



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



AccountAbility



United Nations Global Compact

FOREWORD

Dramatic global developments over the last few years have challenged businesses to manage increasingly complex risks and opportunities related to *environmental, social, and governance* (ESG) performance. These developments have produced heightened expectations and calls for organizations to increase their commitment to addressing ESG issues through a portfolio of voluntary sustainability initiatives.

This has created a new set of challenges for companies who must now **navigate** a complex web of international standards, **decide** which voluntary initiatives are most valuable in helping to achieve those standards, and **mobilize** resources to **deliver** on those commitments which carry resource, operational and reputational implications.

In this context, we welcome the release of this research report. It provides practical and actionable insights into how companies are approaching and implementing voluntary sustainability commitments as a way to help them meet sustainability standards and their related corporate objectives. It also highlights good practices that are delivering value for the company and society.

We invite your thoughts and comments as we strive to continuously improve the understanding of the value and impact of corporate sustainability commitments and share leading practices worldwide.



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Executive Summary

Considerations for Selecting Sustainability Commitments

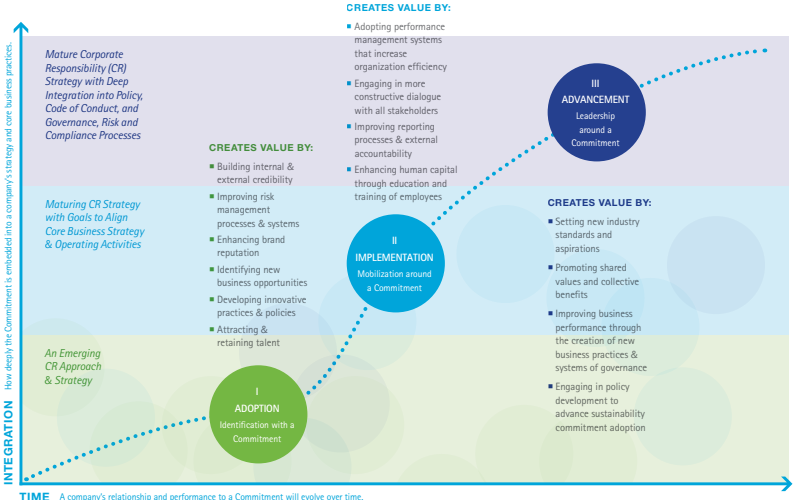
- What are the objectives of participation?
- Is the commitment aligned with your strategic priorities and material issues?
- Is the industry/market(s) where your company operates encouraging a specific commitment?
- Will the commitment advance company practices and performance? Does it respond to stakeholder concerns or expectations?
- What resources will your participation require?
- What can the commitment organization offer that is different from others? How can it add value to what you are already doing?
- How can your participation add value to the commitment's efforts?
- Is there senior management endorsement and buy-in?

The global context in which companies operate is changing dramatically with environmental, social, and governance developments providing a compelling business case for increased focus and investment in corporate responsibility and sustainability. The risks and opportunities associated with each of these developments have become material to companies' performance.

It is therefore not surprising that the last few years have witnessed a dramatic rise in the number and scope of voluntary commitments and standards, all of which have a common mission to drive more responsible and sustainable private sector activity. As a result, companies have to navigate through a plethora of different performance standards, metrics, and reporting requirements. The challenges and cost to companies,

The Sustainability Commitment Growth Curve (SCGC)

See page 6 for full size diagram



in terms of time and money, have motivated them to ask how they can best select, engage, and participate in these commitments to enhance performance.

AccountAbility and the UNGC office conducted research with 20 leading global companies to help explore this issue and identify best practice insights for managing and extracting value from voluntary commitments. The findings informed a framework, the **Sustainability Commitment Growth Curve (SCGC)**, that maps the opportunities and challenges companies face with voluntary commitments. A company's goal should be to drive all of its voluntary sustainability commitments up the SCGC to create the most value.

Based on extensive interviews, surveys and desk research, this initiative reached the following insights:

- Sustainability commitments can be strategic governance and management tools to improve overall corporate performance by providing clarity around material issues, and setting performance targets and metrics;
- Companies can either use principle-based commitments like the UNGC as a framework for developing a sustainability strategy, or to enhance an existing strategy by defining a set of issues—such as human rights, labor, environment, supply chain integrity—against which a company can assess its performance;
- For companies where sustainability is deeply embedded and prioritized across the company, principle-based commitments can complement and enhance existing business operations and sustainability efforts;
- Universal, principle-based commitments can be used to strengthen communications and integration within a global company by promoting a shared commitment and common language; and
- Sustainability commitments can be used to enhance risk management by identifying gaps relative to existing business performance and potential future compliance or regulatory issues.

We hope that readers will be able to use this report to:

- Inform their selection criteria and adoption process for sustainability commitments to ensure they are aligned with their company's business and sustainability strategies;
- Develop the business case for adopting sustainability commitments, along with clear and measurable goals, targets, and performance management systems, as illustrated in the case studies throughout the report; and
- Assess the level of implementation and integration of their various sustainability commitments using the SCGC, and identify additional actions they can take to create value, improve performance, and demonstrate leadership.

In the pages that follow, this report demonstrates how voluntary sustainability commitments can be leveraged to reinforce corporate performance and sustainability efforts. Case studies contained within this report will provide practical insights for companies into how others are leveraging a voluntary sustainability commitment—the UNGC commitment—at various stages of the SCGC, and with this, this report can also serve as a highly-actionable how-to guide.

Research Methodology

- Interviews with 20 large multi-national companies—all UN Global Compact participants
- A survey of non-UN Global Compact participants
- Supplemental desk research of sustainability reports and voluntary sustainability commitments



Companies' executives today are increasingly being asked to commit to higher levels of performance through an expanding number of voluntary sustainability commitments

1. Introduction

The Research Initiative

Companies' executives today are increasingly being asked to commit to higher levels of performance through an expanding number of voluntary sustainability commitments, at times having to navigate through a cumbersome mix of performance standards, outcome metrics, and reporting requirements. The cost to organizations in terms of time and money has prompted them to ask:

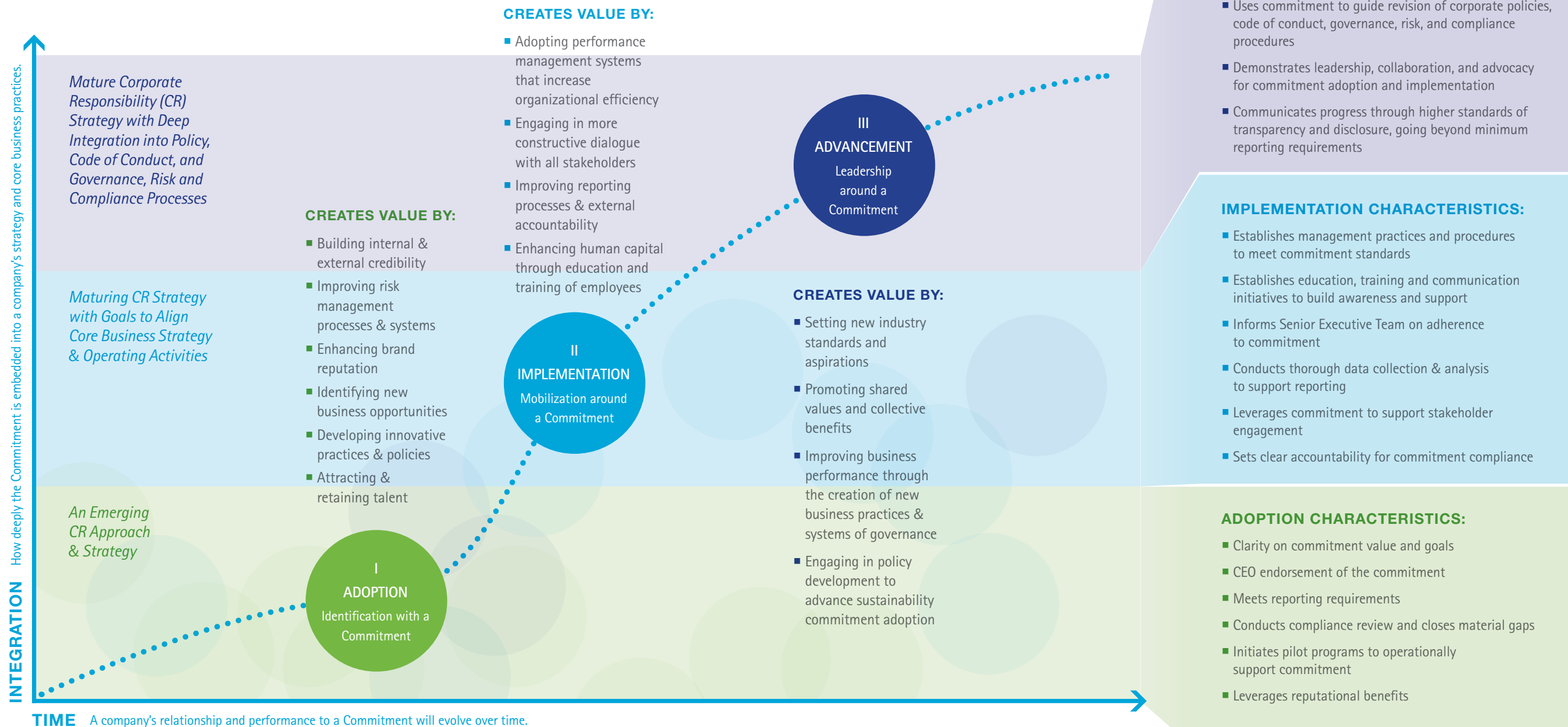
- Which initiatives should companies commit to?
- How can companies get the most value and impact out of the voluntary sustainability commitments they have made?
- How can these voluntary sustainability commitments be leveraged to reinforce business performance and existing corporate sustainability efforts?

To better understand the challenges and opportunities companies face within the voluntary sustainability commitment arena, AccountAbility, in partnership with the UN Global Compact (UNGC), conducted research to find out how companies are approaching and implementing voluntary sustainability commitments, and to identify and highlight good practices for future adoption, implementation, and advancement of commitments.

Following interviews with 20 large multi-national companies (all UN Global Compact participants), survey feedback from non-Compact participants, and supplemental desk research, the findings show companies extract value from making voluntary sustainability commitments when they:

- Integrate voluntary sustainability commitments and considerations into strategy, governance, risk, compliance, management, and operational processes and procedures.
- Understand that implementing voluntary sustainability commitments is not a static process. Successful companies progress through a **Sustainability Commitment Growth Curve (SCGC)** that builds the skills, capabilities, and strategies to find ways to make commitments an increasingly complementary tool to support reputation enhancement, risk management, and license to operate, among other benefits.
- The way a company grows with its voluntary sustainability commitments significantly influences the relationship it has with the standard-setting body that stewards the commitment. There is both a pressing need and opportunity for the relationship between standard-setting bodies and their signatories to mature.

