

GLOBAL

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CORPORATE

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SUSTAINABILITY

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REPORT

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2013



**United Nations** Global Compact

## ABOUT THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate sustainability initiative in the world, with over 12,000 signatories based in 145 countries.

*For more information: [www.unglobalcompact.org](http://www.unglobalcompact.org)*

### ACKNOWLEDGEMENTS

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Additionally, we are grateful for the financial support provided by companies and organizations to the **Foundation for the Global Compact**.

**The Wharton School of the University of Pennsylvania** has been our partner in conducting the Global Compact Annual Implementation Survey since 2007. Thanks to Professor Richard Waterman and his students for their support and analysis of the 2012 data.

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# Foreword from the Secretary-General

Delivering a better future for all  
requires action by all.



The vision and aspirations of the drafters of the United Nations Charter, as they set out to be “architects of a better world”, remain a beacon today. But if in 1945 their sights were set largely on Governments, today we know that thousands of companies and civil society organizations are key partners in tackling

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“We cannot achieve a more equitable, prosperous and sustainable future without business engagement and solutions.”

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our world’s most pressing challenges.

Building a better world is a global imperative – not just for the 1.2 billion

people living in extreme poverty, the millions of youth with no prospect of employment, or one-third of the population living in countries facing water stress. These are just some of the numerous and connected crises that threaten progress, peace and stability in societies and markets everywhere.

The *Global Corporate Sustainability Report 2013* reveals that businesses around the world are beginning to take sustainability more seriously. A look at the actions taken by the nearly 8,000 companies from 140 countries participating in the United Nations Global Compact tells a promising story.

Companies – from the largest to the smallest in size, from the most developed to the least developed countries – are striving to ingrain universal principles on human rights, labour, environment and anti-corruption into their management and operations.

At the same time, while UN Global Compact participants are on a good track in terms of high-level commitments and goal setting, much more needs to be done to deepen sustainability efforts in how they think and act, from boardrooms to supply chains.

The UN Global Compact is continuously developing opportunities for companies to improve performance and increase action, including through issue platforms on climate, water, women’s empowerment and children’s rights that allow them to share risks and accelerate gains. The 101 increasingly active country networks are helping business pursue sustainability in line with local priorities, language and culture.

With growing incentives from investors, consumers and Governments, and pressure from enlightened business and industry leaders, we can move from incremental progress to transformative impact.

We cannot achieve a more equitable, prosperous and sustainable future without business engagement and solutions. The United Nations is committed to deepening its collaboration with the private sector and advancing the corporate responsibility movement. I call on more companies around the world to join the UN Global Compact, and spur a sustainability revolution in markets and societies around the world.

H.E. BAN KI-MOON  
*UN Secretary-General*



# The Ten Principles of the United Nations Global Compact

## HUMAN RIGHTS

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

## LABOUR

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

## ENVIRONMENT

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

## ANTI-CORRUPTION

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



# Introduction

The case for responsible business practices is strengthening, with a growing number of companies taking action. This report synthesizes survey feedback from nearly 2,000 Global Compact companies and assesses the state of corporate sustainability today.

With increasing and encouraging regularity, corporate sustainability is appearing on the radars and agendas of companies around the world. Corporate leaders recognize the growing relevance and urgency of global environmental, social and economic challenges. They see how sustainability issues affect the bottom line and are looking beyond traditional business and financial

## Corporate sustainability

A company's delivery of long-term value in financial, social, environmental and ethical terms. It covers all Ten Principles and issue areas of the United Nations Global Compact.

In this report, the terms "corporate sustainability" and "corporate responsibility" are interchangeable.

factors to map out their priorities and strategies.

For these companies, corporate sustainability has immediate material relevance. In their own backyards, at their site locations and through their extensive supply chains, they increasingly face the effects of extreme poverty, unacceptable

working conditions, environmental degradation, systemic corruption or eruptions of violence. In this environment, companies can choose one of two routes: uphold high standards or try to ignore the situation, muddle through and risk costly damage to growth prospects, long-term investments and reputation.

Turning a blind eye to sustainability issues is a ticking time bomb, and hiding missteps — no matter how deep down the supply chain — is no longer an option. Technology advances have enabled rapid access to information and accelerated the spread of social networks. These developments challenge the traditional forms of authority and make transparency a necessary tool for management. Earning a "licence to operate" increasingly requires public legitimacy and proactive societal engagement.

At the same time, the benefits and opportunities of embracing corporate responsibility are clear and appealing. The upside includes increased trust and market value, growth from "green" innovations and "base of the pyramid" business ventures, and interest from an investment community that — more and more by the day — considers sustainability factors, such as

sound environmental stewardship, social responsibility and good governance, in calculating a company's long-term value.

Therefore, there are two fundamental ways in which companies contribute to sustainability: upholding *respect* for universal principles in their operations — making sure to do no harm — and taking actions that *support* advances on sustainability priorities, through new products, services and business models for example.

In short, the case for corporate sustainability has strengthened in response to the deep interdependencies between markets, communities and people in today's globalized world.

## COMMITTING TO CORPORATE SUSTAINABILITY THROUGH THE GLOBAL COMPACT

Today, 8,000 companies in 140 countries have joined the United Nations Global Compact, committing to adopt a principles-based management and operations approach. Corporate participants represent nearly every industry sector and company size, and hail equally from developed and developing countries. The chief executive of each participating company has pledged to embed human rights, labour, environment and anti-corruption principles into their operations and disclose progress annually.

An additional 4,000 civil society signatories play important roles in the initiative, holding companies accountable for their commitments and partnering with businesses on common causes.

This is a far cry from the 40 organizations present at the Global Compact's launch in 2000. At the time, few companies were exploring the notion of sustainable business and the long-term impacts of their operations on the environment and society. Today, as the world's largest corporate sustainability movement, the Global Compact has seen participation grow steadily

and the actions taken to embed sustainability become more strategic and sophisticated.

Still, the 8,000 Global Compact participants represent the vanguard—just a sliver of the world’s estimated 70,000 multinationals and millions of smaller enterprises. There is still a long way to go until companies everywhere put principles into practice. And, as this report will show, even those committed to sustainability still have a long journey ahead to fully embed responsible practices into their strategies, operations and culture.

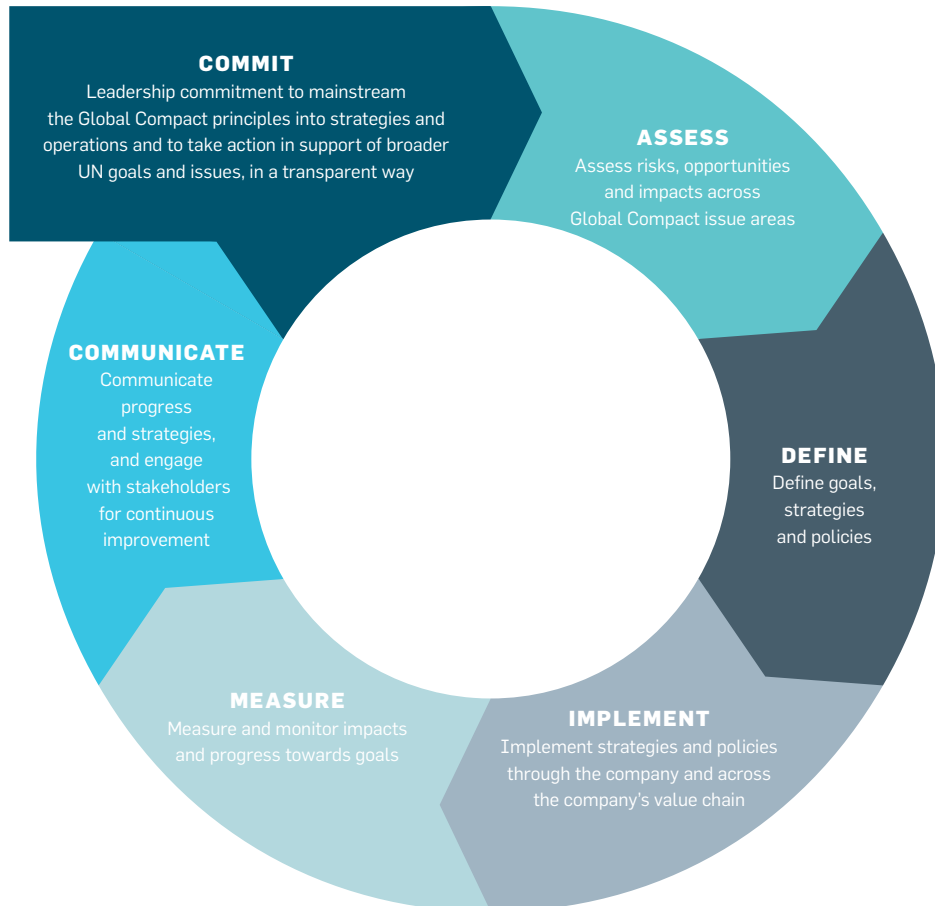
## THE GLOBAL COMPACT MANAGEMENT MODEL

Making a public commitment to the Global Compact principles sends an important signal, however it is the follow-through — from getting boardroom buy-in to implementing training programmes for employees — that makes all of the difference.

The Global Compact Management Model is a practical yet comprehensive tool to help companies evolve their sustainability efforts. Comprised of six management steps, it guides companies of all sizes through the process of formally committing to, assessing, defining, implementing, measuring and communicating a corporate sustainability strategy.

The model draws on widely accepted and understood management practices, and is designed to maximize corporate sustainability performance. When employed on a consistent and periodic basis, the six steps of the model form a circular process by which companies can continuously adjust and improve alignment with the Ten Principles, as well as local and international regulations.

### THE GLOBAL COMPACT MANAGEMENT MODEL



## ABOUT THIS REPORT

The *Global Corporate Sustainability Report 2013* looks at the state of corporate sustainability today – providing an in-depth review of the actions taken by companies around the world to embed responsible practices into their strategies, operations and culture.

The report is based on responses to the Global Compact Annual Implementation Survey. It provides a robust view on how businesses everywhere – and of all sizes – are adjusting their policies and practices to address today’s sustainability agenda, and also takes a deeper dive into key findings of the survey.

The purpose of this report is to assess corporate action against the steps of the Global Compact Management Model – and look specifically at the range of elements considered critical to a comprehensive sustainability approach: management practices to embed sustainability throughout the organization and into the supply chain, and actions on the Ten Principles. Companies’ efforts to contribute to global priorities through core business practices, philanthropy, advocacy and partnerships are also reviewed.

