



United Nations
Global Compact



2017

UNITED NATIONS GLOBAL COMPACT PROGRESS REPORT

BUSINESS SOLUTIONS TO
SUSTAINABLE DEVELOPMENT





In 2015, world leaders united in an unprecedented expression of collective good will to adopt the 2030 Agenda and its 17 Sustainable Development Goals. Our shared challenge is to translate this universal and holistic framework into ambitious action and innovative solutions.

Public-private collaboration can play an invaluable role in this effort. The United Nations Global Compact provides a platform for business leaders to join in this work and to accelerate the changes we need.

The world has the knowledge, wealth and capacity to transform our prospects and build a peaceful, prosperous future for all on a healthy planet. I look forward to the contributions the private sector will make in contributing to UN objectives and serving the common good.

United Nations
Secretary-General,
António Guterres



CONTENTS

**STATEMENT FROM ANTÓNIO GUTERRES,
UNITED NATIONS SECRETARY-GENERAL** **2**

**FOREWORD FROM LISE KINGO, UN GLOBAL
COMPACT CEO & EXECUTIVE DIRECTOR** **5**

EXECUTIVE SUMMARY **7**

**CHAPTER ONE:
THE UNITED NATIONS GLOBAL COMPACT** **13**

- 1.1 The UN Global Compact in Brief 13
- 1.2 A Coherent Framework for Sustainable Business 15
- 1.3 The UN Global Compact in Numbers 16

**CHAPTER TWO:
ARE WE MAKING PROGRESS? HIGHLIGHTS
FROM OUR SURVEY OF PARTICIPANTS** **23**

- 2.1 The Big Picture: Overarching Findings Assessing Progress: 24
- 2.2 The Economic Dimension 34
- 2.3 The Social Dimension 44
- 2.4 The Environmental Dimension 54
- 2.5 The Value of the UN Global Compact 58

**CHAPTER THREE:
LOOKING AHEAD: TEN FOCUS AREAS FOR
FURTHER ENGAGEMENT** **66**

- 3.1 The Ten Focus Areas 66
- 3.2 Your Toolbox 92
- 3.3 Notes on Methodology 96
- 3.4 Sources 98

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FOREWORD

In the two years since the adoption of the **2030 Agenda for Sustainable Development** by all 193 Member States of the United Nations, the global business community has made important progress towards delivering its ambitious Sustainable Development Goals (SDGs). By committing at the CEO-level to the **Ten Principles** of the United Nations Global Compact, companies around the world have been able to approach the SDG challenge while meeting fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

The 17 SDGs and their related 169 targets, commonly referred to as “Global Goals,” are the destination that we want everyone to reach in 2030. The Ten Principles are the values, providing a unifying guidance for all businesses navigating toward the better world the Global Goals seek to create. But the deadline to meet the 2030 Agenda is fast approaching: with less than 5,000 days to go, now is the time to scale up business action as never before.

The *2017 United Nations Global Compact Progress Report* is an analysis of how companies are implementing our Ten Principles and the actions they are beginning to take to advance the Global Goals. This report also identifies ten focus areas which would benefit from our collective engagement. While this report does not measure impact in the world nor

progress against the Global Goals, over the coming years, we will concentrate on collecting data to measure the tangible impact of responsible business activities throughout society.

We are encouraged to see the findings of this report demonstrate how companies — of all sizes and from all sectors and regions of the world — are implementing our Ten Principles in tandem with their pursuit of the Global Goals. It is clearer than ever that a principle-based approach that prioritizes upholding basic responsibilities to people and planet is an essential framework for today’s sustainable companies.

The level of engagement from CEOs as shown in this report is also cause for optimism. By becoming personally invested, top executives are sending an important message to their employees, customers and other stakeholders that the company’s sustainability engagement is a strategic and operational priority.

I hope you will find this report both inspiring and useful, and that you will join us as we work to create the world we all want. The 2030 Agenda will not be met if businesses do not take up its cause. We urgently need the new technologies, innovations and partnerships that centre both the people and planet dimensions of sustainable development, and that only the private sector can deliver.

Globally and on the ground through more than 70 Local Networks, the UN Global Compact is committed to supporting the business community on the path to 2030. My team and I are personally dedicated to activating all our energies and resources to support companies everywhere over the next 5,000 days and beyond. Together, we can ensure a life of dignity for all and preserve our planet for future generations, but only if we act now.

Lise Kingo
CEO & Executive Director
United Nations Global Compact

75%

OF COMPANIES SAY THEY
ARE TAKING ACTION
ON THE SUSTAINABLE
DEVELOPMENT GOALS



EXECUTIVE SUMMARY

Over the past century the world has experienced tremendous economic growth, seen scientific discoveries and rapid technological and digital developments that have vastly improved the lives of millions of people around the world. Business has played a major part in this progress, through innovation, delivery of new services and products, provision of jobs and connecting people and cultures through international trade.

Today, all around the world we see inspiring examples of farsighted individuals, entrepreneurs and businesses that dare to think anew and take bold decisions to invest in solutions that can improve the lives of millions. Never before have we had the capacity, the knowledge and the resources to shape the future we all want.

Yet, despite these successes, we face unprecedented challenges that demand a whole new level of human initiative. If we continue on the current path – with intensifying climate change, depletion of vital natural resources and rising inequalities among people – we not only threaten future prosperity, but risk a reversal of the progress in human development that we seen so far. A change in course is needed, and the global business sector is encouraged to play a key role.

KEY FINDINGS: THE REPORT IN A NUTSHELL

The 2017 UN Global Compact Progress Report takes stock of how UN Global Compact participants are embedding the Ten Principles in their strategies and operations to ensure that business activities are aligned with the universal values and declarations of the United Nations. And for the first time we also review how businesses are contributing to the 17 Sustainable Development Goals.

THE UN GLOBAL COMPACT: A COHERENT FRAMEWORK FOR SUSTAINABLE BUSINESS

The Ten Principles are the fundamental values that businesses embed in their business strategy and operations to guide their conduct, and the 17 Sustainable Development Goals are time-bound targets defining the destination we have to work towards.

The findings are encouraging. Significant progress has been made in critical areas: more sophisticated approaches to integrating sustainability into core business strategies and operations are emerging, and sustainability is treated more strategically and at a much higher level than ever before. Our analysis shows clear signs of a deepened understanding that responsible business is not only key to solving the pressing economic, social and environmental challenges that we face today, but it is also a vital element in the creation of the necessary conditions for business to thrive in the future.



POLICIES AND SUPPORT FOR HUMAN RIGHTS AND ANTI-CORRUPTION IS GROWING

We see strong growth in the number of companies with policies related to Human Rights and Anti-Corruption so that now over 90% of companies that have joined the UN Global Compact have policies in place on all the UN Global Compact Ten Principles of responsible business (see figure 1).

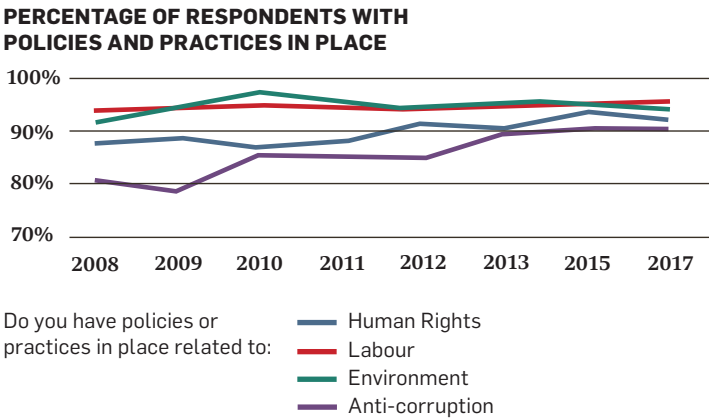


Figure 1: A Strong Commitment to the Principles, and Increasing Convergence between Human Rights, Labour, Environment and Anti-corruption.

MIND THE GAP: ACTIONS AND INTENTIONS ARE NOT ALIGNED

We still face challenges in turning policies into action, with a significantly lower number of companies setting targets, conducting impact assessments or monitoring performance (see figure 2).

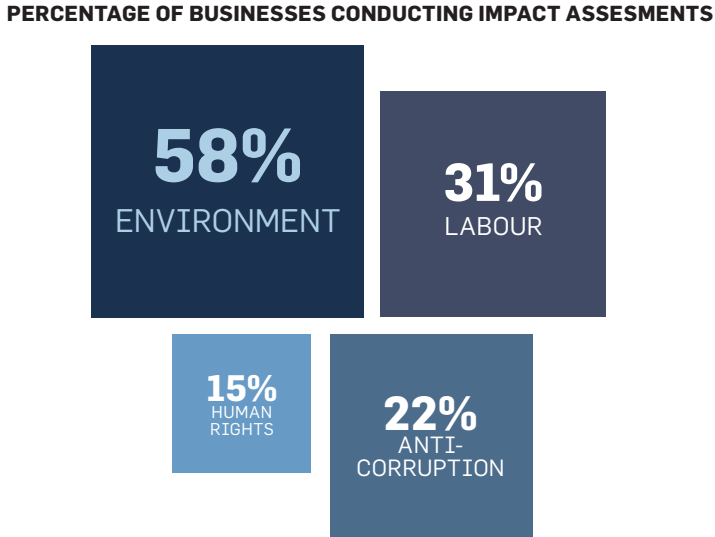


Figure 2: Mind the Gap: A Lower Percentage of Companies are Conducting Impact Assessments

STRONG ENGAGEMENT ON THE SUSTAINABLE DEVELOPMENT GOALS

Already after 2 years 75% of companies have actions in place to address the Sustainable Development Goals. The Global Goals with the most activities are Goal 8: Good Jobs and Economic Growth, Goal 3: Good health and Well-Being, and Goal 5: Gender Equality. There is a low level of activity in support of Goal 16: Peace and Justice, Goal 2: Zero Hunger, Goal 15: Life on Land and Goal 14: Life Below Water.

The main ways that businesses are acting on the Global Goals is through embedding this into their core business and building partnerships.

WHICH OF THE FOLLOWING GLOBAL GOALS DO YOUR ACTIVITIES TARGET?

- 49% GOAL 8: GOOD JOBS AND ECONOMIC GROWTH
- 49% GOAL 3: GOOD HEALTH AND WELL-BEING
- 45% GOAL 5: GENDER EQUALITY
- 42% GOAL 4: QUALITY EDUCATION
- 40% GOAL 12: RESPONSIBLE CONSUMPTION
- 39% GOAL 9: INNOVATION AND INFRASTRUCTURE
- 37% GOAL 13: CLIMATE ACTION
- 35% GOAL 7: CLEAN ENERGY
- 32% GOAL 10: REDUCED INEQUALITIES
- 32% GOAL 6: CLEAN WATER AND SANITATION
- 30% GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES
- 29% GOAL 17: PARTNERSHIP FOR THE GOALS
- 24% GOAL 1: NO POVERTY
- 23% GOAL 16: PEACE AND JUSTICE
- 19% GOAL 2: ZERO HUNGER
- 18% GOAL 15: LIFE ON LAND
- 12% GOAL 14: LIFE BELOW WATER

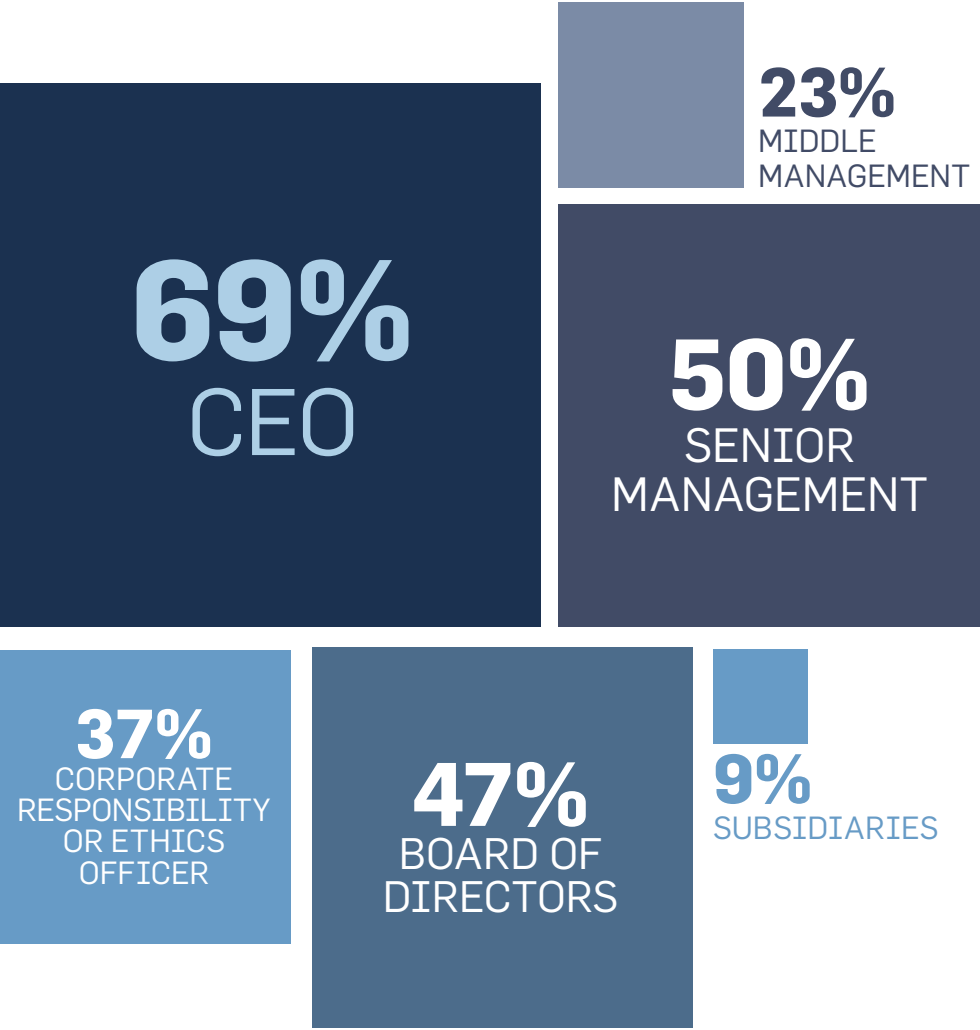


CEO’S ARE HIGHLY ENGAGED

Sustainable Development strategies and policies are monitored at CEO level in 69% of businesses (up 4 percentage points since 2008) and implementation is increasingly at a core business level.

Figure 3: Sustainability is Gaining Strategic Ground: Responsibility is Moving Upwards

AT WHAT LEVELS WITHIN YOUR COMPANY ARE CORPORATE RESPONSIBILITY POLICIES AND STRATEGIES DEVELOPED AND/OR EVALUATED?



SUPPLY CHAIN SUSTAINABILITY IS IMPROVING

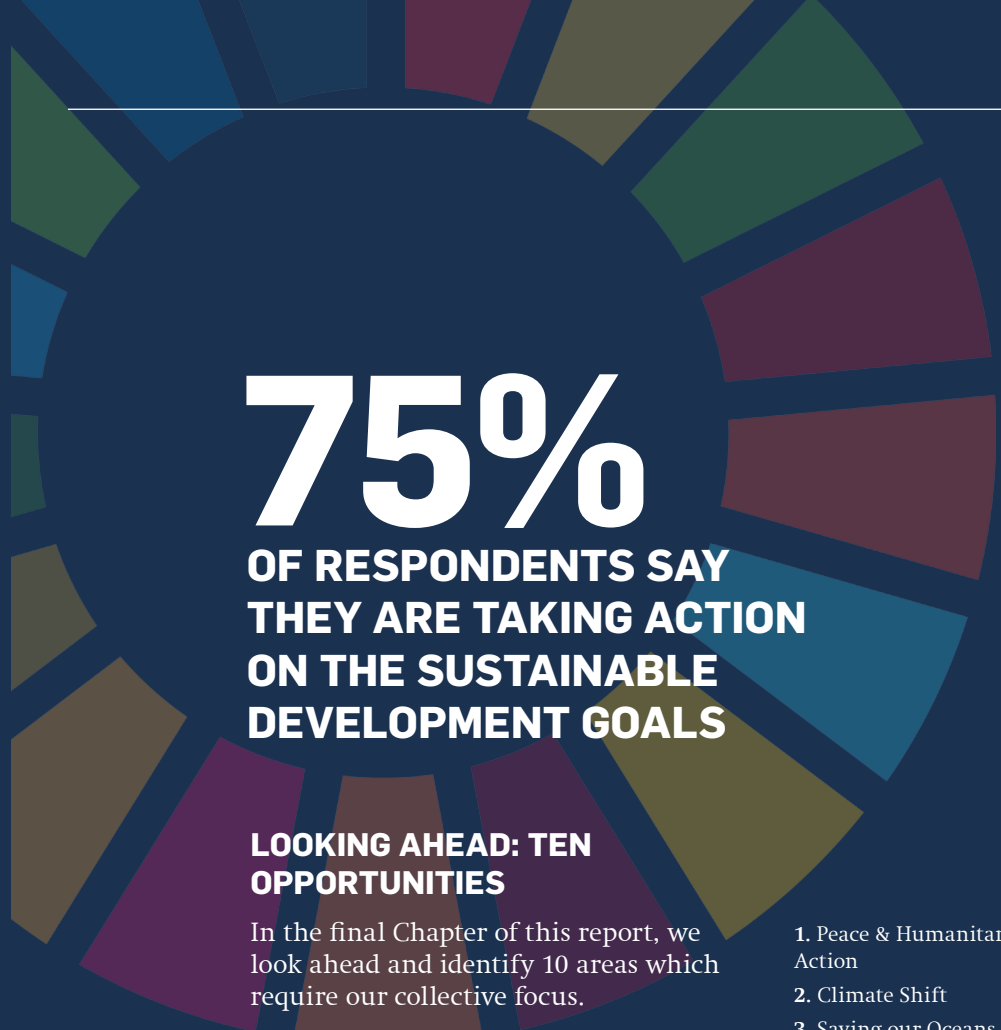
Now over 60% of businesses have policies on the Ten Principles that apply to their suppliers. Growth in the number of companies with suppliers requiring policies on Labour has grown the most dramatically (from 32% in 2008 to 64% in 2017). However driving sustainability right through the supply chain remains a challenge with 57% of larger companies citing this as the main sustainability challenge.

REPORTING IS BECOMING MAINSTREAM

70% of companies are reporting publically and 55% of businesses note that reporting helps them embed Sustainability into the business . Indeed for many public reporting of commitments is the main reason to join the un Global Compact.

SMES NEED SUPPORT

The complexity, know-how and resources required to deliver sustainability is holding some SMEs back from making greater progress. Reporting, in particular, is a challenge.



LOOKING AHEAD: TEN OPPORTUNITIES

In the final Chapter of this report, we look ahead and identify 10 areas which require our collective focus.

JOIN US ON THE JOURNEY AHEAD!

We are committed to building up our support for business. We will continue to focus all our energy and efforts on helping all businesses, large or small, wherever they are in the world to adopt the essential values enshrined in the Ten Principles and to seek out bold actions to help the world deliver the Sustainable Development Goals and create the world we all want.

- 1. Peace & Humanitarian Action
- 2. Climate Shift
- 3. Saving our Oceans
- 4. Sustainable Cities
- 5. Increasing SME Support
- 6. Support Sustainable Supply Chains
- 7. Rising Inequality
- 8. Mobilising Finance
- 9. Transformative Partnerships
- 10. Protecting Life on Land

Notes on Methodology

This assessment is based on data from the annual survey of companies participating in the UN Global Compact. In 2017, more than 1,950 businesses representing all regions and sectors, responded to the survey. We have also consulted other sources of information such as the UN-Business Partnership survey, the database of Communication on Progress reports, as well as a number of external studies and resources. In addition, we have conducted ten in-depth interviews with 10 disruptive leaders. You will find brief articles from these inspirational interviews throughout the report.

This report is a review of how the businesses are adopting the Ten Principles in their strategies and operations and how they are taking actions that will help deliver the UN Sustainable Development Goals. It does not evaluate the impact of these actions on the world nor measure tangible progress towards the Global Goals. It is our ambition to present a true measure of business impact on the Sustainable Development Goals in the 2018 report.

More information about the method in the back of the report.

5 KEY TAKEAWAYS FROM THE REPORT:

- 1. HUMAN RIGHTS AND ANTI-CORRUPTION ARE CATCHING UP:** We see an increasing convergence in terms of companies having policies in place across all the Ten Principles. But mind the gap – intentions and actions are not yet aligned. A much lower percentage of businesses report that they perform risk and impact assessments.
- 2. HIGH LEVEL OF ACTIVITY ON THE GLOBAL GOALS:** A majority of respondents, 75%, say they have initiated actions towards the Sustainable Development Goals. The top-ranking Global Goal for business is Goal 8: Decent Work and Economic Growth.
- 3. TOP-LEVEL COMMITMENT IS ON THE RISE:** Board involvement has increased significantly in the past two years, and CEO commitment is high, which are fundamental to a successful strategic approach to sustainability.
- 4. THE GLOBAL COMPACT IS BECOMING MORE GLOBAL:** From the original 44 business signatories in 2000, the UN Global Compact has grown to more than 9,500 companies from 145 countries. This includes 28% of Fortune 500 companies. A total of 66 million people working in the private sector work for a UN Global Compact company.
- 5. THE GLOBAL COMPACT ADDS VALUE:** 80% of respondents say the UN Global Compact has played an important role in advancing sustainability in their own organisation, and 57% say the UN Global Compact network has played a significant role in spreading corporate sustainability globally.

CHAPTER ONE

THE UNITED NATIONS GLOBAL COMPACT

1.1 THE UN GLOBAL COMPACT IN BRIEF

In 2000, the United Nations launched the UN Global Compact as a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact is built on the fundamental belief that business plays a critical role in improving our world — and it starts by doing business responsibly.

Over the past 17 years, the UN Global Compact has evolved into a leadership platform for the development, implementation and disclosure of responsible corporate practices. Today, the UN Global Compact is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, with activities supported by 76 Local Networks.

To accelerate progress, in 2015, the 193 participating countries in the United Nations agreed to an ambitious 2030 Agenda for Sustainable Development to free humanity from poverty, secure a healthy planet for future generations, and build peaceful, inclusive societies as a foundation for ensuring lives of dignity for all. In support of this 2030 Agenda, the United Nations formulated 17 Sustainable Development Goals to define what success will look like.

For the past two years, the UN Global Compact has worked with participating businesses and partners to develop and share ideas on ways businesses can accelerate and measure their individual progress toward fulfilling the Global Goals.

OUR MISSION

**MOBILIZE A GLOBAL
MOVEMENT OF
SUSTAINABLE
COMPANIES AND
STAKEHOLDERS TO
CREATE THE WORLD
WE WANT**



**WHAT COMPANIES
COMMIT TO:****1. ACT RESPONSIBLY:**

Commit at the CEO-level to the Ten Principles of the UN Global Compact and report annually on efforts to make them an integral part of their business strategy, day-to-day operations and organizational culture.

FIND OPPORTUNITIES:

Take bold actions and find new opportunities to support the 2030 Agenda and its 17 Sustainable Development Goals. A plan of action for people, planet and prosperity, businesses have a key role to play in contributing to this Agenda, and can do so responsibly and effectively through our principle-based approach.

2. INSPIRE AND ADVOCATE:

Advance the case for responsible business practices through advocacy and outreach within their sphere of influence to peers, partners, employees, clients, consumers and the public at large. Through facilitating greater awareness of the universal value message of the UN Global Compact, companies can help drive our growing and global movement of sustainable businesses.

**WHAT THE UN GLOBAL COMPACT
DOES TO SUPPORT:**

A unique, principle-based and normative approach to sustainability

- The Ten Principles of the UN Global Compact, each drawn from landmark UN Declarations and Conventions, act as a normative authority for responsible business. We are a truly global initiative with the legitimacy to act as the UN's centrepiece on business action for the Global Goals, which themselves were adopted by 193 Members States.
- We also enjoy the backing of the United Nations' Member States, as expressed in the UN General Assembly *Towards Global Partnerships* Resolution, recognizing and encouraging the work of the UN Global Compact.
- We guide our participants in communicating annual progress on our Ten Principles and the Global Goals, and we are introducing a reporting mechanism to facilitate transparency of our collective progress.
- We invite our companies to dialogue, network and share progress and best practice stories at key UN Global Compact events and regional convenings.

