environment policies



Anti-corruption policies



Human rights

- Overall implementation rates for human rights policies remain consistent with past findings – 69% for overall corporate code and 27% for specific human rights code
- A minority of even the largest or publicly-traded companies have a specific human rights code
- Those most likely to have explicit human rights codes are companies that joined the Global Compact earliest (2000 – 2002) at 43% - twice the rate of recent joiners (2009-2011) at 23%
- The majority of companies cover all surveyed aspects of human rights in their policies, except for adequate standard of living

Labour

- The majority of companies are implementing all policies linked to the Global Compact labour principles
- Overall, 2011 implementation levels are consistent with 2010 findings
- SMEs indicated higher rates of policy implementation in all areas – except equal opportunity – compared to 2010, recovering from marked decreases in the 2009-2010 period
- On the other hand, the largest companies reported decreases on all policies, yet remain at rates above 80% across the board

Environment

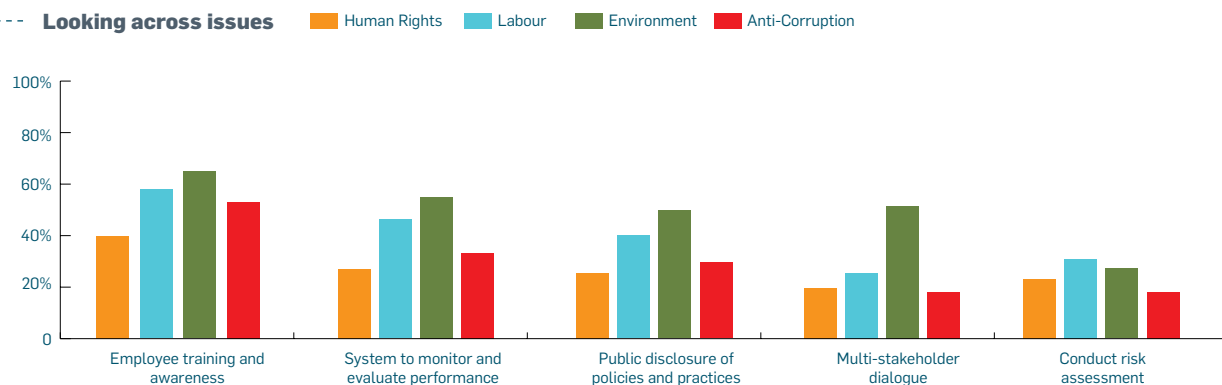
- Companies reported similar implementation levels to 2010, except for a decrease of 5% on triple-bottom-line
- Sustainable consumption represents the most common environmental policy at an overall rate of 68%, followed by performance targets and indicators (64%) and cleaner / safer production (63%)
- Company size and ownership type have an impact, with publicly-traded and the largest companies implementing policies at dramatically higher rates in the areas of performance indicators, triple-bottom-line and voluntary charters

Anti-corruption

- Anti-corruption policies saw important increases in 2011, for the second year in a row
- Notable gains were observed for explicit anti-corruption policies (+4%), supplier policies (+4%) and limiting gift values (+3%)
- All company sizes – except the largest – showed improvement on nearly all policies
- Company size has a marked effect on policy rates in all areas – for example limiting gift values (24% SMEs versus 77% largest companies) and explicit anti-corruption code (33% SMEs versus 75% largest companies)
- Publicly-traded companies are more likely to have policies in place – doing so at twice the rate of private companies related to suppliers, charitable and political donations, and having a specialized unit

ACTIONS TO ADVANCE THE TEN PRINCIPLES

Looking across issues



■ Companies are taking action on environment and labour standards at higher rates than anti-corruption and human rights

■ Taking steps to raise awareness and train employees remains the top action taken with over 50% of companies doing so on labour, environment and anti-corruption, and 40% for human rights

■ Systems to monitor and evaluate company performance rose in the 2010-2011 period for all issues, particularly human rights (+9%) and environment (+6%)

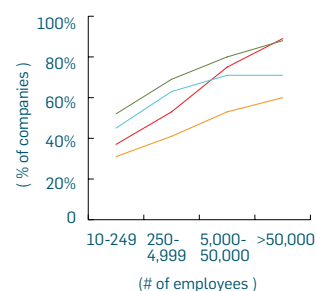
■ With respect to public disclosure of policies and actions per issue area, a minority of companies indicate doing so, except in the realm of environment where company size has a significant impact on action (30% SMEs versus 89% largest companies)

■ On human rights, labour and anti-corruption disclosure, companies that have been in the Global Compact the longest are the most likely to act, with rates far above the average and dramatically above the most recent participants

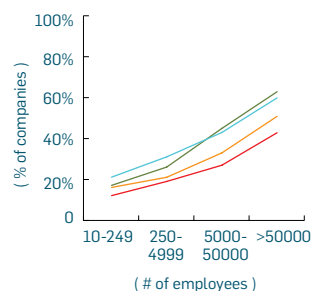
■ Risk assessment and multi-stakeholder dialogue are the least implemented areas - with the exception of environmental risk assessments which approximately half of companies are conducting

■ A minority of even the largest or publicly-traded companies indicate assessing risks on human rights, labour and anti-corruption