This report is also a guide. It outlines a comprehensive set of actions that companies of all sizes can take to ingrain human rights, labour, environment and anti-corruption principles into their corporate DNA.

## SURVEY RESULTS: THE BACKBONE OF THIS REPORT

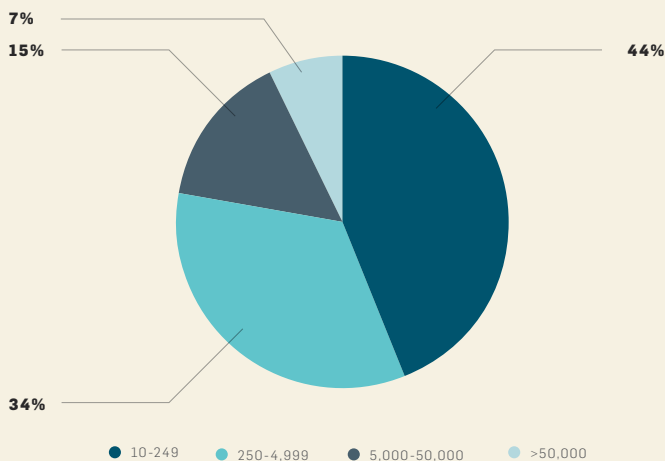
Findings in this report are based on the Global Compact Annual Implementation Survey.

In November 2012, all companies participating in the Global Compact were invited to take the anonymous online survey – available in English, Chinese, French and Spanish – which was administered and analysed by The Wharton School of the University of Pennsylvania.

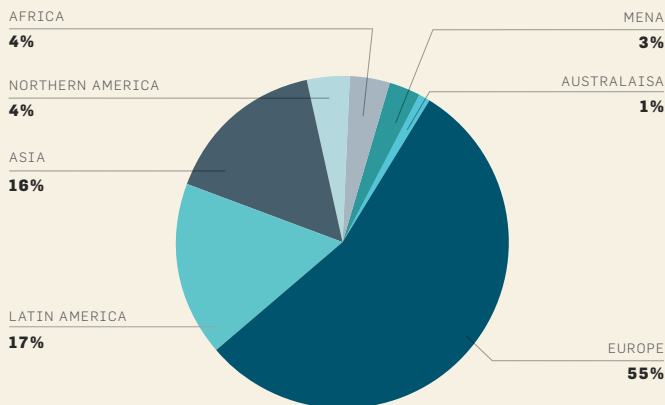
1,712 respondents from 113 countries participated in the survey, representing a 25% response rate. Survey respondents are generally representative of the Global Compact participant base.

Since 2007, the survey has been conducted to help the Global Compact better understand, and benchmark, how corporate participants are taking steps to advance their commitment to the Global Compact and implement the Ten Principles.

**RESPONSES BY COMPANY SIZE  
(EMPLOYEE #)**



**RESPONSES BY REGION**





# Key Findings



*The Global Corporate Sustainability Report 2013 assesses the state of corporate sustainability, looking at policies and practices put in place by companies across the range of issues that define a comprehensive approach to responsible business today: human rights, labour, environment and anti-corruption. This report identifies both where progress is being made and the numerous challenges that are being faced. Four key findings emerge when analysing 2012 survey results from nearly 2,000 companies in 113 countries, as well as previous survey findings since 2008 (see About this Report on page 6).*

## 1. Companies are moving from good intentions to significant action

Survey findings point to a clear gap between the "say" and "do" steps of the Global Compact Management Model. Companies are making commitments, defining goals and setting policies at high rates, but still have much work to do to on the action steps: implement, measure and communicate. For example, while 65% of signatories are committing to sustainability at the CEO level, only 35% are training managers to integrate sustainability into strategy and operations.

In many cases, moving into the action steps requires a greater investment of company resources and time. Survey findings show that the longer companies are committed to the Global Compact, the more actions they take in all areas of the Management Model.

## 2. Large companies still lead the way

Of all the factors that impact sustainability performance, company size has the most significant influence, with small and medium-sized enterprises (SMEs) more challenged to move from commitment to action. The gap is significant on nearly all fronts. For example, large companies are twice as likely to have a human rights complaint system or monitor and evaluate their environmental performance.

Smaller companies face fundamental barriers to sustainability progress. SMEs cite lack of financial resources and lack of knowledge as top barriers, compared to a small minority of large companies. However, the survey has uncovered an encouraging development: Smaller companies are increasingly taking steps to catch up to their "big business" peers.

## 3. Supply chains are a roadblock to improved performance

While a majority of companies have established sustainability expectations for their suppliers, they are not tracking compliance or helping suppliers reach goals. While 83% of companies consider adherence to the Global Compact principles by suppliers, only 18% assist them with setting and reviewing goals and just 9% take steps to verify remediation.

Supplier sustainability ranks as the top barrier for large companies in their advancement to the next level of sustainability performance. The good news here is that large companies, at higher rates than the average survey respondent, are beginning to demand more from their suppliers and have the potential to create a "ripple" effect by showcasing the positive change that can be brought about through responsible purchasing power.

## 4. Companies see the big sustainability picture

Companies are looking beyond their own walls and addressing society's most urgent sustainability issues because they understand that everyone benefits from a better world. Asked to rank the top global sustainability challenges, companies cited education, poverty eradication, climate change, and growth and employment atop the list. When then asked where they can have positive impact, there was an encouraging correlation with three of the four challenges the same.

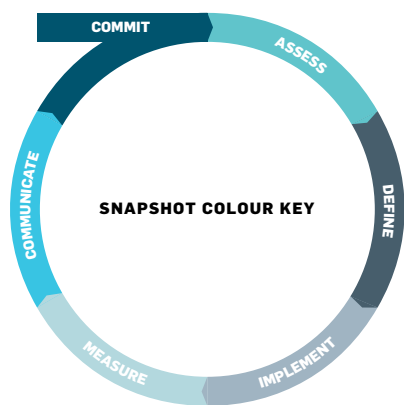
Today, 70% of Global Compact companies are advancing broad UN goals and issues, by aligning their core business strategy, tying social investment to core competencies, advocating the need for action, and implementing partnership projects. Momentum is building as companies look for ways to align actions with global development priorities.



# Snapshot 2013

The Corporate Sustainability Snapshot assesses corporate action against the steps of the Global Compact Management Model, and looks at elements considered critical to a comprehensive sustainability approach: action on the Ten Principles, management practices to embed sustainability throughout the organization, and supply chain sustainability. It also serves as a quick-check guide on the types of policies and practices essential for rooting responsible practices into an organization's strategies, operations and culture.

Data shown in the Snapshot represents the percentage of companies that indicate taking a specific action — based on the 1,712 companies that responded to the Global Compact Annual Implementation Survey in Nov/Dec 2012.



## THE PRINCIPLES

### HUMAN RIGHTS

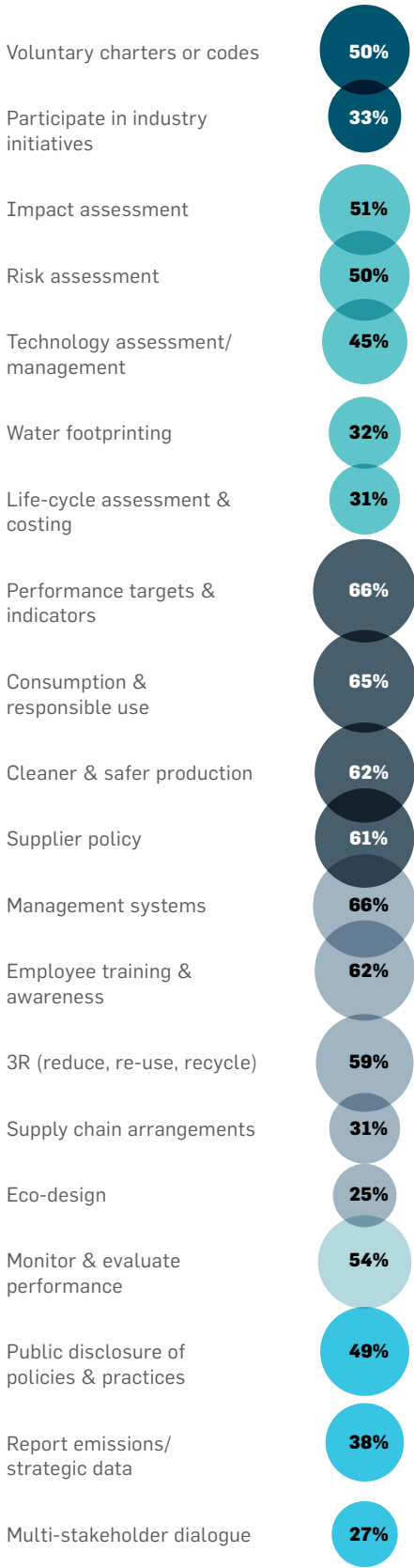
- Participate in industry initiatives **22%**
- Risk assessment **21%**
- Impact assessment **13%**
- Within overall corporate code **72%**
- Supplier policy **53%**
- Specific human rights code **29%**
- Employee training & awareness **44%**
- Complaint mechanism **37%**
- Supply chain arrangements **26%**
- Operational guidance notes **23%**
- Employee performance assessment **36%**
- Monitor & evaluate performance **29%**
- Public disclosure of policies & practices **29%**
- Multi-stakeholder dialogue **22%**

### LABOUR

- Framework for industrial relations **42%**
- Participate in industry initiatives **25%**
- Risk assessment **36%**
- Impact assessment **23%**
- Non-discrimination **83%**
- Equal opportunity **78%**
- Free to form & join trade union **77%**
- No child labour **66%**
- No forced labour **64%**
- Supplier policy **49%**
- Collective bargaining **59%**
- Employee training & awareness **56%**
- Vocational/counseling programmes **45%**
- Mechanisms for age verification **40%**
- Supply chain arrangements **28%**
- Monitor & evaluate performance **53%**
- Public disclosure of policies & practices **40%**
- Multi-stakeholder dialogue **24%**

## THE PRINCIPLES

### ENVIRONMENT



### ANTI-CORRUPTION



## MANAGEMENT

### COMMIT

Policies/strategies developed at CEO level

65%

Values reflected in code of conduct

58%

Board addresses issues as needed

52%

Board sub-committee/ individual responsible for sustainability

52%

Join voluntary initiatives (e.g. sector, issue specific)