2. The Sustainability Commitment Growth Curve (SCGC)



Growing into Your Sustainability Commitments

Adopting good practices along the SCGC will allow for the strategic integration of voluntary sustainability commitments into business operations and performance, thereby reducing risks and creating tangible value for companies. Over time, with experience and incentives, a company can progress along the SCGC to deeper levels of integration and better overall execution. But what are good practices and how can we encourage companies to adopt them?

Key Findings

The SCGC provides a powerful framework that enables companies to:

- Determine why and how it makes a voluntary sustainability commitment to optimize participation.
- Map where their voluntary sustainability commitments currently function to provide impact and value.
- Identify and implement actions that generate increased return on investment and impact from these voluntary commitments over time.
- Utilize voluntary sustainability commitments as a strategic governance and management tool.
- Utilize voluntary sustainability commitments to achieve improved business and sustainability performance.

The SCGC as a Dynamic Framework

Companies must first understand that the SCGC is a dynamic framework. The value proposition of a voluntary sustainability commitment will change over time, and where a company starts and how it progresses along the SCGC will vary depending on factors such as:

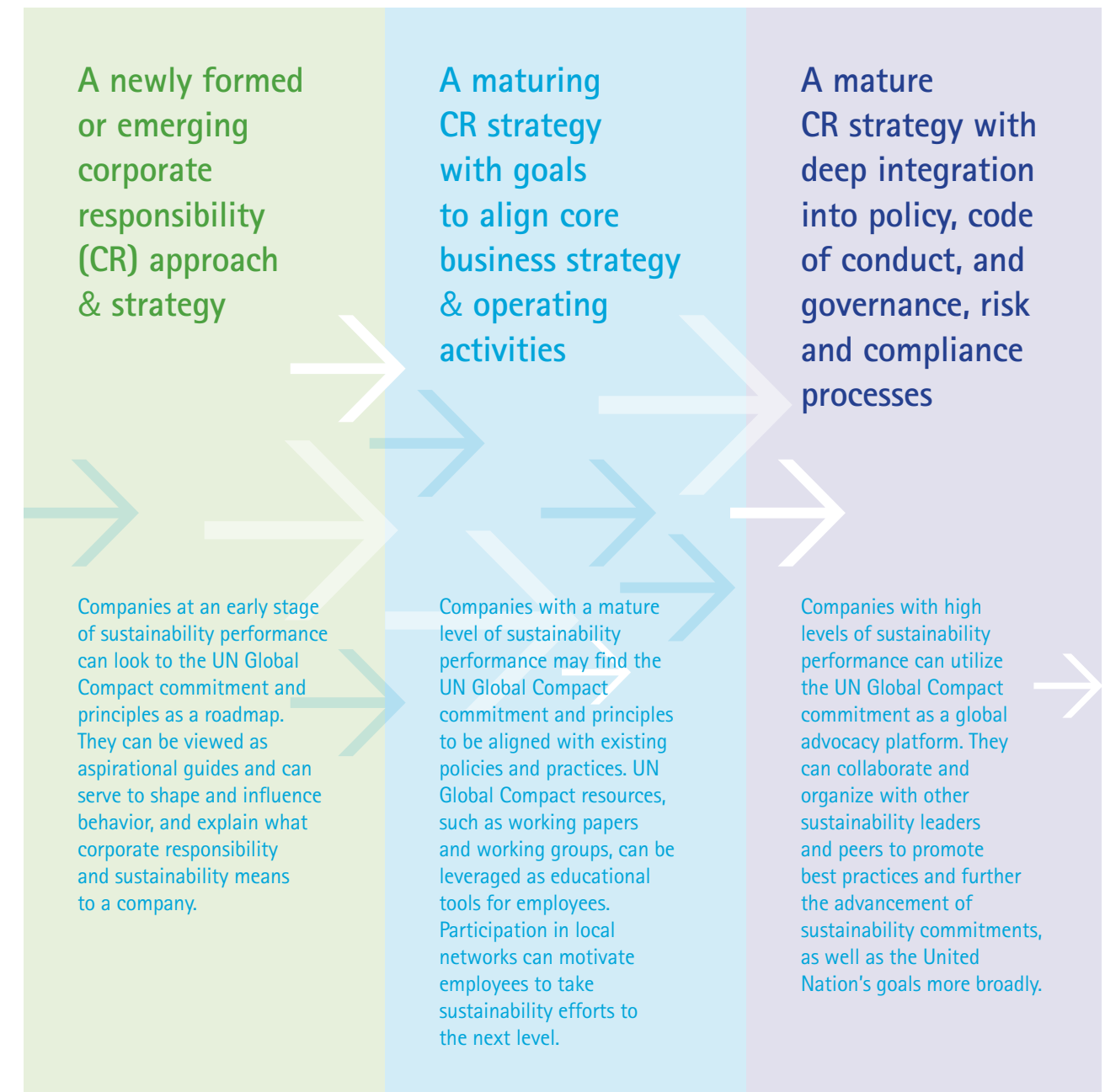
- The existing level and maturity of a company's sustainability performance.
- The global context in which the company exists—the economic, regulatory, societal, and competitive dynamics.
- What is driving the integration of the commitment, and the value a company expects to or understands it can derive from integrating a commitment.
- A company's ability to translate the commitment's requirements into performance management practices.

To get the greatest value and return on investment from voluntary sustainability commitments, a company's goal should be to drive all of its voluntary sustainability commitments up the SCGC. A company can do this by first identifying where each of its sustainability commitments currently fall on the SCGC. A company can then refer to the range of characteristics plotted along the SCGC as a roadmap to navigate the way forward for enhanced integration and value creation.

Progression along the SCGC may not be uniform. Identifying where a particular commitment falls on the SCGC will inform both the opportunities and challenges a company may face with it. A company may find it does not exhibit all of the characteristics depending on the commitment in question. For example, a commitment found in the implementation phase could be supported by a company's education, training, and communication initiatives; however, sufficient processes and procedures may not yet be in place to ensure compliance and accountability to meeting the commitment goals set out by senior leadership.

The UN Global Compact Commitment at All Stages of the SCGC

Research indicated that a company's level of integration of the ten principles of the UN Global Compact commitment can vary depending on the principle in question. A company can exhibit a deeper level of integration and advancement with the principles in one area, such as the environment, but face challenges with the principles in another area, such as labor. However, no matter the existing level and maturity of a company's sustainability performance, the UN Global Compact commitment, given its principle-based nature, can be regarded as "timeless" in that it is adaptable to changing internal and external circumstances and maintains its relevance and functionality over time:



You cannot be an island of prosperity in a sea of poverty."

– Brinda Sherman, General Manager of Business Excellence, IHCL

CASE STUDY

Integration
of the UNGC
Principles
for Value
Creation

Taj Hotels, Resorts & Palaces, a Tata Group company, is governed by the Tata Code of Conduct (TCoC). The TCoC provides the guidelines by which the Indian Hotels Company (IHCL) conducts its business and enacts the seven principles of the UNGC in the areas of human rights, labor, and anti-corruption. IHCL's Safety, Health, & Environment (SHE) committee is responsible for upholding the remaining three principles of the UNGC in the area of environmental management.

IHCL has taken the TCoC and UNGC principles a step further, from paper to implementation, and has added new dimensions to the role each play within the company. IHCL has institutionalized and integrated the UNGC principles into the working systems of the organization in a number of ways; and to ensure both internal and external compliance and accountability, they have put into place formal systems and processes that monitor and collect performance data related to implementation of the TCoC and UNGC principles.

One of the internal systems in use is the Taj Positive Assurance Model (TPAM). TPAM is an annual internal audit process that measures and assesses processes (including safety and security) through documentation, interviews, and observations. Business performance and leadership performance is also assessed based on the implementation of Tata's beliefs and values, which are inclusive of the UNGC principles. Feedback is reported all the way up to the Tata Board of Directors to highlight areas of concern for action and areas of strength for consolidation.

In addition to internal assessments of their hotels, IHCL also expects their external partners, such as vendors and suppliers, to adhere to the TCoC and the UNGC principles. They conduct annual external audits, complemented by semi-annual unannounced inspection visits with each of their vendors and suppliers. The contracts all vendors and suppliers must sign with IHCL also stipulate that they must adhere to the UNGC principles and IHCL sets formal meetings with each partner every year to review and educate them on the contract and the UNGC principles, regardless of how long a partner has been with them. Should a vendor be found in violation of the TCoC and UNGC principle areas, they receive one opportunity to become compliant. IHCL counsels and assists them, providing any skills they may lack in order to ensure compliance with the requirements moving forward.

With respect to the environment, IHCL's SHE committee (which reports directly to the Tata Group Board) is responsible for all key decisions related to upholding the three UNGC principles in the area of the environment. SHE is headed by the Executive Director of Operations and composed of Chief Operating Officers from their four divisions, the Senior VP of Human Resources, the Head of Business Excellence, the Head of Corporate Sustainability, and VP of New Projects.

IHCL has very stringent environmental certification systems in place and compliance status is monitored through regular internal audits conducted by certified auditors and through external surveillance audits. IHCL is committed to conserving natural resources through the monitoring of consumption, waste, and effluent management. IHCL's initiative EARTH, includes EarthCheck certification, an internationally recognized benchmarking and certification system. Other initiatives include triple bottom line reporting to the UNGC and voluntary participation in the Carbon Disclosure Project.

3. Commitment Adoption Phase

"We live in a world where scale matters, so what we think of when considering a commitment organization is whether our sharing with this organization is going to move the needle. Is our joining going to help catalyze people to address this issue? Otherwise we could join all sorts of things. People knock on our door constantly so we need to make sure the boxes we tick are worth it. We look at the track record of the organization, the board of the organization, the network, and we see if they already have an impact or are well suited to have an impact. It is also important to ask how we can benefit from them—and I don't think we should shy away from that—either by learning best practice or shaping environments and policies to help our business be better understood with stakeholders."