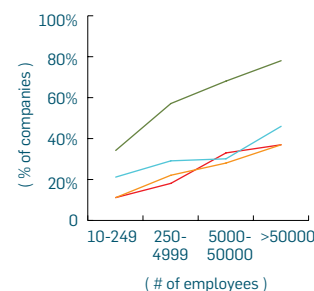
Employee training and awareness (by company size)



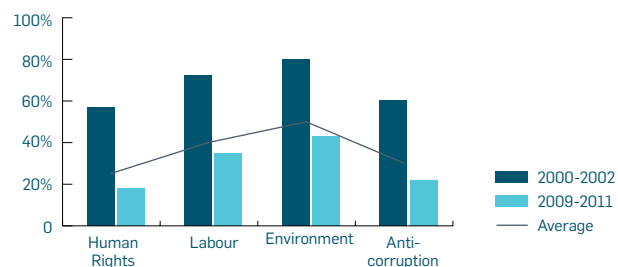
Multistakeholder Dialogue (by company size)



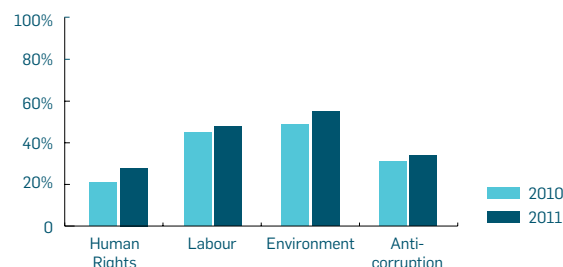
Conduct risk assessment (by company size)



Public disclosure of policies and practices (by year company joined the Global Compact)



System to monitor and evaluate performance (2010 vs. 2011)

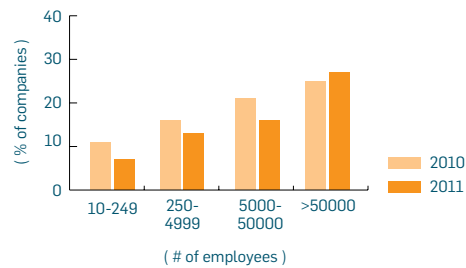


HUMAN RIGHTS ACTIONS

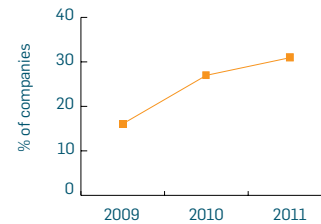
Human rights actions



Impact assessment (by company size)



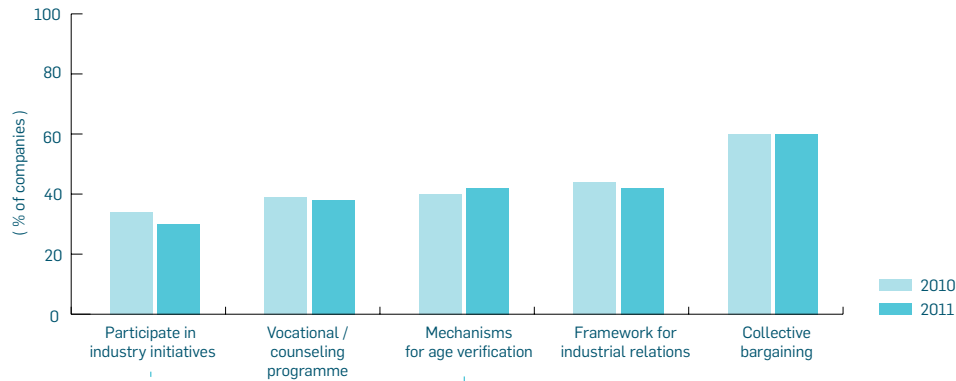
Operational guidance notes by companies with >50,000 employees (by year)



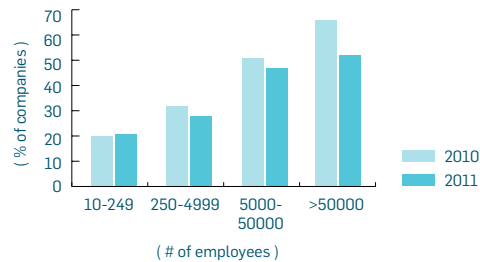
- Companies indicate action on human rights at lower levels than the other principle areas
- Overall findings are consistent with 2010 and 2009 survey results, except for significant decrease on impact assessments by all but the largest companies
- Approximately one-third have a complaint mechanism process (34%) or assess employee performance (31%), with far less utilizing operational guidance notes (22%) or impact assessments (12%)
- Use of operational guidance notes by the largest companies has increased 15% over the past two years
- Company size has a strong influence on implementation of complaint mechanisms – over 50% of large companies versus 17% of SMEs

LABOUR ACTIONS

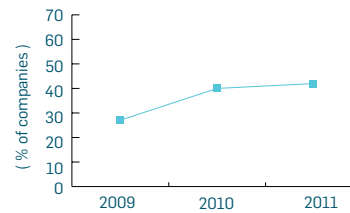
Labour actions



Participate in industry-specific initiatives (by company size)