51%

Establish sustainability position in subsidiaries

41%

Address as part of regular Board agenda

38%

Require subsidiaries to implement Global Compact principles

29%

### DEFINE

Establish/adjust policies to incorporate visions & goals

69%

Set measurable sustainability goals

59%

Board establishes/approves sustainability targets

52%

Public policy strategy related to corporate sustainability

48%

Connect Global Compact principles to local priority issues

34%

### IMPLEMENT

Use internal communications channels

77%

Publicly advocate for Global Compact principles/ other UN goals

59%

Employee orientation

51%

Staff training or workshops

49%

Management meetings with employees (e.g., "Town Halls")

46%

Sustainability integrated into relevant corporate functions

46%

Participate in conferences/ other public policy interactions

44%

Regional or local public policy activities

41%

Subsidiary training & awareness-raising

37%

Train managers to integrate issues into strategy & operations

35%

Align government affairs activities (i.e. lobbying)

29%

Corporate responsibility training provided for Board members

14%

Link sustainability performance to employee compensation

11%

Executive remuneration packages linked to sustainability performance

8%

### MEASURE

Monitor & evaluate sustainability performance

58%

Monitor subsidiary actions through reporting to headquarters

44%

Sustainability criteria in employee performance assessments

21%

### COMMUNICATE

Board approves reporting on corporate responsibility

58%

Public disclosure of sustainability policies & practices

58%

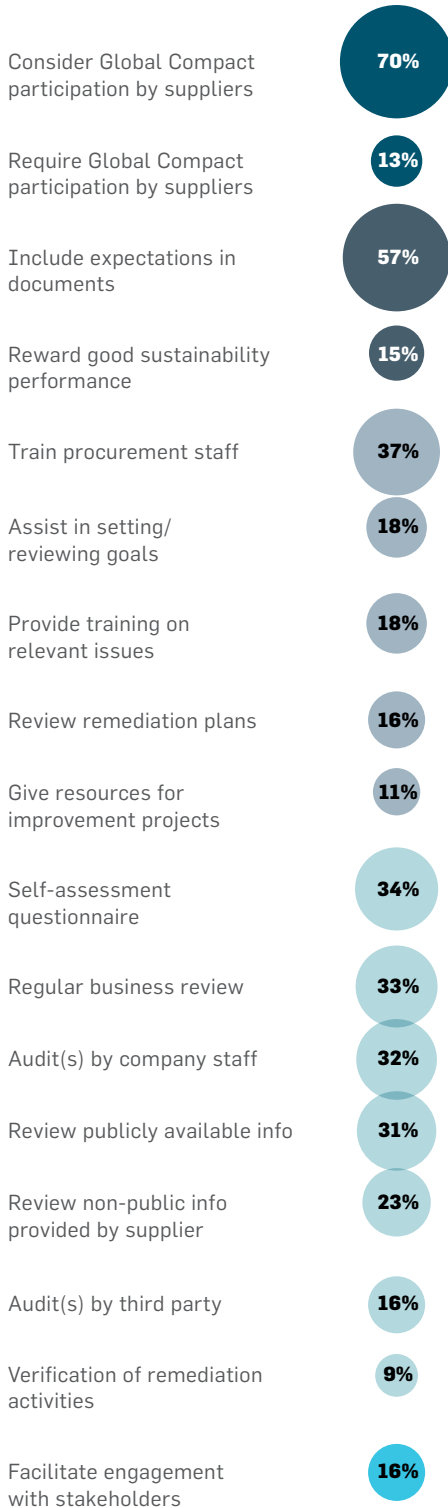
Engage in multi-stakeholder consultations

33%

Encourage multi-stakeholder dialogue among subsidiaries

19%

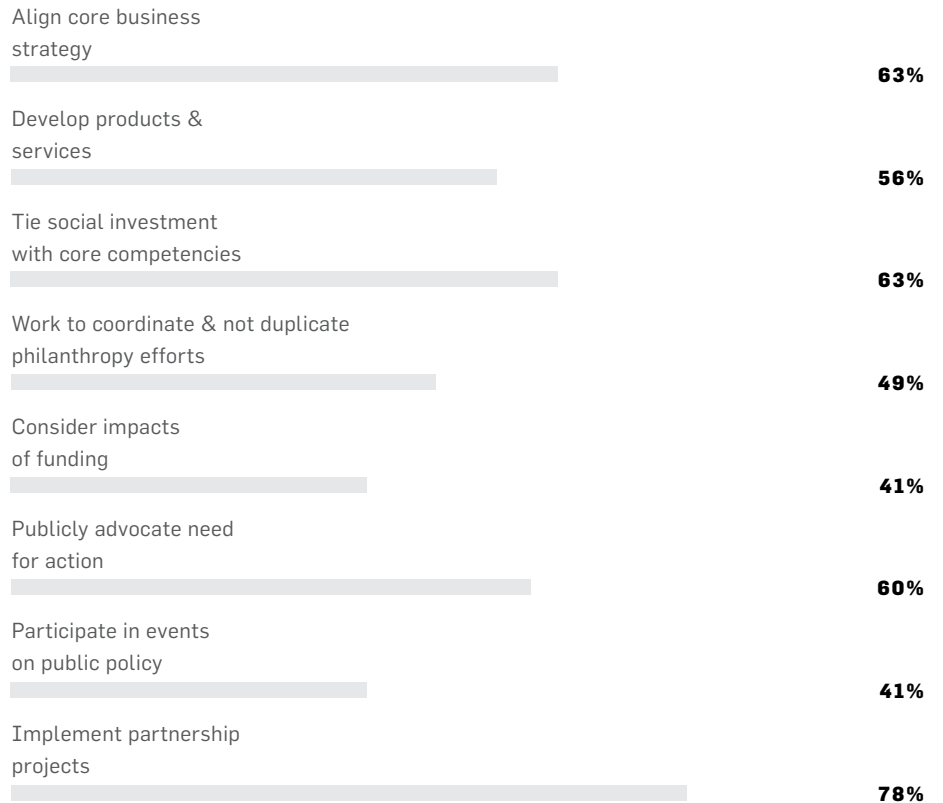
## SUPPLY CHAIN



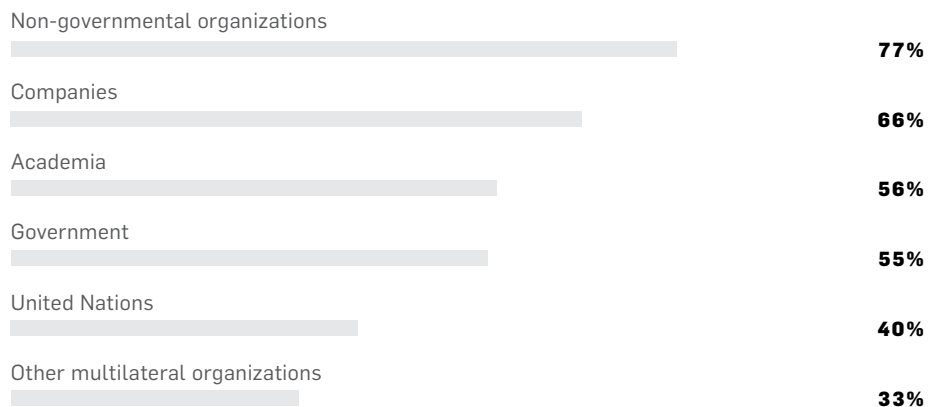
## CONTRIBUTION TO GLOBAL PRIORITIES

70% of Global Compact companies are taking action to advance broader United Nations goals and issues — utilizing core business, social investment, advocacy and partnership strategies. Percentages below are based on the 1,194 companies that indicate taking action.

### ACTIONS TAKEN TO SUPPORT UN GOALS/ISSUES



### TYPE OF PARTNER\*



### LEVEL OF PARTNERSHIP\*



\*of those companies implementing partnership projects



# Companies Are Moving from Good Intentions to Significant Action

Global Compact signatories are making commitments, defining goals and setting policies. The next step is to take actions to ingrain sustainability into how companies both think and act.

Survey findings point to a clear gap between “say” and “do”. The survey has consistently shown that companies

**Commit: 65%**

of companies develop and/or evaluate sustainability policies and strategies at the CEO level

**Implement: 35%**

of companies train managers to integrate sustainability issues into strategy and operations

sustainability agenda and beginning the process of embedding principles into strategy and operations.

Equally important is ensuring that actions are

**Commit: 90%**

of company boards discuss and act on sustainability issues either as part of their regular agenda or as-needed

**Implement: 8%**

of company boards link executive remuneration packages to sustainability performance

are concentrating their efforts on the early – *commit* and *define* – steps of the Management Model where sustainability beliefs and aims are put into words and guiding documents. These are fundamental and natural first steps in signaling the importance of a

taken to bring vision and policies to life, adjust the company’s approach based on outcomes and lessons learned, and effectively disclose progress. Now, more companies need to move forward and make significantly greater efforts to *implement*, *measure* and *communicate*.

## WORDS ARE AHEAD OF ACTIONS

CEOs and board members are making meaningful commitments to sustainability progress at high percentages. From there, there’s a drop-off – sometimes fairly steep – in the number of companies that are following through with actions to implement, measure and communicate sustainability.

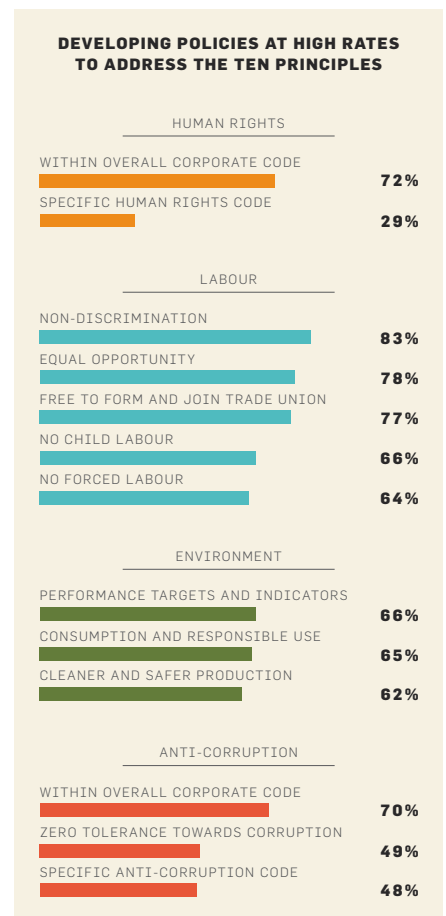
Companies are creating policies that *define* sustainability goals and requirements at fairly high rates. An important step, as policies serve as a formal

statement of intent and establish the foundation for future sustainability actions. Agreeing on the right policies requires companies to consider their sustainability priorities and, in newer territories such as human rights and anti-corruption, ask questions that they might not have considered.