Efficient access to relevant expertise and knowledge

- We offer critical expertise across all aspects of corporate sustainability, and we are committed to making this expertise easily accessible from anywhere in the world. Through our Local Networks, Navigator, UN Global Compact Academy and live support, we curate and deliver relevant content, coaching and support to fit your sustainability needs.

Global reach and local connections to help shape sustainability worldwide

- By joining the UN Global Compact, businesses are given a place at the table to shape the sustainable development agenda nationally and globally. Our Local Networks in over 70 countries worldwide help companies address global problems within a local context.
- Seventy-eight percent of companies taking action to support UN goals and issues do so through partnerships. We help our participants create partnerships across sectors through networking, collaboration with Local Networks, resource development and online partnership matchmaking.

1.2 A COHERENT FRAMEWORK FOR SUSTAINABLE BUSINESS

At the most fundamental level, a sustainable company is one that ensures its business activities do not have a negative impact on people, society, the environment and the economy. The focus is on creating value that is not just good for business, but also good for society. Beyond this, sustainable businesses are constantly creating new business models and investing in technologies, products and services that deliver a positive impact on sustainable development.

The Ten Principles function as a lighthouse guiding businesses' actions and ensuring that financial profit is not generated at the expense of people, society and the environment. The 17 Sustainable Development Goals are time-bound quantitative targets to work towards. The UN Global Compact provides a platform for sharing ideas on how to contribute to them, and a basis for measuring progress towards each goal.

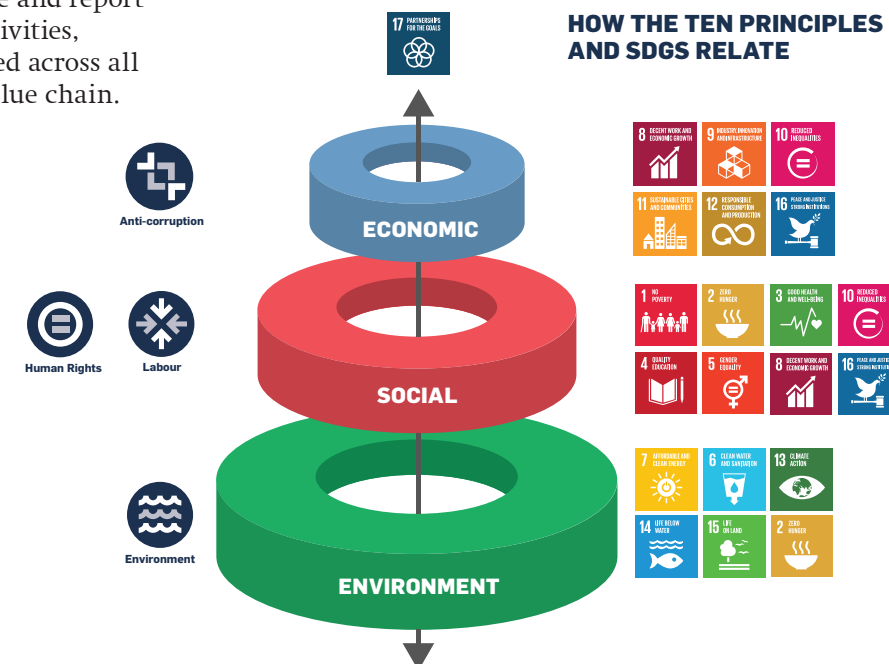
Importantly, to achieve real progress, a positive contribution in one area cannot justify or offset negative impacts in another. The UN Global Compact approach enables businesses to measure and report on the net impact of their activities, viewed as a whole and assessed across all areas, including the entire value chain.

The Ten Principles and the Sustainable Development Goals – How do they Relate?

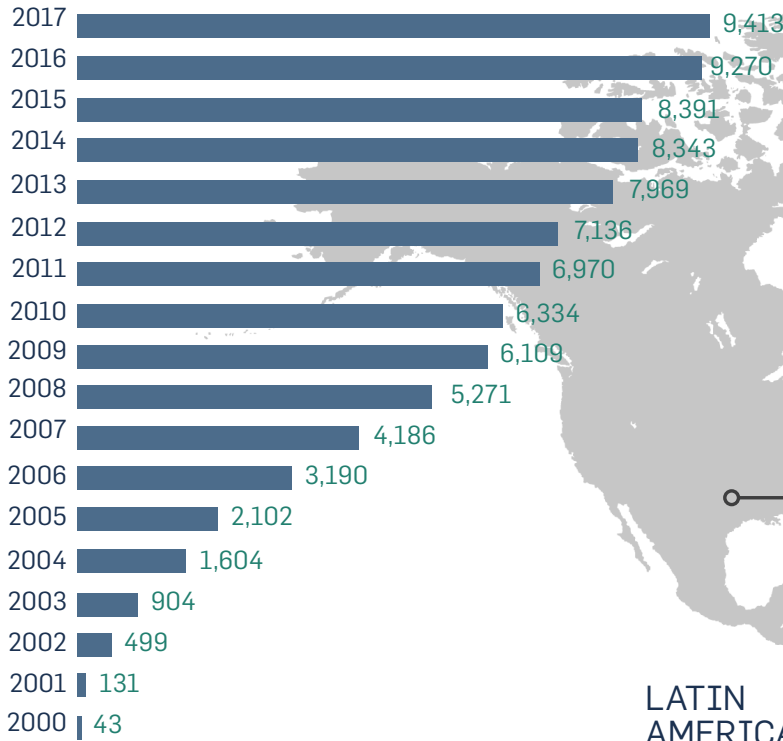
The Ten Principles are the fundamental values that businesses need to embed in their business strategy and operations to guide their conduct, and the 17 Sustainable Development Goals describe the destination towards which we want to go.

Using the UN Global Compact's Ten Principles as a guide, participating business leaders commit to implementing and integrating the principles into their strategies, day-to-day operations and corporate culture, and report annually on their progress. Businesses can also inspire and lead societal change by clearly communicating their commitment to the Ten Principles in everything they say to employees, customers, investors, and community and business partners.

The Sustainable Development Goals, by defining clear objectives and targets for global society to reach by 2030, provide a unique plan for business – and a source of inspiration to explore how to develop new business models, innovations and solutions to challenges outlined in the Goals.



TOTAL BUSINESS PARTICIPANTS



1.3 THE UN GLOBAL COMPACT IN NUMBERS

163

COUNTRIES WITH UN GLOBAL COMPACT BUSINESS PARTICIPANTS

28%

OF FORTUNE 500 COMPANIES PARTICIPATE IN THE UN GLOBAL COMPACT

66M

PEOPLE WORKING IN THE **PRIVATE SECTOR**, WORK FOR A UN GLOBAL COMPACT COMPANY

76

LOCAL NETWORKS AROUND THE WORLD

7,448

COMPANIES HAVE BEEN **EXPELLED** FROM THE UN GLOBAL COMPACT

3,056

NON-BUSINESS PARTICIPANTS



SIZE BREAKDOWN OF PARTICIPANTS



SECTOR BREAKDOWN OF PARTICIPANTS

- 92 Insurance
- 118 Diversified
- 158 Banks
- 161 Real Estate
- 182 Automobiles & Parts
- 204 Chemicals
- 225 Telecommunications
- 273 Retail
- 296 Basic Resources
- 306 Travel & Leisure
- 325 Personal & Household Goods
- 326 Oil & Gas
- 337 Media
- 346 Utilities
- 389 Health Care
- 508 Financial Services
- 551 Food & Beverage
- 685 Construction & Materials
- 785 Technology
- 3,137 Industrial Goods & Services

“

THE BEST WAY
TO PLAN FOR
THE FUTURE IS
TO INVENT IT.”

ROBIN LI

CEO, BAIDU

MAKING A COMPLEX WORLD SIMPLER AND MORE SUSTAINABLE



“I believe that we have already witnessed the dawn of Artificial Intelligence

and that we shall guide it towards the future, providing everyone with services for a more sustainable future,” says Robin Li, Co-founder and Chief Executive Officer of Baidu, the leading Internet search engine provider in China.

When Baidu was established in 2000 with a vision to “provide the best and most equitable way for people to find what they are looking for”, fewer than 10 million people in China had Internet access. Today, that number has reached 700 million, and growth remains extremely rapid. But Li has radical ambitions.

“A few years ago,” recalls Li, “I realized that Baidu would need to go through a phase of unprecedented change. I wanted to transform the company from the number one search provider in China to a global leader in the field of Artificial Intelligence (AI).” Needless to say, the decision implied a drastic change of course. Baidu’s goal would transition from helping people find information, to helping information find people.

AI has already triggered great change across traditional industries and has the potential to change many more. “For example, every day more than 500 people are killed in traffic accidents in China alone,” says Li. “In the future, sustainability will become part of the DNA of AI. It will completely revolutionize autonomous driving on a global scale, allowing people to travel more safely and efficiently, reducing both accidents and emissions.”

Baidu is also working with thousands of educational institutions across China, using big data and its AI Infrastructure to assess the quality of the institutions and students’ projected salaries. “Many students do not have a credit history, meaning no bank will lend them money,” says Li. “Our technology enables us to lend them money because we can generate a better understanding of these people using big data.”

Shifting from the information era to the AI era means changing from simply connecting information to waking up the world: making all kinds of devices — from mobile phones, smart home appliances to wearables and cars - conversational. “This could become a new global force of productivity. Through technology, we aim to make a complex world simpler and more sustainable by allowing people to be more productive and improving the living standards of people across the world,” Li says.

The risk is that AI may develop at such a rapid speed that it outpaces public policy. It is critical, he points out, that governments provide sufficient regulation to manage risks concerning impacts on employment opportunities, cyber security, and other aspects, to enable AI to be a force for promoting industry and improving society.

“I have had to think very carefully about our trajectory and ensure we are focused on positive outcomes. It is a big responsibility, but one that I welcome. At Baidu, we are committed to cooperating with governments and to helping inform public policy that ensures a positive and safe environment for all.”

Li thinks more business leaders should focus on sustainable innovation to actively lead society forward toward sustainable development. “I call this “guiding innovation.” The best way to plan for the future is to invent it.”

PATRICK NGOWI

CEO, HELVETIC GROUP

ENTREPRENEURIAL BY BIRTH: THE POTENTIAL OF CLEAN, AFFORDABLE ENERGY



“We do have a great market, but there’s a lot that can be done to promote the use of clean technology in the

country. The future is there and the future is bright, but there has to be more rollout so that we can see more mini-grids and the solar farms coming up,” says Patrick Ngowi, Founder and Chief Executive Officer of Helvetic Group, the first company to provide solar solutions in northern Tanzania.

Ngowi’s journey to success is truly remarkable. Getting into business at the tender age of 15, within a few years he was travelling back and forth to China buying cell phones and selling them at rural markets in Tanzania. But it didn’t take long before people started asking for charging ports for the phones he was selling.

“The demand was massive,” he says, “and to cater to this need, I decided that instead of going to university I wanted to go to China to educate myself in renewable energy. I realized I needed training because I couldn’t sell or market a technology that I did not know how it worked or how to install it.” Two years later, at the age of 22, he was ready to set up his own company.

Today, Helvetic Group supplies, installs, and maintains integrated solar solutions throughout Tanzania and in neighbouring countries in East Africa. “It has been a very interesting journey filled with lots of learning. Being a technology-based business, we have had to be constantly on our toes, looking out for the latest technology to bring to the market. To stay ahead of the curve, increase efficiencies and deliver value for our end-users, we had to be able to offer the best and latest products, whilst also taking into account affordability.”

Not surprisingly, the company has had to overcome many barriers during the past decade, including getting government buy-in, accessing funds to scale operations, as well as finding people with the right skills to provide services to clients. “Most of all, perhaps, was the fact that back then, the technology wasn’t really affordable. The cost of solar energy was six times higher than today. So pitching a new technology, that was more expensive, took a lot of effort. Now, luckily, the price of solar has dropped, which means that more people can afford a product that was once limited to only a few.”

Looking towards the future, Ngowi is optimistic. At present, it is estimated that only 40-50% of the population of Tanzania has access to energy, and only 1% of this is solar. “Where other people saw a problem, I saw an opportunity. This is what has been motivating me. When I look at Africa and other countries around the equatorial area, it is sunny almost 365 days a year. With more competitive prices, and the right subsidies and funding to scale operations, the growth potential is enormous.”

Ngowi’s vision for the future is for an Africa where you replace the candle with enough power to be able to generate new income for rural communities. “Solar is not only about lighting and allowing students to study at night. It goes one step further, where enough power is generated to use in agriculture, which currently accounts for 80% of the work most people do. Powering rural areas that currently do not have access to energy will bring about economic transformation because with power they will be able to produce more.”



WHEN YOU SEE A SMILE ON SOMEONE’S FACE WHEN THERE IS A SOLAR SYSTEM SET UP IN A RURAL COMMUNITY, THAT’S AN IMAGE THAT IS JUST PRICELESS, INVALUABLE.

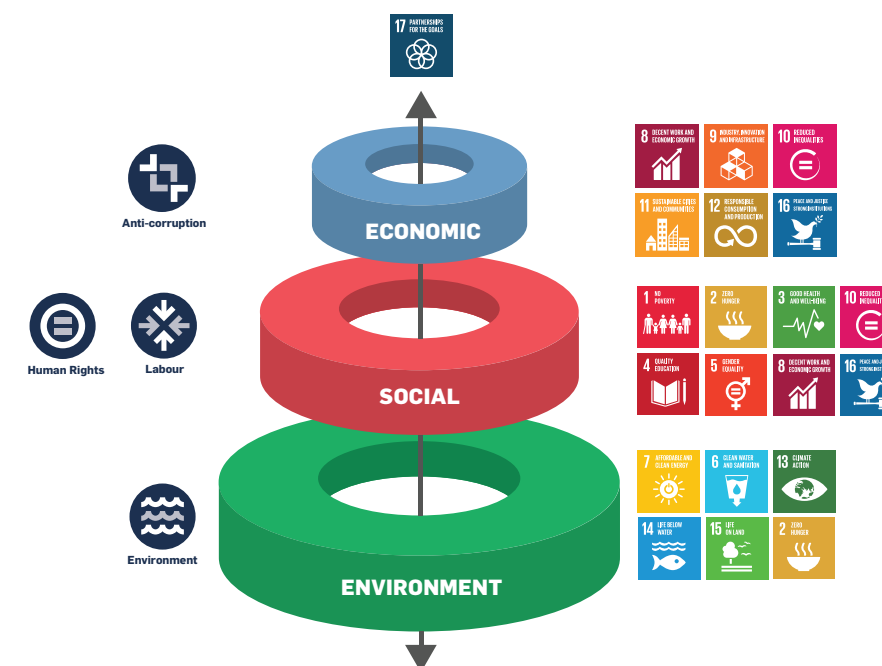
CHAPTER TWO

ARE WE MAKING PROGRESS?

HIGHLIGHTS FROM OUR SURVEY OF PARTICIPANTS

In this chapter, we assess progress towards the Ten Principles and 17 Sustainable Development Goals across the three dimensions of sustainability: the economic, social and environmental dimensions. Inevitably, many topics cut across all three dimensions; for example, achieving gender equality will have a huge impact on economic growth in addition to social costs. Similarly, climate change is already causing measurable social, environmental and economic costs around the world. Nevertheless, in this report, we divide the assessment into these three dimensions, well aware of the complicated and intricate links between the various themes.

For all dimensions, the survey highlights the same three metrics: The extent to which companies are conducting impact assessments; whether they are monitoring and evaluating performance; and whether they are disclosing performance publicly. But, first, a look at the big picture: What are the strategic priorities of participating businesses? Which motivations, obstacles, progress and overarching issues stand out?



2.1 THE BIG PICTURE: OVERARCHING FINDINGS

BOARDS AND CEOS ARE INCREASINGLY ENGAGED

Top-level support for sustainability is a critical factor of success of any organisation. From its inception, the UN Global Compact has consciously elevated commitment and responsibility through the requirement that the CEO personally signs a Letter of Commitment to the Secretary-General of the United Nations to join the initiative, and that this CEO-level commitment is reconfirmed every year in the mandatory Communication on Progress report.

The good news is that almost 70% of CEOs are involved in developing and evaluating sustainability policies and strategies (Figure 4). Board involvement shows a strong increase of 28% since 2015, indicating that sustainability is rising to the top of the strategic agenda in more and more companies.

However, CEO involvement has not yet translated further down into organizations. A barrier to organizational change seems to be the lack of senior management involvement. The survey shows that “implementing strategy across business areas” is a serious challenge for our participants. The remuneration system is a telling indicator of top-level prioritization: Do companies link executive salaries and bonuses to sustainability performance? Here, we see a slow but steady progress: On average, only 9.5 percent of respondents tie executive remuneration to sustainability performance. However, this practice is gaining ground in certain industries, such as in the Basic Materials sector, where it is in place at almost a quarter of the companies surveyed.

69%
CEO

50%
SENIOR
MANAGEMENT

37%
CORPORATE
RESPONSIBILITY
OR ETHICS
OFFICER

47%
BOARD OF
DIRECTORS

23%
MIDDLE
MANAGEMENT

9%
SUBSIDIARIES

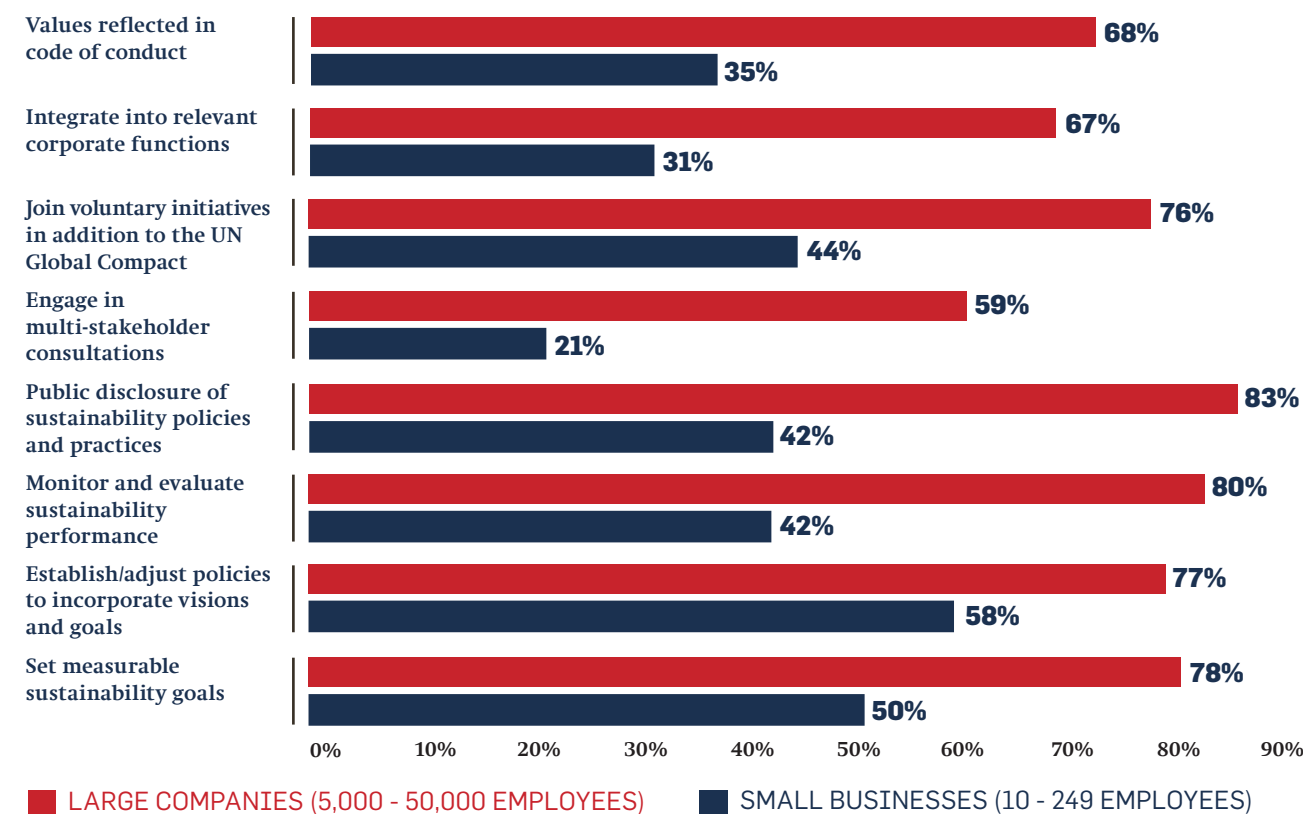
Figure 4: Sustainability is Gaining Strategic Ground: Responsibility is Moving Upwards

SMALL BUSINESSES FACE GREATER IMPLEMENTATION CHALLENGES

Company size is an important factor when it comes to sustainability. Approximately half of UN Global Compact signatories are small and medium-sized enterprises (SMEs), and as a group they show a consistently lower degree of implementation compared to larger companies (Figure 5). The biggest differences are in monitoring, evaluating and reporting on sustainability practices. Only about 40 percent of SMEs do this, compared to over 80 percent of large companies. This difference is even more stark when looking at annual financial reporting: Only 25 percent of SMEs include sustainability metrics in their annual report.

Approximately 95% of all enterprises globally are SMEs, and in total they contribute approximately 52% to the total global economy and play a major economic role, particularly in developing countries.ⁱ Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies.ⁱⁱ

Figure 5: What actions has your company taken to embed corporate responsibility throughout its strategy and operations (% of respondents)

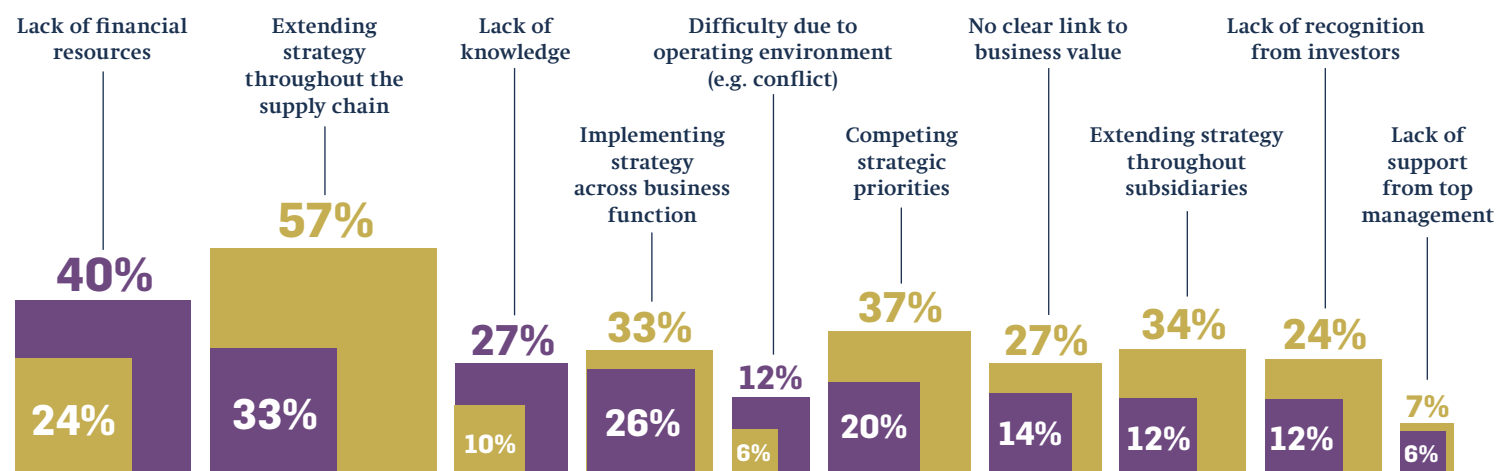




Given the large total economic impact of SMEs, it is important to understand the dynamics and challenges that face SMEs. As figure 6 shows, SMEs cite different implementation challenges from those cited by larger companies. Lack of financial and human resources and lack of knowledge are obstacles typically reported by SMEs to a much higher degree than larger companies.