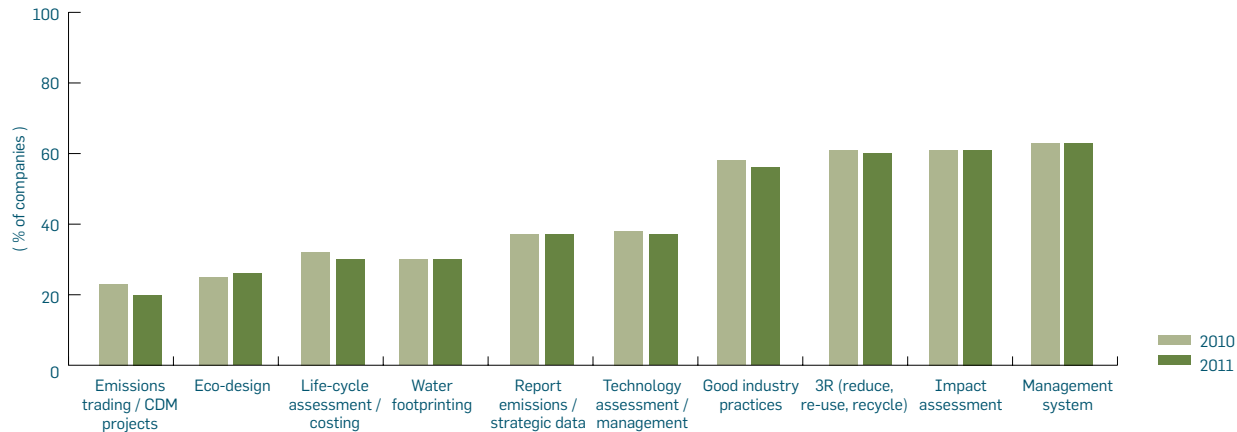
Mechanisms for age verification (by year)



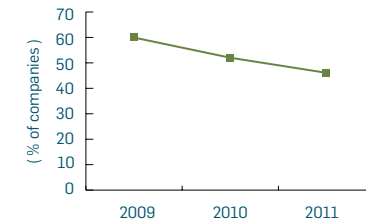
- Overall findings are consistent with 2010 survey results, except for a significant decrease on participation in industry initiatives (-4%), particularly by the largest companies
- Collective bargaining is the most implemented labour action with rates ranging from approximately 40% of SMEs to 70% of large companies
- Nearly half of all companies indicate institutional frameworks for industrial relations – dropping to 27% for SMEs
- Age verification has increased significantly (+15%) in recent years – from 27% in 2009 to 42% in 2011

ENVIRONMENT ACTIONS

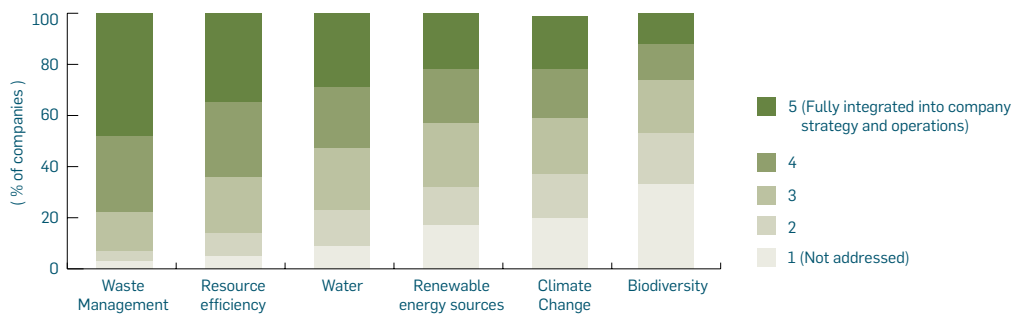
Environment actions



Emissions trading / CDM projects by companies with >50,000 employees



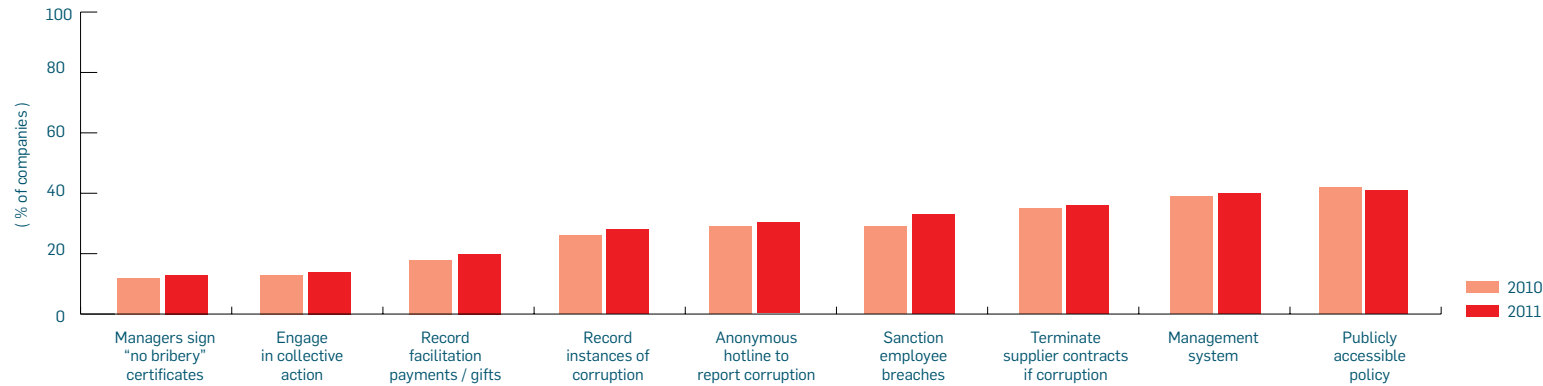
Extent to which companies are addressing environmental issues