The payoff in formulating strong corporate responsibility policies is enterprise-wide understanding of – and support for – goals and strategies, ongoing compliance with local and international standards and regulations, and a map that everyone can use to move beyond compliance to create a company that is proactively improving sustainability performance and leadership.

Even in the supply chain, where companies are doing less overall than in any other area, 57% of survey respondents now include sustainability expectations in supplier documents. However, only 18% of companies take the next step to assist suppliers with setting and reviewing their sustainability goals.

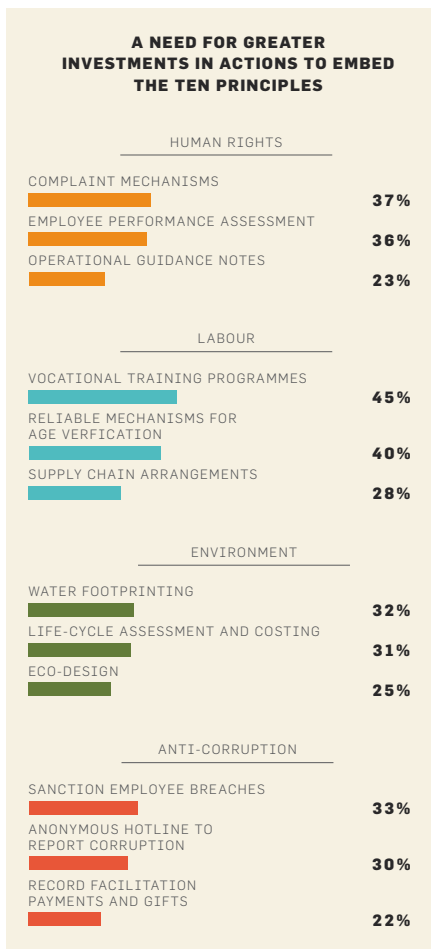
This gap between policies and performance exists in almost every area. While seven out of 10 companies have an anti-corruption policy in place, only three in 10 have anonymous hotlines to report instances of corruption. While 72% of companies have



incorporated human rights into their corporate codes, complaint mechanisms are put in place at only half the rate (37%).

Sustainability is clearly on the radar. Leadership sees it as a key factor for business success and has begun to define what it looks like through policies and performance targets. The goal now is to move from seeing and saying... to doing.

## WALKING THE WALK REQUIRES TIME, MONEY AND PEOPLE



The gap between “say” and “do” points to issues of time and resources.

The *commit* and *define* steps require an investment from top-level company leaders. However, the next set of *implement*, *measure* and *communicate* actions — such as developing training and incentives, building sustainability-related systems and measurement tools, making public disclosures about sustainability policies and practices — require greater commitments of time and company resources including staffing and funding.

For example, only 35% of survey respondents “train managers to integrate issues into strategy and operations” and just 21% “incorporate sustainability criteria into employee performance assessments”.

*Communications* also poses a challenge, with most Global Compact signatories not yet sharing their progress comprehensively. While the majority of companies (58%) indicate that they disclose their sustainability policies and practices publicly, a minority are including comprehensive details on key areas. Less than one third communicate on their human rights and anti-corruption work, with labour and environmental disclosure slightly more common — at 40% and 49% respectively.

One clear example is in the area of environment: 66% of companies have installed environmental

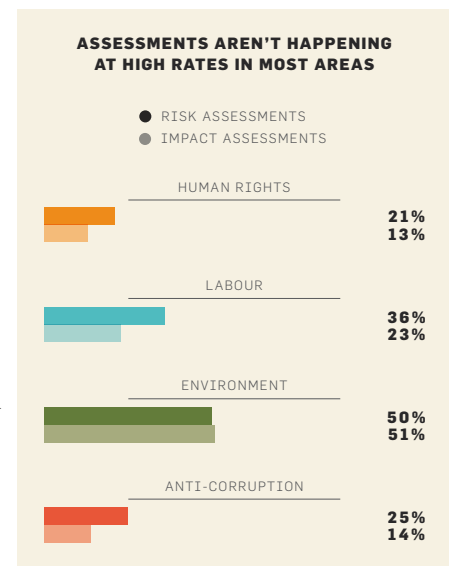
management systems (*implement*) and 54% monitor their environmental performance (*measure*), but only 38% report their emissions data (*communicate*).

While companies can see direct bottom-line benefits in installing a management system and measuring results — such as more efficient operations and fewer regulatory fines — leadership may not place equal value on communication of those practices. Growing evidence suggests that this will not remain the case. Between the rising interest of mainstream investors in evaluating a company’s environmental, social and governance performance and the increasing number of consumers who want to buy from sustainable businesses, there is a growing and material incentive for companies to proactively communicate on their efforts.

## COMPANIES ARE SKIPPING THE ASSESS STEP AND MISSING THE RETURN-ON-INVESTMENT DATA NEEDED TO MOVE FORWARD

If companies are hanging back, waiting to be sure that sustainability projects and actions will contribute to their short- and long-term growth, the *assess* step of the Management Model can help make the case.

Through assessments, companies perform up-front work to determine the risks, opportunities and impacts of their operations and actions. This is the return-on-investment stage of the process, but survey results indicate that many companies are skipping this step. When looking at company performance across the steps of the Management Model, *assess* is the area with the least amount of action.



With regard to the environment, there is a more positive picture. More than half of all companies are performing environmental risk and impact assessments, and an increasing number are conducting technology and life-cycle assessments.

The concept of assessing possible risks, opportunities and impacts across the Global Compact issue areas is new ground for many companies, especially in the human rights and anti-corruption realms. It will take time for businesses to understand the need and required mechanics for making assessments.

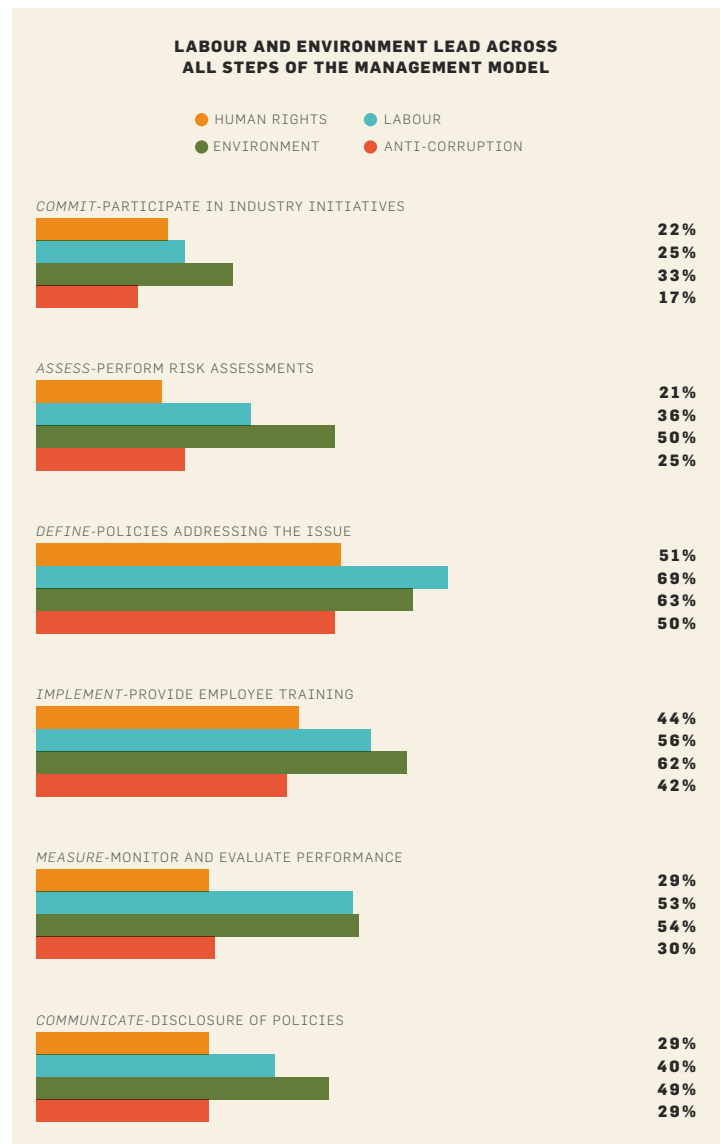
Still, this is a vital step. The results of these assessments can help companies see the benefits of investing to align their operations with sustainability principles and make it easier to move forward with proactive actions.

## LABOUR AND ENVIRONMENT EFFORTS LEAD THE WAY

When it comes to labour rights and environment, Global Compact signatories are further along and doing more across all steps of the Management Model compared to human rights and anti-corruption.

In many ways, this is a function of the rising prominence of these issues over time and the formation of dedicated teams taking action. For decades, companies have been dealing with governmental regulations around workers' rights and environmental impacts. These external forces have led to an increased focus on building internal systems and staffing to improve working conditions and environmental performance. These areas, therefore, are acted on at higher rates than those that haven't had the same head start.

As human rights and anti-corruption issues are increasingly viewed as material to a company's success, the gap should close in the years ahead. In fact, though there remains much ground to be covered, the survey has shown steady improvements in both of these areas in recent years. To stay competitive and in compliance, an increasing number of companies will need to put greater emphasis on all aspects of sustainability.



### HELPING COMPANIES TAKE ACTION

The Global Compact employs a range of approaches for engaging companies and spurring action – taking into consideration that participants span all stages from beginners to advanced performers. See more Resources on page 22.