–Frederic Sicre, Managing Director, The Abraaj Group, interviewed by AccountAbility

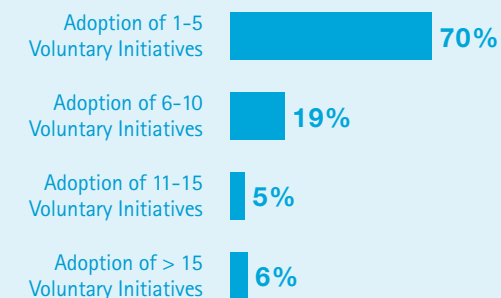
The 2012 Global Compact Annual Implementation Survey found that companies join multiple voluntary initiatives as an action to embed corporate responsibility into business strategies and operations (see Figure 1). Of the companies

who reported they join voluntary initiatives, the majority of small companies (fewer than 5,000 employees) were found to take part in 1-5 voluntary initiatives, whereas larger companies (with more than 50,000 employees) were found to take part in a greater number of sustainability commitments. Larger companies were found to be the most evenly distributed amongst all the categories having adopted anywhere between 1 to more than 15 initiatives, with an astounding 27% of large companies being a part of at least 15 or more voluntary initiatives.¹

Over recent years, the adoption of sustainability commitments has become more prevalent among companies at the same time that the sheer number of sustainability related commitments has expanded rapidly. Companies therefore have an upfront challenge of identifying which ones yield the greatest value. AccountAbility's research found that of the companies who join voluntary standards, the majority have a developed specific criteria they consider (see Figure 2) when evaluating which sustainability commitments they should adopt. In addition, the Implementation Survey found that companies of all sizes unanimously agreed that certain criteria had a positive influence on their decision to join a commitment.

FIGURE 1

51% of respondents to the 2012 Global Compact Annual Implementation Survey indicated that in addition to the UNGC they have adopted:



Source: 2012 Global Compact Annual Implementation Survey

¹ 2012 Global Compact Annual Implementation Survey

3. COMMITMENT ADOPTION PHASE

The following is a list of the most popular criteria found to drive a company's decision to adopt a commitment:

- Top management endorsement.
- Potential to advance company practices.
- Responds to stakeholder concerns or expectations.
- Complements existing commitments to other initiatives or standards.
- Aligned with company interests, strategy, and management practices.²

Voluntary sustainability commitments can be categorized into two different types: 1) those that are specific, measurable, and narrow in scope, and 2) those that are broader and principle-based, guiding and open to interpretation. AccountAbility's research indicated that companies can get value from embracing both types:

- Sequentially, companies often find that principle-based commitments are where a company should start its journey, as they provide a foundation to build upon. Principle-based commitments can add value by allowing room for innovation. They provide a company the flexibility to be more specific in a way that is most relevant to the company. They also have the ability to accommodate for growth and changing environments as the company matures its understanding of key stakeholders' views on what is material.
- Companies that have a solid understanding of their stakeholders, risks, and the most material issues are well positioned to look to more specific and measurable commitments to adopt. Issue-based commitments, such as the Carbon Disclosure Project (CDP) are more narrow and measurable and add value to a company, its shareholders, and its broader stakeholder universe, by providing standardized and specific information that can be used to compare the company's performance over time. While these kinds of commitments involve more extensive reporting requirements, the information they demand can be very useful, especially when utilized to benefit shareholders and stakeholders and highlight relative performance standing.

FIGURE 2

Selection Criteria for Voluntary Sustainability Commitments:

- What are the specific objectives of your participation?
- What resources (such as time, money, and staff) are required to fulfill your objectives and the commitment requirements? Are you able to obtain these resources?
- What does this commitment organization/office offer that is different from the other sustainability commitments you are a participant of? How could it add value to what you are already doing? How can your participation add value to the commitment's efforts and global sustainability challenges in general?
- What opportunities does the commitment organization offer? Consider local or global events and platforms to leverage, as well as networking and learning opportunities.

For example, a company can start with the UNGC principles in the area of the environment and then take efforts a step further by setting more specific goals with narrow and measurable sustainability commitments around reducing emissions or addressing sustainable water usage. Alternatively, a company could start with looking at the UNGC principles in the area of human rights and then focus its attention on more specific measurable sustainability commitments, such as women in the workforce, or women in management.

CHARACTERISTICS

To maximize the value and impact of adopting a commitment a company should aim to exhibit the following characteristics:

- **Have clarity of the commitment value and goals** with a fully engaged leadership team to support the commitment objectives.
- **Obtain CEO endorsement of adoption** of the commitment. Executive support will add more drive behind the realization of the commitment objectives. A prevalent finding of the research was a request for more direction and support from upper level management with respect to sustainability commitment activities.
- **Meet the commitment reporting requirements.** A company should integrate the commitment requirements into their reporting processes and find ways to leverage the requirements to build internal and external credibility and reputation.
- **Approach a commitment with a compliance mindset and close material gaps** by evaluating whether the commitment requirements and aspirations are already a part of the company's policies and practices.
- **Initiate pilot programs to operationally support the commitment and help realize the commitment's transformational aspirations and performance goals.**
- **Leverage the reputational benefits** through marketing and communications campaigns. A company should communicate both internally and externally on their commitment activities and progress.

VALUE CREATION

The adoption of a commitment should promote continuous improvement in sustainability efforts. Adoption can create value by:

- **Building internal and external credibility.** The adoption of a commitment can act to build a business case around other sustainability activities a company would like to pursue. For those just starting out in their sustainability journeys, commitments can be used as a framework to help shape policies, guide decision-making, and explain what corporate responsibility and sustainability mean to a company.
- **Improving risk management processes and systems.** Through performing a policy review and gap analysis a company can identify areas of risk and opportunity to develop new performance management systems that increase revenues while reducing costs.
- **Enhancing brand reputation.** Adoption signals to your internal and external stakeholders that sustainability is a part of a company's agenda and long-term management growth plan.
- **Identifying new business opportunities.** A company can build and leverage networks around a commitment, seeking out opportunities for collaboration and shared value.
- **Developing innovative practices and policies.** The adoption of a commitment can provide a roadmap to shape and develop policies and practices, as well as identify and mitigate areas of risk.
- **Attracting and retaining talent.** According to Net Impact's Talent Report: What Workers Want in 2012, "58% of those surveyed would take a 15% pay cut to work for an organization whose values are like their own; 45% would take a pay cut for a job that makes a social or environmental impact; and 35% would take a pay cut to work for a company committed to corporate social responsibility."³

Adopting The UN Global Compact Commitment

The UN Global Compact Commitment is a voluntary commitment that can help build both internal and external credibility. The Compact can be an effective and efficient compliance and policy-adherence tool. When signing up to the Compact, companies are encouraged to consider whether the ten principles (see page 28 for a list of the UN Global Compact principles) are already addressed within their policies and decision-making processes. Policy reviews and gap analysis can identify areas of material risks and therefore encourage the development of new risk management systems for the company. For companies starting out in their CSR and sustainability journeys, the Compact principles can be used as framework to help shape policies, guide decision-making, and explain what CSR and sustainability mean to the company. These considerations should be a core part of risk management in the first stage, followed by a deeper commitment involving the strategic lens to enhance business opportunities.

The UNGC commitment can be viewed and used in a variety of ways, such as:

- **A governance framework** to help shape policies and explain why and how corporate responsibility and sustainability are important to the company. The UNGC principles can be viewed as the bedrock of a company's code of conduct and companies should take advantage of the plethora of guidance documents, such as the guidance on human rights and the guidance on responsible business in conflict-affected and high-risk areas.
- **A tool to enhance compliance**, whereby company policies, processes, systems, and initiatives can be continually reviewed against the four UNGC principles areas to ensure alignment with their aspirational nature, and identify areas of potential risk or concern that may result from non-consideration.
- **An educational tool** that provides resources and opportunities to collaborate with and learn from peers, benchmark progress against one another, and engage on global and local levels with a diverse group of stakeholders.

- **A planning tool** to think about long-term sustainability issues from a variety of different perspectives and create both external and internal buy-in for sustainability efforts.
- **A community of interest** that presents an opportunity to contribute, share best practice, build networks, and add value to sustainability activities that are of importance to a company.

Companies can deepen their adoption of the UNGC commitment by:

- Understanding the principles and reviewing the underlying guidance documents and tools that support each principle area. The principles are based on well-grounded research and thought leadership that can be found on the UNGC website within each principle.
- Viewing the Communication on Progress (CoP) as more than just a reporting requirement. Companies can push this data out in different directions or utilize it as a corporate sustainability report.
- Getting involved in UNGC local networks—a community of users where companies can learn more about the UNGC and share best practice—and recognize the importance of educating management about corporate responsibility and sustainability as a business practice.
- Embracing the UNGC as a soft advocacy platform, and also as a communications platform to launch a company's reporting and events.
- Looking to the UNGC as an entry point into the UN or to forge closer ties with the UN community.

Sustainability Leaders Look to the UN Global Compact Commitment to:

Guide internal behavior and focus on both short and long term CSR and sustainability aspirations

"Upon joining the Global Compact, we had just formed the Corporate Responsibility function and we were trying to find a framework that would help better explain corporate responsibility, some of the expectations, and what the global stakeholder perception was, and the Global Compact helped to give us a roadmap."

—Jenny Flezzani, Senior Manager, Corporate Responsibility at Pfizer

Develop and guide policies and practices, as well as identify and assess risks and opportunities in the areas of Labor, Human Rights, Environment, and Anti-Corruption

"We've used the principles to help us to continue to develop, guide, and create policies and practices around the issues the principles address. We've used the principles to guide decision-making and then to develop more specific commitments or decisions around the work that we do."

—Brenda Colatrella, Executive Director of Corporate Responsibility at Merck

Improve risk management processes and systems

"Initially, companies should start with the UNGC principles and figure out what they mean for the company, and then integrate them into their systems. Even though the principles are voluntary, it's helpful if you look at them from a compliance angle because this helps guide a company in developing good and sound ESG practices. When Nestlé first joined, we very quickly incorporated the UNGC Principles into our own documents. Ever since they have been part of our Corporate Business Principles – the base document which is applicable to all our three hundred and forty thousand employees. This is now translated into around fifty-five languages, and handed out to every employee alongside our Code of Conduct."

—Christian Frutiger, Deputy Head Global Public Affairs, Nestlé

Build internal and external credibility around the other sustainability activities a company would like to pursue

"The UN Global Compact is a great standard in external codes. It is an active engagement movement and we value the active platform initiatives within the Compact and we are trying to take advantage of them. We were amongst the first companies to sign the CEO Water Mandate. We have also signed onto the Caring for Climate Initiative, and the Women's Empowerment Principles."

—Bo Miller, Global Director of Corporate Citizenship at The Dow Chemical Company

Case Studies: Adopting The UN Global Compact Commitment

CASE STUDIES



VALUE CREATION

Developing Innovative Practices and Policies

Abraaj Group

The Abraaj Group (Abraaj or the Group) has since inception used a sustainability framework to guide its investments in its partner companies, based in part on the United Nations Global Compact principles. The framework was created to guide companies towards implementing ethical principles throughout their activities. Over 85% of its partner companies endorse this framework and adopt its inherent Environmental, Social, and Governance (ESG) principles. Many of them have since adopted leading-edge sustainability practices in their business.