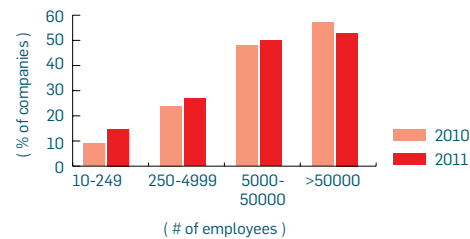
- Companies are taking action at the highest rates on environment – with nearly two-thirds reporting management systems, impact assessments and 3R
- Overall, findings were consistent in 2010 – holding steady after significant increases observed in the 2009-2010 period
- The only significant decline was observed for emissions trading/CDM projects, which has fallen 14% for the largest companies in the past two years
- A minority are taking steps around water footprinting and eco-design – even among the largest companies
- A majority are taking steps to fully integrate waste management, resource efficiency and water issues, yet issues such as biodiversity and climate change are not equally considered
- For climate change, company size has significant impact on the level of action – with 49% of the largest companies fully integrating the issue versus 14% of SMEs

ANTI-CORRUPTION ACTIONS

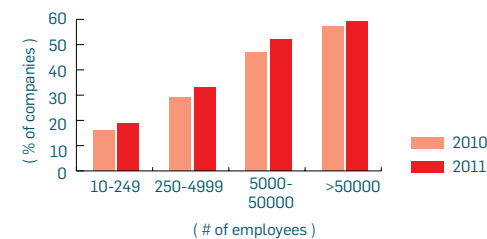
Anti-corruption actions



Record instances of corruption



Sanction employee breaches



- While anti-corruption actions remain challenging for companies, an upward trend is observed – with slight increases in all areas except public accessibility of policy
- Implementation rates are well below 50% for all aspects, particularly in key areas like collective action (14%) and anonymous hotlines (30%)
- Gains were reported on employee sanctions and recording instances of corruption by all but the largest companies
- The gap in actions between SMEs and the largest companies is enormous – for example on anonymous hotlines (10% versus 76%), public accessibility of policy (25% versus 76%) and management systems (25% versus 65%) – except in the area of collective action where all are challenged to act

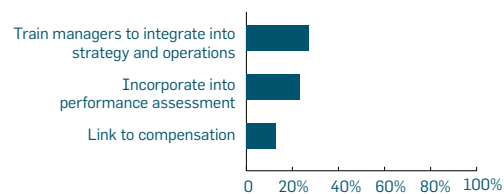
MAINSTREAMING THE COMMITMENT: EMPLOYEES & SUBSIDIARIES

Employees

Top 5 ways that companies communicate corporate responsibility policies/practices internally



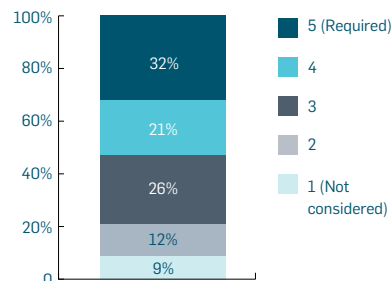
How companies link sustainability to employee action and performance



- A majority of companies communicate sustainability policies internally via their code of conduct (60%), intranet (57%) and email to employees (55%)
- Companies of all sizes lag in linking sustainability to performance and compensation, with less than one-third of even the largest companies doing so

Subsidiaries

Extent to which companies spread their commitment to the Global Compact to subsidiaries
(on a scale of 1 to 5)



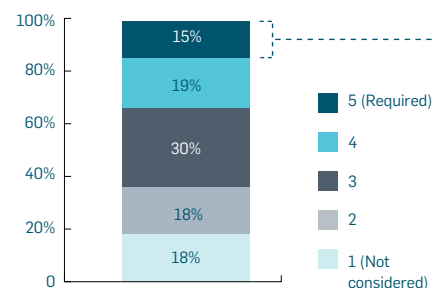
Actions by companies to spread their Global Compact commitment to subsidiaries



- 78% of companies are making at least moderate efforts to spread their Global Compact commitment – with 32% requiring subsidiaries to implement the principles
- All but the largest companies reported positive movement towards requiring sustainability by subsidiaries – with a 9% rise by SMEs
- For companies engaging subsidiaries, nearly half have created a corporate responsibility position (45%) and evaluate subsidiary actions through reporting to the parent company (44%)