#### GUIDANCE

Across the Ten Principles, resources have been developed to provide practical guidance and established best practices, including:

- A Human Rights Management Framework
- How to Develop a Human Rights Policy
- Human Rights and Business Dilemmas Forum
- Labour Principles of the UN Global Compact – A Guide for Business
- Environmental Stewardship Strategy
- Guide to Responsible Business Engagement with Water Policy
- A Framework for Corporate Action on Biodiversity and Ecosystem Services
- The Fight Against Corruption – E-Learning Tool
- Reporting Guidance on the 10th Principle against Corruption
- RESIST – Resisting Extortion and Solicitation in International Transactions

#### CARING FOR CLIMATE

The world's largest voluntary business and climate initiative provides a framework for companies to set goals, develop and expand strategies and practices, and publicly disclose emissions. (UNGC/UNEP/UNFCCC)

#### CEO WATER MANDATE

A framework for the development, implementation and disclosure of water sustainability policies and practices. (UNGC)

#### WOMEN'S EMPOWERMENT PRINCIPLES

Supported by 600 CEOs, these principles help the private sector advance gender equality in the workplace, marketplace and community. (UNGC/UN Women)

#### CHILDREN'S RIGHTS AND BUSINESS PRINCIPLES

A call on business to respect and support children's rights throughout their activities and business relationships in the workplace, marketplace, community and environment. (UNGC/UNICEF/Save the Children)

#### LOCAL NETWORKS

Located in over 100 countries around the world, the networks help to root the initiative in different national, cultural and economic contexts. Local Networks facilitate the progress of companies in implementing the Global Compact principles, while creating opportunities for multi-stakeholder engagement and collective action.

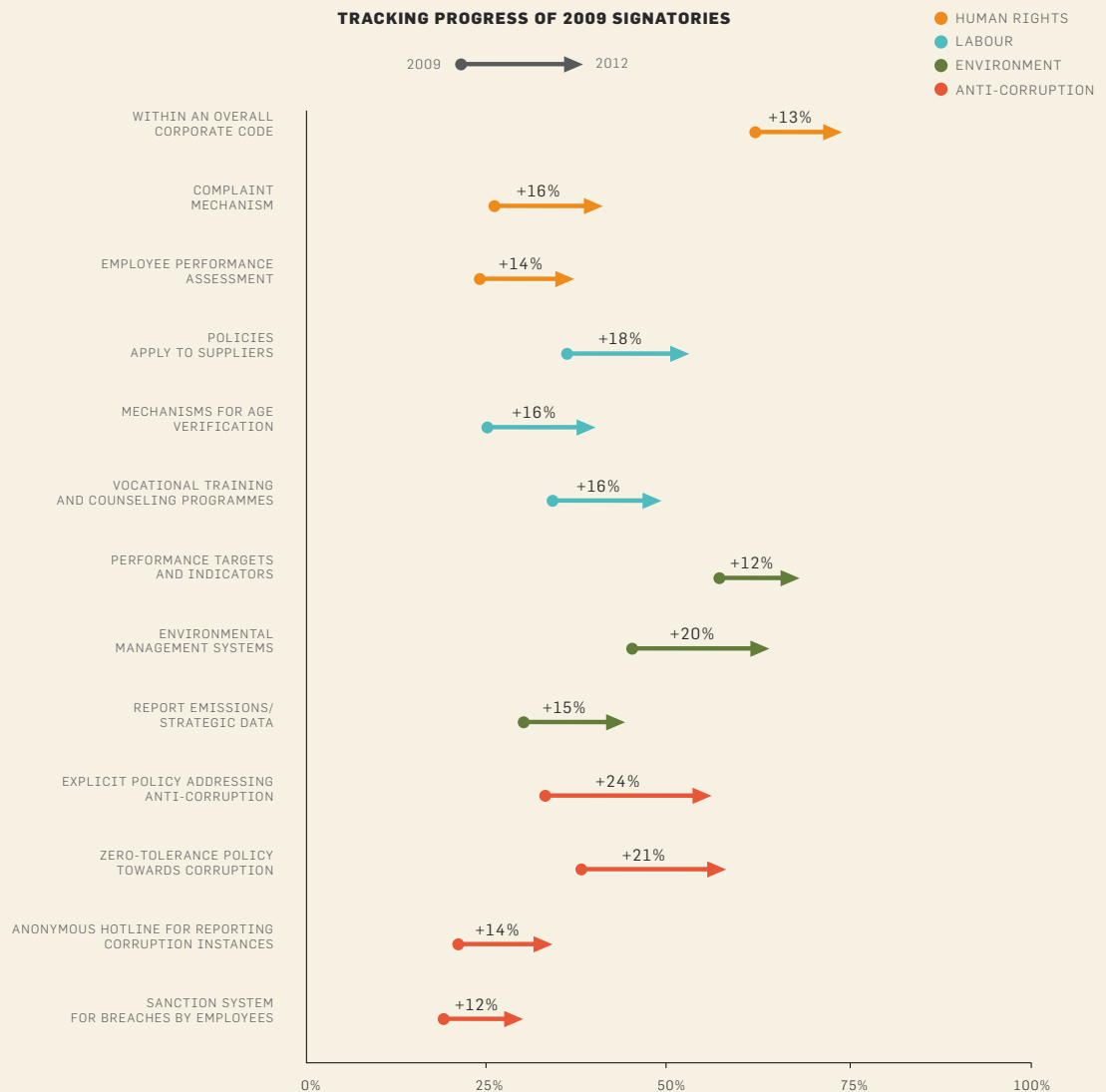


# MOVING FROM “SAY” TO “DO” BECOMES EASIER WITH TIME

## THE LONGER COMPANIES ARE COMMITTED TO THE GLOBAL COMPACT, THE MORE ACTION THEY TAKE

Survey findings show that the longer companies are committed to the Global Compact, and therefore sensitized to the range of sustainability issues, the more they take action. The newest participants – those that have joined the Global Compact in the calendar year of the survey – perform at lower rates than the overall group of survey participants and far lower than companies that have been in the Global Compact the longest.

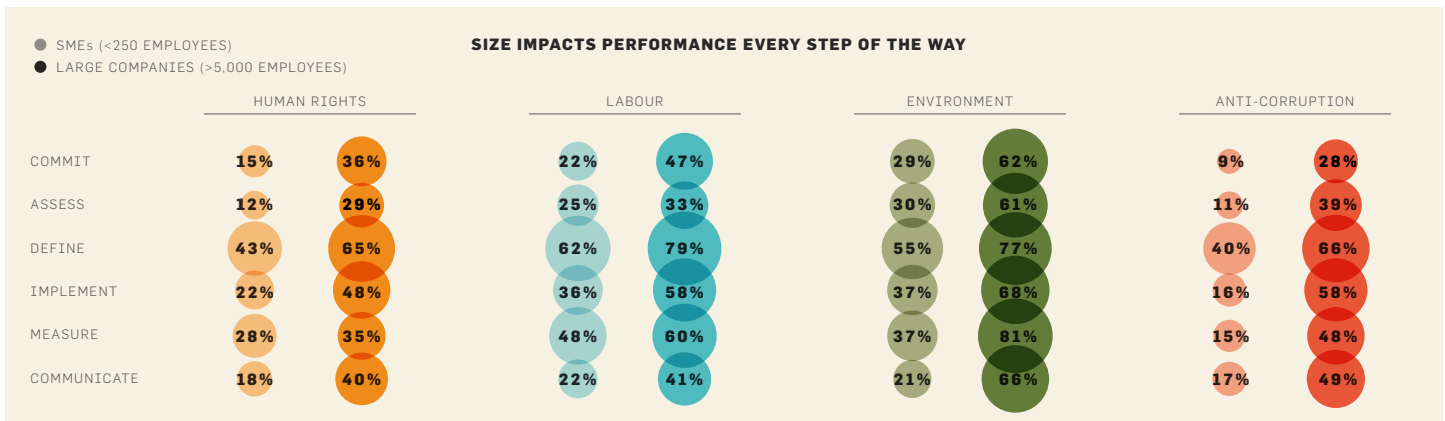
Consider the “class of 2009” as an example. Over four years, these companies have made significant progress in defining policies and implementing actions across the Global Compact principles and management steps since their first year of participation. The more companies know, the more they do.





# Large Companies Still Lead the Way

Of all the factors that impact sustainability performance, company size has the most significant influence, with smaller companies more challenged to move from commitment to action.



Of the nearly 8,000 companies that participate in the Global Compact, the majority (56%) are small- and medium-sized enterprises (SMEs) with less than 250 employees. This is a shift from years past. When the Global Compact was launched in 2000, large companies with more than 5,000 employees made up the bulk of the participant base. As corporate sustainability has become a more mainstream business concept – and not just an ethical consideration – an increasing number of SMEs have gotten on board.

As the primary provider of private sector jobs and engine of the global economy, SME participation in the Global Compact should reflect their large and important place in the business world. But while there are more and more SME signatories joining the Global Compact, they lag behind large companies – defined as those with more than 5,000 employees – in taking actions to pursue and promote sustainability.

The Global Compact’s Ten Principles are “size blind” and relevant to companies whether they have 10 employees or 50,000. Still, of all the factors that impact sustainability performance levels, company size has the most significant influence.

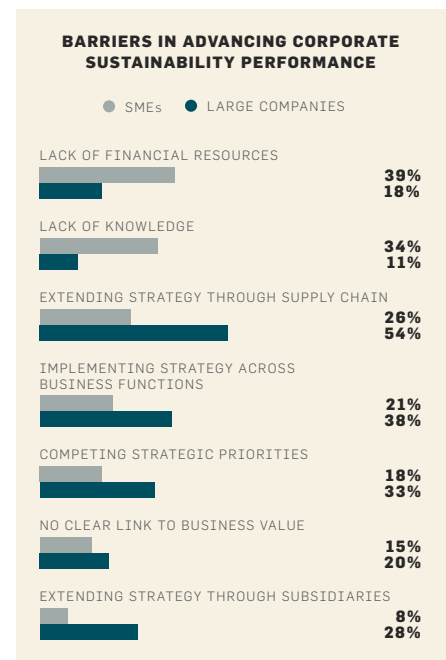
The gap in performance between small and large companies is enormous on nearly all fronts. For example, 58% of large companies have a human rights complaint mechanism in place, compared to 23% of SMEs. 54% of large companies disclose labour policies and practices, versus 28% of SMEs. Large companies

are more than twice as likely to monitor and evaluate environmental performance. And while 48% of large companies are engaged in corruption risk assessments, only 15% of SMEs are doing the same.

## SMALLER COMPANIES FACE FUNDAMENTAL BARRIERS TO SUSTAINABILITY PROGRESS

Large and small companies alike encounter barriers in advancing corporate sustainability performance. But they aren’t the same barriers.

Large companies increasingly view sustainability as a strategic issue and are using the Global Compact principles to help prioritize their responsibility efforts. They are making financial and people resource investments in sustainability. The roadblocks they face are about taking sustainability to the next step—extending it into the supply chain, across business functions and through subsidiaries.