Figure 6: Comparing large and small: What challenges does your company face in advancing to the next level of implementation

■ SMALL BUSINESSES (10 - 249 EMPLOYEES)
■ LARGE COMPANIES (5,000 TO 50,000+ EMPLOYEES)

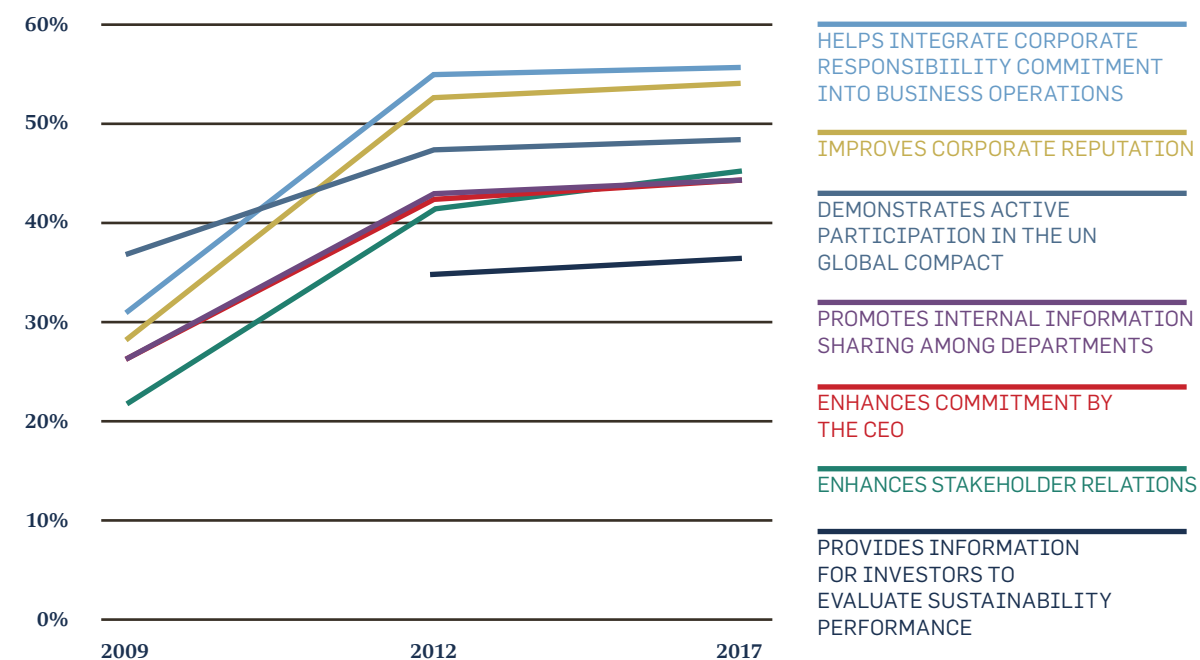


REPORTING IS BECOMING MAINSTREAM

Increasing stakeholder trust through public commitment to sustainability ranks as the number one reason for participating in the UN Global Compact. Public communication is also by far the most common action companies cite when it comes to implementing the Ten Principles: About 70% of participants report publicly on their sustainability performance.

Our analysis provides clear evidence that reporting also improves actual implementation: 55% of respondents say reporting helps to integrate corporate responsibility into business operations, and the perceived usefulness of reporting has grown on all parameters over time.

Figure 7: How does your company benefit from sustainability reporting?



However, the lack of a universally accepted standardised reporting means that performance data is still not reported effectively to investors – only 36% see this as a benefit from reporting. In a recent survey of CEOs of UN Global Compact participants, 88% see integration of sustainability metrics into financial analysis and capital allocation as essential to progress, but only 10% cite investor pressure among the top three drivers for sustainability in their companies.ⁱⁱⁱ Despite this, large companies are increasingly including sustainability metrics into traditional financial reporting, growing by 26% over the last five years. The emerging investor attention to climate-related risks may accelerate investors' interest in treating sustainability performance on par with traditional financial information.^{iv}

The top barriers to sustainability reporting are a lack of standardised performance metrics and lack of harmonisation of reporting standards and frameworks, according to the survey.

RESPONDING TO INCREASING DEMAND FOR UNIFIED MECHANISM TO REPORT ON THE GLOBAL GOALS

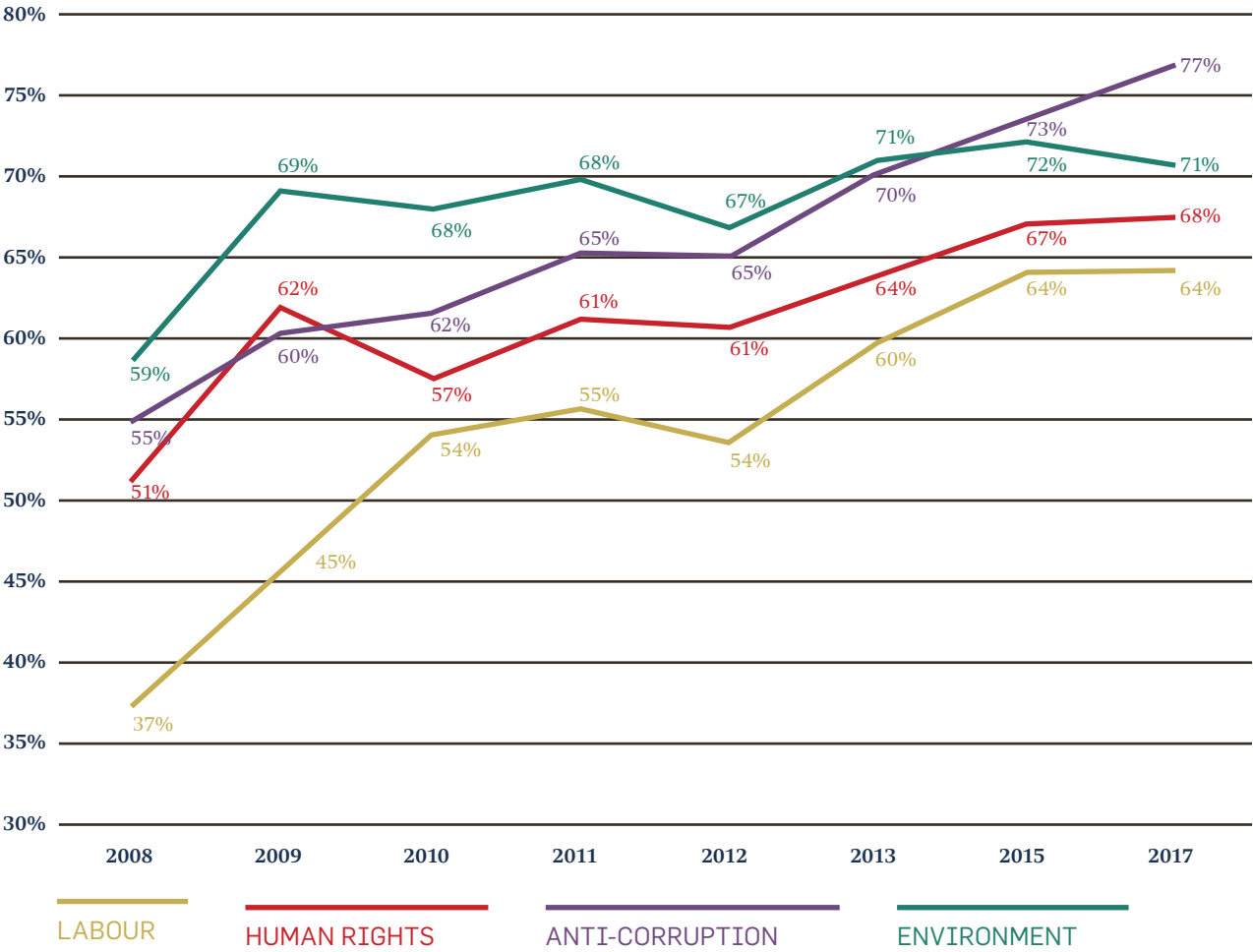
The newly launched “Action Platform Reporting on the SDGs,” co-managed by GRI and the UN Global Compact, will help develop a single, uniform methodology for measuring and reporting business progress and impacts on the Global Goals, based on existing reporting frameworks and guidance. By using it, business will produce more comparable data in a way that is of value to relevant stakeholders and that will enable a better assessment of business contribution to the Global Goals.

SUPPLY CHAIN SUSTAINABILITY –
IMPROVING BUT STILL CHALLENGING

Responsible supply chain management is steadily improving, as pressure from public and private-sector customers, as well as general consumer awareness grows.^v

Among large companies, the increase in the number with policies and practices that apply to suppliers is promising (Figure 8). The number of companies with expectations for suppliers related to labour conditions has almost doubled since 2008, and policies on human rights are also on the rise, with an increase of almost 75% since 2008. Considering the significant increase in UN Global Compact signatories, this amounts to a substantial impact across global supply chains.

Figure 8: Wider action: Percentage of large companies (250 employees or more) with policies and practices that apply to suppliers



However, the actual monitoring of suppliers’ performance on these expectations seems to lag. Less than 30% of participants say they regularly monitor the performance of suppliers and subcontractors regarding the Ten Principles, and fewer than 10% systematically verify that remediation activities are implemented.

68%

17%

17% OF UN GLOBAL COMPACT COMPANIES REQUIRE ADHERENCE TO THE UN GLOBAL COMPACT TO BE ELIGIBLE AS A PARTNER

68% OF UN GLOBAL COMPACT COMPANIES CONSIDER ADHERENCE TO SUSTAINABILITY PRINCIPLES IN THEIR SUPPLY CHAIN

“Leadership is what is happening in your organization when you are not there. It is not someone barking orders or pointing their finger this way or that way. True leadership is the installation of a permanent sense of purpose inside each and every member of an organization, that serves as a guide for them, both as individuals and as members of a larger group. The SDGs are one of the most relevant frameworks within which to accomplish this. So any leader seeking true leadership should examine this.

— Bethlehem Tilahun Alemu, Founder & CeO, soleRebels



MIND THE GAP: ACTIONS AND INTENTIONS
ARE STILL NOT ALIGNED

Commitment to the Ten Principles is strong: Over 90% of participants report they have policies and practices in place covering the Ten Principles. The majority of companies publicly communicate their commitment to sustainable business, and a high percentage of them also embed sustainability into the company vision and code of conduct.

However, the real impact comes when these values and visions are translated into measurable goals and targets, integrated into strategies and operations based on risk and impact assessments, and when performance is regularly monitored and evaluated. As figure 9 shows, there is still a long way to go before this is standard practice: While 61% of companies set measurable targets, only 55% monitor performance, and only 1 in 3 engage in partnerships and conduct impact assessment.

Figure 9: What actions has your company taken to embed sustainability throughout strategy and operations?



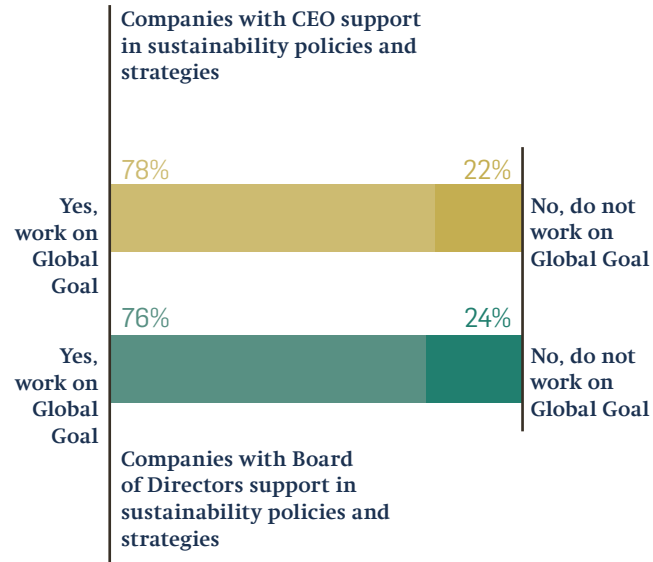
THE SUSTAINABLE DEVELOPMENT GOALS:
BUSINESS IS GETTING ON BOARD

The 17 Sustainable Development Goals have rapidly been embraced by the global business community, and 75% of respondents (almost 1,500 companies) report that they are taking action to advance the Global Goals.

Early adopters of the UN Global Compact also are early movers when it comes to the Global Goals. Our data clearly shows that:

- All companies that joined in 2000 and 2001 have started working with the Global Goals.
- Top-level support is critical; less than a quarter of companies with low CEO and Board involvement have started working on the Global Goals.

Figure 10: Companies with top level support in sustainability policies also work on the Global Goals



The Goal that stands out is Goal 8 on Decent Work and Economic Growth; both in terms of actions — almost 50% say they have activities related to this Goal — and in terms of where they think business can make the greatest impact.

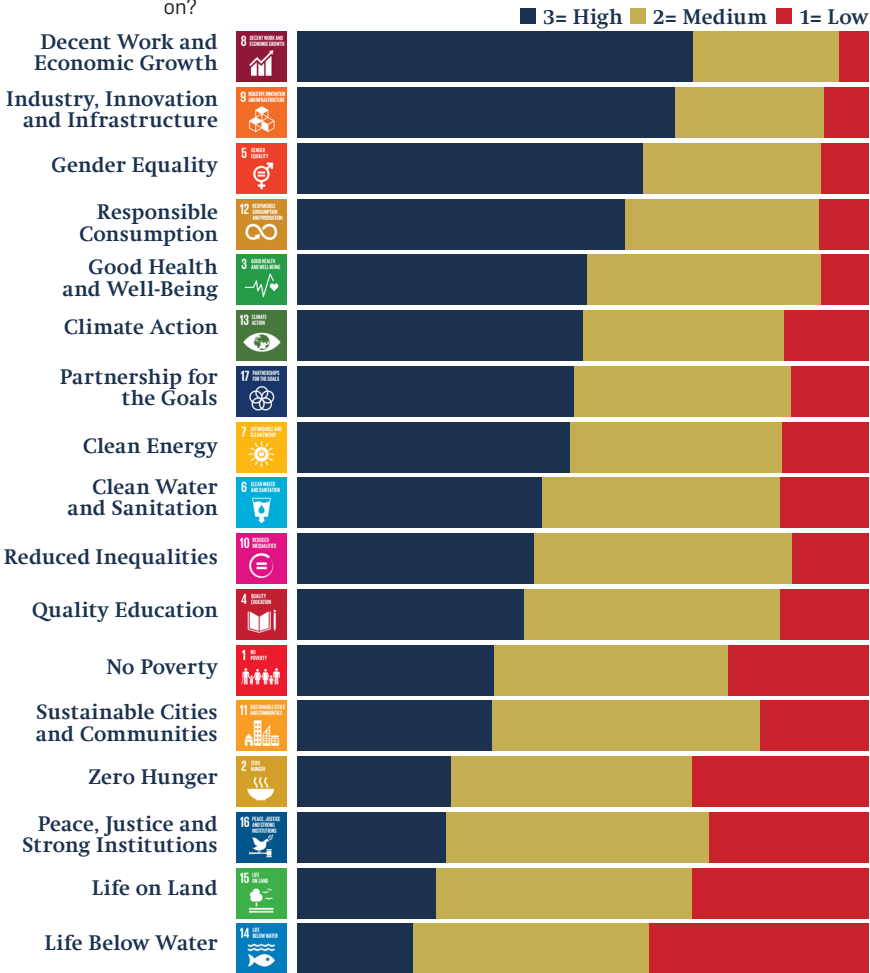
At the other end of the spectrum are Goal 14 Life Below Water and Goal 15 Life on Land. Only 17% and 12% of companies have acted on these Global Goals, respectively, and they are also rated lowest in terms of where business believe they can make an impact. Knowing that many industries both on land and at sea directly impact these ecosystems, there is a clear need for greater awareness, knowledge building and business action.

75%
OF COMPANIES
REPORT THAT THEY
TAKE ACTIONS
TO ADVANCE THE
GLOBAL GOALS

Figure 11: Which of the following Global Goals do your activities target?

- 49% GOAL 8: GOOD JOBS AND ECONOMIC GROWTH
- 49% GOAL 3: GOOD HEALTH AND WELL-BEING
- 45% GOAL 5: GENDER EQUALITY
- 42% GOAL 4: QUALITY EDUCATION
- 40% GOAL 12: RESPONSIBLE CONSUMPTION
- 39% GOAL 9: INNOVATION AND INFRASTRUCTURE
- 37% GOAL 13: CLIMATE ACTION
- 35% GOAL 7: CLEAN ENERGY
- 32% GOAL 10: REDUCED INEQUALITIES
- 32% GOAL 6: CLEAN WATER AND SANITATION
- 30% GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES
- 29% GOAL 17: PARTNERSHIP FOR THE GOALS
- 24% GOAL 1: NO POVERTY
- 23% GOAL 16: PEACE AND JUSTICE
- 19% GOAL 2: ZERO HUNGER
- 18% GOAL 15: LIFE ON LAND
- 12% GOAL 14: LIFE BELOW WATER

Figure 12: Which of the Global Goals do you believe business can have the Greatest Impact on?



Companies approach working on the Global Goals in many different ways. The most common approach reported is to align core business strategy with the Goals, and to enter into partnerships on projects with public or private organizations. Advocacy work, social investments and partnerships are also undertaken by 30% — 50% of our participants. Interestingly, 41% answer that they have started developing products, services or business models that contribute to the Global Goals. Here, it is important to note that many participants who work actively on the Ten Principles implicitly contribute to the Global Goals, without necessarily defining it as such.

Figure 13: What Actions Are Companies Taking on the Global Goals?

55%

CORE BUSINESS

Align core business strategy with one or more relevant UN goals/issues

54%

PARTNERSHIP

Develop and implement partnership projects with public or private organisations

48%

ADVOCACY

Publicly advocate the importance of action in relation to one or more UN goals/issues

43%

SOCIAL INVESTMENT & PHILANTHROPY

Pursue social investments and philanthropic contributions that tie in with the core competencies

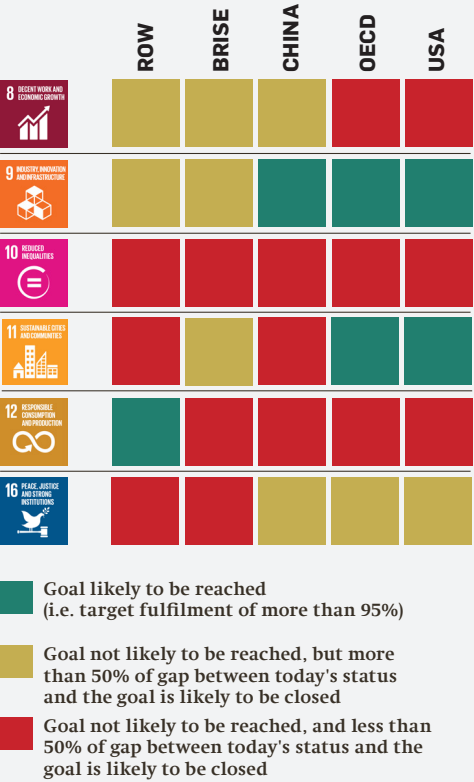
2.2 ASSESSING PROGRESS: THE ECONOMIC DIMENSION



Economics has conventionally emphasized three critical factors for economic development: land, labour, and capital. Consequently, the economic dimension relies on both the environmental and social dimensions of a sustainability.^{vi} Future economic growth, especially in advanced economies like the OECD countries, can be expected to stagnate.^{vii} However, acting on the Global Goals represents a major opportunity in terms of job creation and access to capital. Economic opportunity valued at USD 23 trillion is being examined through the lens of sustainability,^{viii} and green jobs are rapidly increasing, particularly in the agriculture, forestry, energy, recycling, building and transport sectors.^{ix}

However, corruption is major barrier to economic development, by eroding governance structures and trust, and providing fertile ground for social upheaval and extremism.^x The area of anti-corruption may very well be where the UN Global Compact has had its greatest impact.

Likelihood of meeting the economic Sustainable Development Goals in five world regions by 2030



There is increasing consensus in the scientific community, from IPCC reports on climate change, the Planetary Boundaries Framework of the Stockholm Resilience Centre, and UN Human Development Report (especially from 2011), that the world is facing significant challenges ahead. Although tremendous improvements have been made over the last century, lifting millions of people out of abject poverty, these forecasts warn us: if we continue living as we do today, we risk a reversal of the growth and human development seen so far.^{xi}

10 REDUCED INEQUALITIES

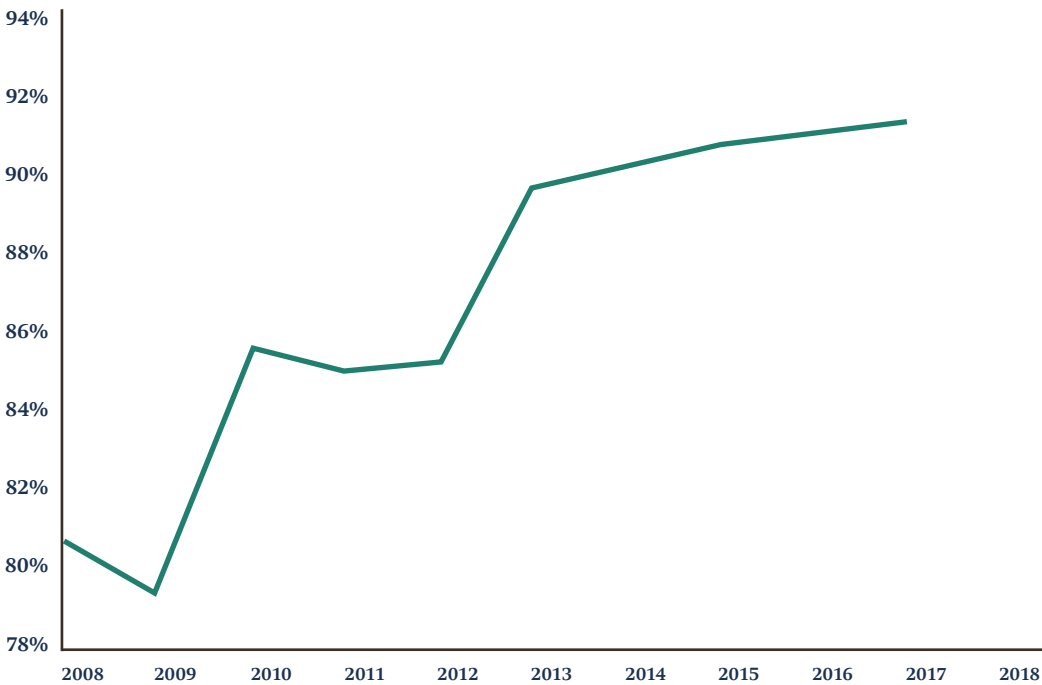
A major concern relates to Goal 10 on Reducing Inequality. Most countries are currently experiencing a growth in relative income differences, and no region is expected to achieve a sustained higher income growth for the bottom 40% of the population. If this trend continues, no region will reach the targets of reduced inequality by 2030.

Figure 14: Is the world on the right track towards achieving the economic Global Goals?¹

IMPLEMENTATION OF ECONOMIC PRINCIPLES AND GOALS

The area where we have seen the greatest progress since the launch of the UN Global Compact is on anti-corruption. The existence of policies and practices related to anti-corruption has increased significantly during the past 9 years, to over 90% today, signaling that this has now reached the same level of activity as responsible environmental and labour practices.

Figure 15: Anti-corruption policies and practices in place



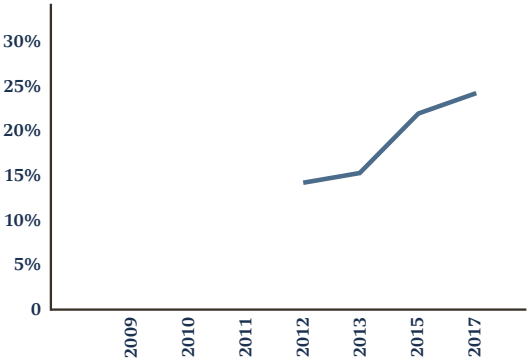
The number of business participants with zero tolerance for corruption has grown from 44% in 2008 to 62% today. Oil and gas, telecom and finance companies are leading the way. In these industries, 77% of participants have established zero-tolerance policies.

¹Systems Dynamics Model developed by the MIT team producing Limits to Growth in 1972 divided the world into five regions, characterized by their size and economic development status. The world's two largest economic powers, USA and China, are defined as regions on their own. OECD (minus the USA) is defined as a third economic region. Large emerging economies are assembled in another region — named BRISE after Brazil, Russia, India, South Africa, and the other ten large Emerging economies the common trait being that these have shown fast growth for some time, and have climbed out of widespread poverty. The final region, Rest of the World, ROW, mostly cover nations that struggle to provide their citizens with high standards of living, but additionally also represents smaller countries that would not fit in to the other categories. — DNV GL 2016, Future of spaceship earth: <https://www.dnvgl.com/technology-innovation/spaceship-earth/index.html>

WHERE'S THE ACTION?