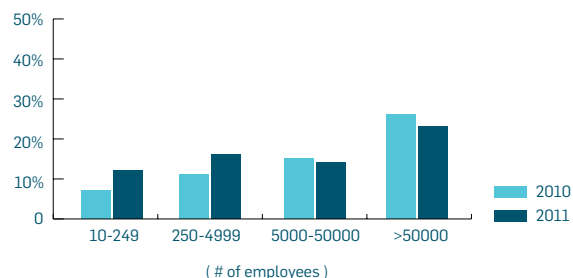
MAINSTREAMING THE COMMITMENT: SUPPLY CHAIN

Extent to which companies consider adherence* to the Global Compact principles by supply chain partners (on a scale of 1 to 5)



*Adherence does not require participation in the Global Compact

Companies requiring adherence to Global Compact principles by supply chain partners (by company size)



Actions taken by companies to advance supplier adherence to Global Compact principles



Supplier policies and actions by issue area



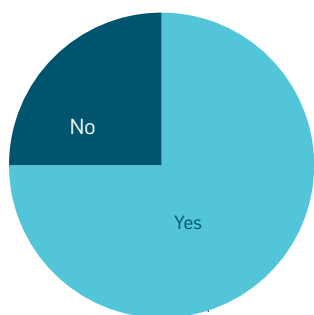
- Coverage of each principle area in supplier policies and contracting arrangements saw increases in 2011 – particularly for human rights and anti-corruption
- 63% of companies consider adherence to sustainability principles in the supply chain, with 14% requiring suppliers to adhere to the Global Compact to be selected as a partner
- 18% of companies report not taking sustainability issues into account with respect to suppliers, with the top reasons being that it is not a priority and lack of knowledge
- Companies are taking limited action to support and incentivize supplier adherence to sustainability principles – such as assisting suppliers with setting goals (17%), rewarding performance on sustainability (14%), reviewing remediation plans (13%) and verification (9%)
- Smaller companies made important gains on requiring supplier engagement (+5%), however the largest companies saw declines in the 2010-2011 period – dramatic in some areas including references to sustainability expectations in key documents (-10%) and assisting suppliers with setting and reviewing goals (-15%)

TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES

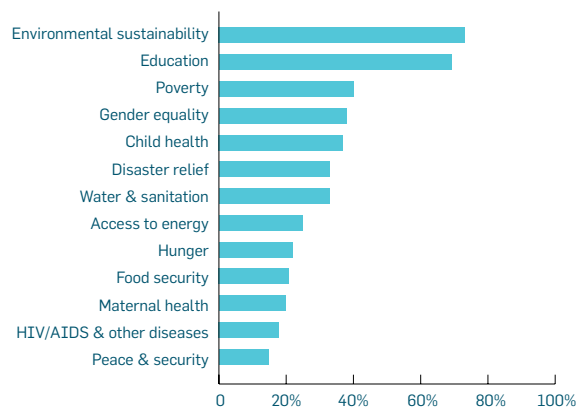


CORE BUSINESS, SOCIAL INVESTMENT, ADVOCACY AND PARTNERING

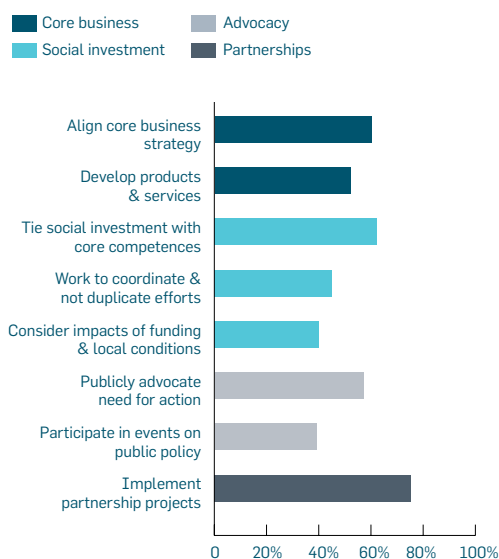
Companies taking action to advance broader UN goals and issues



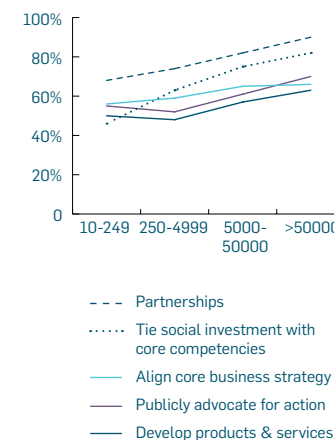
Issues addressed



Types of actions taken to support one or more UN goals/issues



Actions by company size



■ 75% of companies indicate that they are taking action to advance broader UN goals and issues – consistent with 2010 findings

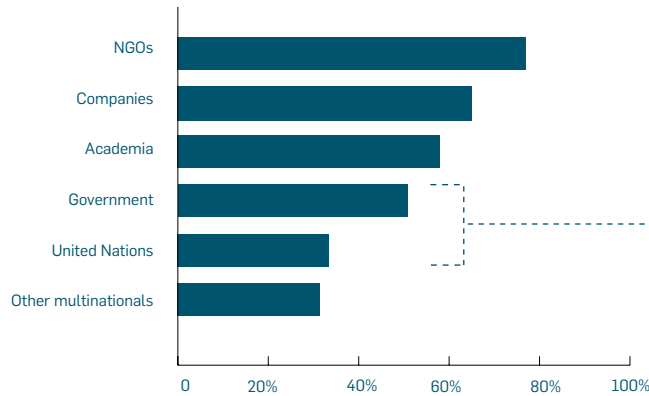
■ A majority of companies indicate partnership projects (75%), aligning core business strategies with UN goals and issues (60%), developing products and services (52%), tying social investment to core competencies (63%), and advocating for action (57%)