SMEs, on the other hand, face more fundamental barriers – a lack of financial resources and knowledge. These are the starting points for sustainability actions. Compared to large companies, SMEs are more challenged to take action once they make the commitment to sustainability because they don't have the basic building blocks to create a sustainable foundation for their business.

### SMALLER COMPANIES ARE CATCHING UP

For small, medium and large companies alike there is still a gap between becoming a Global Compact signatory and fully enacting the steps of the Management Model, which was created to guide companies through the process of organizational change to embed corporate sustainability. It's clear that companies of all sizes can do more – and in many cases that is exactly what is happening.

In recent years, the survey has uncovered an encouraging development: Small- and medium-sized enterprises are breaking through the barriers and making progress to introduce more responsible practices into their operations.

From 2009 to 2012, SMEs took actions in a number of areas to close the gap with their "big business" peers. For example, SMEs showed strong increases regarding human rights codes, mechanisms to verify employee age, setting environmental targets and indicators, and enacting zero-tolerance policies towards corruption.

While small companies are making progress in some areas, large companies continue to set the bar higher – by improving their overall performance. For example, since 2009, more large companies have policies in place for human rights, environment and anti-corruption. Increasingly, they are aligning their government affairs activities with their corporate sustainability goals, creating special units within their companies to address corruption, and measuring their progress in the areas of human rights and environment.

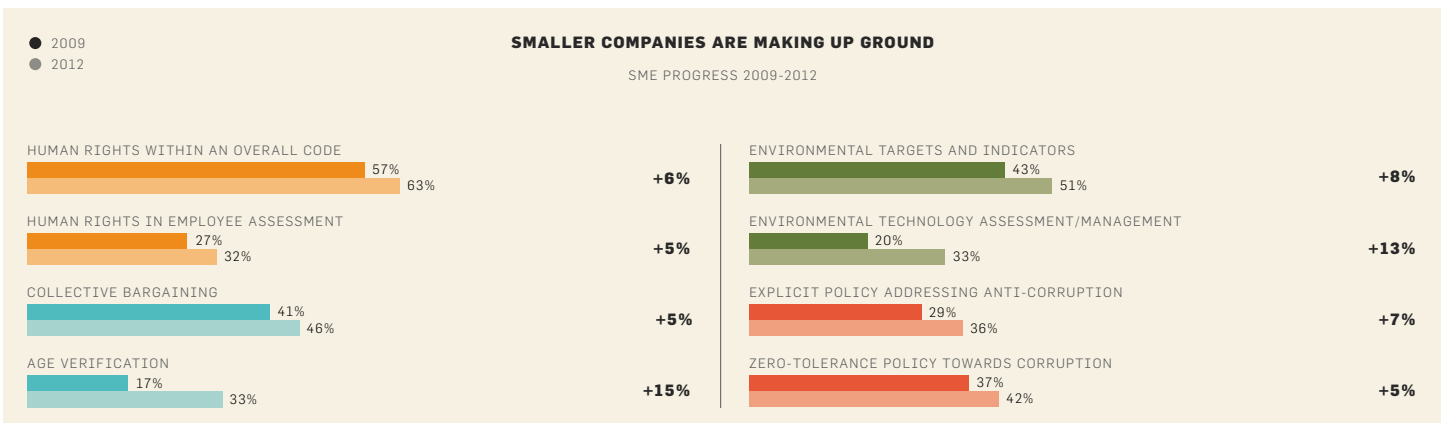
### COMPANIES OF ALL SIZES SHARE PRIORITIES... AND STRUGGLES

There may be a gap between overall levels of sustainability performance, but large companies and SMEs are in synch when it comes to some areas of focus.

CEO-level engagement in corporate responsibility is a reality for most SMEs (60%) and large companies (74%) alike. For companies of all sizes, actions around environment and labour rights are being enacted at higher levels than human rights and anti-corruption – a consistent finding since the survey launched. The majority of all companies have environmental management systems in place, employ 3R (reduce, reuse, recycle) policies, and conduct training and awareness programmes. In the area of labour rights, the vast majority of companies have non-discrimination and equal opportunity policies and recognize that workers are free to form or join trade unions.

However, the survey also shows that both large and small companies are not making forward progress on all fronts. For example, all companies are especially challenged when it comes to conducting impact assessments in the areas of human rights and labour. Only the largest of companies – with over 50,000 employees – are engaging sufficiently in stakeholder dialogue on any of the issues. And in terms of supplier-related sustainability actions, companies of all sizes are challenged in key areas such as incentivizing suppliers and reviewing or verifying remediation plans.

Maintaining forward momentum for the Ten Principles and helping small, medium and large businesses stay on track is a priority. For small companies in particular, the Global Compact Local Networks provide critical support in both implementing and reporting on the principles. As well, the Global Compact has developed a library of tools and resources to help companies, especially in the acceleration of human rights and anti-corruption awareness and action. See Resources on page 22.





# Supply Chains Are a Roadblock to Improved Performance

Supply chains are an extension of a company's reputation, but not its corporate sustainability strategy.

While a majority of companies have established sustainability expectations for their suppliers, they are not tracking compliance or helping suppliers reach the desired goals.



The sustainability performance of suppliers and vendor partners—whether they are providing raw materials, transporting finished products or conducting third-party risk analyses of company processes—all contribute to a company's true sustainability status.

At this point in time, while few Global Compact signatories are fully encompassing their supply chain partners in their pursuit of sustainability and adherence to the Ten Principles, the large majority are taking the broader view and doing something to include suppliers in their efforts.

Still, despite these roadblocks, companies are forging ahead to push sustainability into the supply chain. Since 2008, the percentage of companies that require supplier adherence to Global Compact principles has nearly doubled to 13%, while the number that do not take the principles into consideration has dropped from 32% to 17%.

## COMPANIES SETTING EXPECTATIONS, BUT NOT HOLDING SUPPLIERS ACCOUNTABLE

There are signs that a change is under way, and companies are starting to widen the sustainability lens to include supply chain partners. As is the case internally, where 59% of companies are setting measurable sustainability goals, the same goes for external suppliers.

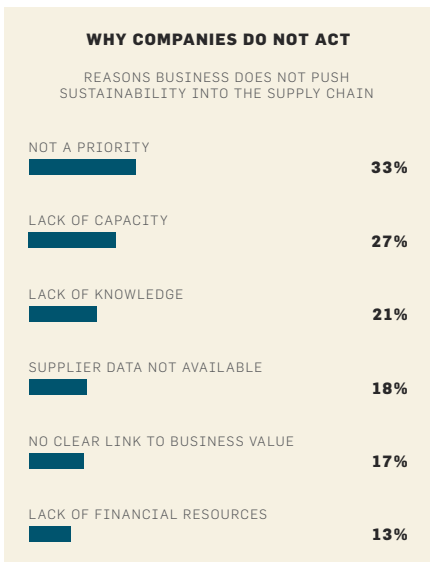
However, that action—which falls under the *define* stage of the Management Model—has been at the same level for the past several years. When it

**57%** of companies communicate sustainability expectations to their supply chain

comes to *implement* and *measure* actions that hold suppliers to expectations, the rate of execution dips significantly.

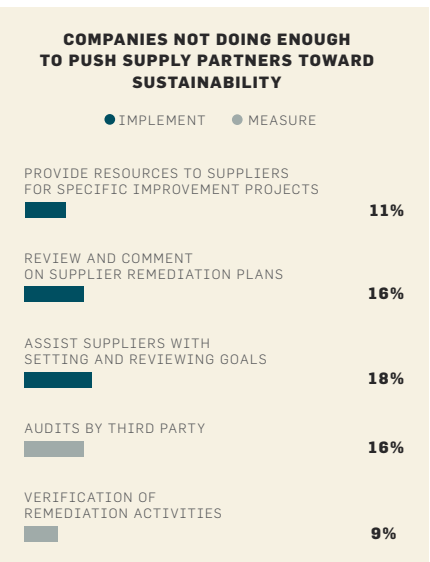
Even those actions that scored relatively higher (in the 30% range), such as training procurement staff on corporate responsibility and self-assessments for suppliers, have remained in neutral for years.

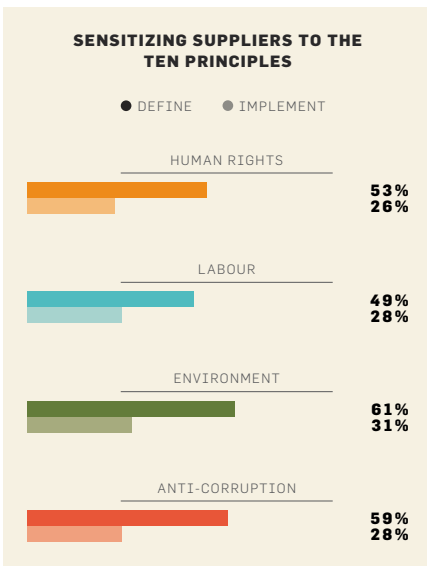
In fact, while companies are making progress in terms of thinking about supplier sustainability and setting expectations, the supporting actions that will drive adherence have shown little or no increase over the past few years.



supply chain” at the top of the list (54%). For SMEs it ranked third, at 26%, behind lack of financial resources and lack of sustainability knowledge.

Making sustainability a requirement in the supply chain is not an easy or straight-forward process given the work often needed to sensitize, remediate and then accelerate practices by suppliers—especially for large companies that deal with thousands of vendors. In fact, when asked to rank the factors slowing or blocking advancement to the next level of sustainability performance, large companies put “extending corporate sustainability strategies through the





This includes the development of supplier policies that specify expectations in the areas of human rights, labour, environment and anti-corruption.

The low rate of implementation indicates that sustainability actions pertaining to the supply chain are challenging and lower on the priority list for most companies. However, there is reason to believe this will change in the years ahead. As Global Compact signatories

address more in-house sustainability improvements – and realize benefits from these actions – businesses will turn their attention and solutions to the supply chain where more opportunities and rewards await.

### LARGE COMPANIES MORE LIKELY TO INFLUENCE THE ACTIONS OF SUPPLIERS

By inserting sustainability into supply chain expectations, large companies can help drive suppliers to adopt responsible policies and practices.