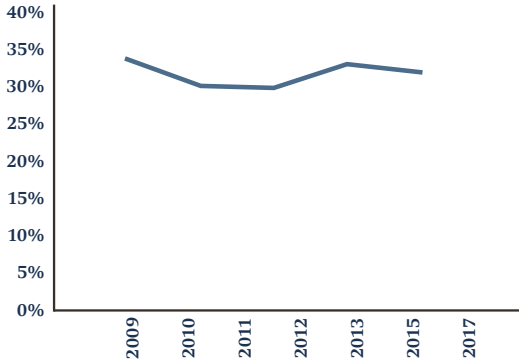
Compared to the percentage of companies with policies and practices in place relating to anti-corruption (Figure 15), our assesment shows this does not translate into action.

Figure 16: Anti-corruption impact assessment



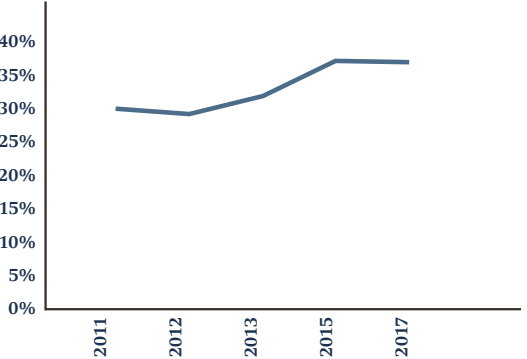
Impact assessments are still at fairly low levels. However, we see a sharp increase in anti-corruption assessments. Especially notable, the practice of conducting anti-corruption risk assessments is on the increase — from less than 20% in 2011, to almost 30% in 2017.

Figure 17: Monitor and evaluate performance on anti-corruption



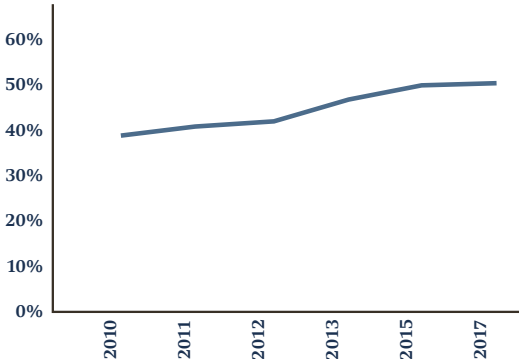
The practice of anti-corruption monitoring and evaluation is at 32%. Still, the fact that only one-third has this kind of systematic approach to human rights and anti-corruption indicates that the gap between policies and action needs more attention.

Figure 18: Public disclosure of anti-corruption policies and practices



Disclosure is on the rise, which is to be expected with the increasing implementation of anti-corruption policies and practices. We also see a strong parallel development of disclosure on anti-corruption and other issues, like human rights.

Figure 19: Management systems addressing bribery and anti-corruption apply

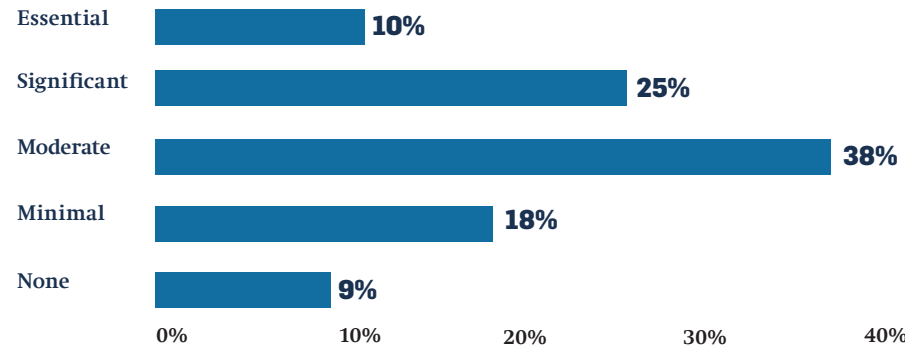


Having management systems addressing bribery and anti-corruption is not only good corporate governance, it is one of the most common measures participants undertake to implement anti-corruption measures. However, even though half of the participants implement these systems, only one-third monitor system performance.

Improved corporate governance is essential to combat corruption. An increasing number of proven tools and standards, such as the recent ISO 37001, help business transition to honest and law-abiding competitive behavior.

When asked whether participants feel that the UN Global Compact has influenced or supported their efforts to address the Principle on anti-corruption, over a third of respondents say that the support has been significant.

Figure 20: Has the UN Global Compact influenced your work to address the anti-corruption Principles?



UN GLOBAL COMPACT SIGNATORIES WITH ZERO TOLERANCE FOR CORRUPTION HAS GROWN TO 62% FROM 44% IN 2008.

HIGH ENGAGEMENT ON HALF THE GLOBAL GOALS

Compared to the other dimensions we see a relatively high level of engagement on the Global Goals relating to the economic dimension. Ensuring financial sustainability is the primary concern of business, and of all the 17 Global Goals, it is clear from our analysis that the economic dimension has the strongest foothold among business. Compared to the other dimensions of sustainability, except for Goal 16 on Peace, Justice and Strong Institutions, participants also believe businesses can have the highest impact on these Global Goals. One of the reasons may be that economic effects are very direct, easy to observe, and well monitored.

Figure 21: Participants with acitvities targeting economic Global Goals



“ It is not going to be business-as-usual in the future. The SDGs show us is where it's sensible to invest our capital, and the product and technologies that are not going to be acceptable going forward. More companies should look at the SDGs and really try to plot their own business strategy against them. Every business should be able to see opportunities there.

— Patrick Thomas, CEO, Covestro

In contrast to the positive findings related to the anti-corruption Principle described above, there is less activity reported on Goal 16: Peace, Justice and Strong Institutions — which is the only Global Goal with a specific target on anti-corruption. Only 25% believe business can have a high impact on this Global Goal, and only 30% say they have activities related to it.

However, overall, the figures are encouraging. Considering that the Global Goals were launched only two years ago, we find a high number of early adopters on these Global Goals. Most of these are larger companies, accustomed to leading the way on behalf their industries.

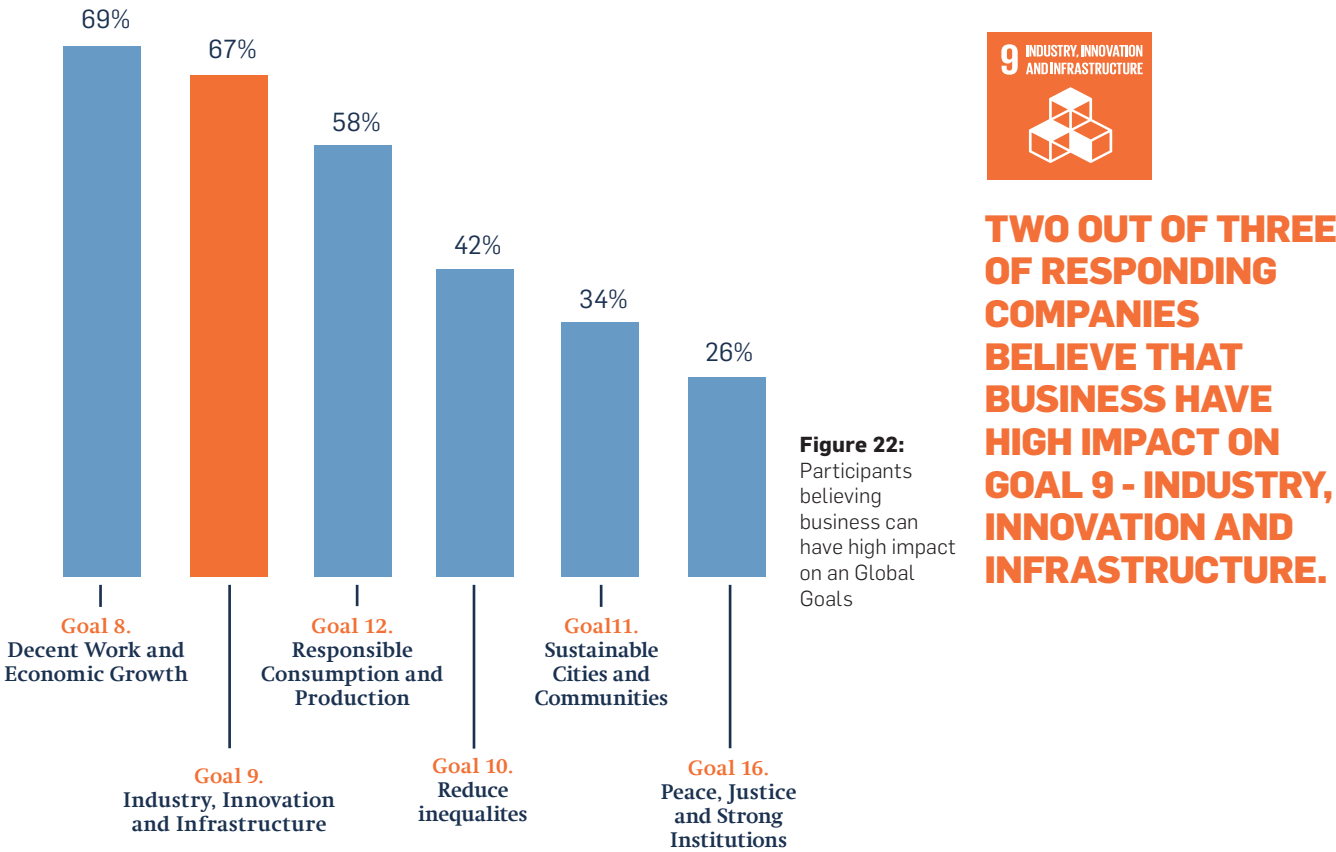


Figure 22: Participants believing business can have high impact on an Global Goals

MARK WILSON

CEO, AVIVA

BEING A GOOD
ANCESTOR:
MOBILIZING GLOBAL
CAPITAL TO SUPPORT
SUSTAINABLE
DEVELOPMENT



**"It has always
been crystal
clear why I am
in business: to
have a greater
positive impact**

**each year on the lives of our
customers and, crucially,
on society as a whole," says
Mark Wilson, CEO of Aviva,
the largest insurer in the UK,
operating in 16 countries with
33 million customers and
£475 billion of assets under
management.**

**"NOT BEING
SUSTAINABLE
REPRESENTS THE
MOTHER OF ALL RISKS;
THE RISK OF THE
GREATEST MARKET
FAILURE OF ALL TIME."**

"I've spent much of my career in emerging and developing economies — and I have sometimes seen the unacceptable face of capitalism. But I've also seen that business has been one of the great forces of liberation in history. I'm in business to make a positive difference to the lives of our customers and to society more widely. Making a profit is a by-product, albeit a very important one."

Wilson has long been a champion for sustainable investment and a pioneering voice for its role in society, especially on how companies must become what he calls "good ancestors" by creating long-term legacies. But currently, he argues, the whole system is hampered by short-term thinking.

"Markets are failing," he says, "Environmental and social costs are not properly reflected in companies' profit and loss statements. And there is a lot at stake. Take climate change: Our research estimates the value at risk if temperatures rise by 6 degrees to be nearly \$14 trillion for investors and over \$40 trillion for governments. If business does not function well, then society is at risk. And if society doesn't function well, then business is at risk. Getting this right is really just enlightened self-interest."

For Wilson, the Global Goals represent an inspiring vision for humanity, but that vision alone is not enough. Too many people can pay lip service but don't follow through. So the question is, how do we align economic and commercial considerations with doing the right thing? How do we galvanize action to really make a difference? His answer involves better information and harnessing the power of competition.

Aviva has certainly taken action. They've been carbon neutral for a decade, are investing around \$650 million in low-carbon infrastructure over five years, and are founding members of the Principles for Responsible Investment. Under Wilson's leadership they have also set out proposals towards a more sustainable global system, in effect, a call to harness the full strength of capital markets to shape a better future.

"First, we need simple, publicly available, comparable and consistent corporate sustainability league tables, ranking corporate performance against the Global Goals. Competition can be a beautiful thing," he says.



COMPANIES CANNOT AFFORD TO IGNORE SUSTAINABILITY. WITH THE GROWING SENSE OF POLITICAL RISK, CORPORATE AND INVESTOR LEADERSHIP NOW HAVE AN EVEN BIGGER VOICE AND ROLE TO PLAY AS A PILLAR OF SOCIETY.

GEETA AIYER

CEO, BOSTON COMMON ASSET MANAGEMENT

IN IT FOR THE LONG-TERM



“As we face game-changing phenomena like climate change, we have to modify

most of our investment assumptions on risk, return and value. I firmly believe that the companies at the forefront of these issues – who see and address the challenges of sustainability and inclusive growth, will be the better investments, long-term,” says Geeta Aiyer, Founder and President of the Boston Common Asset Management, a global leader in sustainable investment.

Investments that are intentionally committed to sustainability still represent only a small fraction of total investments worldwide, but the idea is growing and gaining momentum. Understanding of how environmental and social risks pose a threat to profitability is slowly increasing, and as a result, capital is beginning to change course. “It is interesting for all these years Wall Street research ignored the risks and opportunities from ESG issues. Now they are starting to pay attention,” says Aiyer.

Since she founded Boston Common Asset Management in 2003, her philosophy has been clear. “The path to long-term returns runs through sustainability. Investment thinking is complete only when it considers the social and ecological context in which companies operate. Ultimately, to solve the challenge of a two-degree future, we need to move capital and use investors’ voice to change how businesses operate, caution about climate risk, stop them from causing harm, improve their practices, and redirect them towards the challenges they are uniquely positioned to solve.”

And this has influenced Aiyer’s investment approach since the beginning. “We have tried to be ahead of the curve in that our search for “quality” in companies has always been fuelled by the belief that ESG performance is an integral part of financial quality. Better management of risks, a culture of accountability and forward-thinking governance, leadership in creating solutions, all help align incentives within companies to focus on the long term, and thus position them to deliver superior growth and investment value.”

When the investment decision has been made, a long-term active engagement strategy is established. “We want our companies to thrive. Exercising active ownership means that we help our companies to see risks or opportunities they may be overlooking, encourage them to be more ambitious by rethinking products and processes, understand where regulation is going, what consumers are seeking, or what is “best practice” among their global competitors. It is almost like a partner relationship over time.”

Aiyer is optimistic about the future. More and more companies are standing up for climate leadership, diversity, human rights, and sustainability disclosure. But reflecting on when we will reach the tipping point where sustainability becomes a part of mainstream investment practices, she says: “I wouldn’t be doing this if I weren’t inherently an optimist. The journey to bring sustainability into finance has taken much longer than we hoped and recent political setbacks have caused worry. But within the investment community, the steady forward movement is palpable, and the mainstream will be there before you know it. Then, we will look back and wonder why it took us so long!”

2.3 ASSESSING PROGRESS: THE SOCIAL DIMENSION



In years to come, the creation of quality jobs and economic growth will remain a major challenge for almost all economies. Some 470 million jobs are needed globally to accommodate new entrants to the labour markets between 2016 and 2030.^{xiii} At the same time, 200 million children around the world are child labourers.^{xiv} The likelihood of meeting the social Sustainable Development Goals in five world regions by 2030 looks only slightly more promising than meeting the economic goals. Serving the world’s social needs, such as access to healthy food, clean water, quality education and health services, represents vast unserved markets for business to explore. Business undoubtedly has a large role to play in terms of advancing societal objectives. For instance, the total economic losses associated with inadequate water supply and sanitation are estimated at USD 260 billion annually. At the same time, the global average social return on investment in these unfulfilled needs is a stunning 550 percent.^{xv}

GLOBAL COMPACT SIGNATORIES ARE COMMITTED

Companies participating in the UN Global Compact generally show a strong commitment towards labour policies and principles. In fact, as figure 24 shows, the vast majority of companies have had labour policies and practices in place for several years.

Another positive development is that policies and practices in the area of human rights are catching up, particularly with the launch of the Guiding Principles on Business and Human Rights in 2011. Today, more than 90% of business participants report that they have policies in place on human rights.

Figure 23: Is the world on the right track towards achieving the social Global Goals?

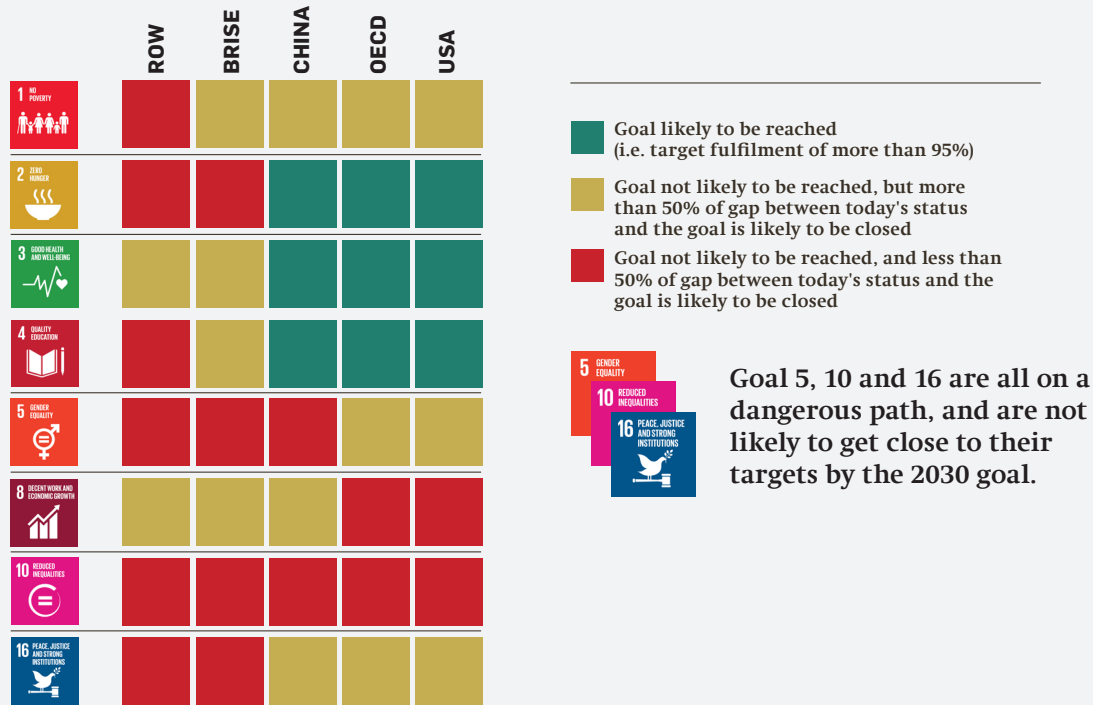
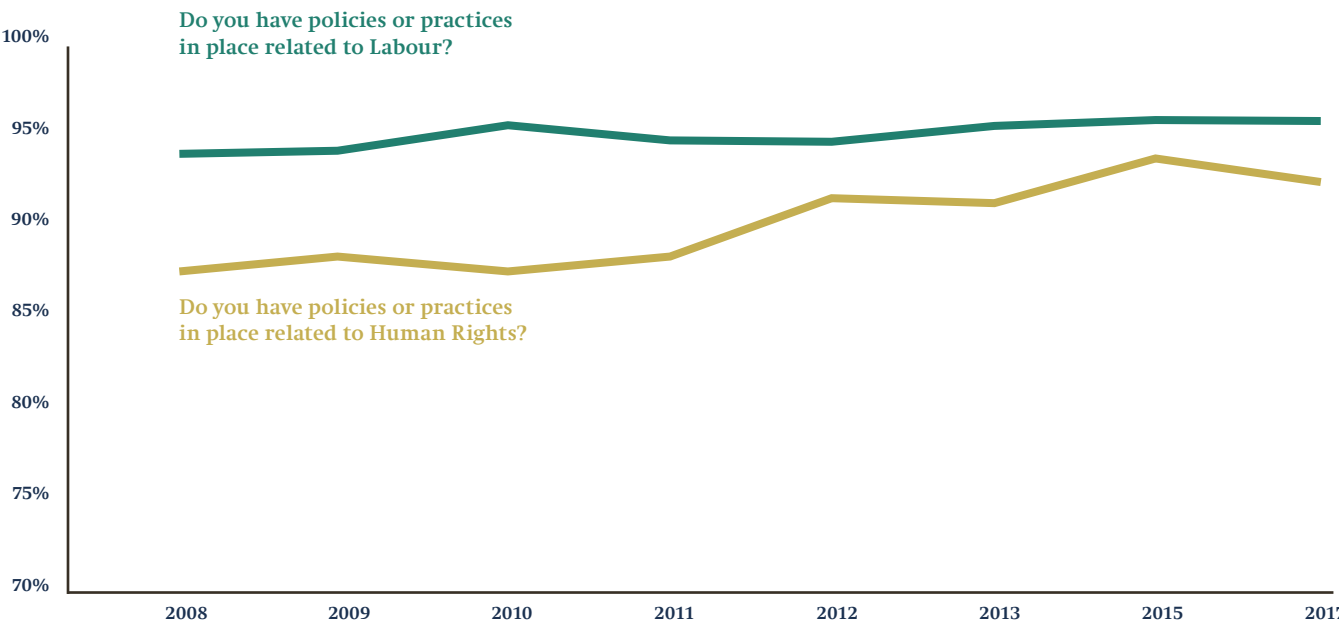


Figure 24: Societal policies and practices in place

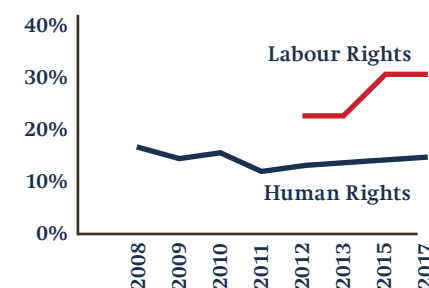




WHERE'S THE ACTION?

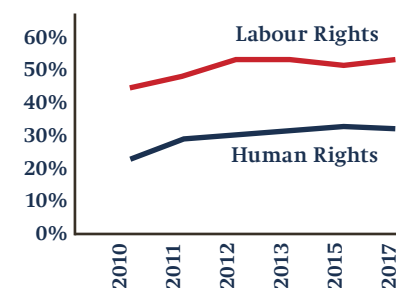
However, the gap between having policies in place and taking actions to implement those policies is still substantial. Although actions to implement societal Principles and engage in activities to support the Goals have a positive development, figures are still at low levels overall. An interesting observation is that action had a slight uptick in 2011, the same time as the UN Guiding Principles were published.

Figure 25: Impact assessment



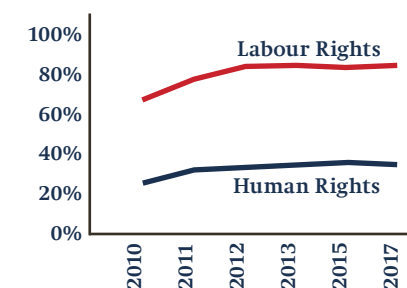
We see a sharp increase in labour rights assessments, which, of course, scores higher than human rights, since any assessment on human rights would include some assessments on labour rights as well.

Figure 26: Monitor and evaluate performance



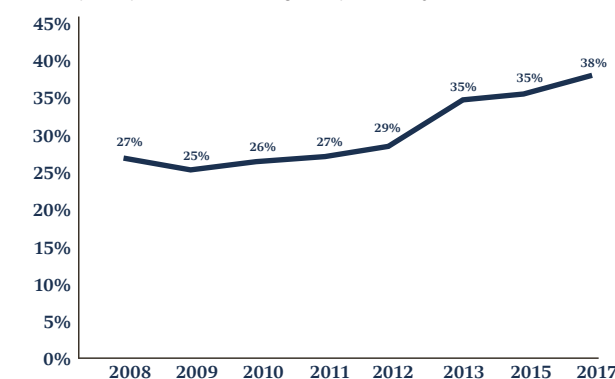
Evaluation and monitoring are steadily increasing, and crucial to enhanced performance by keeping focus on the subject.