■ Environmental sustainability and education are the most common areas targeted by companies of all sizes

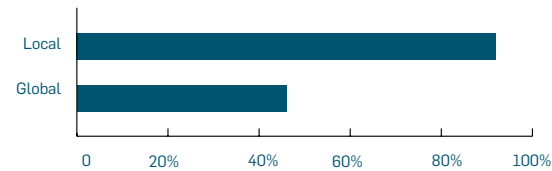
■ On peace and gender equality, SMEs are the most likely to address these areas

A CLOSER LOOK AT PARTNERSHIPS

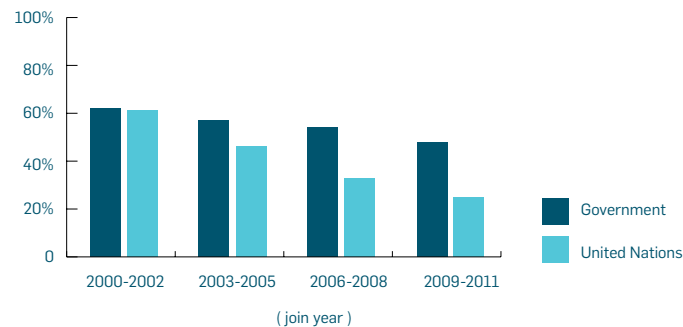
Type of partner



Level of partnership



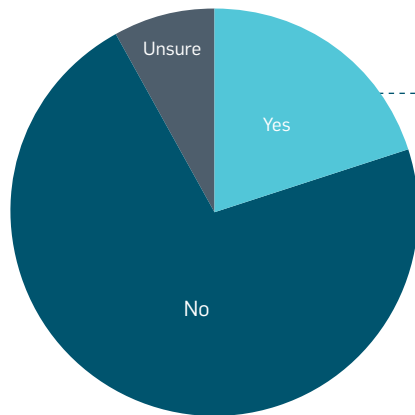
Partnering with the UN & Government
(by year company joined the Global Compact)



- 75% of companies that indicate advancement of UN goals and issues report that they are engaging in partnership projects, including 90% of the largest companies
- The vast majority of partnerships are local in nature (92%), rather than at the global level (45%)
- Companies partner most frequently with NGOs (78%), other companies (65%) and academia (58%), and far less often with the UN (34%) and other multilateral organizations (33%)
- Companies that have been in the Global Compact the longest are significantly more likely to partner with the UN – 60% of early joiners versus 25% of recent joiners
- Just over half (52%) of companies partner with Governments, which increases to 76% for the largest companies