In addition, the Group developed the **Abraaj Sustainability Index (ASI)**, a cutting edge private sector development impact measurement system. This proprietary index measures the development impact of Abraaj's investments around the world and has been designed to incorporate global best practice standards. The ASI spans financial performance, economic linkages, socio-economic impact, private sector development, management and governance, and health, safety, environmental and social factors. The application of the index across partner companies has enabled Abraaj to identify specific areas for improvement and benchmark businesses that operate in similar sectors, thereby allowing for cross-sharing of best practices. The comprehensive indicators also help Abraaj identify which ESG aspects require greater attention and resource allocation. For example, many of Abraaj's partner companies have a strong social impact because sustainability programs are traditionally easier and more popular to implement, but they may have significant gaps in their environmental impact. Geetha Tharmaratnam, who is responsible for integrating ESG into the Group's partner companies, adds, "As we look at the environmental, social, and governance aspects collectively, a big value add from our side is to try and get the company standards up across all three aspects across the business."

BBVA

BBVA has used the UNGC principles to guide the revision of their corporate policies. They have published their code of conduct and developed specific internal policies around issues such as the environment, procurement, and human resources – all of which were developed within the framework of the ten principles of the UNGC. At BBVA, it is important that internal policies are aligned with its commitments to corporate responsibility initiatives. They try to update their own internal policies to better fulfill their commitments, and the UNGC framework has been extremely useful in this respect. Ultimately, these policy revisions helped BBVA streamline their internal processes in a wide range of business areas and led the company to achieve concrete benefits, such as energy and resource savings, better management of risks, and a more engaged workforce.

CASE STUDIES



CHARACTERISTICS

A Compliance Review to Identify Risks and Opportunities and Close Material Gaps

The research found that in most cases, the alignment of a company's existing policies and code of conduct with a commitment's objective and goals makes for a compelling case to join, however, the UNGC commitment encouraged companies to review their policies against the principles and add missing pieces. And while most companies define their policies very specifically and go into much more detail and depth than the UNGC principles, the principles can provide a good starting point and foundation from which a company's policies and activities can grow. While a company can be highly focused on one area, such as the environment, it may not be thinking as much about supply chain issues, human rights, and child labor, etc.

Pfizer

In joining the Compact, the first project Pfizer undertook was a gap analysis between the principles and their policies. This helped them look for areas of sensitivity or risk. The Compact principles are aspirational, not requirements, and they provided a tangible roadmap forward, a way for Pfizer to benchmark themselves. While Pfizer's policies and practices are more specific than the principles, the Compact was a starting point and provided a foundation from which Pfizer's activities have grown.

Merck

The UNGC principles have helped Merck continue to develop, guide, and create policies around the issues the principles address.

"The Compact principles are clear on what you are committing to as an organization philosophically. To make the Compact principles more substantive or meaningful, then you have to take the issue itself and figure out what it translates to in terms of policy, practice, and action."

—Brenda Colatrella, Executive Director, Office of Corporate Responsibility

Merck has used the UNGC Principles to guide decision making and to develop more specific commitments around the work they already do. Drawing from the UNGC principles, Merck created a set of "Access to Health Guiding Principles." These guiding principles set out some very specific goals to inform what they are striving towards within each of their major functional areas (such as research and development, manufacturing, community investment, etc.). To ensure accountability and continued engagement, specific metrics have been established to measure progress on the guiding principle commitments from year to year. In addition to the UNGC principles, Merck's efforts were informed by the Access to Medicine Index and the Millennium Development Goals.

Petrobras

Joining the UNGC in 2003 was a major milestone for Petrobras and has influenced its corporate policies and internal processes. Since 2004, social responsibility became one of the three pillars of Petrobras' corporate strategy. In 2007, social responsibility became a corporate function and the company launched a social responsibility policy based on the UNGC principles, thereby enhancing Petrobras' commitment to the principles. Petrobras uses the UNGC principles as a lens to assess their efforts and guide future behavior as well as a guide for their supply chain and procurement processes.

Petrobras' commitment to social responsibility also extends to its investments: **The Petrobras Development and Citizenship Program** is estimated to have invested R\$1.2 billion (US\$600 million) from 2007 to 2012. Moreover, to democratize decisions around these resources, projects that contribute to reducing poverty and social inequality in Brazil are chosen via a public selection process.

RBS Group

Upon joining the UNGC, RBS Group conducted a compliance review and gap analysis of the UNGC principles against RBS Group corporate policies and discovered there was no guidance on human rights. Following this discovery, the Compact was then utilized to help fill this policy gap and become a reference point for the institution's guidance on human rights. Throughout this process, obtaining internal support to incorporate human rights references into their policies was made easier given the existing support for the UNGC principles. In developing these policies, RBS has created concrete value by enhancing management practices in the area of human rights and thus reducing the risk of improper activities that could potentially affect the company's reputation and relationship with stakeholders.

3. COMMITMENT ADOPTION PHASE

CASE STUDIES



CHARACTERISTICS

Clarity on Commitment Value and Goals

The sustainability commitment arena is one to approach with focus. It is not about multiplying efforts and being a part of a commitment for the sake of it—companies must ensure they can deliver on all the commitments they commit to. Companies can stay true to their commitments by having a roadmap that clearly maps out how they are going to deliver on their commitment goals. Companies should record their commitments in one place and keep them highly visible to senior leadership.

Bloomberg

Standard setting is a priority at Bloomberg because it allows the company to benchmark and identify best practices, spurring innovation. Curtis Ravenel, Global Head of Sustainability, outlined the top three reasons why Bloomberg will join a commitment:

1. To provide a framework under which to operate.
2. To publicly bind the organization towards a corporate sustainability norm, establishing a performance floor so as to advance a 'best-class' approach internally.
3. To collaborate with the partners within the commitment universe, whether it is directly with the organization that manages the commitment or with its members.

The Dow Chemical Company

To determine what external, voluntary sustainability commitment is worth committing to, Dow executives look internally at their own practices, the company's values, mission, policies and practices, and reflects on where they see a particular issue or topic going. They then ask the following question: "Do we feel confident that the relationships we already have are informing us appropriately or do we think that this new commitment activity, whatever it might happen to be, would lead us in a direction of developing new valuable relationships, perspectives and insights—ones that we could contribute to and we can learn from?"

Dow described this process as a philosophical approach in which the company considers to what extent any initiative matches up with their priorities and responds to the following questions:

1. Can we both contribute to and learn from participating in this commitment?
2. Is the commitment going to deliver value to society as a whole, as well as to ourselves?
3. Does the commitment have an action orientation to it? Does it have the ability to drive progress?

Natura

For Natura, the decision to join the UNGC was based on the value of the principles and the alignment of the company's DNA and code of conduct with what is proposed by the UNGC. And while Natura has significantly evolved since joining in 2000, the company's culture is still fully aligned with UNGC standards. As Natura has matured and more initiatives are knocking on their door, the company has developed a set of criteria to help them assess whether they should support a particular sustainability commitment. The following is a list of characteristics they consider in their analysis:

1. Social transformative power

How much does this initiative push for social transformation and its direct impact on society? Is it more of the same or does it holistically address areas that need attention?

2. Inclusion and credibility

Is this an isolated program, or is it aligned with other players in the market? Most importantly, who are the participants and how credible are they? Will this program add to Natura's brand and reputation or divert or dilute its efforts or brand with respect to sustainable development?

3. Innovation

Is this initiative more of the same or something new? Innovation is key for Natura so it looks for commitments that innovate and expand on key concepts in a new and creative way. The company does not mind the technical challenges of new initiatives and normally participates in those that require new methodology, new thinking, and new perspectives.

4. Aligned with material themes

Natura's materiality matrix is more than just a stakeholder engagement exercise—the company takes it very seriously and it is a key aspect of their strategy. Natura looks for programs and initiatives that are aligned with what is material (impact and influence) to them.

5. Support to others institutions

Natura finally looks at programs and initiatives from the perspective of knowledge sharing, as a way to get less mature companies up to speed. Therefore, the company also considers joining initiatives that might have simpler goals, but attract newcomers so that they can add value to them.

CASE STUDY



VALUE CREATION

Reputational Benefits

Participation in the UN Global Compact signals to a company's external stakeholder community that it takes seriously corporate responsibility in the areas of human rights, labor, anti-corruption, and the environment. Not only can participation in the Compact inspire a company to come up with an internal strategy around these focus areas, but making a public and voluntary commitment to the Compact can also hold a company to an external benchmark.

"The UNGC commitment encourages companies to consider what their policy framework needs to look like across a range of business relevant corporate sustainability issues. It should also encourage companies to consider how they can govern policy delivery too. The communication on progress (CoP) then encourages disclosure of the performance of these policies. As companies tend to better manage what they measure, the performance of a company on these issues should improve. Ultimately, from a shareholder value perspective, this is good news."

—Steve Waygood, Chief Responsible Investment Officer, Aviva Investors



AccountAbility's research found that the commitments generating the most value for companies are those that have been concretely invested in and integrated into the company's business operations and management practices (i.e. risk management), with sufficient resources allocated to them. However, a lot of companies do not keep an inventory of their commitments, and do not report their commitment activities and progress to senior level executives or management teams. To effectively embed a sustainability commitment into business operations and support efforts to achieve real quantifiable value, a company must set clear accountability measures for commitment compliance. Companies should consider what key performance indicators could be used to evaluate the success of a commitment's activity, and report annually on the progress of commitment activities to senior leadership.

4. Commitment Implementation Phase

CHARACTERISTICS

To maximize the value and impact of implementing a commitment a company should strive to exhibit the following characteristics:

- **Establish management practices and procedures to meet the commitment requirements.** Management and compliance systems can be advanced by creating processes to collect and monitor performance data related to the implementation of a commitment.
- **Establish education, training, and communication initiatives to build awareness and support.** A company should take advantage of the resources and events provided by the commitment body to complement existing employee training and education, and enhance a company's human capital.
- **Annually report to the senior executive team on adherence to the commitment goals and requirements.**
- **Conduct thorough data collection and analysis to support reporting.** A company can use commitment frameworks and requirements to enhance reporting processes and bring about higher levels of rigor and external accountability.
- **Leverage the commitment to support and encourage both internal and external sustainability activities,** as well as dialogue with stakeholders.
- **Set clear accountability for commitment compliance.** A company can develop key performance indicators, request and collect commitment performance data from the commitment bodies themselves, and also incorporate commitment compliance into sustainability performance audits and reviews.

VALUE CREATION

When a commitment both relates to core values and helps create value, and is aligned with the most relevant material issues, a company can climb up the learning curve and will progress to deeper integration and better corporate responsibility and sustainability practices and performance. The implementation of a commitment can create value by:

- **Adopting performance management systems that increase organization efficiency, set metrics, and establish incentives for advancement.** The implementation of commitment requirements or commitment aspirations can be a catalyst for inspiring or advancing management and compliance processes and systems.
- **Engaging in more constructive dialogue with all stakeholders.** A commitment can add value as a framework to support stakeholder activities.
- **Improving reporting processes and external accountability.** Reporting on commitment progress can add more color to existing sustainability reporting efforts, and companies can use commitment progress reports to communicate with stakeholders.
- **Enhancing human capital through education and training of employees.** The internal promotion of a commitment can function as an educational opportunity to promote material issues within a company and educate employees on sustainability and corporate responsibility activities.