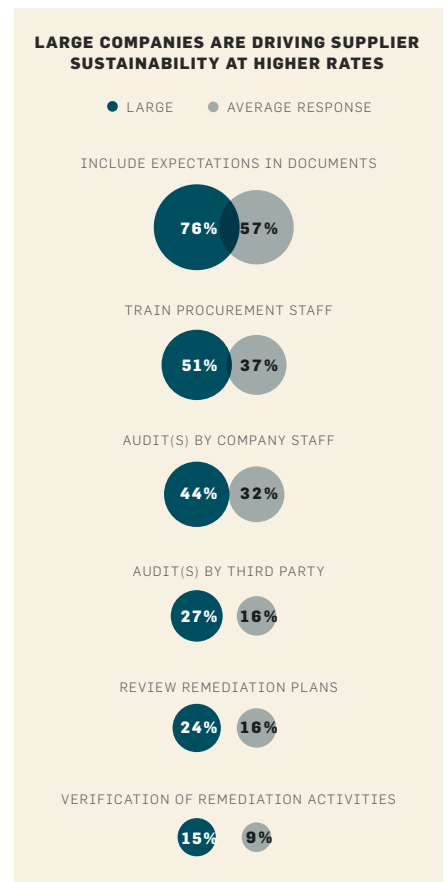
While there is room for improvement for companies of all sizes, large companies are leading the move in the right direction. At higher rates than the overall Global Compact signatory population, large companies do in fact demand more from their suppliers.

With companies outsourcing more and more of their activities, there is a rapidly growing realization that the supply chain poses social, environmental and governance risks and challenges.

Companies can protect against potential supply chain interruptions or delays by ensuring suppliers have effective compliance programmes and robust management systems covering human rights, labour,

environment and anti-corruption. Increasingly, customer and investor expectations are driving companies toward more responsible supply chain management. This, in turn, can help companies address reputational risks.

Around the globe, there is a need to drastically shift supplier practices. With higher levels of engagement in supply chain sustainability, companies can create a “ripple effect” and showcase the positive change that can be brought about through purchasing power both for business value and societal well-being.



#### HELPING COMPANIES TAKE ACTION

The Global Compact helps companies of all sizes engage with their suppliers to develop more sustainable practices:

#### SUSTAINABLE SUPPLY CHAINS – RESOURCES AND PRACTICES WEBSITE

Provides information on initiatives, standards, resources and case examples by issue, region and sector. (UNGC/CSR Europe)

#### QUICK SELF-ASSESSMENT & LEARNING TOOL

Helps companies take stock of supply chain sustainability, identify areas for improvement and connect to resources for specific improvements. (UNGC/BSR/Maplecroft)

#### SUPPLY CHAIN SUSTAINABILITY – PRACTICAL GUIDE FOR CONTINUOUS IMPROVEMENT

Illustrates how to implement the Global Compact principles throughout the supply chain and integrate sustainability into procurement. Special version available for SMEs. (UNGC/BSR)

#### STAND TOGETHER AGAINST CORRUPTION – PREVENTING CORRUPTION IN THE SUPPLY CHAIN

Provides concise, practical and operational guidance to smaller and less-experienced companies on establishing anti-corruption procedures and policies in their organization and supply chain. (UNGC)



# Companies See the Big Sustainability Picture

Companies are looking beyond their own walls and addressing society’s most urgent sustainability issues because everyone benefits from a better world.

In 2000, the United Nations Millennium Declaration laid the ground for an unparalleled global effort to advance the principles of human dignity, equality and equity everywhere—and turned to the private sector seriously for the first time as a strategic partner. Since then, companies have increasingly proven that they can—and will continue to—play a lead role in advancing global development priorities such as poverty, health, equality, education, environmental sustainability, food and peace.

**70%** of Global Compact companies are taking actions to advance United Nations goals and issues, utilizing core business, social investment, advocacy and partnership strategies

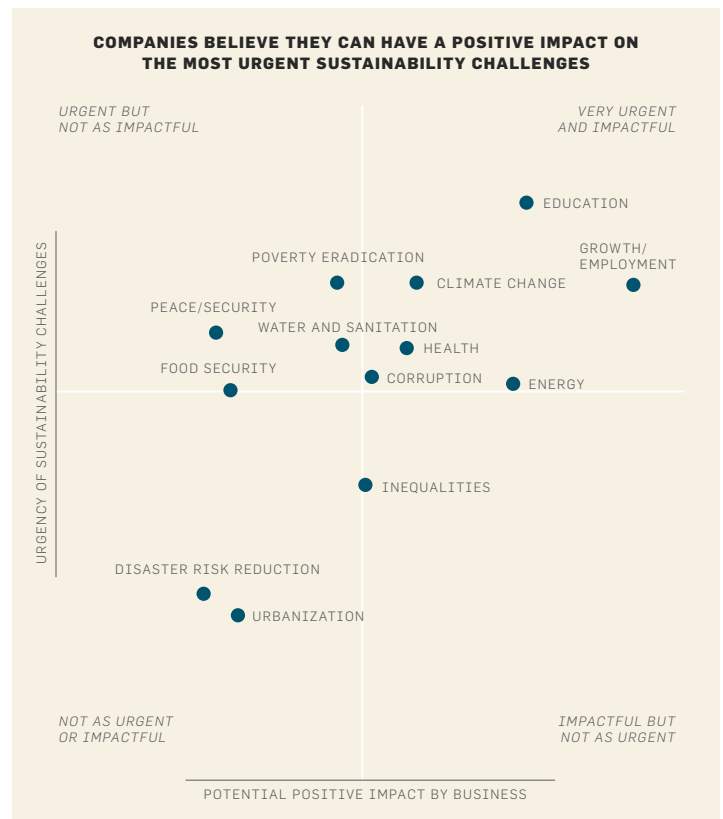
Businesses have a built-in motivation to address these issues. They do better when the world does better. As the saying goes, a rising tide lifts all boats, and companies prosper when the world in which they

work isn’t weighted down by disease, strife, economic breakdown, illiteracy, human rights abuses and poverty.

## COMPANIES ARE WORKING TO ACHIEVE GLOBAL PRIORITIES

Companies have long recognized the connection between societal health and their success. In recent decades, for example, business has had a hand in reducing the hold of extreme poverty on the world’s population, abating diseases like HIV/AIDS and malaria, and advancing solar, wind and other modern energy sources. Looking ahead, companies believe they can continue to make important contributions.

Survey feedback shows that companies feel they are in a position to help address urgent sustainability challenges. When asked to rank the top global sustainability challenges, respondents cited education (63%), poverty eradication (52%), climate change (52%) and growth and employment (49%) at the fore. When then asked where companies can have the most positive impact, there was an encouraging correlation: Three of the top four challenges were the same—growth and employment (83%), education (59%) and climate change (51%).



## MAKING PROGRESS WITH A MULTI-PRONGED APPROACH

To address global sustainable development challenges, companies are taking a multi-pronged approach. Of the 70% of companies that indicate taking action in the survey, the majority are aligning core business strategies, making social investments, taking advocacy positions and entering into partnerships—all with the aim of advancing United Nations goals and, ultimately, contributing to their own success.

### BUSINESS FOR PEACE

Global Compact companies that operate in high-risk or conflict-affected areas are taking steps to promote peace and security through their practices. More than 70% of these companies implement sustainability best practices that exceed the standards set by national laws. Nearly 60% are taking measures to prevent

corrupt relationships, and half are working to avoid complicity in human rights violations. A majority are engaging the local community through social investment projects. Through such conflict-sensitive practices, companies can help improve conditions.



In many instances—most notably by aligning core business strategies and publicly advocating for UN goals—small and large companies are reporting participation in these actions at similar rates, a notable finding given the typical disparity in performance based on company size.

The private sector is recognizing that working with and investing in pro-poor business models can bring about robust markets. As the core business strategy survey results indicate, companies around the world are introducing innovations to provide impoverished communities, for example, with access to health care, clean water, sanitation, communications technology, financial services and more.

Of those taking action, partnerships are the most common activity with 78% of companies reporting collaboration. The vast majority of partnerships are local in nature (89%) rather than at the global level (47%). These partnerships are being formed most often with non-governmental organizations (77%), other companies (66%), academia (56%) and Governments (55%). At lower rates, companies are joining forces with the United Nations (40%) and other multilateral organizations (33%). However, partnerships with the UN are on the rise, with a 14% increase seen since 2010.

## MOMENTUM IS BUILDING

The survey results show that companies are looking outside their own walls for ways to align actions with global development priorities. Further evidence was on display at the Corporate Sustainability Forum organized by the Global Compact and partners, held as part of the 2012 UN Conference on Sustainability Development (Rio +20). At this forum, more than

3,000 participants from all regions of the world joined together to put forward the most promising pathways for transforming markets in ways that will contribute to a more sustainable world.

This level of interest and involvement bodes well for the growing role of business in advancing global priorities. As the 2015 deadline for the Millennium Development Goals approaches, Governments and the United Nations are working to set priorities for the post-2015 period. This next era presents a historic opportunity for the international business community to make even greater contributions to worldwide sustainability, and to shift to a new paradigm in development thinking by fully recognizing the central role of business.

## HELPING COMPANIES TAKE ACTION

To advance corporate actions on UN goals and issues, the Global Compact offers a range of platforms and resources for individual and collective action:

### ISSUE PLATFORMS

In addition to platforms on climate, water, women's empowerment and children's rights (see page 14):

- *Business for Peace*: A platform for deepening private sector action in support of peace to build strong economies, establish more stable and just societies, foster tolerance, and create trust and understanding.
- *Sustainable Agriculture and Business Principles*: Guidance to business in agriculture value chains in delivering practical, effective and scalable solutions to meet the challenges of sustainable agriculture and food security (under development).
- *Education*: Engagement by business to create education and learning opportunities for all children, youth, and adults (under development).

### BUSINESS PARTNERSHIP HUB

An online, interactive platform to match business with potential partners to facilitate collective action on global issues. Currently advances partnerships on climate and energy, water, anti-corruption and social enterprise, and links business with partners in the UN.