Figure 27: Public disclosure on policies and practices



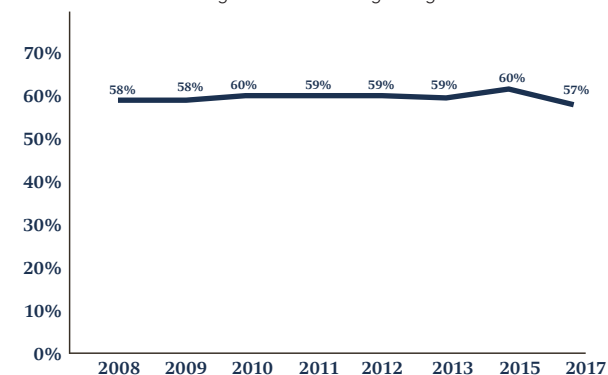
The increase in disclosure provides employee and other stakeholder input which may drive further company actions on labour rights.

Figure 28: Companies with a set of corporate principles on human rights specifically



Percentage of participants who implement principles on human rights is growing, continuing a long trend. This growth may be linked with the high influence participants credit to the UN Global Compact.

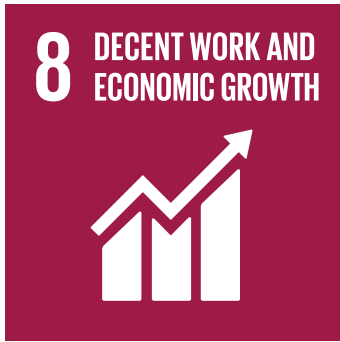
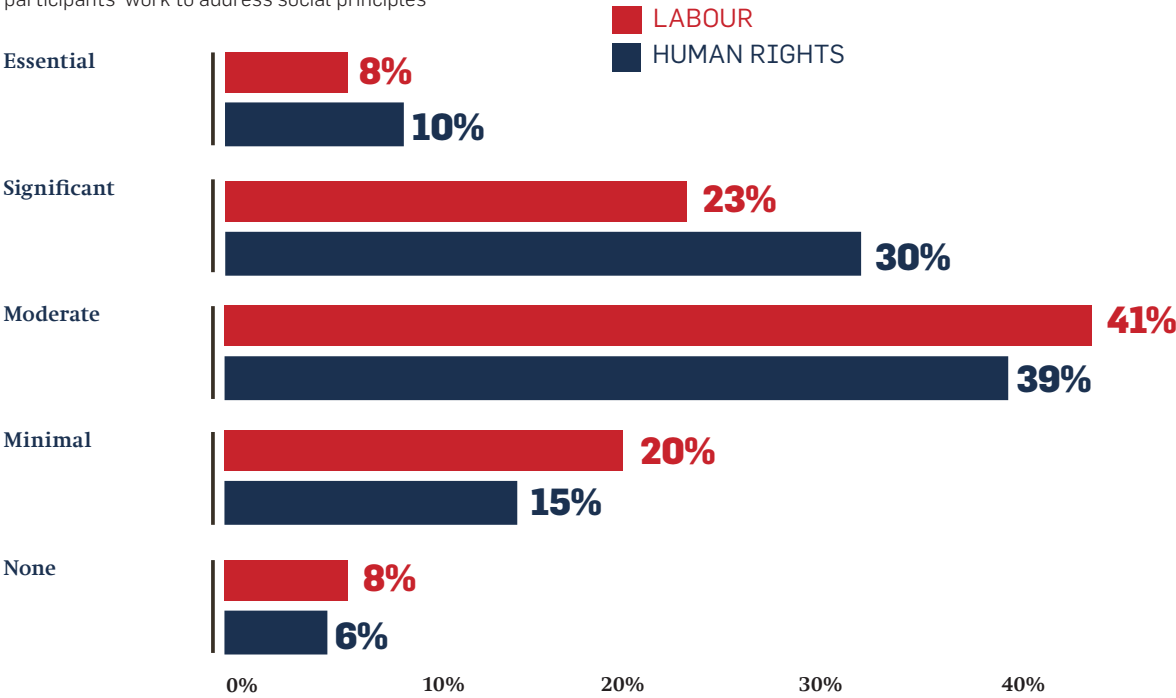
Figure 29: Companies where working conditions and terms of employment are addressed through collective bargaining



Participants report no overall change in the percentage of companies with collective bargaining arrangements during the past nine years.

A high number of business participants report that the UN Global Compact provides support in addressing the Principles. Work on human rights has especially gained momentum. Overall, 3 out of 4 participants affirm that the UN Global Compact influences their work.

Figure 30: UN global Compact influence on participants' work to address social principles

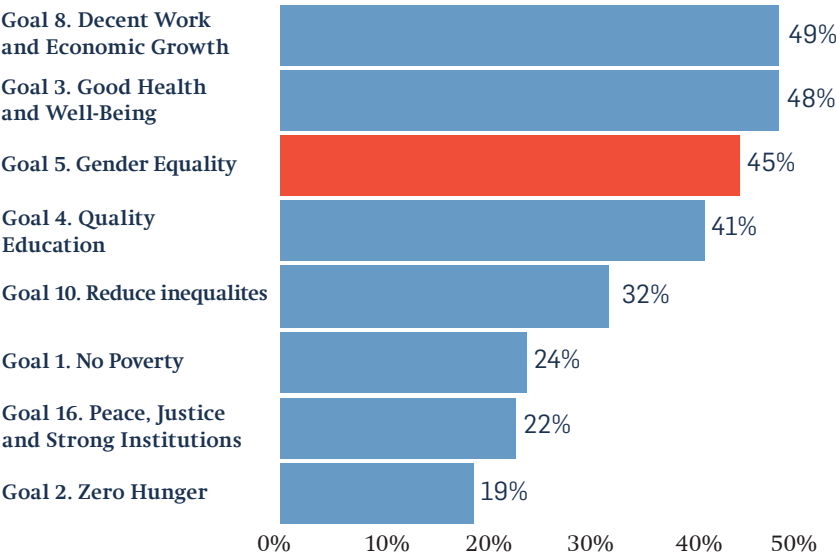


THE NUMBER OF UN GLOBAL COMPACT SIGNATORIES WHO MONITOR AND EVALUATE LABOUR RIGHTS PERFORMANCE HAS GROWN TO 53% IN 2017 FROM 44% IN 2008.

LOWER INVOLVEMENT ON SOME KEY GLOBAL GOALS

Almost half of the Global Goals relate to the social dimension of sustainability, and businesses have embraced several of them enthusiastically, including Goal 8 on Decent Work and Economic Growth, Goal 3 on Good Health and Well-Being, Goal 4 on Quality Education and Goal 5 on Gender Equality. This comes as no surprise as these activities often link to employee care and benefits as well as strategic company policies, particularly for companies operating in developing and emerging economies. Achieving these goals is vital to ensure a prosperous future for all people around the world, and necessary as a precondition for economic growth.

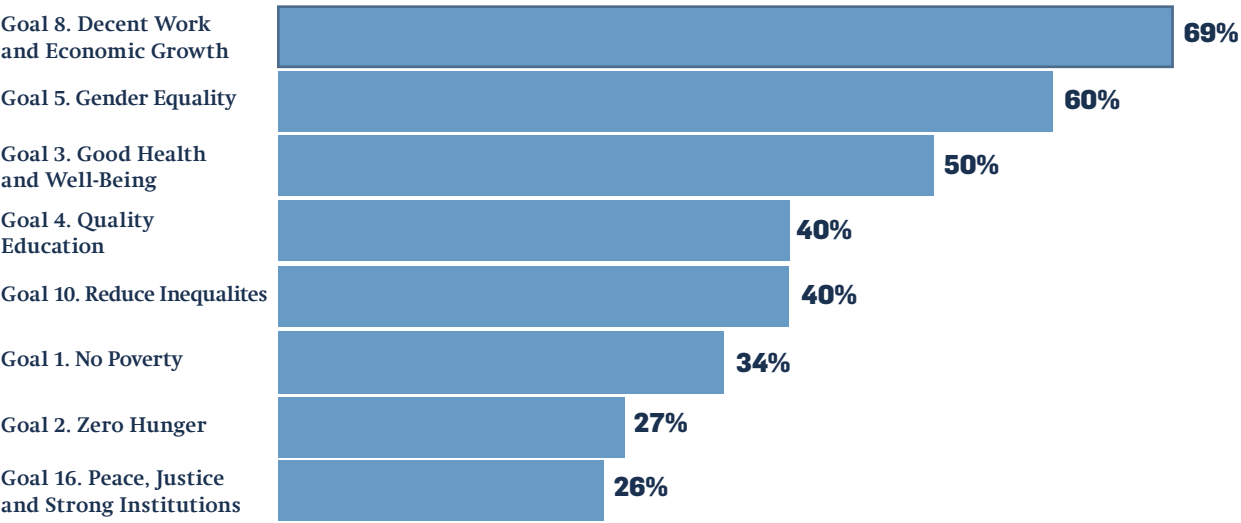
Figure 31: For which of the social Global Goals do participants have activities?



45% OF UN GLOBAL COMPACT SIGNATORIES HAVE ACTIVITIES TARGETING GENDER EQUALITY

Still, even though decent work is high on the agenda of the UN Global Compact participants, the 2016 Global Slavery Index estimates that 46 million people are subject to some form of modern slavery in the world today^{xvi}. Business must connect corporate activity closer to positive social outcomes. It all starts with believing business can make a difference.

Figure 32: Which social Global Goal participants believing business can make high impact



BETHEHEM TILAHUN ALEMU

FOUNDER AND CEO, SOLEREBELS

GREEN BY HERITAGE,
COOL BY DESIGN



“It is really in places like Ethiopia where we have something to offer the world

in terms of not just amazing products, but adding authenticity in the whole dialogue and driving towards sustainability in production and other areas,” argues Ms. Bethlehem Tilahun Alemu, Founder and Chief Executive Officer of soleRebels, Africa’s fastest growing footwear company.

Ms. Alemu founded soleRebels, an innovative company committed to creating world-class footwear, back in 2004. “I grew up in one of the most impoverished area of Addis Ababa and had a strong desire to focus my business skills on my community. I could see that we had lots of talented people, especially artisan talent, but there were no job opportunities for them. There were so many who could do great things if only given a chance. However, owing to extreme poverty, stigma, marginalization and a whole load of other factors, many of them could not even get simple jobs. This struck me as both an immense tragedy but also an immense opportunity,” Alemu explains.

As a company, soleRebels focuses on maximizing recycled and eco-sensible inputs, crafting its products from local materials in the traditional manner they have always been made in Ethiopia. For instance, the soles are made from recycled car tires, which are then crafted into perfectly fitted, durable and comfortable soles. “In Ethiopia, recycling things is a way of life. We have been recycling for years without ever calling it recycling. As we like to say, when you have limited resources, everything is valuable. Everything has a purpose even if it is not the original purpose it was intended for.” Recycling also has the added benefit that it reduces material destined for landfills and saves CO2 emissions from burning landfill-bound tires.

By creating jobs in impoverished communities, and producing truly sustainable and heritage products, soleRebels is unique in the world, not only on the African continent. But Alemu is also quick to point out the company’s attention to comfort and design: “Ethiopia is one of the last authentically organic environments in which cotton is grown. We source all our cotton from small-scale heritage organic growers, ensuring that our customers get wondrously soft cotton and a historic crop continues to flourish. This hand-spun cotton is used for the shoe interiors and strap linings, meaning that slipping your feet inside a soleRebel is a decadent treat, just like sliding into your favourite socks.”

Alemu is driven in part by her insight into the phrase “poverty alleviation”, which she heard over and over in the wider context of Ethiopia and in the community where she grew up. “As I started working, it became clear to me that poverty alleviation is a myth. It became clear that prosperity creation is the sole route to the elimination of poverty. And to create sustained prosperity you have to create something truly world class. So that’s what started to really crystallize my thinking.”



WE EMBRACE THESE PRODUCTION METHODOLOGIES AND IDEAS WHICH ARE INTEGRAL PARTS OF ETHIOPIA’S CULTURAL FABRIC AND ARE, BY THEIR ESSENCE, SUSTAINABLE AND LOW IMPACT BECAUSE BEST OF ALL THEY MAKE AMAZING PRODUCTS!

EMMANUEL FABER

CEO, DANONE

FOOD AS SOCIAL JUSTICE: A REVOLUTION IS COMING



“Food is not a business like any other. Food is not a commodity. It is far

more important. It is not a consumer good. It is precious. It is a human right, so defined by the United Nations,” says Emmanuel Faber, Chief Executive Officer of Danone.

Faber speaks openly about the challenges facing the global food system, including the overuse of water, the heavy reliance on chemicals, the contribution to climate change and soil depletion, but also the unfair distribution of food worldwide and its impact on consumer health. “The global food system is reaching a kind of dead end because we, as an industry, have been treating food as a commodity, trying to standardize and reduce more and more the cost of production. As a result, we have disconnected people from their food.”

At the same time, consumer awareness around the world is on the rise. People want to know where their food is grown, how it is prepared, and ultimately whether they can consume food products without jeopardizing their health and the health of the planet. This is what Danone has recognized.

“A revolution is cooking, and the question is what we do about it,” says Faber. “If we as an industry do not change, we risk that consumers will move away from big brands, and find their own alternatives for food production.”

Perhaps growing up in the French Alps, close to nature, has made Faber more sensitive to the emerging food revolution. “Traveling the world, I have met many inspiring people finding solutions to save water, invent new food, disrupt food models with technology, and reduce waste. Basically showing me a path towards a future of food that is sustainable. From fields to farms to factories, I realized that another world is possible.”

But Faber is surprisingly humble. “We are far from perfect. But this is not an excuse not to start.”

Today, Danone is committed to nourish and protect “One Planet, One Health,” and wants to be at the forefront of this movement reconnecting people with their food. “The aim,” he says “is that when you buy a Danone product, you know that you contribute positively to people and the planet.”

This is why, last year, Danone made the strategic decision to pursue B-Corp certification — a third-party verification ensuring that the company meets the highest standards of social, environmental and governance performance, and uses the power of business to solve social and environmental problems. “So we have started,” says Faber, “and it means that we will have to disrupt many more things at Danone.”

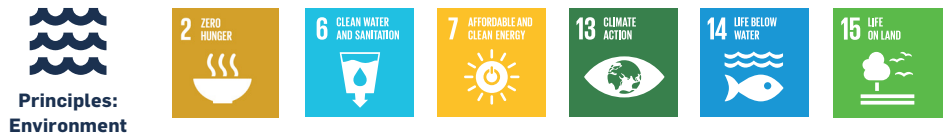
One such disruptive decision was to create the new company DanoneWave, currently the largest Public Benefit Corporation in the world — where judiciary duties go beyond shareholders and also encompass the legal responsibilities of the Board and Management to global stakeholders impacted by the company.

“Investing \$12 billion into a plant-based company looks, to me, as a kind of business risk, thinking that we need to shift because our consumers are asking us to shift. It’s really shifting our core business to incorporate within our products our vision of the Global Goals, our vision of how to achieve a sustainable diet, also sustainable for the planet and sustainable for people. Because as you know, sustainable diets incorporate more plant-based products than what we now offer, especially in the U.S. and in Europe.”

“

WEALTH CONCENTRATION IS A HUGE TIME BOMB, AND FOOD INEQUALITY IS PART OF THE SOCIAL INJUSTICE. IT IS CLEAR THAT THE ULTIMATE GOAL OF THE MARKET ECONOMY CANNOT BE OTHER THAN SOCIAL JUSTICE – THIS IS A MATTER OF BUSINESS SENSE.

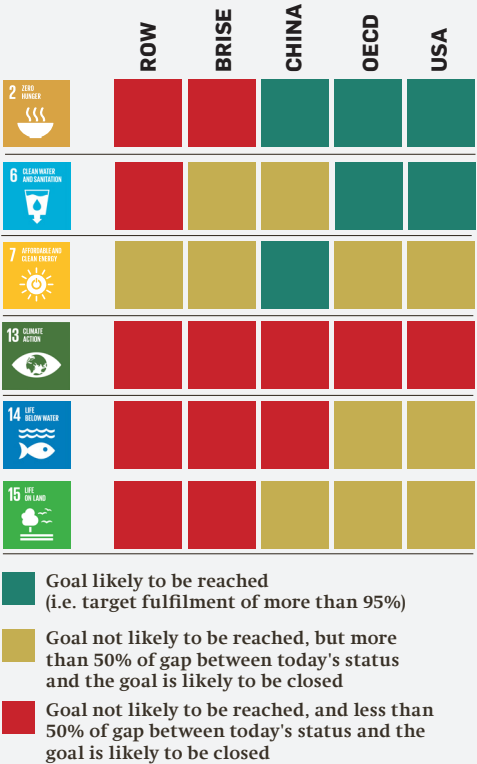
2.4 ASSESSING PROGRESS: THE ENVIRONMENTAL DIMENSION



The world economy will lose USD 12 trillion unless greenhouse gases are tackled.^{xvii} All other dimensions of sustainability depend on a safe and life-sustaining environment, yet the environmental dimension of sustainability is where forecasts predict the most troubling future. It is estimated by 2050, 60% of the world’s major ecosystems, upon which humanity depends for survival, are under serious strain and 15-40% of species face extinction.^{xviii} The likelihood of meeting the environmental Global Goals is alarmingly in the red. Goal 13: Climate Action to take urgent action to combat climate change, is not likely to be met in any region by 2030.^{xix} If the environmental goals are not met, we risk a reversal in the human progress that we have seen in the past century, vast regions will become uninhabitable, and with major economic costs diverted from productive investment to rehabilitation and repair following natural disasters.^{xx}

Protecting the environment is an essential precondition for social justice and economic development. Principles 7, 8 and 9 tell us that businesses should take a proactive approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. Businesses need to integrate these principles into the core of their operations and activities if the world is to reach the environmental Goals 2, 6, 7, 13, 14 and 15.

Figure 33: Is the World on the Right Track Towards Achieving the Environmental Global Goals?



Climate change and rapid degradation of vital ecosystems represent perhaps the greatest risk facing humanity today. Despite

increasing knowledge and awareness about this trend, progress is too slow. Science tells us that the world is on a path to fail in reaching several of the environmental Global Goals, spurring the world’s leaders to come together on the ambitious Paris Climate Agreement in 2015. What is clear is that immediate and urgent action is needed, from the public sector and from business, if we are to achieve a sustainable transition in time.

IMPLEMENTATION OF ENVIRONMENTAL GOALS AND PRINCIPLES

Our analysis shows that the number of companies with environmental policies has registered at a stable and high level for the past 9 years, at around 95%. Close to 100% of respondents within the consumer goods, consumer services and basic materials sectors have environmental policies or practices in place.

A positive development is that policies have changed from end-of-pipe to a more proactive approach to managing environmental impact and are assessing environmental impacts along their entire value chain.

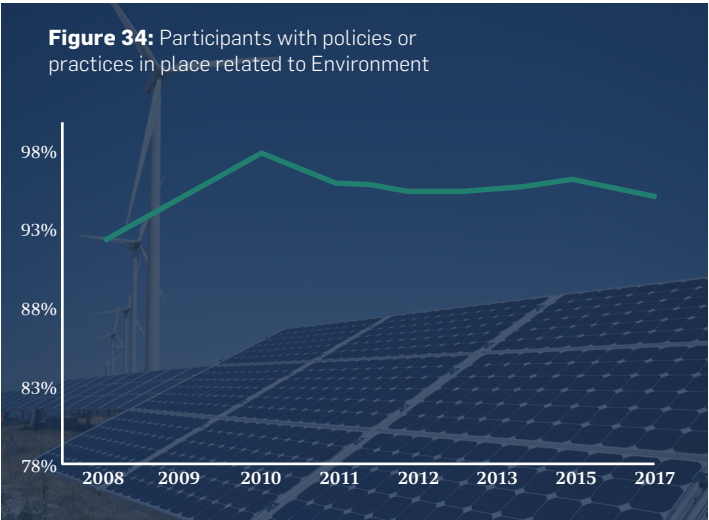
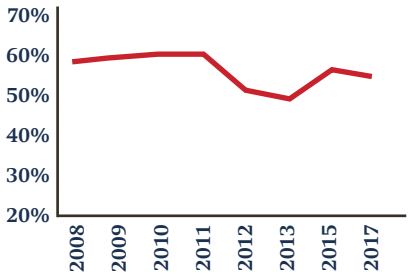
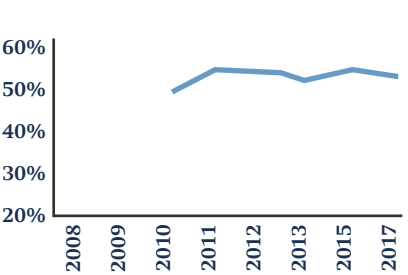


Figure 35: Environmental Impact Assessment



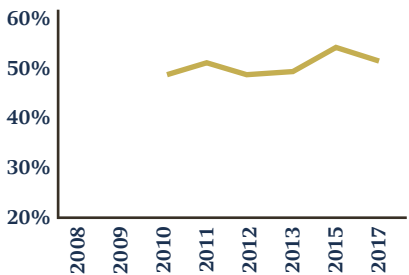
Figures are significantly higher compared to the other issue areas, and have been so since 2008.

Figure 36: Monitor and evaluate environmental performance



Half of the participants monitor and evaluate their environmental performance. Considering the large number of new participants since 2008, it seems the newcomers catch on fast.

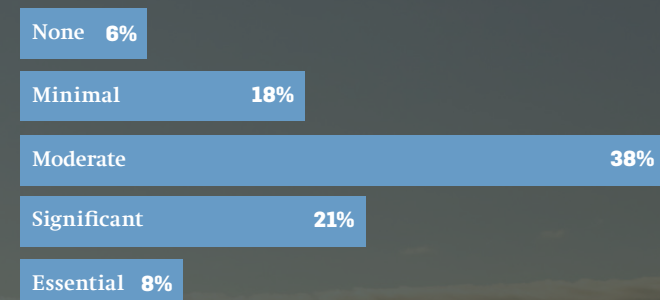
Figure 37: Public disclosure on environmental policies and practices



Public disclosure follows assessments and evaluations. With the large number of new participants joining the UN Global Compact, one might expect a declining average. However, disclosure remains at 50%.

Similar to the other dimensions, when we ask businesses whether they think the UN Global Compact has played a role in influencing their understanding of the Principles, the responses are positive (Figure 38).

Figure 38: UN Global Compact influence on participants' work to address environmental Principles



STEADY ENGAGEMENT ON ENVIRONMENTAL PRINCIPLES - LOW ACTION ON SELECTED GLOBAL GOALS

While the environmental Principles are well established and implemented, some Global Goals in the environmental dimension have not yet created the same level of engagement. This is where we find the lowest activity scores among signatories: Only 12% say they have activities related to Goal 14 Life below Water, and 18% related to Goal 15 Life on Land. The results are better but still not strong on Goal 13 on Climate Action, where 37% of participants currently report activities.

Given the monumental challenge of curbing carbon emissions and adapting to a changing climate, all companies need to act on this goal. A critical target would be to increase the number of businesses that report on their greenhouse gas emissions today, which currently only amounts to 37%.

Similarly, many industries unquestionably have a substantial impact on Life on Land and Life below Water. It's a possibility that companies have a lower degree of awareness about how business can make a positive impact here. It is too early to draw conclusions as to the causes of the low activity levels and lack of belief that business can make an impact. However, there is no doubt that this needs to change to a more progressive and proactive view of the role of business in achieving environmental sustainability.



ONLY 12% OF UN GLOBAL COMPACT SIGNATORIES HAVE ACTIVITIES TARGETING LIFE BELOW WATER

Participants with activities targeting environmental Global Goals

37%



On which Global Goals participants believe they can make a high impact

50%

34%



48%

32%



43%

19%



27%

18%



24%

12%



20%

2.5 THE VALUE OF THE UN GLOBAL COMPACT WHY THE UN GLOBAL COMPACT MATTERS

By establishing the UN Global Compact in 2000, the United Nations sought to provide a universal and practical framework for all companies around the world to take a principled approach to business, based on core UN Conventions and Declarations. The idea is to ensure that business activities are aligned with societal goals so that business value is generated in a way that also benefits people, communities, the environment and the economy. This may seem like a daunting task for individual companies, which is why we aim to support our business participants on this journey so that sustainability becomes easy.