Case Studies: Implementing The UN Global Compact Commitment

The UN Global Compact commitment should be viewed as a learning and engagement opportunity with the objective to both gain value from the commitment, and to add value to the commitment. It can serve as a strategic management and education tool, while encouraging actions that strengthen a company's accountability to its corporate responsibility and sustainability goals.

CASE STUDIES



CHARACTERISTICS

Leveraging UNGC in Support of Stakeholder Engagement Activities

Stakeholder feedback can play an important role in determining 1) Which issues a company will focus on, and 2) What voluntary sustainability commitments a company will join. Some companies have formalized processes to do this, and also look to their sustainability commitments for ideas in deciding where they should engage.

Novozymes

As Novozymes expands its operations into new geographies, it has increased its activity level in relevant local UNGC networks to increase its knowledge of the sustainability agendas for each region. Within India, Novozymes has been driving efforts to form a subcommittee with the UNGC network members on environmental sustainability to promote environmental protection and pollution prevention. The focus of this subcommittee will be to develop action plans for environmentally sustainable practices and provide strategic inputs to policymakers and other stakeholders. In Brazil, Novozymes has played a key role in the communication task force within the Brazilian Global Compact network.

Furthermore, Novozymes, actively supports the UNGC Task Force on Sustainable Energy for All, including the **Sustainable Energy for All (SEFA) initiative**, with its innovative CleanStar Mozambique project being registered as a **commitment**. Novozymes will continue to deepen its engagement and seek opportunities to develop and employ sustainable bioenergy around the world. As a result, Novozymes has set a corporate target of the inclusion of biofuels as a "high-impact opportunity" in the SEFA initiative in 2015.

Petrobras

Petrobras' commitment to the UNGC plays outwards through the company's willingness to take on a leadership role to promote the UNGC among its stakeholders. Petrobras is involved in a number of UNGC Local Network working groups and committees and is taking on a leadership role around sustainability and corporate responsibility issues in its local community. Through its strong presence and participation in the Global Compact Network Brazil, Petrobras is a local driver of the UNGC within Brazil and striving to bring in new members. Through its participation in the Brazilian Committee, they also provide logistical support for local UNGC meetings and events to enhance the application of the UN Global Compact's principles in Brazil.

More broadly, Petrobras has been represented on the UN Global Compact Board by its CEO since 2006. Petrobras is also a part of the Global Compact Working Group on the 10th principle against corruption. The goal of this multi-stakeholder working group is to provide strategic input to the Global Compact's work on anti-corruption and to define the needs of the business community in implementing the 10th principle. The working group aims to contribute to greater coherence by supporting the alignment of existing initiatives and avoiding the duplication of efforts.

RBS Group

For RBS Group, the Compact commitment has functioned as an independent benchmark and is used as a reference point to support specific actions and dialogue with stakeholders. RBS has used the Compact commitment extensively, particularly while discussing controversial topics with certain stakeholders. They look to the Compact principles to guide internal and external actions to ensure they align with their public commitments. An example of this is their use of the Compact's guidance on human rights when recently debating and updating their lending guidelines in the defense sector. This led RBS Group to effectively develop a policy on lending to certain companies involved in cluster munitions production. Therefore, the UNGC principles provided an external example of support to change the status quo.

Swiss Re

Swiss Re extends its participation and commitment to the UN Global Compact principles to its broader universe of stakeholders, including its suppliers. As part of Swiss Re's group purchasing guidelines and minimum standards, they give preference to suppliers who comply with international social standards such as the UN Global Compact, which prohibits any sort of discrimination and the use of child or forced labor, and requires that freedom of association be upheld. In upholding the environmental principles of the UN Global Compact, Swiss Re also gives preference to suppliers who have an environmental policy or a certified environmental management system, such as ISO 14001 or EMAS. Environmental criteria and standards have been developed and must be included in purchasing decisions with regard to materials and ingredients, production methods, recycling and waste.

CASE STUDIES



CHARACTERISTICS

Clear Accountability for Commitment Compliance

Merck

"Clear qualitative examples or quantitative measurements, even if they are not directly associated with the UN Global Compact principles, but associated with something that was driven out of that, is hard evidence you can put in front of management that says here's what we've gotten out of this over the past year. That to me is important, to have hard evidence."

—Brenda Colatrella, Executive Director, Office of Corporate Responsibility

Several years ago Merck developed a roadmap for their corporate responsibility (CR) framework, and within this framework there are core areas of focus including access to health, environmental sustainability, employee health and well being, and ethics and transparency, where they have asked 1) what it is they believe in, and 2) what it is they are committing to do better at. Prior to this, Merck already had in place measurement metrics for the specific programs and individual initiatives they were involved in, but now Merck has taken it a step further and also come out with key performance indicators (KPIs) that will monitor progress across the different issue areas (access to health, environmental sustainability, employee health and well being, and ethics and transparency). These key metrics have been established with the understanding that they will be revisited time and again to verify that they are in-fact measuring what they are intended to measure. And while Merck is not necessarily using these KPIs to measure the broader-based principles of any one commitment, they function to measure the work at Merck that relates to those principles. Capturing this information will also be useful in their reporting as it enhances the organization's corporate responsibility narrative through drawing links between the more specific measurements, commitments and goals Merck has set, with the broader-based principles, such as the UNGC, they have endorsed.

Nestlé

Having closely followed Harvard professor John Ruggie's work (as Special Representative to the Secretary-General on business and human rights) with the United Nations Human Rights Council and his presentations of the UN Framework on Business and Human Rights to the Council in 2008 and the Guiding Principles in June 2011, Nestlé took action since late 2008 to build a **Human Rights Due Diligence Programme**. The Ruggie guidance and the UNGC's overarching human rights and labor principles were used to inform the design of eight operational pillars to prevent and address any negative human rights impacts associated with the company's operations. The pillars are:

- Integrating human rights into new and existing policies and procedures
- Engaging with stakeholders on human rights issues at the international and local levels
- Training employees and developing their capacities on human rights
- Evaluating human rights risks across all business activities
- Assessing human rights impacts in high risk countries
- Creating an internal Human Rights Working Group to coordinate activities with a presence from the Human Resources, Public Affairs, Legal, Security, Compliance, Procurement, Safety, Health and Environment, and Risk Management departments
- Partnering with leading organizations such as the Danish Institute of Human Rights or the Fair Labor Association to implement the activities
- Monitoring performance, external verification and reporting publicly on this every year

The program helps Nestlé adhere to its UNGC commitments and work towards its objective of being an acknowledged leader in business and human rights.

CASE STUDIES



CHARACTERISTICS

Establishing
Education, Training,
And Communication
Initiatives To Build
Awareness And
Support

A way to create value during the implementation phase is by establishing education, training, and communication initiatives to build internal awareness and support among employees and also externally with other stakeholders.

Abraaj Group

The Abraaj Group takes advantage of a number of different opportunities to put sustainability commitment, education, training, and communication into practice. Through the Abraaj Strategic Stakeholder Engagement Track (ASSET) and its internal and external communication channels, Abraaj regularly shares success stories about its community projects on education, entrepreneurship, and community engagement to a diverse range of stakeholders. The impact of integrating ESG into the Group's partner companies is also regularly shared through reports, case studies, and global speaking engagements, such as the Rio+20 Global Sustainability Forum. These stories and case studies are often released to the media as well. The internal communications are supplemented with town hall meetings held annually where employees come together to learn and talk about the progress of sustainability and community initiatives across the Group and in its partner companies.

For Abraaj, increasing employee awareness around sustainability issues and engaging them on the projects carried out by the firm is a value driver and an important part of the human resources strategy. Indeed, several studies have demonstrated the link between an employer's commitment to sustainability and the satisfaction and retention rates of its employees.

Anglo American

Anglo American extracts value from the Compact commitment by looking at UNGC gatherings as a resource for staff development and education. Anglo American employees have gained educational value and benefit from working with people from different companies in other sectors and it has given them a chance to familiarize themselves with some of the most important public policy issues.

Together with education and training, communication is another important factor the company considers when it comes to implementing a commitment vis-à-vis its employees. Anglo American uses a wide variety of communication channels: from their intranet network, emails, newsletters, text messages, and even a radio station that communicates with employees and stakeholders in remote locations. Their communication on issues such as the environment, health, community development, and safety (issues of great importance and value to their employees and stakeholders) is also aligned with the Global Compact principles.

Taj Hotels, Resorts & Palaces

"We have thousands of cases where employees have been with us for over 35 years. We have a second generation of employees working with us, and we take a lot of pride in that because we believe one of our core competencies is building relationships and this also extends to our partners, investors, and the societies where we work."

—H.N. Shrinivas, Senior Vice President, Human Resources, IHCL

IHCL integrates the UNGC principles into the work culture of the organization through its Senior Leadership Team (SLT). Driving this is the Taj Leadership System (TLS). The TLS was developed by the SLT and reflects the expectations of leaders and illustrates how leaders set, direct, plan, execute and drive sustainability performance and ethical business into the organization. The TLS through the SLT ensures a balanced focus on stakeholders, the environment and community.

IHCL also covers all aspects of the UNGC principles at various points during an employee's tenure with the company. Employee training includes testing to ensure understanding, and twice a year they conduct refresher sessions to ensure the principles are always kept in the forefront. And with respect to recruitment, in their presentation at college and university campuses they inform students of Tata's values and review their participation in the UNGC and adherence to the UNGC principles. Only if students feel they are a fit with these sets of principles can they come on board.

Infosys Limited

A practical way in which the UNGC is helping Infosys Limited develop its own strategies with respect to the ten principles and extract value from them is through learning. The company considers looking at best practices from other signatories as a very useful method to improve its own practices. Case studies have been particularly helpful in helping them understand how and what others are doing, and learning from these best practices is for Infosys one of the most valuable benefits of being a member of the UNGC.

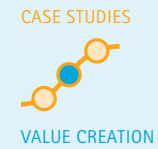
To review some learning material, the UN Global Compact Network in the UK has collected a series of case studies to demonstrate how UK signatories are addressing the eight Millennium Development Goals: <http://www.unglobalcompact.org.uk/case-studies/>. In addition, the UN Global Compact website hosts a number of case studies that demonstrate how participants and stakeholders are implementing the principles in the area of human rights: http://www.unglobalcompact.org/Issues/human_rights/Business_Practice.html, and anti-corruption: http://www.unglobalcompact.org/Issues/transparency_anticorruption/index.html.