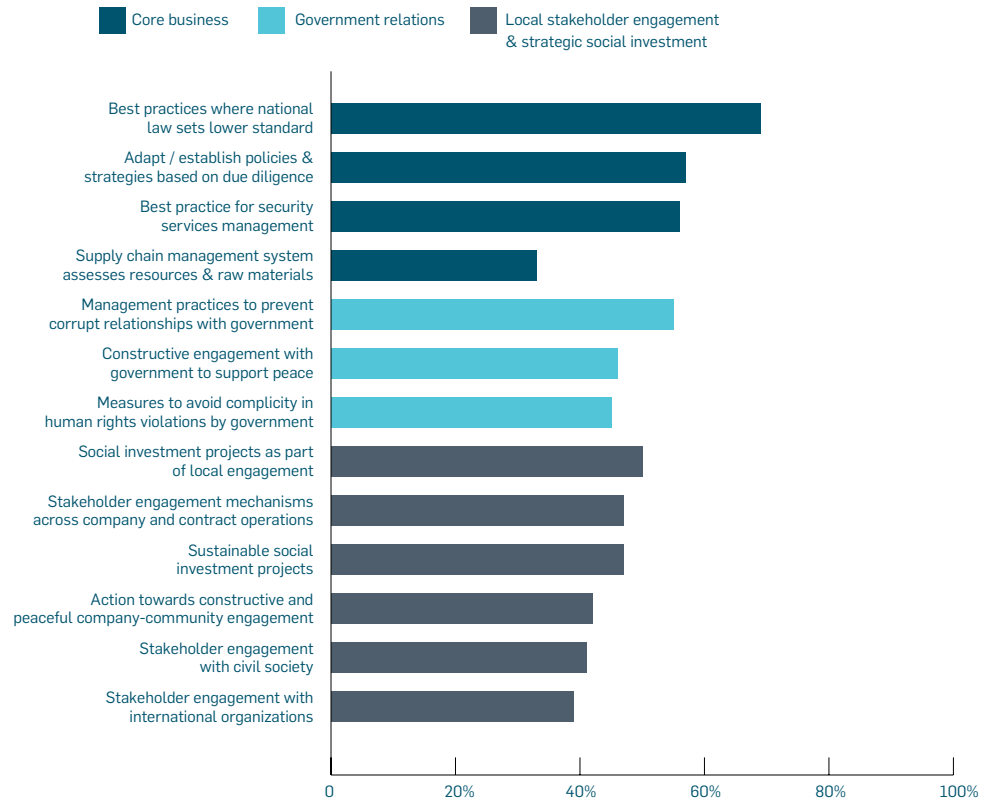
BUSINESS AND PEACE

Companies indicating operations in high-risk and/or conflict-affected areas*



- 20% of companies indicate operations in high-risk and/or conflict-affected areas
- Of those with operation in such areas, the majority report implementing best practices at the core business level, even where lower standards are set nationally (69%)
- In terms of Government relations, roughly half of companies take measures to prevent corrupt relationships (55%) and to avoid complicity in human rights abuses (45%)
- Companies operating in these areas also take on social investment projects as a means to engage the local community (50%)
- The largest and smallest companies – in similar measure – explore opportunities for constructive engagement with the Government and undertake stakeholder engagement across company and contractor operations

Actions to advance responsible business practices in high-risk and/or conflict-affected areas



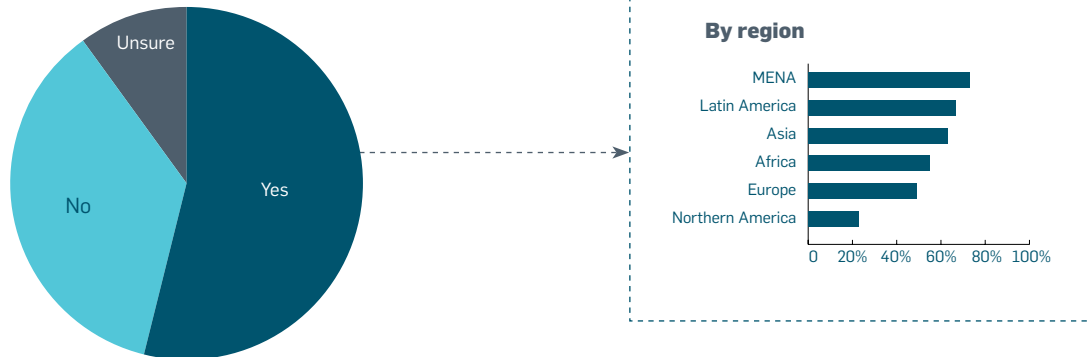
* "High-risk" or "conflict-affected" areas defined as: those that are not currently experiencing high levels of armed violence, but where political and social instability prevails; those in which there are serious concerns about abuses of human rights and political and civil liberties, but where violent conflict is not present; those that are currently experiencing violent conflict, including civil wars, armed insurrections and other types of organized violence; and those that are in transition from violent conflict to peace, often referred to as "post-conflict" where there may be a risk of falling back into violent conflict. Source: "Guidance on Responsible Business in Conflict-Affected & High-Risk Areas: A Resource for Companies & Investors" (UNGC/Principles for Responsible Investment, 2010)

ENGAGING WITH THE GLOBAL COMPACT

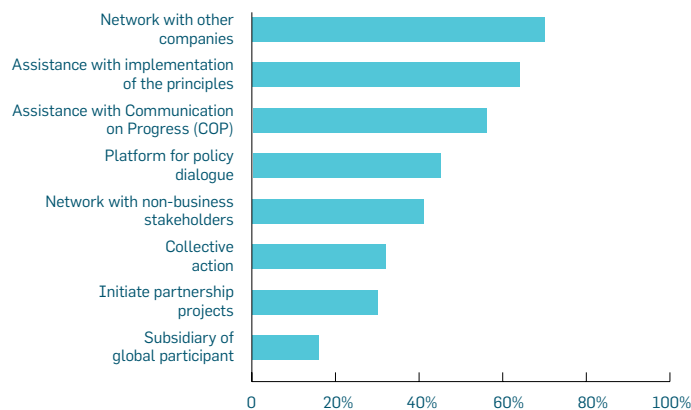


LOCAL NETWORK ENGAGEMENT

Companies indicating engagement in a Global Compact Local Network



Reasons companies engage in a Global Compact Local Network



■ Global Compact Local Networks found in 100 countries (as of 31 December 2011)

■ In 2011, Local Networks were launched in 5 countries – Azerbaijan, China, Ecuador, Iraq and Mexico – and the Global Compact was introduced in Iran

■ Over half of companies (54%) indicate engagement in Local Networks – consistent with previous years

■ Over 65% of large companies participate in networks

■ Companies that have participated in the Global Compact the longest are more likely to engage locally

■ The majority of companies indicate that they engage locally to network with other companies (70%), as well as to receive support on implementation (64%) and disclosure (56%) of the Global Compact principles

■ 32% of companies engage in a Local Network as a means to facilitate collective action