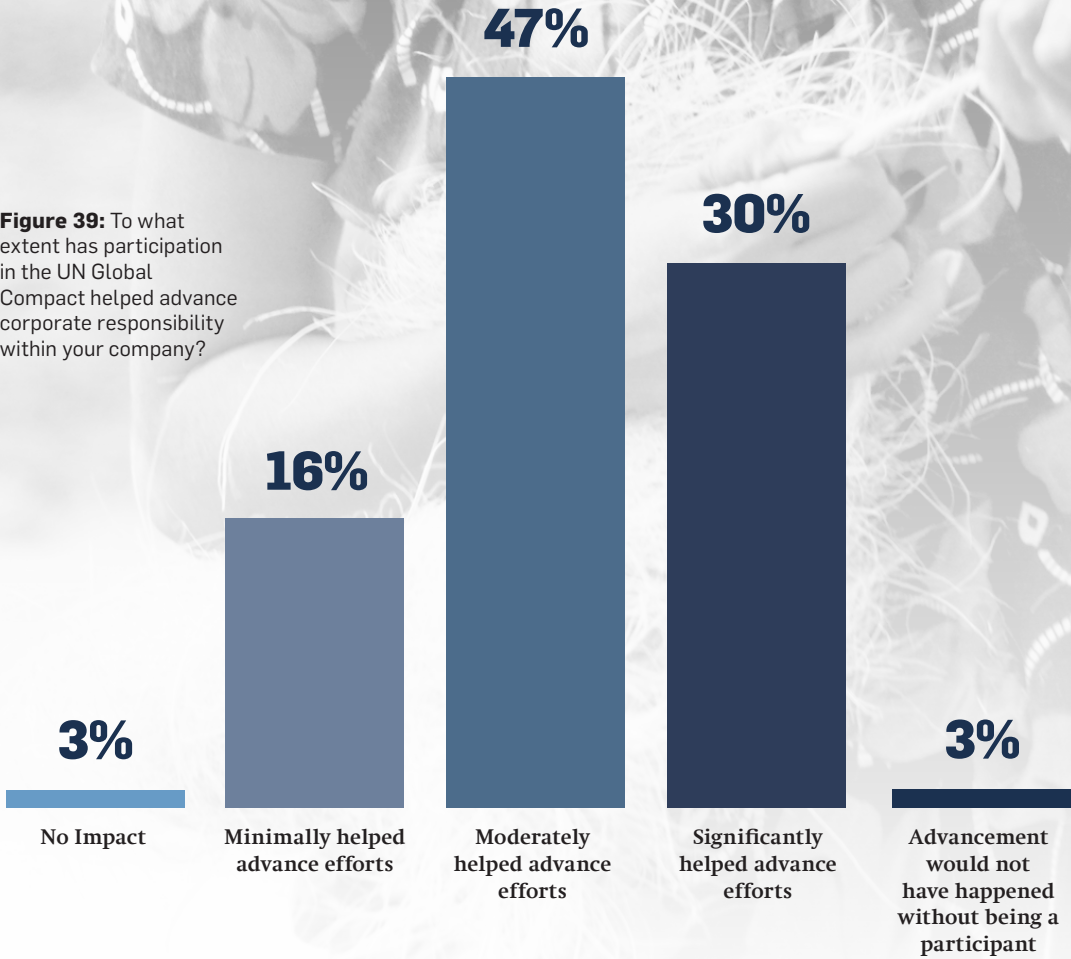
Each year we ask our business participants each year we ask our business participants to tell us what they think of the value of participating in the UN Global Compact:

Does Participation in the UN Global Compact Help in Implementing Sustainable Business Strategies?

The UN Global Compact aims to catalyze action, partnerships and collaboration to make transformation towards sustainable business possible. Since 2000, we have organized hundreds of events, published vast amounts of tools and resources, launched Local Networks in 76 countries to translate global principles into local action, and Action Platforms for companies to help shape the sustainable development agenda.

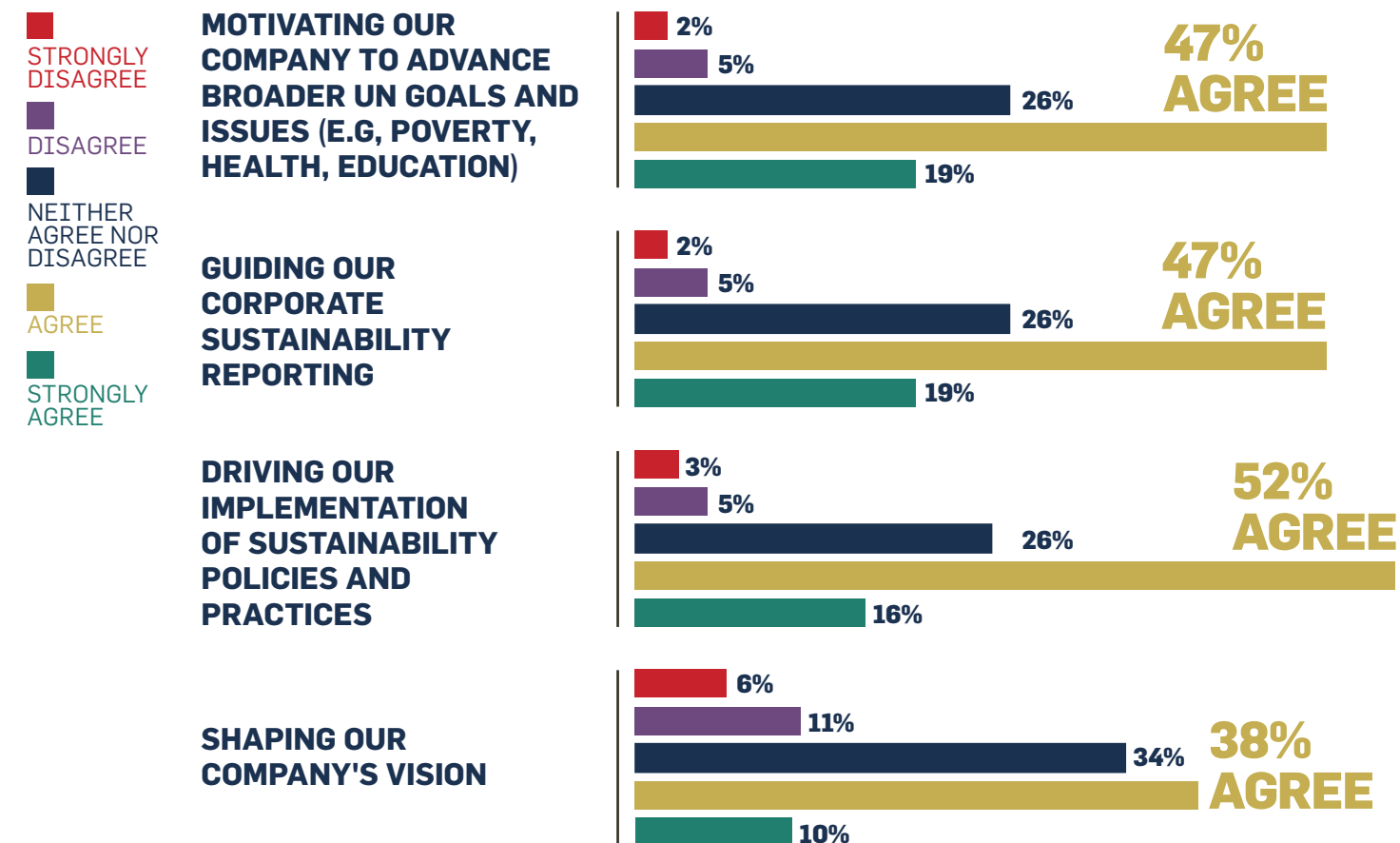
But do our efforts really help our participants? The overwhelming answer is yes. 80% say that the UN Global Compact has helped advance sustainability in their own company (Figure 39) — a 20% increase since 2015. More than a third of respondents say that the UN Global Compact has significantly helped advance their efforts.

We will commit to continuously improve our effort to help companies, make sustainability easy, and appreciate all feedback we can get in terms of what business needs, where they face challenges, and how the the UN can be mobilised in such a way that it becomes easier for individual businesses and sectors to invest in sustainable products, services, technologies, and new business models.



HOW HAS THE UN GLOBAL COMPACT SUPPORTED THE COMPANY?

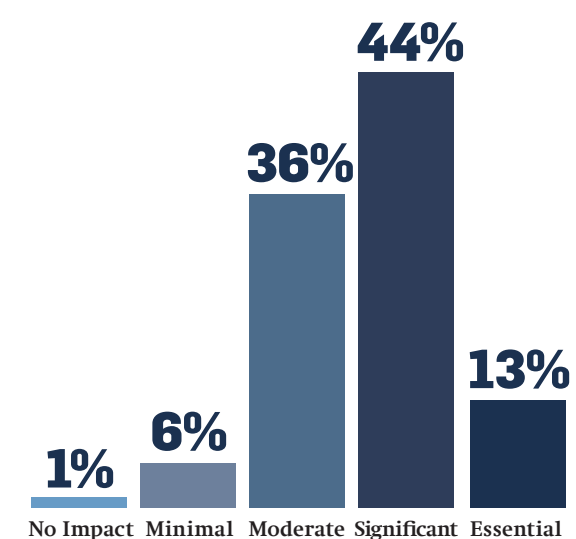
Figure 40: To what extent do you agree with the following statements:



IMPLEMENTATION ACTIVITIES INCREASE EACH YEAR A PARTICIPANT STAYS WITH UN GLOBAL COMPACT.

Finally, we also ask our participants how significant the UN Global Compact network as a whole, including its participants, Local Networks around the world, and partners, has been in spreading sustainable business practices around the world. When the UN Global Compact was launched in 2000, sustainability was hardly on the agenda of any businesses — today it has truly become a global movement - where business leaders are taking a more active role in contributing to societal development. This can, of course, not only be attributed to the UN Global Compact, there are many other organisations, initiatives, and individuals, that rightly deserve recognition. But the fact that 57% of our participants think that the UN Global Compact has played a significant role, is motivating and encourages us to continue on our journey — in partnership with businesses all around the world.

Figure 41: How significant has the Global Compact network been in spreading the practice of corporate sustainability worldwide?



“Baidu and the United Nations Global Compact came into existence the same year, and we are proud to have committed to the Global Compact at an early stage. 17 years on, the Global Compact not only provides us with the values and codes of conduct recognized by industries across the world, but also provides an international platform for excellence and operations.

— Robin Li, CEO, Baidu

“

WHEN WE TALK ABOUT SUSTAINABILITY, WE DON'T SEE IT AS A SEPARATE BROCHURE. IT'S AN INTEGRAL PART OF OUR CORPORATE STRATEGY.



HÅKAN SAMUELSSON

CEO, VOLVO CARS

SIGNALLING THE END OF THE ERA OF THE COMBUSTION ENGINE



“If you really believe that customers are attracted by electric cars, you should

go into that business as fast as possible. That is why we have the ambition to be the fastest one in making the transformation,” says Håkan Samuelsson, Chief Executive Officer of Volvo Cars.

On the 5th of July 2017, Volvo Cars, became the first established automotive manufacturer to announce that it was moving away from the pure internal combustion engine. All new Volvos launched from 2019 will be electrified: either fully electric or hybrids. The company aims to launch 5 fully electric vehicles between 2019 and 2021, and has an existing target to sell 1 million fully electrified and plug-in hybrid vehicles by 2025.

“This decision to transform into an electric company had nothing to do with PR, or wanting to look good. We’re doing this because we think this is the right future for Volvo Cars, and that it will make us stronger. It’s sound business,” explains Samuelsson.

Customer demand was certainly a significant driver. As more and more people are asking for electric cars, it is suddenly turning into an attractive product. “But we also add something to our company profile, to the purpose of our company. It’s not just about being successful and profitable. We also want to contribute to the movement towards carbon-free mobility.” A positive side effect, he believes, is that this will make the company a more attractive employer, and help attract top talent.

Volvo’s strong values facilitated the decision. “Since Volvo was founded 90 years ago, we have always stressed that we are a human-centric company. We invest in technology to make cars safer and more environmentally friendly. People care about the safety of their family and kids. They are also concerned about the condition of the environment. That’s why I have a strong feeling that our customers see this as something positive.”

But radical change does not happen overnight. “Bringing in new technology in an old company is definitely not an easy thing. That’s why you need to have a clear strategy and roadmap. It can never be an instant switch from combustion to electric.”

By making such a strong early public commitment, Volvo Cars hopes to send a signal that there are great business opportunities around sustainable mobility. “If we bring out more than one million electric cars before 2025, this will encourage other companies to invest in sustainable technology, for instance to deliver batteries and charging infrastructure.”

Driven by an ambition to make a difference, Samuelsson quickly came to the conclusion that to make Volvo Cars stronger, the best strategy was not to try to copy others. “You really have to define where you can be stronger. It means analysing heritage, culture and competence. For us, it led us back to our human-centric values, and focus on safety and environmental performance. So, I decided to build on that — and a commitment to electrification was the natural outcome.”

HENRIK POULSEN

CEO, DONG ENERGY

AHEAD OF THE GAME: HOW EARLY INVESTMENT PAYS OFF



“It is important to stress that we have not taken a single decision which was

not value creating and which was not the best way we could spend our capital. All of our offshore wind farm investments have a very clear financial business case. So the boldness comes from spending time understanding the risks, developing the business case, and moving into slightly uncharted territory early on,” explains Henrik Poulsen, the Chief Executive Officer of DONG Energy, the largest offshore wind company in the world.

When DONG Energy was established back in 2006, it was one of the most coal- and oil-intensive energy companies in Europe. “At that time,” Poulsen explains, “the strategy was to grow our oil and gas business and to build coal-fired power stations internationally.”

But then came the whole debate about climate change and the EU decision to adopt the 20-20-20 targets to build out renewable energy by 20%, reduce CO2 emissions by 20%, and improve energy efficiency by 20% in 2020.

“The green agenda in the EU forced our company to scrutinise our investment strategy and to ponder on the basic question: is it better to invest USD 3 million in a coal-fired power station which will be churning coal and emitting vast amounts of CO2 for the next 40 years? Or, would it be a better investment to build two offshore wind farms at the same price? Looking at these two options, the company decided to stop all investments in coal-fired power stations and to reallocate the investments towards offshore wind. Our focus on offshore wind has clearly given us a scale advantage, because we have been able to focus on building our competences in one technology,” says Poulsen.

While DONG Energy focused all its renewable energy investments in offshore wind, one key challenge remained: the cost of offshore wind was among the highest of any renewable energy technology. “We could clearly see that offshore wind had to come down in cost if the technology were to become competitive in the long run. So in 2013, we set an ambitious target to reduce the cost of offshore wind by 35-40% by 2020. As the industry leader, we were quite precise in our cost reduction target. And with the largest build-out programme in the industry, we methodically designed a cost-out programme, enabling each successive offshore wind farm to become cheaper than its predecessor. We were successful to such an extent that we had met our cost target already in July 2016, 3.5 years ahead of plan. And in April 2017, we won our first offshore wind projects without subsidies. These projects are to be delivered in Germany in 2024. In just 5 years, we have taken offshore wind from being one of the most expensive energy technologies to be competitive with conventional power stations.”

The strategy to transition from fossil fuels to renewable energy has clearly paid off. In Europe, DONG Energy is now the energy company with the highest share of renewable energy in its power and heat production, and for the past 5 years, it has been one of the fastest growing and most value-creating energy companies in Europe.

“

IF WE HAD CONTINUED THE BUSINESS MODEL THAT WE HAD IN 2006, WE WOULD PROBABLY NOT HAVE BEEN HERE TODAY. TRANSFORMATION ALLOWED US TO SURVIVE AS A COMPANY.

CHAPTER THREE

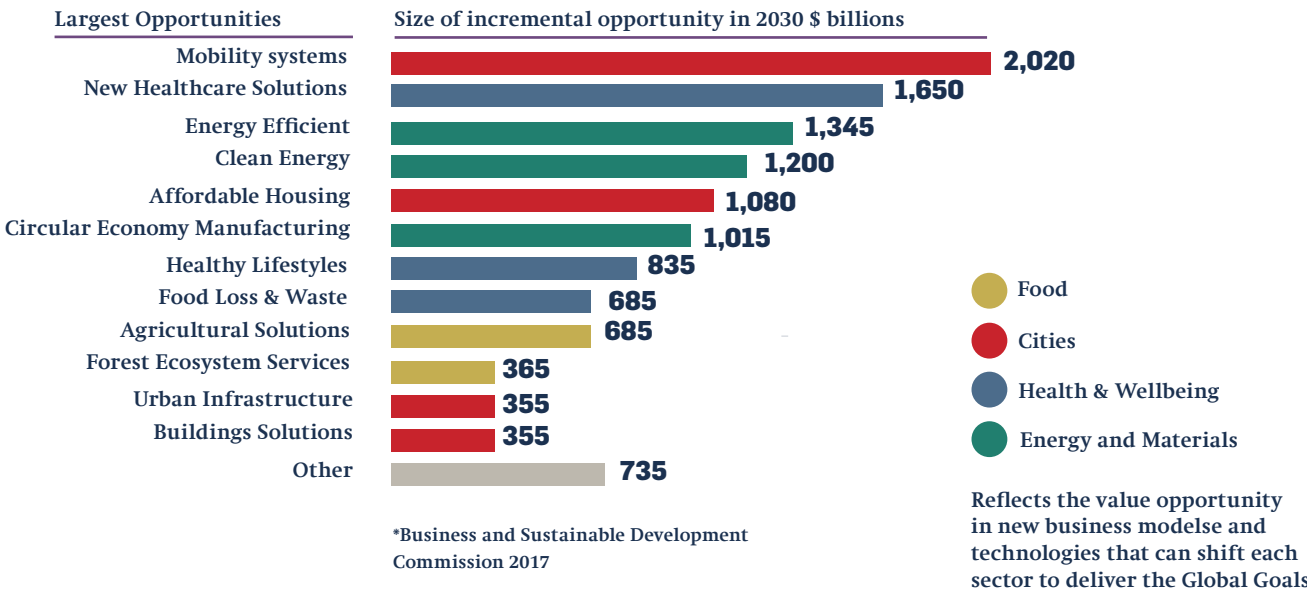
LOOKING AHEAD: 10 FOCUS AREAS FOR FURTHER ENGAGEMENT

Our analysis shows that there are significant opportunities for business to scale engagement around key Principles and Goals. However, looking at the data, we have identified ten areas where we believe business, with the support of the UN system, the UN Global Compact and partners, can scale efforts and improve understanding. This may inspire new innovations and solutions that can at the same time contribute to long-term business value and meet societal and environmental needs.

Over the coming pages, we will outline these 10 Focus Areas.

1. Peace & Humanitarian Action
2. Climate Shift
3. Saving our Oceans
4. Sustainable Cities
5. Increasing SME Support
6. Support Sustainable Supply Chains
7. Rising Inequality
8. Mobilising Finance
9. Transformative Partnerships
10. Protecting Life on Land

Business opportunity in delivering the SDGs can generate up to \$12 trillion worth of business value



#1
FOCUS AREA

PEACE & HUMANITARIAN ACTION

TAKING STOCK

Operating in unstable societies represents a particularly difficult and risky setting for companies. Yet, the presence of responsible business and investment in high-risk areas, or post-conflict zones, is vital to bring sustainable development and stability through a myriad of ways but importantly through employment creation and economic growth.

According to UN Office for the Coordination of Humanitarian Affairs, 80% of humanitarian crises are now linked to conflict. Beyond triggering forced displacement, conflicts also pose a serious threat to sustainable development by increasing poverty, destroying infrastructure and causing huge damages to the environment. Conflicts and instability also put increasing pressure on the world economy, and it has been estimated that conflicts cause a 13% loss in the global GDP. Yet, according to our survey, business action related to Goal 16 ranks among the lowest, as do perception of where business can have an impact.

Whereas the primary responsibility for peace rests with governments, businesses have an important role to play. Through knowledge and experience, business can provide innovative solutions to address many root causes of conflicts and instability, create employment opportunities, tax revenues and economic growth, innovations in products and services that meet the particular needs of the local population, and also to respond to the needs of people who have been forced to flee their homes. Furthermore, businesses can be a stabilizing force and a powerful convener for bringing people together across cultural and religious lines, overcoming differences that might be more difficult to surmount in the wider society.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



GOAL 16:
PEACE, JUSTICE
AND STRONG
INSTITUTIONS

And any other Global Goals depending on the context

Principles 1-10

HOW BUSINESS CAN CONTRIBUTE

"DO NO HARM": Pay heightened attention to the particular context, and make sure you act responsibly by implementing the Ten Principles, in order to ensure that their activities, both their own operations and in their supply chain, do not in any way cause negative impacts or contribute to increased tension or conflict.

ENGAGE WITH LOCAL STAKEHOLDERS: To understand and address the underlying forces of instability it is critical to engage in dialogue and multi-stakeholder partnerships to understand needs and demands, build relations and knowledge, and learn about country- and regional specific priorities. If there is a Global Compact Local Network in the country, engagement with this is a very good place to start.

MAKE A POSITIVE CONTRIBUTION: Develop or support initiatives that drive investment in and deliver support for conflict-affected people, especially in humanitarian settings, including but not limited to providing basic human needs, education and employment opportunities.

SUPPORT PEACE BUILDING EFFORTS: Early investment in projects to rehabilitate conflict stricken societies, foster sustainable development and job creation to reduce the risk of falling back into conflict.

ADVOCATE FOR PEACE: Leverage influence, amplify important messages and promote issues such as social cohesion and inter-group dialogue.

JOIN BUSINESS FOR PEACE: A platform of close to 150 leading businesses in 37 countries dedicated to catalyse collaborative action in support of peace.

SUPPORT HUMANITARIAN RELIEF: When disaster strike, check the UN Central Emergency Relief Fund (www.unocha.org/cerf) to see how you can best contribute with financial or in-kind contribution to relief efforts.

WHAT THE UN GLOBAL COMPACT WILL DO

- Invite companies to join Business for Peace
- Launch the Business for Humanitarian Action and Peace platform in September 2017
- Organize the Business for Peace Annual Event- 1-2 November Bogota, Colombia
- Encourage companies to make commitments aligned with the Business Action Pledge in Response to the Refugee Crisis
- Support and collaborate with the Connecting Business initiative
- Produce and disseminate practical resources that support businesses in implementing the Ten Principles and the Sustainable Development Goals in conflict-affected and high-risk areas, as well as, take action to address humanitarian crises.

#2 FOCUS AREA CLIMATE ACTION

TAKING STOCK

The case for accelerating Goal 13 is clear – climate change impacts all regions of the world and sectors of society, threatening global development and undermining the foundation of the global marketplace. The world marked its hottest temperature on record last year, and shifts in climate have exacerbated extreme weather events that threaten energy, food, and water security. Climate change is also a human rights issue, and many of the most severe impacts will be borne by communities already in disadvantageous situations, including women, children, and the poor.

All sectors of society have essential roles to play to combat climate change and to adapt to its impacts through the implementation of the Paris Agreement – holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 °C. Business and investors can take proactive measures to meeting these goals and to accelerate the transition towards a low-carbon, resilient future.

Leading the transition towards a Paris Agreement compatible economy presents an enormous growth opportunity for the private sector. Last year, carbon emissions remained flat even as the global economy grew – an emerging trend since 2014 where we saw a decoupling of economic growth with emissions. Climate-friendly jobs, products, and services are growing exponentially. In emerging economies, new climate investments are estimated to total \$23 trillion by 2030 in key sectors such as green buildings, transportation, to sustainable infrastructure.

While unprecedented number of business support the Paris Agreement, much more needs to be done to put our world on track to realize the Global Goals. Today's climate leadership action areas – such as carbon pricing, science-based targets, adaptation, to responsible policy engagement – can be scaled significantly to become mainstream practice from headquarters to subsidiaries and across the value chain.

13 CLIMATE ACTION



GOAL 13: CLIMATE ACTION

GOAL 13 ON CLIMATE ACTION IS INTERCONNECTED TO THE ALL OF THE GOALS AND SHIFTS IN OUR CLIMATE CAN HAVE DIRECT IMPACT ON THE ACHIEVEMENT OF GOALS 3, 7, 8, 9, 10, 11, 12, 14 AND 15.

All Global Goals. Climate action is a critical pillar to achieving sustainable development, and all 17 goals require efforts to address climate change.

Ten UN Global Compact Principles with emphasis on the Environment Principles 7, 8, and 9.