Novozymes

Novozymes brings the UNGC principle on anti-corruption and bribery into practice with their employees through a variety of communication activities. Novozymes distributes a small booklet, called "Bribery, No Thanks", to all new employees that communicates Novozymes anti-corruption and bribery policies and practices. Training on anti-corruption and bribery is also provided to all employees, and there is an annual anti-corruption e-learning session distributed to all employees that introduces the employees to concrete dilemmas and asks them what they may do in these situations if they were to arise, and provides guidance as a result of these. By educating its employees on these issues, Novozymes seeks to prepare the employees on being aware of and acting on these dilemmas in their interaction with business partners, governments, and other stakeholders. Furthermore, creating awareness of Novozymes' anti-corruption policy is a way to reduce the reputational and legal risks for the company.

Sompo Japan Insurance

When it comes to promoting corporate social responsibility across its subsidiary companies located around the world, Sompo Japan Insurance looks to the UN Global Compact local networks as a useful educational and training tool. In Brazil, Turkey, the United Kingdom, and the United States, Sompo Japan Insurance's subsidiary companies are encouraged to join these local networks to learn from peers. The participation in UN Global Compact networks and activities across its group companies also enables Sompo Japan Insurance to create and share a common language with them all. Locally, Sompo Japan Insurance meets annually with fellow UN Global Compact members in China, Korea and Japan local networks at an annual conference, started several years ago, to exchange views and opinions and share best practice in the region. Most recently, Sompo Japan Insurance also participated in a sustainability education and training seminar for executives put on by the South Korea/China/Japan local networks.



Adopting
Performance
Management
Systems that
Increase
Organization
Efficiency

Nestlé

In order to meet its UNGC environmental commitments, Nestlé incorporated the three UNGC principles on environment into its policy on environmental sustainability, which defines the company's global environmental strategy. To implement the policy and the relevant UNGC commitments, the company developed the **Nestlé Environmental Management System (NEMS)**. NEMS ensures that the company complies with environmental legislation and meets its commitments, continuously improves its environmental performance, and enables certification of factories to the ISO 14001 international standard. The NEMS is also formally reviewed at all Nestlé business premises at least once a year.

Nestlé regularly communicates its performance, progress, and best practice on environmental management through its intranet and meetings with subject matter experts. Employees are also trained to follow the procedures as part of their induction and on-the-job coaching, with detailed guidelines and instructions distributed through the intranet and other channels.

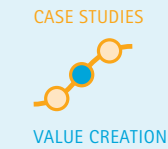
Novozymes

When the UNGC introduced principle #10 on anti-corruption, Novozymes consequently adjusted several of its policies, and at a more detailed level introduced three new management standards. One of these management standards included a mandate for the Committee on Business Integrity. The other two management standards focused on the day-to-day handling of anti-corruption. Under the mandate of the Committee, an Ethics Hotline has been recently introduced which provides a confidential platform for stakeholders to raise concerns and issues. This is an example of how Novozymes has sought to integrate sustainability issues into management systems and assure these are revisited on an on-going basis.

Sompo Japan Insurance

Sompo Japan Insurance is NKSJ Group Company. The sustainability commitments NKSJ Group has adopted, such as the UN Global Compact, ISO 14001, and ISO 26000 have influenced the Group's internal systems and processes in a variety of ways.

Sompo Japan Insurance has an internal management system for corporate responsibility (CR) that was originally based on the ISO 14001—the international standard for environmental management systems—and then further expanded to include ISO 26000—guidance on social responsibility. As a part of their CR management system, every year each department is required to set new specific goals using the aforementioned tools, which therefore effectively function as a systematic management scheme that allows NKSJ Group to make informed decisions and be more efficient. And while the CR management system functions as the driver and backbone of all CR commitments and activities, it is the different business lines that are responsible for implementation and reporting, and every year performance results are reported to the CEO of NKSJ. According to Sompo Japan, the company's CEO is deeply committed to CR management system and that is one of the key factors in its success. The CEO is also responsible for reporting on progress to third party certification organizations that also come in to verify the accuracy of the data every year.



Improving
Reporting
Processes and
External
Accountability

BBVA

Conducting thorough data collection and analysis to support reporting is one of the key ways to extract value from a commitment during the implementation phase of the SCGC. Tomás Conde, Director of Sustainability at **BBVA** said, "Whatever is not measured is not managed. If there are no metrics, there is no possible way to effectively manage. It isn't enough to say you're doing well—you need numbers, key performance indicators, indices from clients, suppliers, employees. I want to know where I am and where I'm headed." This quote summarizes well the key role that measurement and evaluation plays in managing any corporate responsibility or sustainability program. Data collection and analysis can be leveraged to get internal buy-in for a company's activities, also to justifying them externally, to make sure resources are optimized, to understand progress and gaps, and create relevant metrics and key performance indicators—these are all necessary components of a successful sustainability/CR strategy.

BT

As a founding signatory to the UNGC, BT has been reporting on its commitment to the principles for over a decade. The company includes a comprehensive UNGC Communication on Progress table in its report, see: <http://www.btplc.com/betterfuture/betterbusiness/betterfuturereport/report/Indexes/GCPIIndex/index.aspx>. For each principle, BT summarizes the relevant key sections of the report and provides links to further information such as performance measures, lessons learned and next steps, allowing stakeholders to understand how the principles are integrated into the business. By reporting in detail about the company's performance on the ten UNGC principles, BT sends a strong message to all stakeholders about the seriousness of their commitment and their effort to implement the UNGC principles in a transparent manner that allows for external and internal accountability.

RBS Group

RBS Group advocates that the Compact principles have brought about general benefit, for example in terms of the rigor of their reporting. When reviewing material issues while preparing their sustainability report, the Compact principles are useful as a reference point to ensure the issues highlighted in the report respond to the principle areas covered. Andrew Cave, Head of Sustainability at RBS advocates "it is helpful at a very high level in terms of accountability, and with policy, and on a transactional level when looking at particular issues."



Companies with mature and robust corporate responsibility programs can advance beyond a commitment's requirements and set new standards of performance through innovating around specific sustainability commitments and issues. Governance systems can be created, such as executive or board level sustainability committees, to direct action and accountability towards commitment goals and compliance, and to provide leadership and innovation around commitments in areas that are material to the company.

The establishment of formal governance practices and oversight sends an internal signal to employees that sustainability and corporate responsibility are taken seriously and important to senior leadership. It also signals to external stakeholders that corporate responsibility and sustainability efforts are an integral part of the company's long term strategy and embedded into its management and decision-making processes. Developing governance around corporate responsibility and sustainability activities also enables companies to make more aligned choices about which commitments they join, and also more effectively monitor and manage them.

5. Commitment Advancement Phase

CHARACTERISTICS

To maximize the value and impact of advancing a commitment a company should strive to exhibit the following characteristics:

- **Establish formal governance systems to review sustainability activities and commitments.** A company can establish executive or board level sustainability committees to govern activities and select, advise, and review sustainability commitments and efforts.
- **Define a clear commitment selection process with the senior leadership team to get clarity on the business case behind making sustainability commitments.** A company can create an overall framework or paradigm to more effectively determine which sustainability commitments are worthwhile investments based on an understanding of the material issues most relevant to the company. A successful framework is one that is applicable across all business units and acts as a filter to communicate incentives, and support the adoption of effective sustainability commitments.
- **Use a commitment to establish baseline performance,** both internally and externally. A company can encourage and "police" peers in the industry to uphold sustainability commitment aspirations and requirements.
- **Use the commitment to guide the revision of corporate policies, codes of conduct, governance, risk, and compliance procedures.**
- **Demonstrate leadership, collaboration, and advocacy for commitment adoption and implementation.** A company should exhibit leadership and advocacy around a commitment instead of differentiation. Commitment leadership is about collaboration and the adoption of shared values that consider the broader good and collective benefits gained and shared by all.
- **Implement advanced reporting practices** under which transparency and disclosure are considered top priorities.

VALUE CREATION

Commitments should be dynamic in order to provide companies with continuous opportunity for leadership and innovation. The advancement of a commitment can create value by:

- **Setting new industry standards and aspirations.** A company can embrace any commitment to demonstrate leadership with various stakeholders around material sustainability issues and activities. Stakeholder engagement can lead to enhanced business opportunities.
- **Promoting shared values and collective benefits.** A commitment can act as a platform or vehicle to organize around, and to advocate from for specific sustainability commitment activities and efforts more broadly.
- **Improving business performance through the creation of new business practices and systems of governance.** The creation of an Executive or Board level sustainability committee can help compliance efforts and be a key tool for risk mitigation.
- **Engaging in advocacy and policy development** to advance sustainability commitment adoption on a regional, national, or global scale.

Case Studies: Advancing The UN Global Compact Commitment

The UN Global Compact commitment can be viewed as a long-term “shared investment”: an investment in collaboration for the public good and shared value. The UN Global Compact commitment—its global gatherings and conventions, Local Networks, working groups, special initiatives, white papers, etc.—can function as platforms and facilitate the pooling of companies' efforts and resources to cooperate with competitors and a broader stakeholder community.

Achieving sustainability and corporate responsibility in the areas covered by the ten UN Global Compact principles are systemic challenges that require companies to work together. The advancement of the UN Global Compact commitment means going beyond the principles and also advancing broader UN goals around peace, climate change, financial empowerment, etc. UN Global Compact participants can advance these efforts through a variety of activities such as inclusive business models, strategic social investment and public policy engagement, advocacy efforts, and through partnership and other forms of collective action.

CASE STUDIES



CHARACTERISTICS

Formal Governance Systems to Review Sustainability Activities & Commitments

Companies have formed Sustainability Committees and Boards to review and guide their corporate responsibility and sustainability agendas and activities. Doing so has enabled companies to focus and select voluntary sustainability commitments more strategically, allowing for the best use of their resources.

Merck

The **Office of Corporate Responsibility** is the central coordinating function at Merck to ensure a comprehensive approach to corporate responsibility. Merck also has a number of corporate responsibility governance bodies in place to help steer the activities of the office and review performance of corporate responsibility activities.

Reporting and decision making around corporate responsibility activities, including the decision to join the UNGC, are passed through to **The Public Policy and Responsibility Council** at Merck. The Council is a decision-making governance body comprised of senior Merck leaders from all parts of the organization, and it functions to guide Merck's strategic thinking and decision making around policy and corporate responsibility. The Council is of value to the Office as it helps them think through where to put their time, energy and resources. Just last year, the Council sat down to review over 40 surveys and indices Merck responds to every year, taking up a lot of time and resources, to decide which ones to prioritize or withdraw from. While the Council acts as a guiding body, to obtain final approval for corporate responsibility activities by the CEO, the Office then reports corporate responsibility activities to **The Board Committee on Governance, Public Policy & Corporate Responsibility**.