### GUIDANCE

A number of publications have been developed to guide business efforts on UN goals, including:

- A Global Compact for Development
- UN-Business Partnerships: A Handbook
- A Framework for Action: Social Enterprise & Impact Investing
- New Paths to Performance: Strategic Social Investment and Philanthropy





# Resources

*The Global Compact and partners have spent over a decade developing a wide library of tools and resources to support company efforts to implement the Ten Principles of the Global Compact and take action in support of UN goals and issues.*

*For further information and to access all resources: [www.unglobalcompact.org/tools\\_resources](http://www.unglobalcompact.org/tools_resources)*

## ● GENERAL/MANAGEMENT

- UN Global Compact Management Model
- Blueprint for Corporate Sustainability Leadership
- Architects of a Better World – Building a Business Engagement Architecture for the Post-2015 Agenda
- After the Signature – A Guide to Engagement in the Global Compact
- The Global Compact Self Assessment Tool
- Basic Guide to the Communication on Progress
- A New Agenda for the Board of Directors
- Enhancing Company-Investor Communication
- Integrating ESG Issues into Executive Pay
- Annual Local Network Report 2012
- Africa Sustainability Barometer
- An Introduction to Linkages between UN Global Compact Principles and ISO 26000 Core Subjects

## ● HUMAN RIGHTS

- Guiding Principles for Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework
- Some Key Business and Human Rights Guidance Materials and How To Use Them
- Business and Human Rights Learning Tool
- A Human Rights Management Framework
- Human Rights and Business Dilemmas Forum
- How to Develop a Human Rights Policy
- Guide to Human Rights Impact Assessment and Management
- Human Rights COP Reporting Guidance
- Women’s Empowerment Principles
- Women’s Empowerment Principles: Reporting on Progress
- Children’s Rights and Business Principles

## ● LABOUR

- Labour Principles of the UN Global Compact – A Guide for Business
- ILO Helpdesk
- Eliminating Child Labour – Guides for Employers
- Child Labour Monitoring Resource Kit
- E-Learning Tool on Human Trafficking
- Human Trafficking and Business – Good Practices to Prevent and Combat Human Trafficking
- Combating Forced Labour – A handbook for employers and business
- Disability in the Workplace – Company Practices

## ● ENVIRONMENT

- Environmental Stewardship Strategy – Overview and Resource for Corporate Leaders
- Caring for Climate
- Climate and Energy Action Hub
- Business and Climate Change Adaptation – Toward Resilient Companies and Communities
- Adapting for a Green Economy – Companies, Communities and Climate Change
- CEO Water Mandate
- Water Action Hub
- Guide to Responsible Business Engagement with Water Policy
- The Human Right to Water – Emerging Corporate Practice and Stakeholder Expectations
- Corporate Water Accounting
- Guide to Water-Related Collective Action
- Sustainable Energy for All – The Business Opportunity
- A Framework for Corporate Action on Biodiversity and Ecosystem Services



## ● ANTI-CORRUPTION

- Global Compact for the 10th Principle – Corporate Sustainability with Integrity
- Reporting Guidance on the 10th Principle against Corruption
- The Fight Against Corruption – E-Learning Tool
- Anti-Corruption Tools Inventory
- Anti-Corruption Collective Action Hub
- Collective Action – Building a Coalition against Corruption
- RESIST – Resisting Extortion and Solicitation in International Transactions
- Business Fighting Corruption – Experiences from Africa

## ● UN GOALS & ISSUES

- A Global Compact for Development
- Business for Peace
- Guidance on Responsible Business in Conflict-Affected & High-Risk Areas – A Resource for Companies & Investors
- Water as a Casualty of Conflict – Threats to Business and Society in High Risk Areas
- Sustainable Agriculture and Business Principles
- Scaling Up Global Food Security and Sustainable Agriculture
- The Smartest Investment – A Framework for Business Engagement in Education
- Social Enterprise Action Hub
- A Framework for Action – Social Enterprise & Impact Investing
- New Paths to Performance – Strategic Social Investment and Philanthropy

## PARTNERSHIPS

- UN Global Compact Business Partnership Hub
- UN-Business Partnerships – A Handbook
- Partnership fundamentals – A 10-step guide for creating effective UN-Business partnerships

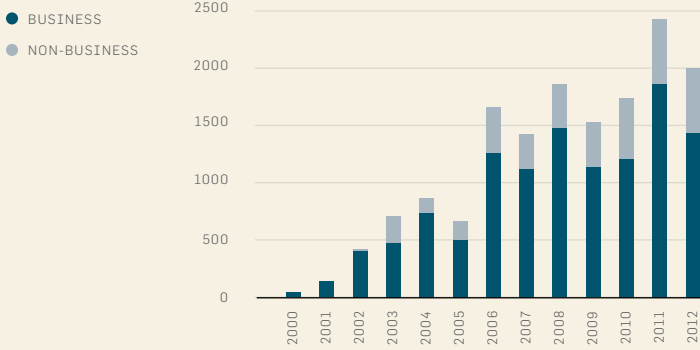
## ● SUPPLY CHAIN SUSTAINABILITY

- Sustainable Supply Chains – Resources and Practices Website
- Quick Self-Assessment & Learning Tool
- Supply Chain Sustainability – Practical Guide for Continuous Improvement
  - A Practical Guide for Continuous Improvement for Small and Medium Enterprises
- Fighting Corruption in the Supply Chain – A Guide for Customers and Suppliers
- Stand Together Against Corruption – A practical guide to prevent corruption in the supply chain

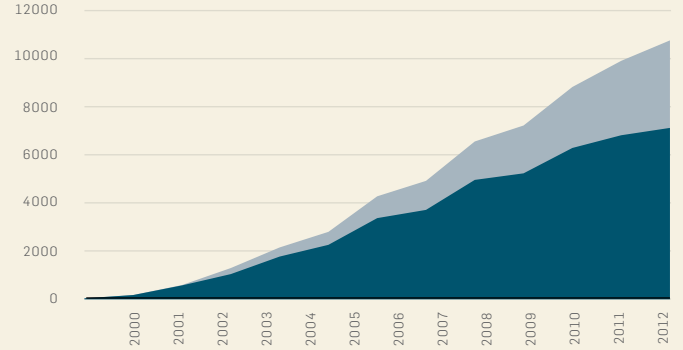


# GLOBAL COMPACT GROWTH & COMPOSITION

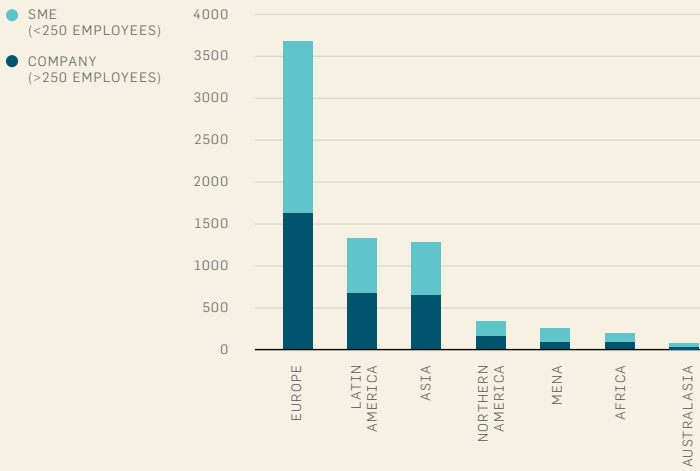
**NEW SIGNATORIES PER YEAR**



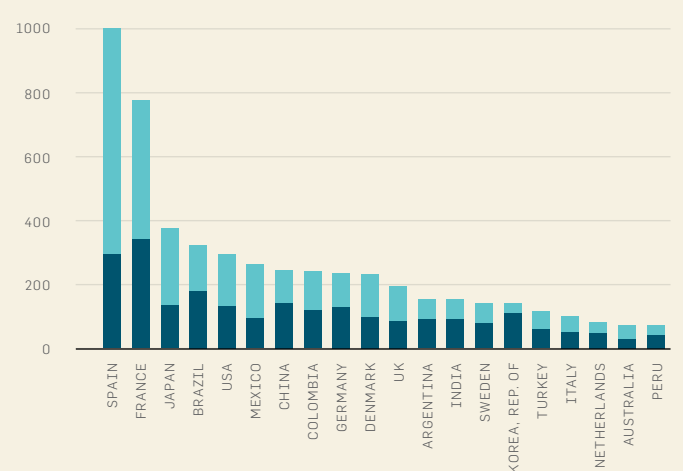
**TOTAL GLOBAL COMPACT SIGNATORIES**



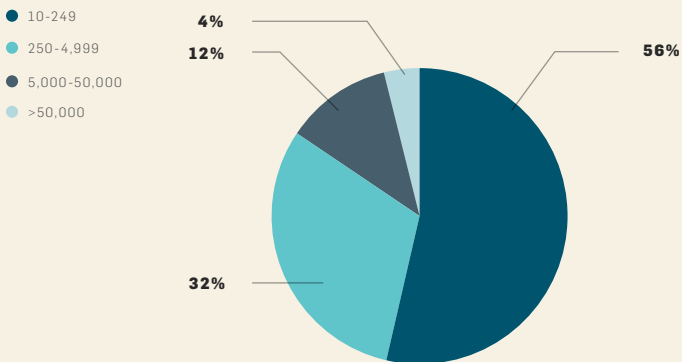
**BUSINESS PARTICIPANTS BY REGION & SIZE**



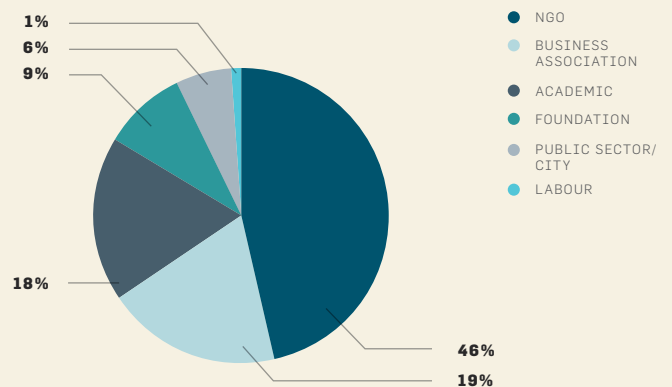
**BUSINESS PARTICIPANTS TOP 20 COUNTRIES**



**BUSINESS PARTICIPANTS BY EMPLOYEE #**



**NON-BUSINESS PARTICIPANTS BY TYPE**





# The Ten Principles of the United Nations Global Compact

## HUMAN RIGHTS

### PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

### PRINCIPLE 2

make sure that they are not complicit in human rights abuses.

## LABOUR

### PRINCIPLE 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

### PRINCIPLE 4

the elimination of all forms of forced and compulsory labour;

### PRINCIPLE 5

the effective abolition of child labour; and

### PRINCIPLE 6

the elimination of discrimination in respect of employment and occupation.

## ENVIRONMENT

### PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges;

### PRINCIPLE 8

undertake initiatives to promote greater environmental responsibility; and

### PRINCIPLE 9

encourage the development and diffusion of environmentally friendly technologies.

## ANTI-CORRUPTION

### PRINCIPLE 10

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