HOW BUSINESS CAN CONTRIBUTE

Business can adopt a package of policies to meet the ambitions of the Paris Climate Agreement and the Global Goals:

ENSURING CLIMATE RESILIENCE OF COMPANY AND SUPPLY CHAIN OPERATIONS, AND THE COMMUNITIES SURROUNDING THEM At a minimum, companies can ensure that their own assets are resilient to climate impacts. Companies can also lead by building resilience across multiple tiers of the supply chain and the communities.

SUBSTANTIALLY REDUCING EMISSIONS ASSOCIATED WITH OWN AND SUPPLY CHAIN OPERATIONS Leading companies recognize and disclose emissions from all sources throughout the entire life cycle of products and services. They set time-bound, absolute reduction targets in line with the latest available scientific evidence and act on these targets by committing to urgent and decisive action across their operations.

SHIFTING TO A PORTFOLIO OF GOODS AND SERVICES THAT HAVE, AND PROMOTE, NEGLIGIBLE EMISSIONS FROM USE All companies should aim for products and services that have the least possible emissions from use. Leading action would imply development and deployment of novel technologies, business models, and solutions that radically reduce or promote the reduction of emissions from use.

PROMOTING CLIMATE CONSCIOUS BEHAVIOUR AND BUILD CAPACITY FOR CLIMATE ACTION All companies should publicly support government actions and practice responsible public policy engagement. Leading companies actively promote climate conscious behaviour through building climate change awareness and education programmes.

WHAT THE UN GLOBAL COMPACT WILL DO

The UN Global Compact commits to mobilise business to collectively advance climate action and the sustainable development goals:

- Pathways to Low-Carbon and Resilient Development Action Platform designed to deepen business engagement in accelerating NDC and SDG implementation
- Caring for Climate, an initiative of the UN Global Compact, UN Environment, and UNFCCC, by offering curated tools and events to help set public commitments on Science Based Targets, Business Leadership Criteria on Carbon Pricing, Responsible Policy Engagement in Climate Policy, and Responsible Corporate Adaptation
- High-Level Meeting on Climate Change at annual COP/CMP meetings to take stock of progress made by business and in support of key UN processes and summits
- Global Compact Local Networks build local capability to align and deepen global climate commitments with national policy priorities
- Collaboration efforts with other Action Platforms such as Breakthrough Innovation and Finance to elucidate climate innovations and draw meaningful linkages with climate finance.

INDUSTRIES WITH THE GREATEST POTENTIAL TO CONTRIBUTE

All energy intensive sectors are applicable but we would like to align this section with the sectors from the SBTs initiative: <http://sciencebasedtargets.org/sda-tool/>



Energy and Utilities



Chemicals



Pulp and Paper



Transport



Buildings



Retail and Apparel

#3

FOCUS AREA

SAVING OUR OCEANS

EVERYBODY'S BUSINESS

TAKING STOCK

Global trends point to continued deterioration of our world's oceans – the most important ecosystem of our planet. From climate change, pollution and acidification to diminishing biodiversity, the rapid increases in marine dead zones are threats to the survival of humanity. Over three billion people depend on marine and coastal biodiversity for their livelihoods yet we are seeing 30 percent of the world's fish stocks overexploited.

However, our survey shows that Goal 14 Life below Water scores lowest both in terms of which Global Goals businesses are targeting, and where they believe they can have a high impact. Still, it is clear that a great number of industries directly impact, and can contribute positively to protect and restore marine ecosystems.

Businesses can play a key role as responsible stewards of oceans, seas, and marine resources. Ocean resources have a vast potential to unlock climate and development from economic growth, jobs creation, food security to new medicines and access to clean sources of energy. Between 2010 and 2030 on a “business-as-usual” basis, the OECD estimates that ocean economy could more than double its contribution to global value added, reaching over US \$ 3 trillion.

14 LIFE BELOW WATER

GOAL 14:
LIFE BELOW WATER

CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS AND MARINE RESOURCES

Principle 7: support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

HOW BUSINESS CAN CONTRIBUTE

CLOSING THE LOOP: stop overfeeding the sea with nutrients and other pollutants that are slowly killing it. Reuse and recycle valuable resources. It is the circular economy of the oceans.

REDUCE CARBON EMISSIONS AND INCREASE ENERGY EFFICIENCY: To reverse ocean acidification.

REGENERATIVE OCEAN ECONOMY: The ocean and marine ecosystems provide a wide range of services and resources that directly support human health, societies and economies. Generating ocean ecosystem value creates larger biomasses and more resilience in the environment.

SUSTAINABLE SEAFOOD: Immediately stop (and ban) bottom trawling, bycatch, the use of poison and explosives and ghost fishing, and switch to less destructive fishing methods to stop the practice of over-fishing.

REMOVE PLASTIC FROM PRODUCTS: avoid polystyrene products in all types of consumer products, particularly in the apparel industry.

ADVOCATE TO WORLD LEADERS: Urge world leaders to agree on a plan to protect oceans

WHAT THE UN GLOBAL COMPACT WILL DO

The UN Global Compact commits to mobilise the global business to protect and safeguard the ocean ecosystems and our marine life.

- Provide learning opportunities on best practice through on-line and in person sessions through the UN Global Compact Academy
- Showcase new solutions on Goal 14 through the Global Opportunity Explorer

INDUSTRIES WITH THE GREATEST POTENTIAL TO CONTRIBUTE



Fisheries / marine aquaculture



Shipping



Energy (offshore wind)



Apparel industry



Agriculture



Tourism

#4 FOCUS AREA SUSTAINABLE CITIES

TAKING STOCK

Rapid urbanisation is a critical global challenge. More than 50% of the world's population – 3.5 billion people – live in cities today. By 2050, this number will rise to 75%. Inequity is growing and access to safe, affordable housing is at crisis point the world over. Some 828 million people live in slums and 95% of urban expansion in the next decades will take place in the developing world. The growth of informal settlements and economies is rapidly rising. Yet, only 30% of businesses responding our survey say they are taking action on SDG 11 to make cities inclusive, safe, resilient and sustainable.

Cities are the greatest generators of carbon emissions, but they are also the sites of solutions and of collaboration. In many countries, the most promising climate action is being taken at the city level, and progress towards citywide targets happen through partnership with local and global businesses.

Whilst cities are evolving to meet these challenges, over 90% of investment stems from the private sector. Mobilising business will increase city liveability and livelihoods while reducing pressure on economies, energy and fresh water supplies, the living environment, and public health.

Growing sustainable cities through smart collaborations, design for efficiency, social inclusion and technological innovation developed in public-private partnerships represents a great responsibility and opportunity for business.

11 SUSTAINABLE CITIES AND COMMUNITIES



GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES

TO MAKE CITIES
INCLUSIVE,
RESILIENT AND
SUSTAINABLE

Relevant Principles and Goals for Business

All Ten Principles of the UN Global Compact apply in the city context and the Sustainable Development Goals cross-cut in the urban environment.

The most relevant Global Goal is Goal 11: To Make cities inclusive, safe, resilient and sustainable.

However, Goals 1, 3, 6, 8, 10, 12, 13, 16, 17 - poverty, education, health, gender equity, water and sanitation, energy, work and economy, overcoming inequality, climate action, just systems, transparent governance and strong partnerships are all particularly interconnected to the achievement of sustainable cities and communities.

HOW BUSINESS CAN CONTRIBUTE

DEVELOP AND PARTNER IN SOLUTIONS TO THE GLOBAL HOUSING CRISIS: New design, materials, ownership models and social structures to accelerate investment and development of affordable, safe quality housing

DEVELOP SUSTAINABLE INFRASTRUCTURE by supporting major infrastructure investments with social and environmental use and benefits integrated into design and delivery

INNOVATE AND COLLABORATE FOR NEW PRODUCTS, SERVICES AND INVESTMENT that address critical issues such as lack of community connectivity and cohesion; high climate impact living, lack of mobility, access to work and livelihood, limited urban biodiversity, social exclusion and crime, etc.

INVEST ETHICALLY AND EDUCATE SHAREHOLDERS by directing investment in urban development that provides solutions to critical social and environmental issues

PARTNER WITH LOCAL AND STATE GOVERNMENT AUTHORITIES to develop sustainable, investable urban development projects with robust governance and transparency

PARTICIPATE IN CITY LEVEL MULTI-SECTOR TASK FORCES to address human rights and environment abuses in cities such as human trafficking, modern day slavery, environment crimes

WHAT THE UN GLOBAL COMPACT WILL DO

The UN Global Compact commits to mobilise global and local business to collaborate with city governments and civil society to make cities inclusive, safe, resilient and sustainable:

- Launch an Action Platform on City Partnerships in 2018 — a process to facilitate opportunities for global and local business to collaborate with city governments to accelerate implementation of Goal 11.
- Cooperate with other United Nations agencies and international financiers to strengthen implementation of SDG programs in urban environment.
- Engage with finance sector to encourage capital allocation towards businesses that make cities more inclusive, safe, resilient and sustainable.
- With Local Networks, promote multi-sector task forces at the city level to overcome poverty and inequity and realise climate targets.

INDUSTRIES WITH THE GREATEST POTENTIAL TO CONTRIBUTE



Property and
Construction



Finance and
Insurance



Manufacturers



Retail and
Distribution



Recreation
and Tourism



Transportation



Energy



Water

#5 FOCUS AREA

INCREASING SME SUPPORT

TAKING STOCK

The vast majority of companies around the world are small- and medium sized (95%), currently representing approximately 52% of the world economy. In emerging economies formal SMEs contribute up to 60% of employment and 40% of GDP. According to our analysis, SMEs generally face greater challenges in both implementing and reporting on their sustainability strategies. Yet, they face increasing pressure from customers and business partners to improve their practices.

Approximately half of companies participating in the UN Global Compact are SMEs, clearly illustrating the commitment of smaller companies to developing sustainably. However a lack of resources and know-how often make it hard for these organisations to fully implement formal sustainability programs and actions across their business functions. At the same time, SMEs are often able to innovate and reorient themselves towards new market opportunities more quickly than larger organizations. The 17 Sustainable Development Goals thus represent a huge growth potential for SMEs that are able to deliver innovative products and solutions to the greatest global challenges.

HOW BUSINESS CAN CONTRIBUTE

LARGE CORPORATIONS: should actively work with suppliers in their supply chain to help them deliver on their commitments to the Ten Principles of the UN Global Compact. They can also partner with smaller companies to help bring innovative solutions to scale on a global level.

SMALL AND MEDIUM-SIZED CORPORATIONS: can engage with the UN Global Compact to demonstrate to business partners that they are committed to sustainability, and they can through the UN Global Compact access new knowledge, tools and partners.

WHAT THE UN GLOBAL COMPACT WILL DO

- **Provide learning:** Provide unique learning opportunities through the UN Global Compact Academy
- **Access to resources:** Offer easy access to relevant tools and learning materials that are tailored to SMEs through the UN Global Compact Navigator
- **Showcase innovative solutions:** Help position the company's solutions on the global business and sustainability agenda through the Breakthrough Innovation Platform and the Global Opportunity Explorer
- **Strengthen Local Network support:** Support and collaborate with 70+ Global Compact Local Networks in order to:
 - Deliver local training and learning opportunities tailored to the country-specific priorities and challenges
 - Enable collaboration and partnerships with other businesses and experts, understanding local trends and best practices, and
 - Provide opportunities for SMEs to help shape the national sustainability agenda

#6 FOCUS AREA SUSTAINABLE SUPPLY CHAINS

TAKING STOCK

Supply chains continue to be one of the most important levers for business to create positive impact in the world, with an estimated 80% of global trade passing through supply chains. Significant proportions of the people whose needs are targeted by the SDGs – those whose human rights are furthest from being realized – are affected by global supply chains. Businesses are recognising this significance and are making supply chains a focus of sustainable development practices. The number of companies with expectations for supplier across the Ten Principles has doubled since 2008, with Human Rights policies up by 75%.

However it continues to be the most difficult area for implementation of the Principles, with 57% of large businesses citing this as a challenge. As a result there is still much to be done. Every 15 seconds a worker dies for a work-related accident or disease. 780 million women and men who are working are not earning enough to lift themselves and their families out of poverty. An estimated 200 million children worldwide are engaged in child labour.

In order to achieve sustainable and inclusive supply chains, it is necessary that business implement labour, social and environmental standards and human rights in line with internationally recognised frameworks, such as the UN Guiding Principles on Business and Human Rights and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.



ALL SDGs

Relevant Principles
and Goals for Business

All Ten Principles of the
UN Global Compact

All SDGs

HOW BUSINESS CAN CONTRIBUTE

There are 3 principles for successful supply chain sustainability management – governance, transparency and engagement. With this in mind, business can contribute to achieving sustainable supply chains by implementing the UN Guiding Principles on Business and Human Rights across their business relationships through the following activity areas;

MAPPING AND PRIORITIZING within the supply chain to identify risks;

LEVERAGING AND INCENTIVIZING sustainable change in suppliers;

APPLYING these approaches in sensitive, high-risk contexts;

ACHIEVING internal alignment within and across business;

SUPPORTING grievance mechanisms with respect to supply chains.

In addition to this, business may support the achievement of sustainable supply chains by:

SUPPORTING inclusive sourcing practices, providing access to market for economically disadvantaged groups including women, minorities, indigenous peoples, people with disabilities, etc

INVESTING in more energy efficient and less resource intensive supply chains

DEVELOP sustainable products

INNOVATE for new supply chain sustainability solutions (i.e. circular economy)

WHAT THE UN GLOBAL COMPACT WILL DO

- Launch the Decent Work in Global Supply Chains Action Platform in partnership with the ILO and UNICEF
- Promote existing tools, resources and examples of good practice on supply chain sustainability (through the online SCS portal/Navigator)
- Coordinate with Local Networks to build local capacity to promote and advance supply chain sustainability
- Provide learning opportunities on standards and best practices for supply chain sustainability including through the UN Global Compact Academy
- Support supply chain sustainability initiatives organised by partners

#7 FOCUS AREA

TACKLING INEQUALITY, FOSTERING INCLUSION

TAKING STOCK

Reducing inequality requires holistic solutions and coordinated action. Business can play a critical role to achieve Goal 10, which requires actions to reverse the widening income gaps, provide inclusive and decent employment opportunities, innovative financial solutions for lower income populations, and generating sustainable economic growth.

Despite this, our study shows that many businesses fail to act on this Goal. Yet reducing inequality is not only the right thing to do, it also makes good business sense.

Inclusive economic growth supports stable societies, widens access to labour, and opens up new markets for products and services.

Ensuring inclusion and equal opportunities within their own operations and business relationships is priority number one. If all businesses acted responsibly in terms of respecting human rights and upholding the principles of non-discrimination and equal opportunity, we would fast-track progress to meeting a range of sustainable development objectives. According to calculations by the McKinsey Global Institute, equal economic participation between men and women would increase annual global GDP by 26% by 2025.

There is also an opportunity for business to use its influence in society to challenge negative stereotypes and discourses that fuel inequality, advocate for universal access to decent work, and work towards eliminating discriminatory barriers to market access. Studies also show significant market opportunities serving the four billion people at the base of the economic pyramid, together they have substantial purchasing power: the BoP constitutes a USD 5 trillion

10 REDUCED
INEQUALITIES



GOAL 10:
REDUCED
INEQUALITIES

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Goal 1: Poverty

Goal 5: Gender Equality

Goal 8: Decent Work and Economic Growth

Goal 16: Peace, Justice and Strong Institutions

HOW BUSINESS CAN CONTRIBUTE

RESPECT HUMAN RIGHTS AND UPHOLD THE PRINCIPLES OF NON-DISCRIMINATION AND EQUAL OPPORTUNITY: By acting responsibly, businesses make their most important contribution to sustainable development. For instance, giving minorities and disadvantaged people equal access to employment, closing the gender pay gap and ensuring equal pay for equal work, would make a tremendous contribution to a range Sustainable Development Goals.

BE TRANSPARENT ABOUT EXECUTIVE REMUNERATION: and take action to reduce the CEO-worker pay gap by paying workers more, including in the company's value chain.

INVEST IN PRODUCTS AND SERVICES THAT PROVIDE SOLUTIONS FOR UNDERSERVED MARKETS, INCLUDING THE BOTTOM 40%: For instance, business can invest in empowering technologies such as mobile communication, increase access to financial products, affordable clean energy and other sustainable technology.

SUPPORT AND CREATE OPPORTUNITIES FOR ECONOMICALLY AND SOCIALLY EXCLUDED PEOPLE: Bring down barriers to equality and open up opportunities for disadvantaged groups, such as through creating job access for migrants and refugees, and support programmes that focus on engaging girls in STEM education and skills training for low income populations.

PROACTIVELY ENGAGE GOVERNMENTS: to develop taxation policies that contribute to redistribution of wealth, and support social protection measures, including responsible taxation practices, provision of services such as access to water and healthcare, and advocating for social reforms supporting marginalized and vulnerable groups.

WHAT THE UN GLOBAL COMPACT WILL DO

- Promote and support uptake of the UN Guiding Principles on Business and Human Rights and key tools and resources, including the Women's Empowerment Principles (WEPs), the Guide for Business on the Rights of Persons with Disabilities.
- Provide learning opportunities on standards and best practices for inclusion, including through online and in-person sessions in the Global Compact Academy
- Co-organize the WEPs Annual Event with UN Women
- Co-ordinate with Local Networks to build local capacity to tackle inequality and foster inclusion
- Launch Action Platforms on Decent Work in Global Supply Chains, Breakthrough Innovation for the SDGs, and Financial Innovation for the SDGs.

#8
FOCUS AREA

SCALING UP PRIVATE FINANCE AND INVESTMENT

TAKING STOCK

The Addis Ababa Action Agenda, 2030 Agenda for Sustainable Development, and Paris Climate Agreement — all adopted in 2015 — present ambitious frameworks for collective action on the world's most pressing challenges, including driving equitable economic growth, fostering sustainable development, mitigating climate change, and, ultimately, creating the conditions for global peace and prosperity. Underpinning each is a clear understanding that the private sector will be indispensable in catalyzing the technology, innovation, and financial resources to achieve the goals and targets that we have set.

Early estimates show that it will take \$5-7 trillion USD of annual public and private investment globally into sectors as wide ranging as education, clean energy, agriculture, and health to deliver the Sustainable Development Goals (SDGs). The challenge and the urgency is enormous, but the global financial system provides immense promise and opportunity. The Gross World Product was recently valued at over \$110 trillion USD, representing tremendous potential to redirect capital markets to support implementation of the SDGs and the Paris Climate Agreement if channeled in a sustainable fashion.

The scale of investments needed to create these opportunities is immense, and all actors—including mainstream finance, investors, etc., have a key role to play in securing the future we want for people and the planet.

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



**SDG 9:
INDUSTRY,
INNOVATION, AND
INFRASTRUCTURE**

TO MAKE CITIES
INCLUSIVE,
RESILIENT AND
SUSTAINABLE

However, Goals:
Goal 1: No Poverty,

Goal 8: Decent Work
and Economic Growth,

Goal 10: Reduced
Inequalities, and Goal

Goal 12: Responsible
Consumption and
production are
all particularly
interconnected in terms
of the important effect
private finance could
have on these.

HOW BUSINESS CAN CONTRIBUTE

PUBLISH HIGH-QUALITY FINANCIAL AND SUSTAINABILITY REPORTS

that include data driven, time-bound targets that are consistent with the SDGs; actively incorporate the SDGs into broader ESG considerations when reporting on financial or sustainability performance.

ENGAGE IN PROACTIVE COMMUNICATION with investors and Boards of Directors that illustrates how the company approaches long-term value creation, highlighting the link between financials and SDG-related efforts

REFORM INCENTIVES IN PAY, performance and reporting structures to favor long-term investment conducive to SDG achievement

ALIGN CORPORATE INVESTMENTS, in areas such as R&D, FDI and local capacity building, with the SDGs, namely to develop impact-based business

ENGAGE IN DISCUSSIONS with corporate pension fund providers about joining the PRI and aligning investments with the SDGs

LEAD DIALOGUE ON STRATEGIES to align private finance and the SDGs with policy makers, civil society, investors, other companies and foundations; engage in collaborative R&D to develop impact-based business models that can address the SDG financing gap

MOBILIZE OTHER COMPANIES within your industry or sector to commit to industry-wide actions that will catalyze private investment flows from shareholders and stakeholders towards the SDGs

WHAT THE UN GLOBAL COMPACT WILL DO

- **The Global Compact** commits to working together with partners —the UN-supported Principles for Responsible Investment (PRI), UNEP FI and UNCTAD in order to convene business and financial stakeholders and advance leading financial practices through:
 - A Financial Innovation Action Platform developed by the UN Global Compact and partners to map SDG-relevant instruments and help catalyze the creation of new financial vehicles;
 - Increased support for improving company-investor dialogue and engagement on sustainability issues, emphasizing the importance of long-term horizons;
 - Encouragement of corporate pension funds to adopt ESG and Sustainability Investment policies and criteria for investment allocation;
 - Working with World Stock Exchanges to advance ESG and Sustainability disclosure and with this, the achievement of the SDGs.

#9 FOCUS AREA

TRANSFORMATIVE PARTNERSHIPS

TAKING STOCK

The UN has set ambitious goals for the 2030 SDG Agenda, and the importance of partnerships to achieve the systemic impact necessary to hit these targets is well recognized. In July 2017, the UN Secretary General António Guterres called on the UN system to integrate multi-stakeholder partnerships into the core business model of the development system⁴.

With its reach, resources, knowledge and unique capabilities, businesses across all industries are a powerful source of innovation of a broad range of solutions to local and global challenges. In fact, 53% of surveyed UN leaders even consider that business will be the most critical partner in the UN's ability to deliver the SDGs³ and more than 40 UN entities report that they actively work with the private sector.

Companies are beginning to see the value of partnerships with half of the companies taking action towards the SDGs report that they have formed partnerships with public or private organizations². However still only one third of businesses use multi-stakeholder consultations when developing their sustainability strategies.

Making these partnerships function well will be critical to deliver the goals. They need to move from traditional donation-based approaches towards strategic relationships, which truly harness synergies and achieve lasting impact.

17 PARTNERSHIPS FOR THE GOALS



GOAL 17: PARTNERSHIPS FOR THE GOALS

STRENGTHEN
THE MEANS OF
IMPLEMENTATION
AND REVITALIZE THE
GLOBAL PARTNERSHIP
FOR SUSTAINABLE
DEVELOPMENT

HOW BUSINESS CAN CONTRIBUTE

CONSULT WITH STAKEHOLDERS: Engage with stakeholders who can act as a critical friend, provide constructive feedback on company strategy, risks and opportunities.

IDENTIFY YOUR UNIQUE STRENGTHS: Clarify the core capabilities and the resources (financial, personnel or technical) which you can offer as a partner.

CHAMPION THE BUSINESS CASE: Track and measure impact of the partnership and communicate the value.

DEFINE CLEAR RECIPROCAL VALUE PROPOSITIONS FOR EACH PARTNER: Create an enabling environment which encourages transformative partnerships to emerge

CONSIDER PARTICIPATING IN INNOVATIVE FINANCING MODELS: Public and private partners could work together to encourage funding of the 2030 Agenda whilst also delivering business results.

WHAT THE UN GLOBAL COMPACT WILL DO

The UN Global Compact provides opportunities for collaboration among UN, business and civil society stakeholders across sectors through networking, collaboration with Local Networks, resource development and online partnership matchmaking.

ENABLING PARTNERSHIP READINESS: Practical tools

STRENGTHEN LOCAL NETWORK CAPACITY: We are supporting our Local Networks to work more closely with the UN system at the country level to enhance engagement with the private sector, entrepreneurs, financial institutions and others on national priorities for achievement of the Global Goals.

ENHANCING PARTNERSHIP CAPABILITY: Practical tools and resources to develop and maintain effective partnerships are available at the UN-Business Action Hub: <https://business.un.org>.

UN Staff System College course on UN-Business Partnerships (developed in collaboration with the UN Global Compact), will be made available for both United Nations and private sector partnership practitioners in early 2018



#10

FOCUS AREA

PROTECTING LIFE ON LAND

TAKING STOCK

Protecting and restoring ecosystems – and the biodiversity they support – can help mitigate climate change and provide increased resilience in the face of mounting human pressures and natural disasters. Healthy ecosystems also produce multiple benefits for communities that rely on them, such as food, water, essential raw materials and medicines.