Novo Nordisk

At Novo Nordisk, the **Corporate Sustainability Team** defines the overall sustainability strategy, coordinates the reporting processes, and oversees sustainability commitments. Each sustainability commitment or long-term target is approved by the cross-organizational Sustainability Committee, and then is assigned to a relevant department. For example, commitments related to diversity are managed by the human relations department and commitments related to climate change are managed by the environment department. Compliance and legal issues related to human resources are handled by a dedicated global office. Cross-cutting issues are the responsibility of the Corporate Sustainability Team. Performance against these commitments is tracked on a quarterly basis and then captured for the annual communication of progress. This approach to governance allows sustainability commitments to be firmly anchored in the operations of various business areas, while also allowing the cross-fertilization of ideas through the corporate-wide sustainability team.

Novozymes

Novozymes has integrated and organized sustainability in-house through a **Sustainability Development Board (SDB)** and **Sustainability Department**. The SDB plays a significant role in their adherence to the UNGC principles. It is cross-functional and represents vice presidents from all key lines of business such as R&D, Finance, Sales & Marketing, Sourcing, Business Development, and Acquisitions. The SDB reports directly to Novozymes' Executive Management and is responsible for setting short and long-term targets for sustainability development, implementing strategy, and making proposals for executive management to decide whether they should join a specific commitment. Furthermore, the financial, social and environmental sustainability performance results are reported to Novozymes' Board of

One of the defining traits of companies that have reached the advancement phase of the SCGC is the demonstration of leadership and innovation around a commitment, specifically collaboration with other companies and partners, as well as the advocacy and advancement of sustainability commitments more broadly.

Abraaj Group

The Abraaj Group views its participation in the Compact as more than just incorporating principles into their business. To them, being a Compact signatory is about being a part of an ecosystem and being able to engage with others through various stakeholder platforms, whether it is the UN Principles for Responsible Investment (PRI), the Global Compact, or their relationships with key development finance institutions, such as the International Finance Corporation, regional Development Banks or other investors with a focus on sustainability. Abraaj advocates that the role of Compact signatories is to proactively communicate and collaborate on information and initiatives that help advance the aims and values of the Compact.

The management of sustainable ESG practices takes place within the Abraaj Performance Acceleration Group which views sustainability from three lenses, investing in line with our firm's values, value protection through effective risk management, and active value addition through sustainable business practices.

Abraaj believes its responsibility is not just to follow good and responsible investing practices, but also to encourage others outside its immediate sphere of influence to follow them as well. Abraaj works with its partner companies to educate them on voluntary commitments such as the UNGC and encourages them to adopt those principles that make the most sense for each business. In this regard, it should be recognized that the Karachi Electric Supply Company, a partner company of Abraaj, has been a pioneer in adopting stakeholder engagement practices. Further, it is the only private utility company in Pakistan that secured a level 'A' rating from the Global Reporting Initiative for its integrated sustainability report. Examples like this demonstrate the ability of the Group to influence and embed a culture and practice of sustainability across its partner companies.

Frederic Sicre, who leads ASSET, stressed this idea when he said that joining the UNGC for Abraaj had to do with "being involved in shaping the world we are living in and the world of tomorrow, where we think we can make a contribution". He added, "We always wanted to be involved in important networks and organizations that try to—in a noncommercial way—orchestrate dialogue and discussions with different parties to create a better place for future generations. The UNGC was launched in Davos at the World Economic Forum and we wanted to be a part of a group of leaders who can come together, exchange views, and hopefully have recommendations that help to shape future policies that affect the environment in which we are operating."

Novo Nordisk

For Novo Nordisk, one of the benefits of joining the UNGC was the ability to network and collaborate on sustainability issues. Susanne Stormer, VP of CR explained, "A part of the recipe for the very strong engagement we have with the UN Global Compact is that we feel committed not just to a sheet of paper, but to a team of people who are working on these issues, and the colleagues that we have among our peers who are also signed up. So going to a UN meeting is not just to meet our obligations on the commitment, but it's as much to meet with a bunch of people with whom we have a common task." In particular, Novo Nordisk works actively with the "Global Compact Network Nordic Countries" to ensure the principles gain further traction in the region and to share best practices for implementation among Nordic companies.

CASE STUDIES



VALUE CREATION

Promoting Shared Values and Collective Benefits

Directors on a quarterly basis, and remuneration for Executive and Senior Management is linked to sustainability performance, such as carbon emission reductions, energy efficiency, employee perception of satisfaction, motivation and development opportunities, etc. The Sustainability department assists the SDB in the day-to-day operations of anchoring, integrating, and organizing sustainability within Novozymes. The Sustainability department consists of regional sustainability managers in Brazil, China, India, and the U.S., as well as corporate specialists in the fields of business ethics, and social and environmental responsibility.

RBS

RBS Group is signatory to a number of voluntary sustainability commitments and standards. All sustainability commitment activity and progress is reported annually to their **Group Sustainability Committee (GSC)** as well as in the annual sustainability report. RBS has a robust governance structure in place to oversee its sustainability agenda. The GSC is a board level committee and is responsible for overseeing and challenging how management is addressing sustainability and reputation issues. Since its establishment in 2009, some key outputs from the GSC include 1) The creation of the company's first ever set of sustainable business principles, 2) A review of RBS Group's overall sustainability strategy, values and policies, and 3) Updated environmental, social and ethical lending policies.

CASE STUDIES



CHARACTERISTICS

Leadership,
Innovation, and
Collaboration in
Setting New Industry
Standards and
Aspirations with
Sustainability
Commitments

Companies are setting new standards of performance through innovating around specific sustainability commitments and issues. Not only is pushing the envelope good for an entire industry, it is good for a company's own business development.

Abraaj Group

"We have 3 pillars which drive our sustainability approach. First of all, we are convinced that the core of our business has an impact when it is done well and according to strong values. We have always believed, since inception, that private equity investing generates a development impact that transcends pure financial returns and our ASSET approach embodies that thinking. The second layer is our 5+5+5 program where we draw on the human and financial capital of our firm and its people to resource our Group's sustainability initiatives. The third level, which is critical, is that we engage through ESG practices with our partner companies to act as agents of change in their communities or to join our own initiatives if they are well suited and aspire to do so."

—Frederic Sicre, Managing Director and Head of ASSET, The Abraaj Group

For Abraaj, the ability to create systemic and sustainable change in the economic landscape of its operating markets is as critical a benchmark of success as financial returns. For example, between 2007 and 2011, Abraaj's Middle East and North African partner companies increased the number of women in their workforce by 230%, while 73% of their partner companies in Asia now pay wages well above minimum statutory levels prescribed by their respective governments.

The Abraaj Strategic Stakeholder Engagement Track (ASSET), responsible for driving the broader stakeholder engagement philosophy in the group and its partner companies, encapsulates this belief. ASSET implements programming that ensures that Abraaj employees, and those of its partner companies, become active community citizens and engage with the company's stakeholders.

Via ASSET, Abraaj works with more than 60 non-governmental organizations to improve education, create jobs, and build more sustainable communities. It targets areas closely aligned with Abraaj's business—entrepreneurship, employment and income generation—and engages organizations with a proven track record in these areas.

ASSET is largely funded by Abraaj's 5+5+5 program, which contributes 5% of Abraaj's management fees, 5% of employee bonuses (on a voluntary basis) and is powered by a minimum of five days a year of volunteer work by each employee. As a result, Abraaj has invested more than 8,000 man-hours in the past three years and more than US \$60 million in a range of stakeholder engagement programs since 2005.

The Group's innovative ASSET and 5+5+5 program, and collaborative efforts in engaging with partner companies, NGOs, academic institutions, strategic partners and other stakeholders to advance sustainability goals exemplifies

its commitment to advocating for the broader adoption of their own sustainability commitments. In setting strong environmental, social, and governance considerations under which partner companies must operate, Abraaj is setting new standards in the private equity industry.

Aviva Investors

"As long-term investors we believe that embedding environmental, social and governance factors into a company's strategy can enhance shareholder value. We also believe that stock exchanges can play a crucial role in helping to create more sustainable global capital markets because of their ability to directly influence and monitor the operations and strategy of companies seeking to access the equity markets. We are sending a strong signal that, all things being equal, Aviva Investors would prefer to trade on stock exchanges that maintain this listing provision."

—Paul Abberley, CEO, Aviva Investors, London

Aviva Investors is taking a leading role engaging with stock exchanges on ESG-related issues. Its strong commitment on this front, advocacy and support of the Sustainable Stock Exchange (SSE) initiative, demonstrates how a company can exhibit leadership, collaboration, and inspire innovation in setting new industry standards and aspirations with sustainability commitments.

Aviva Investors was a co-founder of the Sustainable Stock Exchange (SSE) initiative and has been a vocal advocate and supporter since its inception. The SSE is a partnership between investors, the UN Global Compact, the UN Principles for Responsible Investment (UNPRI), the United Nations Environment Programme Finance Initiative (UNEP-FI), and the UN Conference on Trade and Development (UNCTAD)—that is looking at how the world's exchanges can work together with investors, regulators and companies to enhance corporate transparency and performance on ESG (environmental, social and corporate governance) issues, and encourage responsible long-term approaches to investment.

Aviva Investors has called for all the listing authorities of the global stock markets to: (a) Consider updating their listing rules to include a provision that promotes disclosure of data on companies' sustainability performance and strategy, and (b) Make it a listing requirement that companies put a forward-looking sustainability report and strategy to the vote at their annual general meetings (Aviva already puts its own corporate responsibility report to an annual general meeting vote).

Most recently, the SSE advanced its efforts following its last conference held in June 2012 in Rio De Janeiro, when five stock exchanges—NASDAQ OMX, BM&FBOVESPA, the Johannesburg Stock Exchange (JSE), the Istanbul Stock Exchange (ISE) and The Egyptian Exchange (EGX)—all voluntarily committed to work with investors, companies, and regulators to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among companies listed on their exchange.

Aviva Investors' support for the SSE since the outset and its continued efforts to engage with stock exchanges on ESG-related issues demonstrates its strong commitment to advancing beyond individual efforts and promoting shared values and collective benefits.

CASE STUDIES



CHARACTERISTICS

Defines a Clear
Commitment
Selection Process

Novo Nordisk

Novo Nordisk has established a clear selection process and governance system for sustainability commitments. When Novo Nordisk receives an invitation, or the sustainability team proposes joining a commitment, the commitment is taken for consideration to the Sustainability Committee, which is led by the sustainability team and also has senior representatives from across the organization. The committee considers whether the proposed commitment is relevant, strategic, and aligned with the company's sustainability priorities. The committee also considers whether the commitment would advance transparency and provide valuable information to stakeholders, and whether the commitment would further peer-to-peer learning across industries. The committee's analysis also includes a breakdown of what actions the company would need to take in order to deliver on the commitment. The proposed commitment is reviewed by the legal and compliance teams, and in some cases, taken to the Board of Directors for approval.