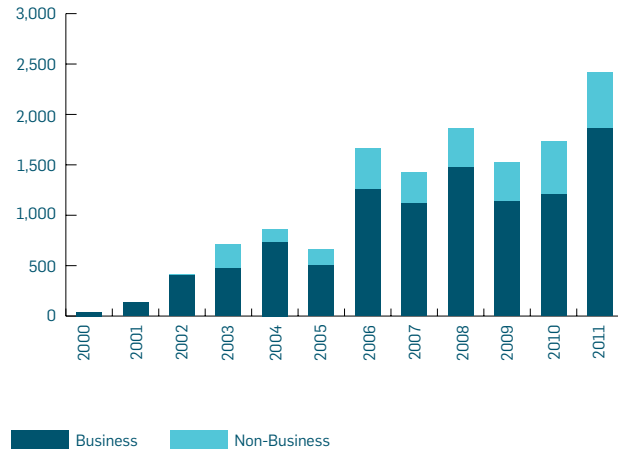
■ The main reason that the largest companies engage in a Local Network is to network with other companies (77%), while the smallest companies do so to receive support with implementation (70%)

SIGNATORY GROWTH AND COMPOSITION

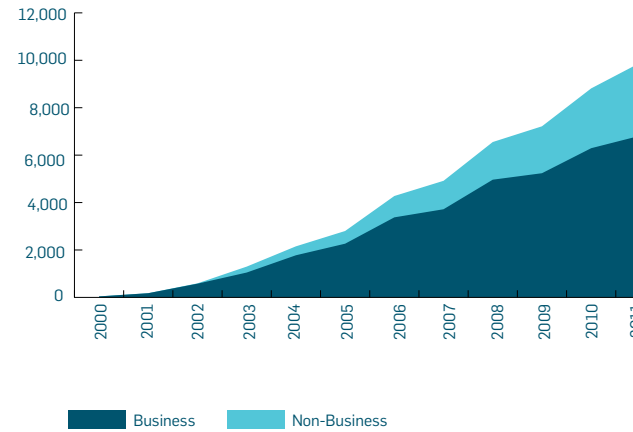


SIGNATORY GROWTH AND COMPOSITION

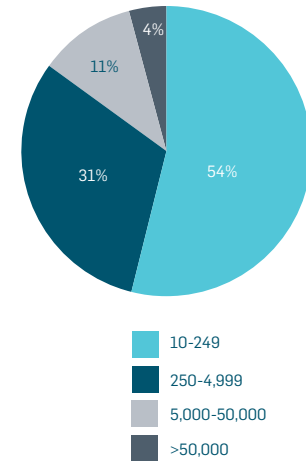
New signatories per year



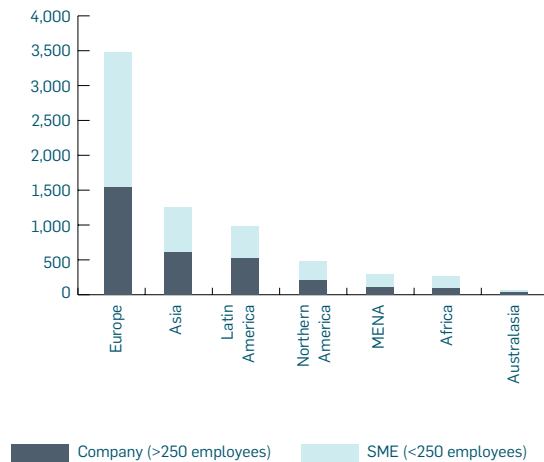
Total Global Compact signatories



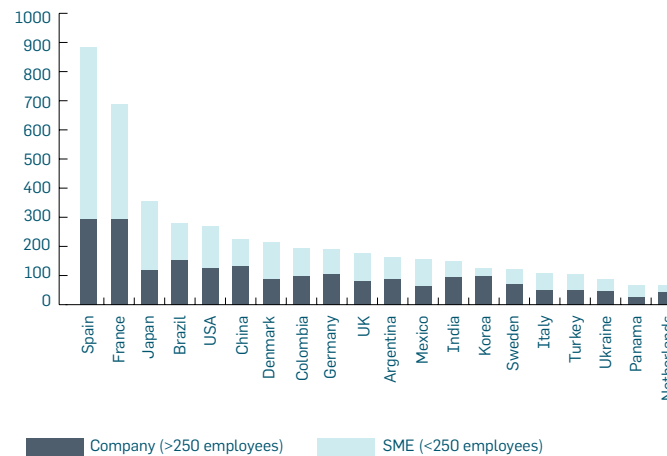
Business participants by employee #



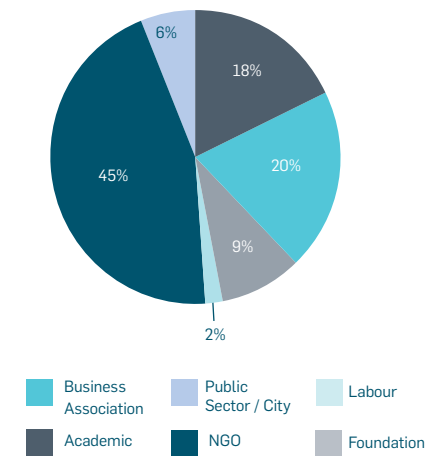
Business participants by region and size



Business participants - top 20 countries



Non-business participants by type



THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labour;
- Principle 5 the effective abolition of child labour; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