A bright note is the reversal in the rate of deforestation; from 2010 to 2015, the annual net loss of forest area globally was less than half that of the 1990s. Biodiversity loss, however, continues at an alarming rate. As wilderness is converted to human use, primarily for agriculture, it accelerates the rate of species extinction. At the current rates, 50% of species (5 million out of 10 million) are threatened with extinction by 2050.

Rapid soil degradation significantly reduces the quality and productivity of fertile land, which threatens the capacity of food production to meet future demands of a growing population. Today, 40% of soil is severely degraded, which negatively affects close to 1.5 billion people.

Yet, despite the urgency, our survey shows that SDG15 Life on Land scores second lowest in terms of both which SDGs businesses are targeting, and where they believe they can have a high impact. Still, it is clear that a great number of industries directly impact and can contribute positively to our natural ecosystems.

15 LIFE
ON LAND



GOAL 15: LIFE ON LAND

PROTECT, RESTORE
AND PROMOTE
SUSTAINABLE USE
OF TERRESTRIAL
ECOSYSTEMS,
SUSTAINABLY
MANAGE
FORESTS, COMBAT
DESERTIFICATION,
AND HALT AND
REVERSE LAND
DEGRADATION AND
HALT BIODIVERSITY
LOSS

Principle 7: 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.

Goal 15: Life on Land

HOW BUSINESS CAN CONTRIBUTE

ADOPT HIGH STANDARDS: Adopt the highest environmental standards and implement procedures to protect natural ecosystems that are affected by business and supply chain activities.

NEW TECHNOLOGY: Research, develop and deploy new technologies to help decouple economic activity from the degradation of natural ecosystems. This can comprise new products and processes to minimise the impact of economic activity on natural ecosystems and protect and enhance the capacity of natural ecosystems.

MOBILIZE FINANCE: Galvanize finance to create awareness, protect, and further develop natural ecosystems

VALUE NATURAL CAPITAL: Design and implement solutions to accurately value and respect natural capital, and drive wider adoption of these solutions.

RELEVANT BUSINESSES JOIN: UN Global Compact's Food and Business and Agriculture Principles, Principles for Sustainable Soil Management, and Biodiversity and Ecosystem Services frameworks

WHAT THE UN GLOBAL COMPACT WILL DO

The UN Global Compact commits to mobilise the global business to protect and restore healthy ecosystems and life on Earth.

- Provide learning opportunities on best practice through on-line and in person sessions through the UNGC Academy
- Roll out of the Blueprint for SDG Leadership – Brief on Goal 15: Life on Land
- Engage with finance to encourage capital allocation towards businesses that support healthy marine ecosystems.
- Engage business on UN Global Compact's Food and Business and Agriculture Principles, Principles for Sustainable Soil Management, and Biodiversity and Ecosystem Services frameworks.
- Disseminate content through the Navigator and the Global Opportunity Explorer

INDUSTRIES WITH THE GREATEST POTENTIAL TO CONTRIBUTE



Agriculture



Metals & Mining



Forestry



Energy

PATRICK THOMAS

CEO, COVESTRO

IMAGINING THE IMPOSSIBLE: CO₂ AS RAW MATERIAL



“Well, the product is just the start; it is the technology which is the key. Until

we had this breakthrough, everyone thought it was impossible to utilise carbon from CO₂,” says Patrick Thomas, Chief Executive of Covestro, a large German chemical company. “Now, we are looking at where else we can use this CO₂ as a natural feedstock.”

“CARBON CAPTURE ON ITS OWN IS NOT ENOUGH. YOU HAVE TO CAPTURE AND REUSE IT.”

After ten years of research and millions invested, Covestro and its partner, the CAT Catalytic Centre at Aachen University, finally discovered the catalyst that allows them to use carbon from CO₂, turning the greenhouse gas into a valuable raw material. It was certainly a risky undertaking, a blue-sky project with an uncertain outcome, but Covestro believed the project had strong potential and would be worth the investment because the reward at the end was going to be not only good for the company, but for society in general. Last December 2016, the first truck containing flexible foam made with a component of CO₂ was delivered from the Covestro pilot plant to the first customer — producing mattresses based on the CO₂ foam.

“Taking carbon from CO₂ is a breakthrough in chemistry. We believe carbon capture is not enough — you have to capture and then reuse it. Now we can literally take CO₂ out of a smokestack of a plant and put it straight into a polyol, from which we produce flexible foam that can be used for mattresses, car seats and furniture. The possibilities are endless,” says Thomas. “This is just the beginning.”

Being a new company on the DAX, Covestro understands the difficulties of raising capital for such a project. But the company understood that when you build a growth strategy based on sustainable development, you attract a different type of investor. “We have seen a move toward more long-term investors being very interested in Covestro, investors who are not just looking at quick returns, but want to invest in companies they believe are going to do good and contribute to the growth markets of the future.”

With a visionary spirit and a constant drive for innovation in his DNA, Thomas is confident when he says that the future is not going to be business as usual. “When the Sustainable Development Goals were launched in 2015, it quickly became apparent that these were made for us. We believe the Global Goals will become the roadmap for the future. This is what business must realise. And they represent huge market opportunities — they will drive capital markets, dictate product development and legislation. They will guide all aspects of business that are important for the private sector in the future.”

NADIM KASSAR

DEPUTY CHAIRMAN AND GENERAL MANAGER, BLC BANK

WOMEN: SIMPLY A GOOD INVESTMENT



**“As the first
financial
institution
in MENA
to advocate
for gender**

**equality, we had to face the
challenge of supporting
cultural change on many
levels both inside and outside
the bank. Today I’m proud to
say that we have come a long
way while gaining immense
international recognition for
our work,” says Nadim Kassar,
Deputy Chairman and General
Manager of BLC Bank.**

Established in 1950, BLC Bank is one of Lebanon’s oldest banks. It operates in a highly competitive environment, with more than 60 banks servicing a population of only 4 million. The daring decision to focus on SMEs and women thus enabled the Bank to differentiate itself and to overcome critical market challenges establishing itself as a major player in Lebanon’s financial sector.

“It was a bold decision to make back then, but we knew it was the right one, so we set out to find solutions to provide women with opportunities that they did not have,” explains Kassar, highlighting the fact that in Lebanon, some laws do not give women the same rights and opportunities as men. Lebanese women are still underrepresented in the workforce, and several international studies show that an adequate integration of women in the labour force of an economy, providing more support for women’s entrepreneurship, and closing the gender gap in financial inclusion would lead to national economic growth, competitiveness and long-term strength.

This led BLC Bank to launch in 2012 a program solely dedicated to women’s financial inclusion and economic empowerment. The “We Initiative” is open to all women in Lebanon and aims at raising awareness and providing women with equal opportunities to enhance their professional and personal lives. We Initiative’s customer value proposition goes beyond mere financial solutions and provides non-financial services including trainings, access to markets, exposure, mentorship and expert advice.

“One of the key aspects of our approach,” explains Kassar, “was to invest in disaggregating data in order to better understand the potential value of specifically targeting women. We quickly realized that the woman-owned SME segment clearly represented a gap, and a potential growth market opportunity that would differentiate us from others. This is in part what has enabled the program to achieve substantial business returns.”

The results from the We Initiative have been impressive. The female customer base has showed a stronger return on assets, as well as better loan repayment rates than men. As such, BLC Bank has dispelled the common belief that women customers are less profitable or less credit-worthy than men.

More than a solid business case in favour of the potential of unbanked market segments, the We Initiative has turned BLC Bank into a reference bank both locally and internationally by influencing the creation of similar programs in more than 40 countries around the world.



**I’M PROUD THAT
OUR ENDEAVOUR TO
PROMOTE WOMEN IN
LEBANON HAS HAD
TREMENDOUS IMPACT
ON OUR SOCIETY AND
HAS LIBERATED WOMEN
FROM THEIR OLD FEARS.**

3.2 YOUR TOOLBOX

The UN Global Compact is uniquely equipped and prepared to help companies anywhere along their sustainability journey – from beginners to leaders.

THE UN GLOBAL COMPACT ACADEMY

Starting in 2018, the UN Global Compact will offer its participants the opportunity to join a learning community, which includes a variety of modules on the Ten Principles and the Sustainable Development Goals (SDGs). This portfolio of learning opportunities will be delivered in partnership with leading experts and Global Compact Local Networks, allowing companies to engage and learn at their own pace. Using a blend of webinars, podcasts and videos, as well as face-to-face workshops, the academy will enable companies to learn from and interact with experts, academics, business leaders and the UN to stay up-to-date on core sustainability practices.

THE NAVIGATOR

This digital tool will allow companies to self-assess their performance and measure progress with respect to the Ten Principles and the Global Goals. Companies who use this tool will be guided in identifying future sustainability actions and gain access to the right tools for turning strategy into reality. As the Navigator learns the needs of each company through their use of tools and materials, the tool will share updates and recommend actions to drive progress even further. Available starting in 2018.

We are helping connect the dots between corporate sustainability work and Global Goals. Some of our recent and most used tools include:

- WEPs Gender Gap Analysis Tool: What is your company doing to advance gender equality? Identify strengths and areas where further action can be taken.
www.weps-gapanalysis.org
- SDG Compass: Align your business operations with the Global Goals and measure your progress with this comprehensive online resource.
sdgcompass.org
- SDG Industry Matrix: Identify opportunities and find inspiring examples of business contributions to the Global Goals by sector using these guides developed with KPMG.
www.unglobalcompact.org/SDGMatrix

UN GLOBAL COMPACT ACTION PLATFORMS

The UN Global Compact helps companies take a deep dive on critical issues through our new suite of Action Platforms

EXPLORE OUR SUSTAINABILITY LIBRARY:
unglobalcompact.org/library

To achieve the ambitious and necessary goals set out in the 2030 Agenda for Sustainable Development, the UN Global Compact has developed a portfolio of Action Platforms to advance responsible business activities and fill emerging gaps in meeting the Global Goals, the pillars of the 2030 Agenda. Rooted in the UN Global Compact’s Ten Principles, each Action Platform will convene business, Global Compact Local Networks, leading experts, civil society, Governments and UN partners to solve complex and interconnected issues, explore new market opportunities and innovate around the Global Goals.

Reporting on the SDGs

Breakthrough Innovation for the SDGs

Financial Innovation for the SDGs

Pathways to Low - Carbon & Resilient Development

Health is Everyone's Business

Business for Humanitarian Action and Peace

Decent Work in Global Supply Chains

Water Security Through Stewardship

Anti-Corruption & Good Governance

THE BLUEPRINT FOR BUSINESS LEADERSHIP ON THE SDGS

The Blueprint for Business Leadership on the SDGs aims to inspire all businesses — regardless of size, sector, or geography — to take leading action in support of the achievement of the Global Goals. It illustrates how five leadership qualities — Ambition, Collaboration, Accountability, Consistency and Intentional — can be applied to business strategies, models, products, supply chains, partnerships and operations in order to raise the bar and create impact at scale. The Blueprint is a tool for any business ready to advance its principled approach to Global Goal action and become a leader.

GLOBAL COMPACT LEAD

Companies that engage in two or more Action Platforms, demonstrate continuous leadership on sustainability issues, pass an integrity screen and submit an Advanced Communication on Progress will receive recognition as Global Compact LEAD.

LEAD companies enjoy the following benefits:

- Opportunities to advise the UN Global Compact on thematic priorities for the coming year
- Consideration for speaking opportunities at UN Global Compact events
- Exclusive use of the Global Compact LEAD logo
- High profile on UN Global Compact communications

DISCOVER A WORLD OF OPPORTUNITIES:
unglobalcompact.org/library

LIBRARY

We have an extensive library containing over 200 resources and materials issued by the UN Global Compact and key partners to support implementation of the Ten Principles and other relevant issues. All items are also searchable by Global Goal, making it easy to locate the right tools and resources relevant to your business goals.

BROWSE OUR SUSTAINABILITY LIBRARY:
unglobalcompact.org/library

GLOBAL OPPORTUNITY EXPLORER

Connect with new partners, projects, markets and talents around the most innovative business solutions and emerging market opportunities to help achieve and understand the Global Goals.

Rooted in over five years of research from 17,000 business leaders and 17 expert panels, the Global Opportunity Explorer connects the 300 solutions to a new sustainable market universe based on the Global Opportunity Reports, with 45 market opportunities addressing the Global Goals. The platform relies on continuous co-creation and crowdsourcing to expand the existing pool of sustainable innovation. Solution nominations and contributions are accepted through the platform’s submissions

DISCOVER A WORLD OF OPPORTUNITIES:
globalopportunityexplorer.org

EVENTS

Leverage the global reach and unique convening power of the UN Global Compact to play a leading role in shaping the future leadership, expectations and norms of corporate sustainability. Participants receive invitations directly from the UN Global Compact to meet and interact directly with UN Heads, Heads of State, CEOs, leaders and influencers at invitation-only, high-level UN Global Compact and UN convenings.

EXPLORE OUR FULL CALENDAR OF EVENTS:
unglobalcompact.org/events

UN PARTNERSHIPS

Partnerships are intrinsic to the success of today’s most innovative companies.

As the entry point to the United Nations for business, the UN Global Compact works to foster partnerships across all sectors and regions, as well as supporting and enhancing partnership capacity across the UN. The UN-Business Action Hub brings business and the UN together to share partnership and project opportunities, especially at the local level. We will focus on bringing transformative partnerships to the fore, as achieving the Global Goals will require cross-collaborative efforts of greater scale and impact.

EXPLORE PARTNERSHIP OPPORTUNITIES:
business.un.org

LIVE SUPPORT

In order to make the most of your participation and help you along the way, we offer a dedicated helpdesk and participant management services for navigating any aspect of your participation in the UN Global Compact and advancing your sustainability efforts.

We are here to help. Please contact your Local Network or the UN Global Compact Client Engagement team (+1-212-907-1301 or info@unglobalcompact.org) with any questions or concerns.



3.3 NOTES ON METHODOLOGY

The findings in this report are based on the Annual UN Global Compact Implementation Survey, first issued in 2008. The Survey is an anonymous online survey of UN Global Compact participants worldwide to take stock of environmental and social performance and identify trends and developments related to corporate sustainability issues. All 9,400 companies participating in the UN Global Compact were invited to take the 2017 survey, which is available in multiple languages.

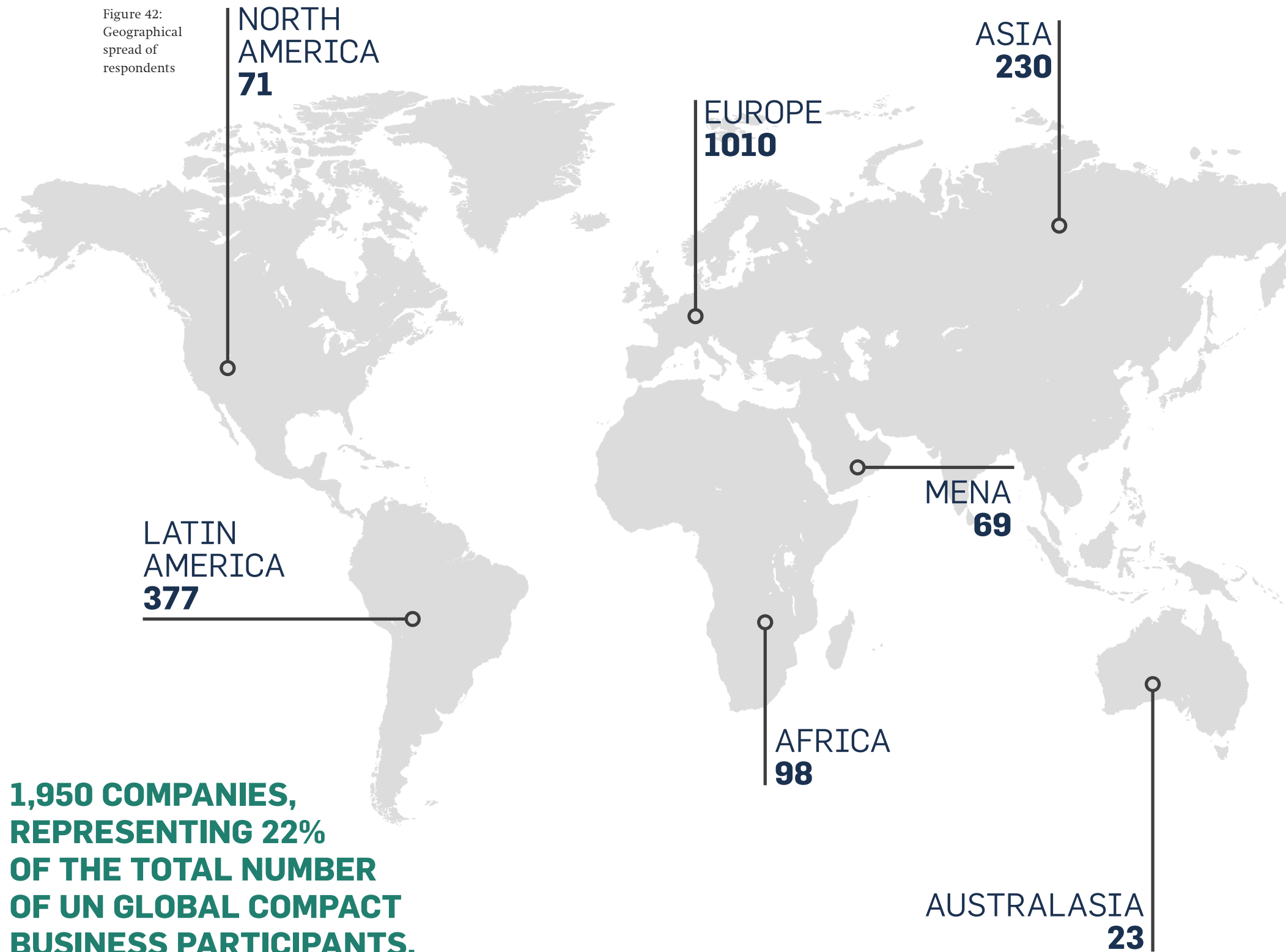
The survey received 1,945 responses - a response rate of 22 percent, the highest number ever recorded. The 2017 survey is generally representative of the UN Global Compact participant base, in terms of company size, region and year that a company joined the initiative. The survey is dominated by European companies, small companies (1-249 employees), and companies who recently joined the UN Global Compact (2014-2016). Industrials comprise the dominant sector among the respondents.

This year for the first time, we included a section on Global Goal implementation in the survey. We are only 2 years into Global Goal implementation (as they were adopted in September 2015), so the findings presented represent the start of tracking action and impact on the Global Goals.

- Early Joiners:** Companies that joined the UN Global Compact in 2000, 2001 or 2002
- Recent Joiners:** Companies that joined the UN Global Compact in 2014, 2015 or 2016
- Small and Medium-Sized Enterprises (SMEs):** Companies with less than 250 employees
- Large Companies:** Companies with more than 5,000 employees
- Largest Companies:** Companies with more than 50,000 employees

1,950 COMPANIES, REPRESENTING 22% OF THE TOTAL NUMBER OF UN GLOBAL COMPACT BUSINESS PARTICIPANTS, RESPONDED TO THE 2017 IMPLEMENTATION SURVEY

Figure 42: Geographical spread of respondents



CHAPTER THREE
LOOKING AHEAD

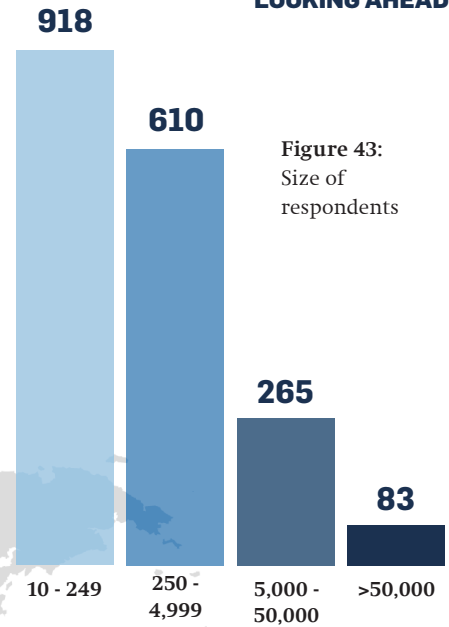


Figure 43: Size of respondents

Figure 44: Sector distribution of respondents

- 470 INDUSTRIALS
- 418 OTHER
- 207 CONSUMER GOODS
- 165 FINANCIALS
- 129 CONSUMER SERVICES
- 128 TECHNOLOGY
- 117 BASIC MATERIALS
- 75 UTILITIES
- 71 HEALTH CARE
- 66 OIL & GAS
- 32 TELECOMMUNICATIONS

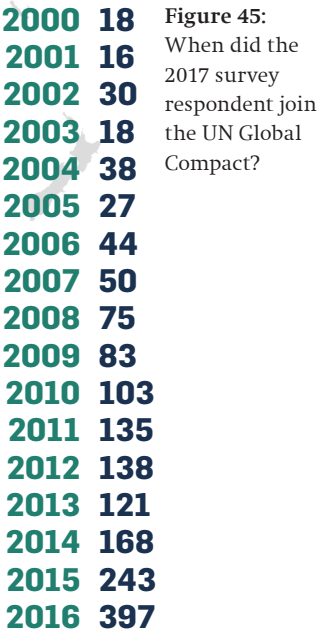


Figure 45: When did the 2017 survey respondent join the UN Global Compact?

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OPPORTUNITY SPACE SOURCES

OPPORTUNITY SPACE 1: PEACE AND HUMANITARIAN ACTION
Children in Humanitarian Crises: What Business Can Do
Advancing the Sustainable Development Goals by Supporting Peace: How Business can Contribute
Guidance on Responsible Business in Conflict-Affected & High-Risk Areas: A Resource for Companies and Investors
Responsible Business Advancing Peace: Examples from Companies, Investors & Global Compact
Local Networks
Business for the Rule of Law Framework
UNGC Blue Print for SDG Leadership

OPPORTUNITY SPACE 3: SAVING OUR OCEANS
<http://www.worldbank.org/en/topic/environment/brief/oceans>
https://www.regjeringen.no/contentassets/05c0e04689cf4fc895398bf8814ab04c/maritim_strategi_engelsk_trykk.pdf
<http://geoblueplanet.com/wp-content/uploads/2016/05/OECD-ocean-economy.pdf>
<http://www.oecd.org/futures/oceaneconomy.htm>
Global Opportunity Report (2016)

OPPORTUNITY SPACE 4: SUSTAINABLE CITIES
www.citiesprogramme.org
<http://www.un.org/sustainabledevelopment/cities>
Global Opportunity Report (2016)

OPPORTUNITY SPACE 6: SUSTAINABLE SUPPLY CHAINS
Supply Chain Sustainability – A Practical Guide for Continuous Improvement (2nd edition)
Respecting Human Rights Through Global Supply Chains
ILO Tripartite declaration of principles concerning multinational enterprises and social policy, 5th edition (MNE Declaration)
A Guide to Traceability – A Practical Approach to Advance Sustainability in Global Supply Chains
UN Global Compact Decent Work in Global Supply Chains Action Platform

OPPORTUNITY SPACE 7: TACKLING INEQUALITY, FOSTERING INCLUSION
The UN Guiding Principles on Business and Human Rights
Human Rights Translated 2.0
Women’s Empowerment Principles
Guide for Business on the Rights of Persons with Disabilities
The Poverty Footprint – A People-centred Approach to Assessing Business Impacts on Sustainable Development
Doing Business in a Multicultural World: Challenges and Opportunities
https://www.ted.com/talks/richard_wilkinson#t-67268

OPPORTUNITY SPACE 9: TRANSFORMATIVE PARTNERSHIPS
UN-Business Action Hub (<https://business.un.org/>)
2017 United Nations Global Compact Implementation Study
United Nations Global Compact – Accenture Strategy, CEO Study Special Edition: Partnerships (for release late 2017)
A/72/124 - Repositioning the United Nations development system to deliver on the 2030 Agenda: ensuring a better future for all
Catalyzing Transformational Partnerships Between the United Nations and Business

OPPORTUNITY SPACE 10: LIFE ON LAND
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ABOUT THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 9,500 companies and 3,000 non-business signatories based in over 160 countries, and more than 70 Local Networks.

www.unglobalcompact.org

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This assesment has been produced in collaboration with DNV GL Group.

Designed by MullenLowe salt

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



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



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



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



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

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.