This process has helped Novo Nordisk focus its energy on those commitments that are most relevant and strategic, and eliminate those commitments that may address important issues, but that ultimately are not relevant to their company. This selectivity has become increasingly important for Novo Nordisk given that its growth has come with a greater risk of exposure in a strict regulatory environment. Susanne Stormer, Vice President of CR explained, "It's very important for any organization that wants to join a commitment to make a business case. In our case, the business case has been, 'Does it support the strategic focus that we have?'"

In the case of the UNGC, Stormer explained that Novo Nordisk was comfortable with joining the Compact because the principles were aligned with its sustainability priorities, especially in regards to human rights. "We really appreciated the fact that it was a set of principles because the principles have the same character as our values-based management system," she said.

CASE STUDIES



CHARACTERISTICS

Continually Using Commitments in Guiding and Revising Corporate Policies, Codes of Conduct, Governance, Risk, and Compliance Procedures

Novo Nordisk

In 2010, Novo Nordisk undertook a thorough update of its entire internal governance system, which includes a global set of policies called the "Novo Nordisk Way." These policies refer to the various dimensions of how the company does business. While updating these policies, Novo Nordisk strove to align them with the UNGC principles. Translating the aspirational UNGC principles into concrete corporate policies was a challenging task, but it proved to be a valuable exercise because it prompted rich discussion among the various working groups about the principles and what they mean for Novo Nordisk.

Recently, Novo Nordisk has been using the principles to guide an update of its environmental strategy. Susanne Stormer, VP of CR said, "We were looking at how we can break down the elements of the principles and make them into actionable dimensions of a program. That would then translate into an overall aspiration, then into a set of medium-term targets, and then some short-term targets as well. This is where the principles have been a good guiding star in our work."

RBS Group

When RBS joined the UNGC there were standards in place that addressed corporate responsibility, ethics and sustainability, however, with a growing and increasingly complex and international supply chain, they needed to be revised. RBS was looking for a framework they could easily provide to their suppliers. The UNGC, being a set of universal principles, widely translated into different languages and easily accessible, was a great starting point and was used as a framework to guide and revise RBS Group's ethical code for suppliers. As part of their code, RBS Group asks all of their suppliers to adhere to the ten principles of the Compact. This is a very tangible way to extract value from the UNGC, and it also shows the kind of leadership UNGC signatories can exercise within their areas of influence.

Swiss Re

As part of Swiss Re's integrated approach to risk management they have developed formal processes to address specific types of sustainability risks in their core reinsurance business and the Group's asset management. Swiss Re's **Sustainability Risk Framework** is a company-wide risk management instrument that was created to tackle environmental, social, and ethical issues in their business. Currently, this framework comprises policies that cover eight sensitive sectors and issues (such as defense, mining, animal testing, nuclear weapons, etc.), and within each policy there is a set of predefined criteria and qualitative standards that can be applied to all Swiss Re's business transactions (both reinsurance and investments) as a due-diligence assessment to identify not only potential environmental, social or ethical risks, but also to establish whether the principles expressed in their Code of Conduct may be threatened or in danger of being violated. The sustainability risk assessment of a transaction can result in a recommendation to go ahead with the transaction, to go ahead in adherence with certain conditions, or to abstain from it entirely. In 2012, the number of transactions submitted through this risks process rose to 170 with 23 of the cases issuing negative recommendations.

Bloomberg

The UNGC environmental principles complement Bloomberg's environmental framework which seeks to demonstrate that sustainability is business-relevant to a 21st century company. Bloomberg uses a sustainability lens to improve efficiencies across its operations, reducing costs and environmental risks. Additionally, Bloomberg is developing products and services to help their customers navigate a resource constrained economy. Despite workforce and occupancy growth of over 50% since 2008, Bloomberg decreased its total emissions intensity by 30+% and its landfill per employee by over 70%. The associated efficiency projects are projected to produce net savings of over \$50 million by the end of 2013. During this time, Bloomberg's LEED portfolio has increased to 14 offices and it expects to have 70% of its workforce in LEED buildings by 2020. A 1.8MW solar panel installation at its New Jersey campus supplies 58% of the primary building's annual energy consumption and saves the firm \$350,000 per year. Bloomberg achieved its target of a 50% carbon footprint reduction 2 years ahead of schedule.

Infosys Limited

Infosys Limited encapsulates their corporate performance objectives to be achieved throughout the year, including their sustainability performance goals, in a corporate scorecard. Infosys draws from a materiality analysis, stakeholder needs, and a variety of their sustainability commitments, including the UNGC principles, to set the objectives, metrics, and targets for this scorecard. To regularly monitor, review and ensure action and compliance with their sustainability goals, Infosys has put into place a Sustainability Council that guides the strategy and action of their sustainability projects and initiatives, as well as acts as a strong review mechanism to ensure goals are tracked and actions are taken. Their Risk Management Committee and the Risk Council also meets periodically to review the risks in achieving these objectives and sets into place actions they can take to mitigate these.

The Dow Chemical Company

Participation in a variety of the active platform initiatives within the UNGC community has brought value to Dow by providing them with access to individuals, companies, and their views, that they wouldn't be able to access as easily otherwise. Initiatives such as the CEO Water Mandate, Caring for Climate, and the Women's Empowerment Principles match up with areas of focus that are of importance to Dow, and have added further external accountability and activity to their efforts in these areas. As Dow engages with them more deeply, getting their subject matter experts more involved, they value the opportunity they have to view firsthand how other organizations are looking at these very same topics.

CASE STUDIES



CHARACTERISTICS

Using Commitments to Establish Baseline Performance



MATERIALITY DETERMINATION

The first step to making effective choices around what voluntary sustainability commitments a company should join is to look at the nature of the business and systematically define the issues that are "material" to the success and sustainability of the company. A material issue is an issue that will influence the decisions, actions and performance of an organization or its stakeholders. To determine what is material requires a materiality determination process. Much has been written about defining materiality and there is growing interest in achieving greater precision around the definition of materiality. AccountAbility laid the foundation for this work with the **AA1000 Principles Standard (AA1000APS)**⁴ which defines the principle of materiality. AccountAbility's materiality framework, designed for organizations seeking to apply a rigorous, yet practical approach to materiality determination, can be further explored in AA1000APS, as well as in **AccountAbility's "The Materiality Report."**⁵ AccountAbility's framework remains widely recognized and applied by hundreds of companies today. In the last two years there's been heightened attention around materiality in global initiatives, including the efforts of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

⁴ <http://www.accountability.org/about-us/publications/aa1000.html>
⁵ <http://www.accountability.org/about-us/publications/materiality.html>

6. Looking Ahead: Focusing Your Sustainability Commitments

Focusing Your Sustainability Commitments

Companies can organize their commitments by keeping an inventory or "scorecard" arranged in a hierarchical manner. First, commitments can be classified into three groups: those that are 1) Global and overarching, 2) Issue based, and 3) Industry specific. Second, companies can distinguish

within each of these groups those commitments that are narrow in focus and metric driven versus those that are broad and principle-based. And furthermore, alongside each commitment companies can identify and update commitment goals and key performance indicators.

SUPPORT WITH SUSTAINABILITY COMMITMENTS				
Identification of Material Issues	Global Overarching	Global overarching commitments such as the UNGC principles that span multiple areas: labor, human rights, environment, anti-corruption.	Broad Commitments (principle-based) —vs— Narrow (specific, measurable)	Established Goals and KPIs
	Issue Based	Issue based commitments such as Climate Disclosure Project, CEO Water Mandate, Women's Empowerment Principles, WWF, etc.	Broad Commitments (principle-based) —vs— Narrow (specific, measurable)	Established Goals and KPIs
	Industry Focused	Industry specific commitments such as the Equator Principles, PRI, etc.	Broad Commitments (principle-based) —vs— Narrow (specific, measurable)	Established Goals and KPIs

The UN Global Compact as Filter And Guide

Companies can utilize the UN Global Compact principles as a filter to review their corporate policies against to identify gaps, risks, and opportunities, as well as areas where they may exceed or fall short in addressing the principles [see Figure 3].

When a company becomes aware of these gaps they may consider what other initiatives they may want to join to address these shortcomings. UN Global Compact global conventions and gatherings, working groups, and Local Network events are opportune places to discover what other robust initiatives and commitments exist to support and complement a company's existing efforts. The Corporate Sustainability Forum in Rio, June 2012, convened and announced a variety of initiatives, serving as a great introduction to both local and global sustainability commitment efforts underway.

The UN Global Compact convened the **Rio+20 Corporate Sustainability Forum (CSF) in June 2012**, bringing together corporate, private and public players to address key sustainability issues, and announce a variety of sustainability initiatives and commitments. The summary report and outcome document of the CSF can serve as a useful guide for companies seeking to identify valuable network and commitment opportunities. The report can be found online at: http://www.unglobalcompact.org/docs/news_events/2012_CSF/Rio_CSF_Overview_Outcomes.pdf

The UN Global Compact as a Filter & Guide (Figure 3)

The UN Global Compact commitment can be viewed as a global overarching sustainability commitment. Signatories can and should use their UN Global Compact commitment and its principles as a filtering mechanism to identify material issues, select what other commitments to join, and as a guide to advance along the SCGC to capture value.

The UNGC and its Principles

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.

First, the UN Global Compact serves as a **filter** to decide what other commitments to join. In this sense, a company can utilize the UN Global Compact to:

- Map all UNGC principles to the business and determine which principles are most directly relevant to the company's sector.
- Select the most relevant principles in human rights, labor, environment, and anti-corruption initially and focus on commitments and efforts to address these.
- Review corporate policies and codes of conduct and the universe of existing commitments against UN Global Compact principles.
- Identify gaps, opportunities, and risks.
- Consider other initiatives and commitments to go deeper to address the gaps, opportunities, and risks identified.
- Make avoidance of harm the baseline or minimum across all the principles, but explore opportunity to create shared value aligned with the company's strategic interest.

The UN Global Compact, with its four focus areas (environment, labor, human rights, and anti-corruption) and specialized platforms, covers a broad spectrum of sustainability commitments. These are based on

international instruments that enjoy the widest consensus among governments and can thereby help companies, wherever they operate, identify where they stand in each, as well as where their commitments fall short, meet, or exceed their aspirations in each of these areas.

Second, the UN Global Compact can serve as a **guide** to help companies make progress on the SCGC, increase the impact of their sustainability practices, and create value. In this sense, companies can:

- Utilize UN Global Compact Local Networks and gatherings as networking and learning opportunities to address challenges of implementing other commitments. The UN Global Compact is a "safe space" for companies to discuss and learn without naming and shaming.
- Consider the UN Global Compact as gateway into broader UN goals and issues.

One of the compelling features of the UN Global Compact is that it is "timeless" in the sense that it works at all stages. No matter where a company is on the SCGC, the UN Global Compact can be helpful for a company to frame issues, learn from others, and improve its practices.



Partners



United Nations Global Compact

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AccountAbility helps its clients and members improve business performance and build sustainable, competitive advantage by:

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- Mitigating risks
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